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

Amendment No. 2
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Bioventus Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3841
(Primary Standard Industrial
Classification Code Number)

81-0980861
(I.R.S. Employer
Identification No.)

4721 Emperor Boulevard, Suite 100
Durham, North Carolina 27703
(919) 474-6700

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

Kenneth M. Reali
Chief Executive Officer
Bioventus Inc.

4721 Emperor Boulevard, Suite 100
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(919) 474-6700

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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

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, 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

[Table of Contents](#)

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

Subject to completion, dated February 10, 2021

Preliminary prospectus

7,350,000 Shares



Class A common stock

This is the initial public offering of shares of Class A common stock of Bioventus Inc. We are offering 7,350,000 shares of our Class A common stock.

Prior to this offering, there has been no public market for our Class A common stock. The estimated initial public offering price is between \$16.00 and \$18.00 per share. We expect to list our Class A common stock on The Nasdaq Global Market, or Nasdaq, under the symbol "BVS."

We will use the net proceeds that we receive from this offering to purchase from Bioventus LLC newly-issued common membership interests of Bioventus LLC, which we refer to as the LLC Interests. There is no public market for the LLC Interests. The purchase price for the newly-issued LLC Interests will be equal to the initial public offering price of our Class A common stock, less the underwriting discounts and commissions referred to below. We intend to cause Bioventus LLC to use the net proceeds it receives from us in connection with this offering as described in "Use of proceeds." Simultaneous with this offering, certain of the indirect owners of membership interests in Bioventus LLC, whom we refer to as Former LLC Owners, will exchange their indirect ownership interests for shares of Class A common stock and one other holder of membership interests in Bioventus LLC, whom we refer to as the Continuing LLC Owner, will retain its membership interests in Bioventus LLC.

We will have two classes of common stock outstanding after this offering: Class A common stock and Class B common stock. Each share of Class A common stock and Class B common stock entitles its holder to one vote on all matters presented to our stockholders generally. Immediately following this offering, all of our Class B common stock will be held by the Continuing LLC Owner, on a one-to-one basis with the number of LLC Interests it owns. Immediately following this offering, the holders of our Class A common stock issued in this offering collectively will hold 19.5% of the economic interests in us and 13.5% of the voting power in us, the Former LLC Owners, through their ownership of Class A common stock, collectively will hold 80.5% of the economic interests in us and 56.0% of the voting power in us, and the Continuing LLC Owner, through its ownership of all of the outstanding Class B common stock, collectively will hold no economic interest in us and the remaining 30.5% of the voting power in us. We will be a holding company, and upon consummation of this offering and the application of proceeds therefrom, our principal asset will be the LLC Interests we purchase from Bioventus LLC and acquire from the Former LLC Owners, representing an aggregate 69.5% economic interest in Bioventus LLC. The remaining 30.5% economic interest in Bioventus LLC will be owned by the Continuing LLC Owner through its ownership of LLC Interests.

We will be the sole managing member of Bioventus LLC. We will operate and control all of the business and affairs of Bioventus LLC and, through Bioventus LLC and its subsidiaries, conduct our business.

Following this offering, we will be a "controlled company" within the meaning of the corporate governance rules for Nasdaq-listed companies. See "Transactions" and "Management—Corporate governance."

We are an "emerging growth company" as defined under the federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements for future filings. See "Prospectus summary—Implications of being an emerging growth company."

	<u>Per share</u>	<u>Total</u>
Initial public offering price	\$	\$
Underwriting discounts and commissions ⁽¹⁾	\$	\$
Proceeds to us, before expenses	\$	\$

(1) See "Underwriting" for additional information regarding underwriting compensation.

We have granted the underwriters an over-allotment option for a period of 30 days to purchase up to 1,102,500 additional shares of Class A common stock.

Investing in shares of our Class A common stock involves risks. See "[Risk factors](#)" beginning on page 27.

Neither the Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares against payment in New York, New York on _____, 2021.

Morgan Stanley

J.P. Morgan
Canaccord Genuity

Goldman Sachs & Co. LLC

The date of this prospectus is _____, 2021.

TABLE OF CONTENTS

Prospectus summary	1	Business	146
The offering	16	Management	193
Risk factors	27	Executive compensation	202
Special note regarding forward-looking statements	91	Certain relationships and related party transactions	217
Use of proceeds	93	Principal stockholders	224
Dividend policy	94	Description of capital stock	227
Transactions	95	Shares eligible for future sale	233
Capitalization	101	Material U.S. federal income tax consequences to non-U.S. Holders	236
Dilution	102	Underwriting	240
Unaudited pro forma consolidated financial information	105	Legal matters	245
Selected financial data	114	Experts	245
Management's discussion and analysis of financial condition and results of operations	116	Change in registered public accountant	245
		Where you can find more information	246
		Index to consolidated financial statements	F-1

We and the underwriters have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any related free writing prospectuses. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares of Class A common stock offered by this prospectus, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus or in any applicable free writing prospectus is current only as of its date. Our business, results of operations, financial condition, and prospects may have changed since that date.

For investors outside the United States: We have not, and the underwriters have not, done anything that would permit this offering or the possession or distribution of this prospectus or any free writing prospectus in connection with this offering in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside 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 Class A common stock and the distribution of this prospectus outside the United States. See "Underwriting."

BASIS OF PRESENTATION

In connection with the closing of this offering, we will effect certain organizational transactions. Unless otherwise stated or the context otherwise requires, all information in this prospectus reflects the consummation of the organizational transactions and this offering, which we refer to collectively as the "Transactions." See "Transactions" for additional information regarding the Transactions.

As used in this prospectus, unless the context otherwise requires, references to:

- "we," "us," "our," the "Company," "Bioventus," "Bioventus Inc." and similar references refer: (i) following the consummation of the Transactions, including this offering, to Bioventus Inc., and, unless otherwise stated, all of its subsidiaries, including Bioventus LLC, which we refer to as "Bioventus LLC," and, unless otherwise stated, all of its subsidiaries, and (ii) on or prior to the completion of the Transactions, including this offering, to Bioventus LLC and, unless otherwise stated, all of its subsidiaries.

Table of Contents

- “*Continuing LLC Owner*” refers to Smith & Nephew, Inc., a wholly-owned indirect U.S. subsidiary of Smith & Nephew plc, a United Kingdom public company listed on the London Stock Exchange with American Depositary Receipts traded on the New York Stock Exchange, which will continue to own LLC Interests (as defined below) after the Transactions and which may, following the consummation of this offering, exchange its LLC Interests for shares of our Class A common stock or a cash payment (if mutually agreed) as described in “Certain relationships and related party transactions—Bioventus LLC Agreement,” in each case, together with a cancellation of the same number of its shares of Class B common stock.
- “*EW Healthcare Partners*” refers to EW Healthcare Partners Acquisition Fund, L.P., a Delaware limited partnership.
- “*Former LLC Owners*” refers to all of the Original LLC Owners (including EW Healthcare Partners and Smith & Nephew (Europe) B.V., but excluding the Continuing LLC Owner) who will exchange their indirect ownership interests in Bioventus LLC for shares of our Class A common stock in connection with the consummation of this offering.
- “*LLC Interests*” refer to the single class of newly-issued common membership interests of Bioventus LLC.
- “*Original LLC Owners*” refer to the direct and certain indirect owners of Bioventus LLC, collectively, prior to the Transactions, including the members of the Voting Group (as defined below).
- “*Stock Plan Participants*” refer to certain individuals who hold existing awards under the Bioventus Stock Plan, which we refer to as the “Phantom Plan,” and will, in connection with this offering, receive rights to receive shares of Class A common stock upon settlement of their awards as described in “Executive compensation—Narrative to summary compensation table—Equity-based compensation.
- “*S+N Former LLC Owner*” refers to Smith & Nephew OUS, Inc., a wholly-owned direct U.S. subsidiary of Smith & Nephew (Europe) B.V., which is a wholly-owned indirect Dutch subsidiary of Smith & Nephew plc. In connection with the consummation of this offering, Smith & Nephew (Europe) B.V. will exchange its indirect ownership interests in Bioventus LLC for shares of Class A common stock and the S+N Former LLC Owner will merge with and into Bioventus Inc.
- “*Voting Group*” refers collectively to (i) EW Healthcare Partners, (ii) Continuing LLC Owner and (iii) certain other Original LLC Owners, all of whom will be parties to the Stockholders Agreement as described in “Certain relationships and related party transactions—Stockholders Agreement.” The Voting Group will hold Class A common stock and Class B common stock representing in the aggregate a majority of the combined voting power of our common stock.

Following completion of the Transactions, we will be a holding company and the sole managing member of Bioventus LLC and our principal asset will be LLC Interests of Bioventus LLC. Bioventus LLC is the predecessor of the issuer, Bioventus Inc., for financial reporting purposes. Accordingly, this prospectus contains the historical financial statements of Bioventus LLC. As we will have no other interest in any operations other than those of Bioventus LLC and its subsidiaries, the historical consolidated financial information included in this prospectus is that of Bioventus LLC and its subsidiaries. As Bioventus Inc. has no business transactions or activities to date and had no assets or liabilities during the periods presented, the historical financial statements of this entity are not included in this prospectus. Following completion of this offering, the reporting entity for purposes of periodic reporting will be Bioventus Inc.

The unaudited pro forma financial information of Bioventus Inc. presented in this prospectus has been derived by the application of pro forma adjustments to the historical consolidated financial statements of Bioventus LLC and its subsidiaries included elsewhere in this prospectus. These pro forma adjustments give effect to the Transactions as described in “Transactions,” including the completion of this offering. The unaudited pro forma consolidated balance sheet as of September 26, 2020 gives effect to the Transactions as if they had occurred on that date. The unaudited pro forma consolidated statements of operations for the year ended December 31, 2019 and for the nine months ended September 26, 2020 and September 28, 2019 have been prepared to illustrate the effects of the Transactions as if they occurred on January 1, 2019. See “Unaudited pro forma consolidated financial information” for a complete description of the adjustments and assumptions underlying the pro forma financial information included in this prospectus.

[Table of Contents](#)

Numerical figures included in this prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

This prospectus includes our trademarks and trade names that we own or license, such as Bioventus, Cellxtract, Durolane, Exogen, Exponent, GELSYN-3, MOTYS, OsteoAMP, Prohesion, PureBone, SAFHS, Signafuse, SUPARTZ FX and our logo. This prospectus also includes trademarks, trade names and service marks that are the property of other organizations. Solely for convenience, trademarks and trade names referred to in this prospectus appear without any “™” or “®” symbol, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks, trade names and service marks. We do not intend our use or display of other parties’ trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate is based on information from iData Research, Inc., or iData, and BioMedGPS, provider of SmartTRAK Business Intelligence Solutions. Other information concerning our industry and the markets in which we operate is based on independent industry and research organizations, other third-party sources (including industry publications, surveys and forecasts), and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets which we believe to be reasonable. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, including those described in “Risk factors” and “Special note regarding forward-looking statements.” These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary is not complete and may not contain all the information you should consider before investing in our Class A common stock. You should read this entire prospectus carefully, including the risks of investing in our Class A common stock discussed under the heading “Risk factors,” and the financial statements and related notes included elsewhere in this prospectus before making an investment decision.

Bioventus

We are a global medical device company focused on developing and commercializing clinically differentiated, cost efficient and minimally invasive treatments that engage and enhance the body’s natural healing process. We believe our non-invasive medical device and biologic products play a critical role in supporting the body’s own healing mechanisms to heal or eliminate the pain caused by orthopedic conditions and problems, which we define as our active healing products. These products address an estimated \$6.0 billion market opportunity across osteoarthritic, or OA, joint pain treatment and joint preservation, spinal fusion surgery and bone fractures, each of which is experiencing growth through multiple industry tailwinds, including an aging population, increased participation in sports and active lifestyles and a rise in obesity rates. Our devices are most often used to delay or replace the need for an elective surgical procedure and are focused on reaching patients early on in their treatment paradigm. In 2019, approximately 85% of our \$340.1 million in revenues were derived from products associated with non-surgical procedures. Our products are widely reimbursed by both public and private health insurers and are sold in the physician’s office or clinic, in ambulatory surgical centers, or ASCs, and in the hospital setting in the United States and across 37 countries. We have broad commercial reach across our established orthopedic customer base, which is a key strength of the company. We are focused on leveraging this significant customer base and the reach of our commercial organization to continue to grow the company by expanding our market share and product portfolio. This strategy has led to a 7.4% CAGR in revenue since 2016 and during this time period, our revenue has grown from \$274.5 million to \$340.1 million in 2019.

Our existing portfolio of products is grouped into three verticals based on our targeted customer focus:

- **OA Joint Pain Treatment and Joint Preservation.** We are the largest pure play orthopedics-focused company in the OA joint pain treatment and joint preservation market. We have been the fastest growing hyaluronic acid, or HA, participant over the last three years, driving our share to number three by revenue in the U.S. market. We offer the only complete portfolio of HA viscosupplementation therapies, including single, three and five injection regimens, for patients experiencing pain related to OA in the knee. Our HA products are all approved by the U.S. Food and Drug Administration, or the FDA, through premarket approvals, or PMAs, and include:
 - (a) Durolane, a single injection therapy, was launched in the United States in 2018 and is also marketed outside the United States in more than 30 countries including Europe through a Conformité Européenne, or CE, mark;
 - (b) GELSYN-3, a three injection therapy, was launched in the United States in 2016; and
 - (c) SUPARTZ FX, a five injection therapy, was launched in the United States in 2001.
- **Bone Graft Substitutes.** We are the fastest growing participant in the bone graft substitutes, or BGSs, market and offer a broad portfolio of products including human tissue allografts and synthetics. Our BGS products can be used in conjunction with any orthopedic fixation and spinal fusion implant. They are designed to improve bone fusion rates following spinal fusion and other orthopedic surgeries and reduce the need for using the patient’s own bone, which is associated with additional cost and morbidity. Our products include an allograft-derived bone graft with growth factors (OsteoAMP), a demineralized bone matrix (Exponent), or DBM, a cancellous bone in different preparations

(PureBone), bioactive synthetics (Signafuse and Interface), a collagen ceramic matrix (OsteoMatrix) and two bone marrow isolation systems (CellXtract and Extractor). Our products have received either Section 510(k) of the United States Federal Food, Drug, and Cosmetic Act, or 510(k), clearance from the FDA or are marketed pursuant to Section 361 of the Public Health Service Act, or PHSA, as Section 361 HCT/Ps. HCT/Ps regulated solely under Section 361 are human cells, tissues and cellular and tissue-based products that do not require marketing authorization to be marketed in the United States.

- **Minimally Invasive Fracture Treatment.** Our Exogen system was the number one prescribed device in the bone growth stimulatory market in 2018 (the latest period for which data is available) and has had marketing authorization via a PMA through the FDA for over 25 years. We are the only company to utilize advanced, pulsed ultrasound technology for bone growth in delayed and nonunion fractures in all fracture locations except spine, as well as in fresh fractures of the tibia and radius. Our Exogen system offers significant advantages over electrical based long bone stimulation systems, including a documented mechanism of action, shorter treatment times and superior nonunion heal rates. The system is also sold internationally under a CE mark for nonunions and fresh fractures and is the market-leading bone healing treatment in the delayed union and nonunion market in Japan.

Our expansive direct sales and distribution channel across our three verticals provides us with broad and differentiated customer reach, and allows us to serve physicians spanning the orthopedic continuum, including sports medicine, total joint reconstruction, hand and upper extremities, foot and ankle, podiatric surgery, trauma, spine and neurosurgery. Our OA joint pain treatment and joint preservation products and minimally invasive fracture treatment are sold by a direct sales team of approximately 240 in the United States and approximately 45 internationally. This direct sales team is complemented by approximately 20 account representatives who facilitate account access through integrated delivery networks, or IDNs, group purchasing organizations, or GPOs, and payer contracting. Our BGS products are sold by approximately 170 independent distributors in the United States, each with their own independent sales force, supported by our 15 member regionalized sales support team. We market our BGSs primarily to orthopedic spine surgeons and neurosurgeons for use in the operating room in both the hospital and ASC setting. We believe that our broad customer reach has and will continue to enable strong and durable growth in each of our verticals and provides a significant foundation for future product launches.

In addition to our current portfolio, we have a deep pipeline of new products under development, and we are pursuing the development of line extensions and expanded indications for already marketed products that address a significant market opportunity within our current customer base. On October 29, 2020, we received FDA confirmation indicating its authorization of our investigational new drug application, or IND, to begin a clinical trial for MOTYS, a placental tissue biologic for knee OA for which we ultimately plan to pursue a Biologics License Application, or BLA. We have recently entered into an option and equity purchase agreement with CartiHeal (2009) Ltd., or CartiHeal, which provides us with the option to acquire CartiHeal and its Agili-C technology, which we believe is the only off-the-shelf scaffold implant designed to address osteochondral defects in the knee. CartiHeal submitted the non-clinical module of the PMA in January 2021 and expects to submit the final, clinical module of a Modular PMA in the fourth quarter of 2021 seeking FDA approval of Agili-C, which was granted breakthrough device designation by the FDA in the fourth quarter of 2020 for the treatment of certain knee-joint surface lesions. We have also entered into an exclusive license and development collaboration agreement, or Collaboration Agreement with Harbor Medtech Inc., or Harbor, for purposes of commercializing PROCuff, a rotator cuff tissue repair product, and we anticipate filing a request for 510(k) clearance in either the second or third quarter of 2022. We intend to launch a new flowable version of our OsteoAmp product, or OsteoAmp Flowable, in 2021 that can be used in minimally invasive spine procedures. Additionally, we are currently conducting clinical studies of our Exogen system pursuant to an Investigational Device Exemption, or IDE, from the FDA, and we plan to use data from these studies to seek approval for expanded indications with respect to fresh fractures. We intend to leverage the clinical data from this program to support payer coverage in this area. We submitted the PMA supplement for the first proposed label expansion in December 2020.

We have grown our total net sales from \$319.2 million for the year ended December 31, 2018 to \$340.1 million for the year ended December 31, 2019. Our total net sales declined from \$242.6 million for the nine months ended September 28, 2019, to \$222.6 million for the nine months ended September 26, 2020, related to the Coronavirus Disease 2019, or COVID-19, pandemic. For the years ended December 31, 2019 and 2018 and the nine months ended September 26, 2020 and September 28, 2019, we had net income from continuing operations of \$8.1 million \$4.4 million, \$12.5 million and \$2.8 million, respectively. We have also grown our Adjusted EBITDA from \$72.2 million for the year ended December 31, 2018 to \$79.2 million for the year ended December 31, 2019. Our Adjusted EBITDA declined from \$48.5 million for the nine months ended September 28, 2019 to \$44.3 million for the nine months ended September 26, 2020, related to the COVID-19 pandemic. The COVID-19 pandemic and the measures imposed to contain the wide spread of the virus disrupted our business beginning in early March 2020 as healthcare systems across the U.S. were forced to limit patient visits and elective surgical procedures. The effects of the pandemic began to decrease in late April 2020 and we saw a very strong recovery for our products at the end of the second quarter as restrictions on orthopedic procedures were lifted across the United States and patients also returned to orthopedic offices. See the sections titled “Risk factors” and “Management’s discussion and analysis of financial condition and results of operations” for more information. For a reconciliation of net income from continuing operations to Adjusted EBITDA, see Note 2 to the information contained in “Prospectus summary—Summary historical and pro forma financial data.”




Our solutions

We offer a portfolio of active healing products to meet the needs of our orthopedist, musculoskeletal and sports medicine physician, podiatrist, neurosurgeon and orthopedic spine surgeon customers and their patients.

Our portfolio of products is grouped into three verticals based on clinical use: (i) OA joint pain treatment and joint preservation, (ii) BGSs and (iii) minimally invasive fracture treatment.

OA joint pain treatment and joint preservation








Our key OA joint pain treatment and joint preservation products are presented in the summary table below:

Product	Description	Regulatory pathway	Region where marketed(1)
	Single injection HA viscosupplementation therapy	<ul style="list-style-type: none"> • PMA • Device approval by Health Canada • CE mark and other registrations(2) 	<ul style="list-style-type: none"> • United States • Canada • Europe
	Three injection HA viscosupplementation therapy	<ul style="list-style-type: none"> • PMA 	<ul style="list-style-type: none"> • United States
	Five injection HA viscosupplementation therapy	<ul style="list-style-type: none"> • PMA 	<ul style="list-style-type: none"> • United States

- (1) We maintain exclusive distribution agreements with respect to Durolane, GELSYN-3 and SUPARTZ FX in the United States. We maintain exclusive distribution agreements and own certain assets with respect to Durolane outside the United States.
- (2) Durolane is also approved for marketing in Argentina, Australia, Brazil, Columbia, India, Indonesia, Jordan, Malaysia, Mexico, New Zealand, Russia, Switzerland, Taiwan, Turkey and the United Arab Emirates, or the UAE.


Bone graft substitutes

Our key bone graft substitution products are presented in the summary table below:

Product	Indications	Regulatory pathway / year launched
Allograft		
	Orthopedic, neurosurgical and reconstructive bone grafting procedures	• Section 361 HCT/P / 2009
	Posterolateral spine procedures	• 510(k) / 2012
	Orthopedic, neurosurgical and reconstructive bone grafting procedures	• Section 361 HCT/P / 2012
Synthetic		
	Standalone posterolateral spine, extremities and pelvis, as well as a bone graft extender in the posterolateral spine	• 510(k) / 2014
	Posterolateral spine when mixed with autograft, extremities and pelvis	• 510(k) / 2011
	Posterolateral spine, extremities and pelvis	• 510(k) / 2010
	Posterolateral spine, extremities and pelvis	• 510(k) / 2020

Minimally invasive fracture treatment

We offer our Exogen system for the non-invasive treatment of established nonunion fractures and certain fresh fractures:

Product	Description	Regulatory pathway	Region where marketed(1)
	Ultrasound bone healing system for nonunion fractures and fresh fractures to the tibia and radius(1)	<ul style="list-style-type: none"> • PMA • Device approval by Health Canada • CE mark and other registrations(2) 	<ul style="list-style-type: none"> • United States • Canada • Europe • Japan

- (1) Our Exogen system is indicated in the United States for the non-invasive treatment of established nonunions, excluding skull and vertebra, and for accelerating the time to a healed fracture for fresh, closed, posteriorly displaced distal radius fractures and fresh, closed or Grade I open long bone fractures in skeletally mature individuals when these fractures are orthopedically managed by closed reduction and cast immobilization. We own our Exogen system and market it both in and outside the United States.
- (2) Exogen is also approved for marketing in Australia, Japan, New Zealand, Saudi Arabia, Turkey and the UAE.

Our strengths

We believe that we have several key strengths that provide us with a competitive advantage:

- **Broad customer reach and market access.** We believe we have one of the largest sales organizations in the verticals in which we operate, including a direct sales team and distributors, with a dedicated focus on OA joint pain treatment and joint preservation products, BGSs and minimally invasive fracture treatments. We believe that our broad customer reach and market access are key factors contributing to our ability to increase our market share and grow faster than our competitors. Our sales organization has a performance culture built on serving our core orthopedic patient customers and delivering our products to a variety of physicians and care settings. We serve physicians spanning the orthopedic continuum, including sports medicine, total joint reconstruction, hand and upper extremities, foot and ankle, podiatric, trauma and spine. We believe we will continue to be well-positioned in the market given our strong foundation for reimbursement and customer access, coupled with a broad portfolio of clinically differentiated products.
- **Differentiated, market leading products across three verticals.** We believe our portfolio of complementary, market leading products provides patients and physicians with greater flexibility in tailoring a treatment regime that best fits the patient's needs and lifestyle. Our products are most often used to delay or replace the need for an elective surgical procedure and are focused on reaching patients early on in their treatment paradigm. In 2019, approximately 85% of our \$340.1 million in revenues were associated with non-surgical procedures. We have the only complete one, three and five injection portfolio in the HA viscosupplementation market in the United States, which we believe gives patients the freedom of choice and appeals to the growing preference among providers to interact with a single vendor when accessing a complete portfolio of care. We also offer a comprehensive, clinically effective and cost efficient portfolio of BGSs to meet a broad range of patient needs and procedures. Our products are designed to improve bone fusion rates and avoid the cost and risks associated with autograft following spinal fusion and other orthopedic surgeries, and can be used in conjunction with any orthopedic fixation and spinal fusion implant. Additionally, our Exogen ultrasound bone healing system is the leader in the long bone stimulation market, offering shorter treatment times, superior non-union heal rates and a documented mechanism of action. Our Exogen system also has a broad label for patient use, including established nonunions and fresh fractures to the tibia and radius.
- **Substantial body of peer reviewed clinical evidence.** We believe that clinical evidence is critical to demonstrating efficacy, achieving reimbursement coverage and demonstrating the value of medical products. We have invested in building evidence and support for our key offerings and product portfolio. Clinical evidence is vital to physicians as they look to make decisions about which product would best serve their patients. The safety and efficacy of our key offerings within each of our three verticals has been demonstrated by numerous clinical studies, published peer review research and clinical publications. We believe that our significant body of clinical evidence creates a competitive barrier to entry given the time and investment required to amass the amount of published data we have and is an asset that would take years for a competitor to try to replicate.
- **Robust free cash flow conversion.** We believe that our robust free cash flow conversion and scale enables us to invest in our business in a meaningful way. Over the last four years, we have self-funded all internal research and development and business development efforts. We define free cash flow as net cash provided by operating activities from continuing operations as presented on our consolidated statement of cash flow plus interest expense as presented on our consolidated statement of operations less purchases of property and equipment and other on our consolidated statement of cash flow. Our free cash flow conversion, defined as free cash flow divided by Adjusted EBITDA, was 78% for the year ended December 31, 2019 and 93% from 2018 through September 26, 2020. With \$340.1 million in revenues for the year ended December 31, 2019, we also have scale to pursue opportunities to grow our business, including internationally to regions such as China. Our attractive cash generation has and

will continue to allow us to expand our deep pipeline of products through further internal research and development investment and additional tuck-in acquisitions that leverage our established infrastructure.

- ***Experienced management team with a track record of value creation.*** Our senior leadership team has been involved in growing large and mid-cap businesses, including through major acquisitions and integrations, public and private equity company sale transactions and strategic equity investments, as well as the development, approval and launch of new and transformative active healing products. Our team also has extensive operating experience with respect to active healing products, which includes designing clinical trials, working closely with regulatory agencies on identifying the appropriate path to market, successfully commercializing products, including securing managed care, payer or purchasing committee contracts and effectively managing our direct or distributor sales organizations.

Our growth strategy

We intend to pursue the following strategies to continue to grow our net sales and Adjusted EBITDA:

- continue to expand market share in HA viscosupplementation;
- introduce new OA joint pain treatment and joint preservation products;
- further develop and commercialize our BGS portfolio;
- expand indications for use for our Exogen system;
- invest in research and development;
- pursue business development opportunities; and
- opportunistically grow our international markets.

Recent Developments

Investment and Potential Acquisition

On January 4, 2021, we made a convertible debt investment of \$1.5 million, or the Investment, in a medical device company, or the Target, as a part of our exclusive negotiations with the Target regarding the Potential Transaction (as defined below). If the Potential Transaction is not consummated, the Investment will be convertible into equity of the Target at our discretion or upon a change of control of the Target, which would result in approximately 2% equity ownership in the Target. This exclusive arrangement allows the parties to explore a possible acquisition of the Target, or the Potential Transaction, for a payment of \$35.0 million to be paid at closing with contingent payments of up to \$65.0 million to be paid upon achievement of certain key milestones. While still subject to due diligence, we believe the Target's patent-protected portfolio of FDA-approved products and its product development pipeline are highly complementary to our OA joint pain treatment and joint preservation vertical and would allow us to further leverage our claims processing infrastructure. For the year ended December 31, 2020, the Target generated approximately \$40 million in revenue and had loss from operations of approximately \$14 million. We expect the Target to be accretive to revenues immediately, and to have a positive contribution to combined Company net income excluding purchase accounting and transaction costs by the end of year one post-close. We were recently notified that a minority shareholder of the Target has filed a complaint with the Court of Chancery of the State of Delaware contesting the Potential Transaction, as well as related motions to expedite proceedings and issue a temporary restraining order. We understand that the Target intends to defend the action vigorously, but there can be no assurance that this action will not impact the timing, terms or likelihood of closing of the Potential Transaction. Neither the closing of this offering nor the closing of the Potential Transaction are conditioned upon each other. Any resulting acquisition will be funded through our current cash balance and, if necessary, proceeds from our existing line of credit. We cannot assure that the acquisition will occur on or before a certain time, on the terms described herein, or at all. See "Risk Factors—Risks related to our business—If we choose to acquire or invest in new businesses, products or technologies, we may be unable to complete these acquisitions or to successfully integrate them in a cost-effective and non-disruptive manner."

Estimated selected preliminary financial results for the three months and year ended December 31, 2020

Included below are certain estimated preliminary unaudited financial results for the three months and year ended December 31, 2020 and the corresponding periods of the prior fiscal year. We have provided ranges, rather than specific amounts, for the three months and year ended December 31, 2020 because these results are preliminary and subject to change, and there is a possibility that our actual results may differ materially from these preliminary estimates. These ranges are based on the information available to us as of the date of this prospectus. These estimated preliminary results for the three months and year ended December 31, 2020 are derived from the preliminary internal financial records of Bioventus LLC and are subject to revisions based on our procedures and controls associated with the completion of our financial reporting, including all the customary reviews and approvals, and completion by our independent registered public accounting firm of its review of such financial statements for the year ended December 31, 2020. These estimated preliminary results should not be viewed as a substitute for financial statements prepared in accordance with U.S. GAAP. Our independent registered public accounting firm has not conducted a review of, and does not express an opinion or any other form of assurance with respect to, these estimated preliminary results. It is possible that we or our independent registered public accounting firm may identify items that would require us to make adjustments to the preliminary estimates set forth below as we complete our financial statements and that our actual results may differ materially from these preliminary estimates. Accordingly, undue reliance should not be placed on these preliminary estimates. These preliminary estimates are not necessarily indicative of any future period and should be read together with “Risk Factors,” “Special Note Regarding Forward-Looking Statements,” “Selected Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this prospectus.

(unaudited; in millions)	Three Months Ended December 31,			Year Ended December 31,		
	2020 (Low)	2020 (High)	2019	2020 (Low)	2020 (High)	2019
Statement of operations data:						
Net sales	\$97.5	\$99.5	\$97.6	\$320.1	\$322.1	\$340.1
Net sales, U.S.	\$88.9	\$90.6	\$86.8	\$292.9	\$294.6	\$305.1
Net sales, International	\$ 8.6	\$ 8.9	\$10.7	\$ 27.1	\$ 27.4	\$ 35.1
Net income from continuing operations	\$ 1.5	\$ 2.0	\$ 5.3	\$ 14.0	\$ 14.5	\$ 8.1
Other financial data:						
Adjusted EBITDA ⁽¹⁾	\$27.3	\$28.5	\$30.7	\$ 71.6	\$ 72.8	\$ 79.2

- (1) Adjusted EBITDA, as used herein, is a non-GAAP financial measure that is presented as supplemental disclosure and is fully described in Note 2 to the information contained in “Prospectus summary—Summary historical and pro forma financial data.” Additionally, see below for a reconciliation of Adjusted EBITDA to net income, the most directly comparable GAAP measure.

The following table reconciles net loss to Adjusted EBITDA for the three months and year ended December 31, 2019 and December 31, 2020:

(unaudited; \$ in millions)	Three Months Ended December 31,			Year Ended December 31,		
	2020 (Low)	2020 (High)	2019	2020 (Low)	2020 (High)	2019
Net income from continuing operations	\$ 1.5	\$ 2.0	\$5.3	\$14.0	\$14.5	\$ 8.1
Depreciation and amortization ^(a)	6.9	6.9	7.3	28.7	28.7	30.3
Income tax expense	0.7	1.2	0.9	1.0	1.5	1.6
Interest expense	2.7	2.7	7.6	9.8	9.8	21.6
Equity compensation ^(b)	9.5	9.5	7.6	10.1	10.1	10.8

(unaudited; \$ in millions)	Three Months Ended December 31,			Year Ended December 31,		
	2020 (Low)	2020 (High)	2019	2020 (Low)	2020 (High)	2019
COVID-19 benefits, net ^(c)	—	—	—	(4.2)	(4.2)	—
Succession and transition charges ^(d)	0.3	0.5	—	5.6	5.8	—
Restructuring costs ^(e)	0.6	0.6	—	0.6	0.6	0.6
Foreign currency impact ^(f)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	—
Losses associated with debt refinancing ^(g)	—	—	0.4	—	—	0.4
Other non-recurring costs ^(h)	5.2	5.2	1.7	6.1	6.1	5.8
Adjusted EBITDA	\$27.3	\$28.5	\$30.7	\$71.6	\$72.8	\$79.2

- (a) Includes for the years ended December 31, 2019 and 2020 and the three months ended December 31, 2019 and 2020, respectively, depreciation and amortization of \$22.4 million, \$21.2 million, \$5.3 million and \$5.1 million in cost of sales and \$7.9 million, \$7.5 million, \$2.1 million and \$1.8 million represented in the consolidated statements of operations and comprehensive income (loss) with the balance in research and development.
- (b) Represents compensation as well as the change in fair market value resulting from two equity-based compensation plans, the MIP and the Phantom Plan.
- (c) Represents income resulting from the Coronavirus Aid, Relief and Economic Security Act, or CARES Act, offset by additional cleaning and disinfecting expenses and contract termination fees for events we were unable to hold.
- (d) Primarily represents costs related to the chief executive officer transition.
- (e) Represents costs related to a shift from direct to an indirect distribution model in our International business to improve performance. In addition, various international subsidiaries were dissolved and or merged into other Bioventus LLC entities.
- (f) Represents realized and unrealized gains and losses from fluctuations in foreign currency and is included in other (income) expense on the consolidated statements of operations and comprehensive income (loss).
- (g) Represents charges with our 2019 debt refinancing that were included in selling, general and administrative expense on the consolidated statements of operations and comprehensive income (loss).
- (h) Represents charges associated with Bioventus LLC potential strategic transactions such as potential acquisitions or preparing to become a public company, primarily accounting and legal fees, and costs associated to the settlement with the OIG regarding our self-disclosure. See “Risk factors—Risks related to government regulation—We may be subject to enforcement action if we engage in improper claims submission practices and resulting audits or denials of our claims by government agencies could reduce our net sales or profits.”

Summary of the transactions

Prior to the consummation of this offering and the organizational transactions described below, the Original LLC Owners were the only owners of Bioventus LLC. Bioventus Inc. was incorporated as a Delaware corporation on December 22, 2015 to serve as the issuer of the Class A common stock offered hereby.

In connection with the closing of this offering, we will consummate the following organizational transactions:

- we will amend and restate the amended and restated limited liability company agreement of Bioventus LLC, as amended, effective as of the completion of this offering, or the Bioventus LLC Agreement, to, among other things, (i) provide for LLC Interests that will be the single class of common membership interests in Bioventus LLC, (ii) exchange all of the existing membership interests (including profit

interests awarded under the Bioventus LLC Management Incentive Plan, or MIP) in Bioventus LLC for LLC Interests and (iii) appoint Bioventus Inc. as the sole managing member of Bioventus LLC;

- we will amend and restate Bioventus Inc.'s certificate of incorporation to, among other things, (i) provide for Class A common stock and Class B common stock, each share of which entitles its holders to one vote per share on all matters presented to Bioventus Inc.'s stockholders and (ii) issue shares of Class B common stock to the Continuing LLC Owner, on a one-to-one basis with the number of LLC Interests it owns;
- the Former LLC Owners will exchange their indirect ownership interests in Bioventus LLC for shares of Class A common stock, representing (i) approximately 56.0% of the combined voting power of all of Bioventus Inc.'s common stock (or approximately 54.8%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and (ii) approximately 56.0% of the economic interest in the business of Bioventus LLC and its subsidiaries (or approximately 54.8%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock), indirectly through Bioventus Inc.'s ownership of LLC Interests;
- Bioventus Inc. will issue 7,350,000 shares of Class A common stock to the purchasers in this offering (or 8,452,500 shares of our Class A common stock if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- Bioventus Inc. will use all of the net proceeds from this offering (including any net proceeds received upon exercise of the underwriters' option to purchase additional shares of Class A common stock) to acquire newly-issued LLC Interests from Bioventus LLC at a purchase price per interest equal to the initial public offering price per share of Class A common stock, less underwriting discounts and commissions, collectively representing 13.5% of Bioventus LLC's outstanding LLC Interests (or 15.3%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- Bioventus LLC will use the proceeds from the sale of LLC Interests to Bioventus Inc. as described in "Use of proceeds;"
- the Phantom Plan will be terminated and the Phantom Plan Participants who are employed as of the date of this offering will receive rights to receive up to 1,351,834 shares of our Class A common stock upon settlement of their awards under the Phantom Plan, with such settlement expected to take place between twelve and 24 months following the date of termination of the Phantom Plan as described in "Executive compensation—Narrative to summary compensation table—Equity-based compensation" (which settlement may result in a change in the timing over which compensation expense is recognized as described in "Management's discussion and analysis of financial condition and results of operations—Components of our results of operations—Selling, general and administrative expense"), and Bioventus Inc. will receive a corresponding number of LLC Interests from Bioventus LLC upon settlement;
- the Continuing LLC Owner will continue to own the LLC Interests it received in exchange for its existing membership interests in Bioventus LLC, which LLC Interests, following this offering, will be redeemable, at its election, for newly-issued shares of Class A common stock on a one-for-one basis or, if Bioventus Inc. and the Continuing LLC Owner agree, a cash payment equal to a volume weighted average market price of one share of Class A common stock for each LLC Interest redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the Bioventus LLC Agreement; provided that, at Bioventus Inc.'s election, Bioventus Inc. may effect a direct exchange of such Class A common stock or such cash (if mutually agreed) for such LLC Interests. Shares of Class B common stock will be cancelled on a one-for-one basis if we, at the election of the Continuing LLC Owner, redeem or exchange its LLC Interests pursuant to the terms of the Bioventus LLC Agreement; and

- Bioventus Inc. will enter into (i) a tax receivable agreement, or the Tax Receivable Agreement, with the Continuing LLC Owner, (ii) a stockholders agreement, or the Stockholders Agreement, with the Voting Group and (iii) a registration rights agreement, or the Registration Rights Agreement, with the Original LLC Owners.

Upon the consummation of this offering, the Continuing LLC Owner will own (x) 16,534,814 shares of Bioventus' Class B common stock (which will not have any liquidation or distribution rights), representing approximately 30.5% of the combined voting power of all of Bioventus' common stock (or approximately 29.9%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and (y) 16,534,814 LLC Interests, representing approximately 30.5% of the economic interest in the business of Bioventus LLC and its subsidiaries (or approximately 29.9%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock).

Upon consummation of the offering, the purchasers in this offering (i) will own 7,350,000 shares of Class A common stock, representing approximately 13.5% of the combined voting power of all of Bioventus Inc.'s common stock (or 8,452,500 shares of Class A common stock representing approximately 15.3%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock), (ii) will own 19.5% of the economic interest in Bioventus Inc. (or 21.8%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and (iii) through Bioventus Inc.'s ownership of LLC Interests, indirectly will hold (applying the percentages in the preceding clause (ii) to Bioventus Inc.'s percentage economic interest in Bioventus LLC) approximately 13.5% of the economic interest in Bioventus LLC (or 15.3% if the underwriters exercise in full their option to purchase additional shares of Class A common stock). The Former LLC Owners (i) will own 30,347,158 shares of Class A common stock, representing approximately 56.0% of the combined voting power of all of Bioventus Inc.'s common stock (or approximately 54.8%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock), (ii) will own 80.5% of the economic interest in Bioventus Inc. (or 78.2%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and (iii) through Bioventus Inc.'s ownership of LLC Interests, indirectly will hold (applying the percentages in the preceding clause (ii) to Bioventus Inc.'s percentage economic interest in Bioventus LLC) approximately 56.0% of the economic interest in Bioventus LLC (or 54.8%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock).

Immediately following the consummation of this offering, the Continuing LLC Owner will hold all of the issued and outstanding shares of our Class B common stock. The shares of Class B common stock will have no economic rights, and each share will entitle the holder to one vote per share on all matters on which stockholders of Bioventus Inc. are entitled to vote generally. The Continuing LLC Owner will retain its equity interest in Bioventus LLC. Immediately following the consummation of this offering, the investors in this offering and the Former LLC Owners will hold all of the issued and outstanding shares of our Class A common stock. The shares of Class A common stock will entitle the holder to one vote per share on all matters on which stockholders of Bioventus Inc. are entitled to vote generally. The investors in this offering and the Former LLC Owners will indirectly hold economic interest in Bioventus LLC through Bioventus Inc.'s ownership of LLC Interests. Holders of outstanding shares of our Class A common stock and Class B common stock will vote as a single class on all matters on which stockholders are entitled to vote generally, except as otherwise required by law.

Our corporate structure following this offering, as described above, is commonly referred to as an umbrella partnership-C-corporation, or Up-C, structure, which is often used by partnerships and limited liability companies when they undertake an initial public offering of their business. The Up-C structure will allow the Continuing LLC Owner to retain its equity ownership in Bioventus LLC and to continue to realize tax benefits associated with owning interests in an entity that is treated as a partnership, or "passthrough" entity, for U.S. federal income tax purposes following the offering. Investors in this offering will, by contrast, hold their equity ownership in Bioventus Inc., a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes, in the form of shares of Class A common stock. Similarly, the Former LLC Owners will also hold their

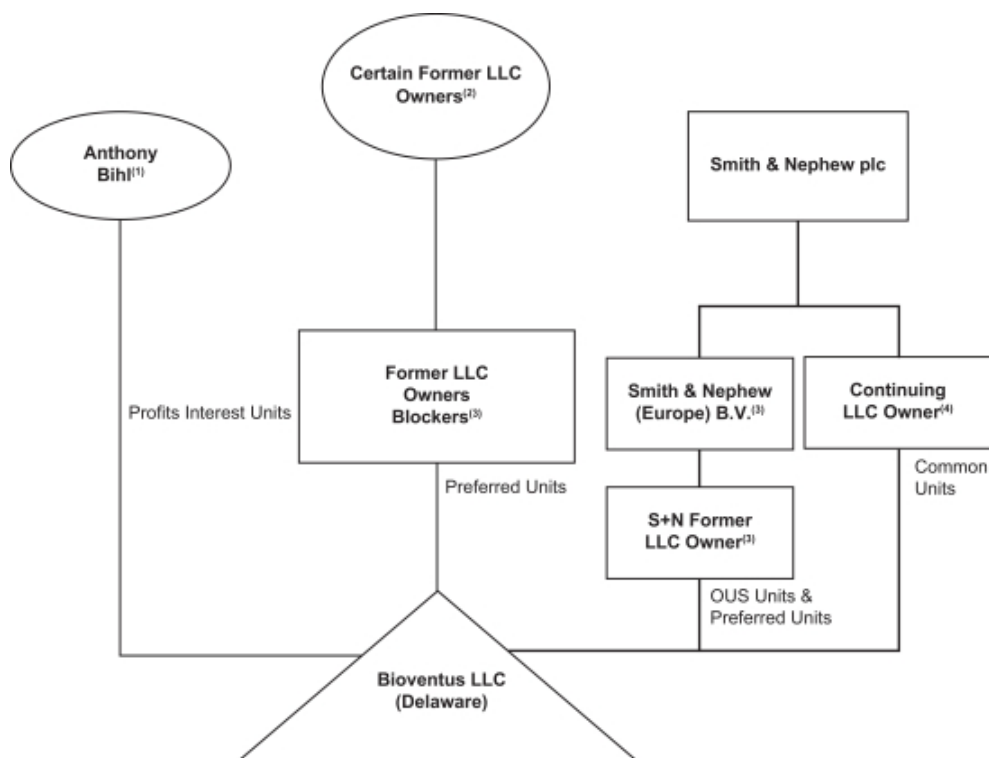
equity ownership in Bioventus Inc. in the form of shares of Class A common stock. One of the tax benefits to the Continuing LLC Owner associated with this structure is that future taxable income of Bioventus LLC that is allocated to the Continuing LLC Owner will be taxed on a flow-through basis and therefore will not be subject to corporate taxes at the entity level. Additionally, because the Continuing LLC Owner may redeem or exchange its LLC Interests for newly issued shares of our Class A common stock on a one-for-one basis or, at our option, for cash, the Up-C structure also provides the Continuing LLC Owner with potential liquidity that holders of non-publicly traded limited liability companies are not typically afforded. Bioventus Inc. also expects to benefit from the Up-C structure because, in general, we expect to benefit in the form of cash tax savings in amounts equal to 15% of certain tax benefits, as described above, arising from redemptions or exchanges of the Continuing Owner's LLC Interests for Class A Common Stock or cash and certain other tax benefits covered by the Tax Receivable Agreement discussed in "Certain relationships and related party transactions—Tax Receivable Agreement." See "Risk Factors—Risks related to our organizational structure and the Tax Receivable Agreement."

We refer to the foregoing transactions collectively as the "Transactions." For more information regarding our structure after the completion of the Transactions, including this offering, see "Transactions."

Immediately following this offering, Bioventus Inc. will be a holding company and its principal asset will be the LLC Interests it purchases from Bioventus LLC and acquires from the Former LLC Owners. As the sole managing member of Bioventus LLC, Bioventus Inc. will operate and control all of the business and affairs of Bioventus LLC and, through Bioventus LLC and its subsidiaries, conduct our business. Accordingly, Bioventus Inc. will have the sole voting interest in, and control the management of, Bioventus LLC. As a result, we will consolidate Bioventus LLC in our consolidated financial statements and will report a non-controlling interest related to the LLC Interests held by the Continuing LLC Owner on our consolidated financial statements.

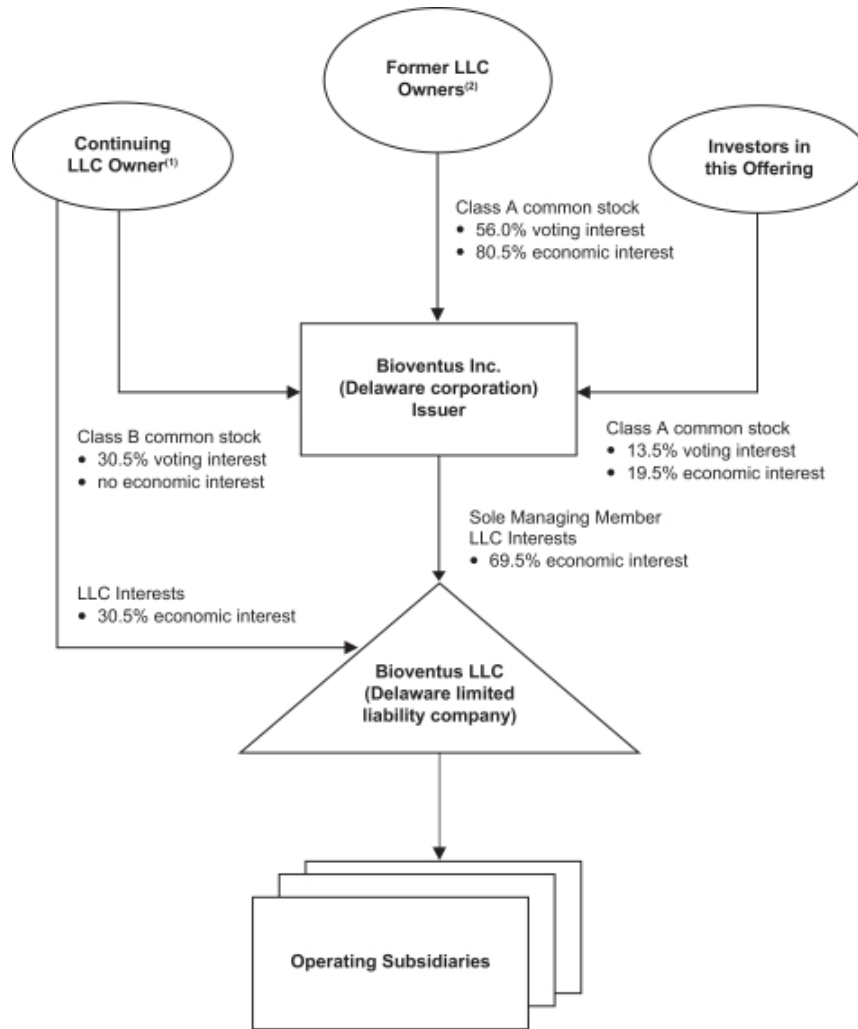
See "Description of capital stock" for more information about our certificate of incorporation and the terms of the Class A common stock and Class B common stock. See "Certain relationships and related party transactions" for more information about (i) the Bioventus LLC Agreement, including the terms of the LLC Interests and the redemption right of the Continuing LLC Owner; (ii) the Tax Receivable Agreement; (iii) the Registration Rights Agreement; and (iv) the Stockholders Agreement. Under the Stockholders Agreement, any increase or decrease in the size of our board of directors or any committee, and any amendment to our organizational documents, will in each case require the approval of EW Healthcare Partners, certain other members of the Voting Group and their respective affiliates, for so long as they collectively own at least 10% of the total shares of our Class A common stock owned by them as of the date this offering is consummated, and will also require the approval of Continuing LLC Owner and its affiliates, for so long as Smith & Nephew, Inc. and Smith & Nephew (Europe) B.V. and their affiliates own at least 10% of the total shares of our Class A common stock and Class B common stock owned by them as of the date this offering is consummated.

The diagram below depicts our organizational structure immediately prior to giving effect to the Transactions.



- (1) We plan to redeem all of Mr. Bihl’s Profits Interest Units as described in “Executive Compensation—Narrative to Summary Compensation Table—Severance.”
- (2) Refers to all the Original LLC Owners (including EW Healthcare Partners) but excluding the Continuing LLC Owner, the S+N Former LLC Owner and Smith & Nephew (Europe) B.V.
- (3) Immediately prior to the consummation of this offering, each of the Former LLC Owners, including Smith & Nephew (Europe) B.V., a wholly-owned indirect Dutch subsidiary of Smith & Nephew plc and the owner of S+N Former LLC Owner, will exchange their indirect ownership interests in Bioventus LLC for shares of Class A common stock and the Former LLC Owners Blockers and S+N Former LLC Owner will merge with and into Bioventus Inc.
- (4) Following the consummation of this offering, the Continuing LLC Owner will continue to own the LLC Interests it receives in exchange for its existing membership interests in Bioventus LLC.

The diagram below depicts our organizational structure after giving effect to the Transactions, including this offering, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock.



- (1) Refers to Smith & Nephew, Inc., a wholly-owned indirect U.S. subsidiary of Smith & Nephew plc, which will continue to own LLC Interests after the Transactions and which may, following the consummation of this offering, exchange its LLC Interests for shares of our Class A common stock or a cash payment (if mutually agreed) as described in “Certain relationships and related party transactions—Bioventus LLC Agreement,” in each case, together with a cancellation of the same number of its shares of Class B common stock.
- (2) Refers to all of the Original LLC Owners (including EW Healthcare Partners and Smith & Nephew (Europe) B.V., but excluding the Continuing LLC Owner) who will exchange their indirect ownership interests in Bioventus LLC for shares of our Class A common stock in connection with the consummation of this offering.

Summary of risks associated with our business

We are subject to several risks, including risks that may prevent us from achieving our business objectives or that may adversely affect our business, results of operations, financial condition, and cash flows. You should

carefully consider the risks discussed in the section entitled “Risk factors,” including the following risks, before investing in our Class A common stock:

- our business may continue to experience adverse impacts as a result of the COVID-19 pandemic;
- we are highly dependent on a limited number of products;
- our long-term growth depends on our ability to develop, acquire and commercialize new products, line extensions or expanded indications;
- we may be unable to successfully commercialize newly developed or acquired products or therapies in the United States;
- demand for our existing portfolio of products and any new products, line extensions or expanded indications depends on the continued and future acceptance of our products by physicians, patients, third-party payers and others in the medical community;
- our commercial success depends on our ability to differentiate the HA viscosupplementation therapies that we own or distribute from alternative therapies for the treatment of OA;
- the proposed down classification of non-invasive bone growth stimulators, including our Exogen system, by the FDA could increase future competition for bone growth stimulators and otherwise adversely affect the Company’s sales of Exogen;
- if we are unable to achieve and maintain adequate levels of coverage and/or reimbursement for our products, the procedures using our products, or any future products we may seek to commercialize, the commercial success of these products may be severely hindered;
- if we choose to acquire or invest in new businesses, products or technologies, we may be unable to complete these acquisitions or to successfully integrate them in a cost-effective and non-disruptive manner
- we compete and may compete in the future against other companies, some of which have longer operating histories, more established products or greater resources than we do, which may prevent us from achieving increased market penetration or improved operating results;
- the reclassification of our HA products from medical devices to drugs in the United States by the FDA could negatively impact our ability to market these products and may require that we conduct costly additional clinical studies to support current or future indications for use of those products;
- our ability to maintain our competitive position depends on our ability to attract, retain and motivate our senior management team and highly qualified personnel, and our failure to do so could adversely affect our business, results of operations and financial condition;
- if our facilities are damaged or become inoperable, we will be unable to continue to research, develop and manufacture our products and, as a result, our business, results of operations and financial condition may be adversely affected until we are able to secure a new facility;
- our products and operations are subject to extensive governmental regulation, and our failure to comply with applicable requirements could cause our business to suffer;
- we may be subject to enforcement action if we engage in improper claims submission practices and resulting audits or denials of our claims by government agencies could reduce our net sales or profits;
- the FDA regulatory process is expensive, time-consuming and uncertain, and the failure to obtain and maintain required regulatory clearances and approvals could prevent us from commercializing our products; our HCT/P products are subject to extensive government regulation and our failure to comply with these requirements could cause our business to suffer;

- if clinical studies of our future products do not produce results necessary to support regulatory clearance or approval in the United States or elsewhere, we will be unable to expand the indications for or commercialize these products; and
- we may be subject to enforcement action if we engage in improper marketing or promotion of our products, that could lead to costly investigations, fines or sanctions by regulatory bodies, any of which could be costly to our business.

Corporate information

Bioventus Inc., the issuer of the Class A common stock in this offering, was incorporated in Delaware on December 22, 2015 and does business as Bioventus Group Inc. in North Carolina. Bioventus LLC was organized in Delaware as a limited liability company in November 23, 2011. Our principal executive offices are located at 4721 Emperor Boulevard, Suite 100, Durham, NC 27703. Our telephone number is (919) 474-6700. Our corporate website is www.bioventus.com. The information contained on or that can be accessed through our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus or in deciding to purchase our Class A common stock.

Implications of being an emerging growth company

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. These include, but are not limited to:

- reduced obligations with respect to financial data, including presenting only two years of audited financial statements and only two years of selected financial data in the registration statement on Form S-1 of which this prospectus is a part;
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements;
- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act; and
- exemptions from the requirements of holding a non-binding advisory vote on executive compensation and the requirement to obtain stockholder approval of any golden parachute payments not previously approved.

We may take advantage of these exemptions until the last day of our fiscal year following the fifth anniversary of the completion of this offering or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company upon the earliest to occur of (1) the last day of the fiscal year in which we have more than \$1.07 billion in annual gross revenue; (2) the date we qualify as a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, or the Exchange Act; (3) the issuance, in any three-year period, by us of more than \$1.0 billion in non-convertible debt securities held by non-affiliates; and (4) the last day of the fiscal year ending after the fifth anniversary of our initial public offering. We may choose to take advantage of some, but not all, of the available exemptions. We have taken advantage of certain reduced reporting burdens in this prospectus. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, or the Securities Act, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to “opt out” of such extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

THE OFFERING

Issuer	Bioventus Inc.
Class A common stock offered hereby	7,350,000 shares (or 8,452,500 shares if the underwriters exercise in full their option to purchase additional shares).
Underwriters' option to purchase additional shares of Class A common stock	1,102,500 shares.
Class A common stock to be issued to Former LLC Owners	30,347,158 shares.
Class A common stock to be outstanding immediately after this offering	37,697,158 shares (or 38,799,658 shares if the underwriters exercise in full their option to purchase additional shares).
Class B common stock to be outstanding immediately after this offering	16,534,814 shares, all of which will be owned by the Continuing LLC Owner.
Voting Rights	Holder of our Class A common stock and Class B common stock will vote together as a single class on all matters presented to stockholders for their vote or approval, except as otherwise required by law. Each share of Class A common stock and Class B common stock will entitle its holder to one vote per share on all such matters. See "Description of capital stock."
Voting power held by purchasers in this offering	13.5% (or 15.3%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock).
Voting power held by the Former LLC Owners	56.0% (or 54.8%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock).
Voting power held by all holders of Class A common stock after giving effect to this offering	69.5% (or 70.1%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock).
Voting power held by all holders of Class B common stock after giving effect to this offering	30.5% (or 29.9%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock).
Voting power held by the Original LLC Owners after giving effect to this offering	86.5% (or 84.7%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock).
Ratio of shares of Class A common stock to LLC Interests	Our amended and restated certificate of incorporation and the Bioventus LLC Agreement will require that we at all times maintain a ratio of one LLC Interest owned by us for each outstanding share of Class A

Use of proceeds	<p>common stock (subject to certain exceptions for treasury shares and shares underlying certain convertible or exchangeable securities) and Bioventus LLC at all times maintain a one-to-one ratio between the number of shares of Class A common stock issued by us and the number of LLC Interests owned by us, as well as a one-to-one ratio between the number of shares of Class B common stock owned by the Continuing LLC Owner and the number of LLC Interests owned by the Continuing LLC Owner. This construct is intended to result in the Continuing LLC Owner having a voting interest in Bioventus Inc. that is substantially the same as the Continuing LLC Owner's percentage economic interest in Bioventus LLC. The Continuing LLC Owner will own all of our outstanding Class B common stock.</p> <p>We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions and estimated offering expenses, will be approximately \$112.4 million (or approximately \$129.9 million if the underwriters exercise in full their option to purchase additional shares of Class A common stock), assuming an initial public offering price of \$17.00 per share (the midpoint of the price range listed on the cover page of this prospectus).</p> <p>We intend to use the net proceeds that we receive from this offering (including any net proceeds from the underwriters' exercise of their option to purchase additional shares of Class A common stock) to purchase 7,350,000 newly-issued LLC Interests (or 8,452,500 LLC Interests if the underwriters exercise in full their option to purchase additional shares of Class A common stock) directly from Bioventus LLC at a purchase price per interest equal to the initial public offering price per share of Class A common stock less underwriting discounts and commissions.</p> <p>The net proceeds received by Bioventus LLC in connection with this offering will be used as described in "Use of Proceeds." We cannot specify with certainty all of the uses of the net proceeds that we will receive from this offering. Accordingly, we will have broad discretion in the application of these proceeds.</p>
Redemption rights of holders of LLC Interests	<p>The Continuing LLC Owner, from time to time following the offering, may require Bioventus LLC to redeem all or a portion of its LLC Interests for newly-issued shares of Class A common stock on a one-for-one basis or, if Bioventus Inc. and the</p>

Registration Rights Agreement	<p>Continuing LLC Owner agree, a cash payment equal to the volume weighted average market price of one share of our Class A common stock for each LLC Interest redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the Bioventus LLC Agreement; provided that, at Bioventus Inc.'s election, it may effect a direct exchange of such Class A common stock or such cash (if mutually agreed) for such LLC Interests. See "Certain relationships and related party transactions—Bioventus LLC Agreement." Shares of our Class B common stock will be cancelled on a one-for-one basis if we, at the election of the Continuing LLC Owner, redeem or exchange its LLC Interests pursuant to the terms of the Bioventus LLC Agreement.</p> <p>Pursuant to the Registration Rights Agreement, we will, subject to the terms and conditions thereof, agree to register the resale of the shares of our Class A common stock that are issuable to the Continuing LLC Owner upon redemption or exchange of their LLC Interests and the shares of our Class A common stock that are issued to the Former LLC Owners in connection with the Transactions. See "Certain relationships and related party transactions—Registration Rights Agreement."</p>
Controlled company	<p>Following this offering we will be a "controlled company" within the meaning of the corporate governance rules of Nasdaq. See "Management—Corporate governance." By becoming a stockholder, you will be deemed to have notice of and consented to provisions of our amended and restated certificate of incorporation that allocate certain corporate opportunities between us and our Original LLC Owners. See "Description of capital stock—Corporate opportunities."</p>
Dividend policy	<p>We do not anticipate declaring or paying any cash dividends on our Class A common stock for the foreseeable future. See "Dividend policy."</p>
Tax Receivable Agreement	<p>We will enter into the Tax Receivable Agreement with Bioventus LLC and the Continuing LLC Owner that will provide for the payment by us to the Continuing LLC Owner of 85% of the amount of tax benefits, if any, that we actually realize (or in some circumstances are deemed to realize) as a result of</p> <ul style="list-style-type: none">(i) increases in the tax basis of assets of Bioventus LLC resulting from(a) any future redemptions or exchanges of LLC Interests described above under

“—The offering—Redemption rights of holders of LLC interests” and (b) certain distributions (or deemed distributions) by Bioventus LLC and (ii) certain other tax benefits arising from payments under the Tax Receivable Agreement. Assuming no material changes in the relevant tax laws and that we earn sufficient taxable income to realize all potential tax benefits that are subject to the Tax Receivable Agreement, we expect that the tax savings associated with the purchase of LLC Interests in connection with this offering, together with future redemptions or exchanges of all remaining LLC Interests owned by the Continuing LLC Owner pursuant to the Bioventus LLC Agreement as described above, would aggregate to approximately \$101.0 million over 20 years from the date of this offering based on the assumed initial public offering price of \$17.00 per share of our Class A common stock, which is the midpoint of the range set forth on the cover page of this prospectus, and assuming all future redemptions or exchanges would occur one year after this offering. Under such scenario, assuming future payments are made on the date each relevant tax return is due, without extensions, we would be required to pay approximately 85% of such amount, or approximately \$85.8 million, over the 20-year period from the date of this offering. Under the Tax Receivable Agreement, we may elect to terminate the Tax Receivable Agreement early by making an immediate cash payment equal to the present value of all of the tax benefit payments that would be required to be paid by us to the Continuing LLC Owner under the Tax Receivable Agreement. If we were to elect to terminate the Tax Receivable Agreement immediately after this offering (including the use of proceeds to us therefrom), based on the assumed initial public offering price of \$17.00 per share of our Class A common stock, which is the midpoint of the range set forth on the cover page of this prospectus, and assuming no material changes in the relevant tax laws or tax rates and that we earn sufficient taxable income to realize all tax benefits that are subject to the Tax Receivable Agreement, we estimate that we would be required to pay approximately \$74.3 million in the aggregate under the Tax Receivable Agreement. The actual amounts we will be required to pay under the Tax Receivable Agreement will depend on, among other things, the timing of subsequent redemptions or exchanges of LLC Interests by the Continuing LLC Owner, the price of our shares of Class A common

	<p>stock at the time of each such redemption or exchange, and the amounts and timing of our future taxable income, and may be significantly different from the amounts described in the preceding sentences. See “Certain relationships and related party transactions—Tax Receivable Agreement.”</p>
Stockholders Agreement	<p>Pursuant to the Stockholders Agreement, the Voting Group will hold Class A common stock and Class B common stock representing approximately 86.5% of the combined voting power of all of our common stock. Until such time as EW Healthcare Partners, certain other members of the Voting Group and their respective affiliates own less than 10% of the total shares of our Class A common stock owned by them as of the date this offering is consummated, and Continuing LLC Owner and its affiliates own less than 10% of the total shares of our Class A common stock and Class B common stock owned by them as of the date this offering is consummated, or the Stockholders Agreement is otherwise terminated in accordance with its terms, the parties to the Stockholders Agreement will agree to vote their shares of Class A common stock and Class B common stock in favor of the election of the nominees of certain members of the Voting Group to our board of directors upon their nomination by the nominating and corporate governance committee of our board of directors. See “Certain relationships and related party transactions—Stockholders Agreement.”</p>
Reserved Shares Program	<p>At our request, the underwriters have reserved for sale, at the initial public offering price, up to 5% of the shares offered by this prospectus for sale to some of our officers, employees and consultants. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.</p>
Risk Factors	<p>Investing in shares of our Class A common stock involves a high degree of risk. See “Risk factors” for a discussion of factors you should carefully consider before investing in shares of our Class A common stock.</p>
Nasdaq Global Select Market symbol	<p>“BVS”</p>

The number of shares of Class A common stock to be outstanding after this offering is based on the membership interests of Bioventus LLC outstanding as of September 26, 2020, and excludes:

- 7,592,476 shares of Class A common stock reserved for issuance under our 2021 Equity Incentive Plan, or the Plan, as described in “Executive compensation—New incentive arrangements”, consisting of (i) 4,561,500 shares of Class A common stock issuable upon the exercise of options that vest between two and four years from the date of this prospectus to purchase, at the initial public offering price, shares of Class A common stock granted to our directors and certain employees, including the named executive officers, in connection with this offering as described in “Executive compensation—Director compensation” and “Executive compensation—New equity awards,” (ii) 360,670 shares of Class A common stock released between one to four years from the date of this prospectus upon meeting vesting requirements of restricted stock units granted on the date of this prospectus to our directors and certain employees, including the named executive officers, in connection with this offering as described in “Executive compensation—Director compensation” and “Executive compensation—New equity awards,” and (iii) 2,670,306 additional shares of Class A common stock reserved for future issuance (exclusive of the additional shares available for issuance under the Plan pursuant to the annual increase each calendar year beginning in 2022 and ending in 2031, as described in “Executive compensation—New incentive arrangements”);
- 1,351,834 shares of Class A common stock reserved as of the closing date of this offering for future issuance to the Stock Plan Participants upon settlement of their awards as described in “Executive compensation—Narrative to summary compensation table—Equity-based compensation,” 162,106 of which are unvested and are expected to vest within twelve months of the date of this prospectus;
- 542,320 shares of Class A common stock reserved for issuance under our Employee Stock Purchase Plan as described in “Executive compensation—New incentive arrangements”; and
- 16,543,814 shares of Class A common stock reserved as of the closing date of this offering for future issuance upon redemption or exchange of LLC Interests by the Continuing LLC Owner.

Unless otherwise indicated, this prospectus assumes:

- the completion of the organizational transactions as described in “Transactions;”
- no exercise by the underwriters of their option to purchase additional shares of Class A common stock;
- the shares of Class A common stock are offered at \$17.00 per share (the midpoint of the price range listed on the cover page of this prospectus); and
- no exercise of outstanding options after September 26, 2020.

Notwithstanding the foregoing, to the extent there is an increase in the public offering price, the number of Class A shares outstanding and Class A shares issuable upon redemption of LLC Interests would decrease from the amounts noted herein; to the extent there is a decrease in the public offering price, the number of Class A shares outstanding and Class A shares issuable upon redemption of LLC Interests would increase. However, to the extent there is an increase in the public offering price, the number of Class A shares issuable under awards would increase from the amounts noted herein; to the extent there is a decrease in the public offering price, the number of Class A shares issuable under awards would decrease. A \$1.00 increase (decrease) in the assumed initial public offering price of \$17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would result in a net decrease (increase) of approximately 300,000 (three hundred thousand) in the aggregate number of Class A shares outstanding, Class A shares issuable upon redemption of LLC Interests and Class A shares issuable under stock awards. The relative magnitude of the change in Class A shares outstanding and Class A shares issuable upon redemption of LLC Interests decreases as the share price moves further away from the midpoint.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The following tables present the summary historical and pro forma financial data for Bioventus LLC and its subsidiaries for the periods and at the dates indicated. Bioventus LLC is the predecessor of the issuer, Bioventus Inc., for financial reporting purposes. The summary statements of operations and statement of cash flows data for the years ended December 31, 2019 and 2018 are derived from the Bioventus LLC audited financial statements included elsewhere in this prospectus. The summary statements of operations and statement of cash flows data for the nine months ended September 26, 2020 and September 28, 2019, and the summary balance sheet data as of September 26, 2020 are derived from the Bioventus LLC unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the information set forth herein. You should read this data together with our audited and unaudited financial statements and related notes appearing elsewhere in this prospectus and the information under the captions “Capitalization,” “Selected financial data” and “Management’s discussion and analysis of financial condition and results of operations.” Our historical results are not necessarily indicative of our future results and results of interim periods are not necessarily indicative of results for the entire year.

The summary unaudited pro forma consolidated financial data of Bioventus Inc. presented below have been derived from our unaudited pro forma consolidated financial statements included elsewhere in this prospectus. The summary unaudited pro forma balance sheet data as of September 26, 2020 give effect to the Transactions as described in “Transactions”, including the completion of this offering, as if all such transactions had occurred on that date and the summary unaudited pro forma statement of operations data for the year ended December 31, 2019 and the nine months ended September 26, 2020 gives effect to the Transactions, as if all such transactions had occurred on January 1, 2019. The unaudited pro forma financial information includes various estimates which are subject to material change and may not be indicative of what our operations or financial position would have been had this offering and related transactions taken place on the dates indicated, or that may be expected to occur in the future. See “Unaudited pro forma consolidated financial information” for a complete description of the adjustments and assumptions underlying the summary unaudited pro forma consolidated financial data.

[Table of Contents](#)

The summary historical data of Bioventus Inc. have not been presented as Bioventus Inc. has had no business transactions or activities to date and had no assets or liabilities during the periods presented in this section.

(in thousands, except per share and share amounts)	Historical Bioventus LLC				Pro forma Bioventus Inc.(1)	
	Year ended		Nine months ended		Year ended	Nine months ended
	December 31, 2019	December 31, 2018	September 26, 2020	September 28, 2019	December 31, 2019	September 26, 2020
Consolidated statements of operations data:						
Net sales	\$ 340,141	\$ 319,177	\$ 222,570	\$ 242,587	\$ 340,141	\$ 222,570
Cost of sales (including depreciation and amortization of \$22,399, \$20,614, \$16,076 and \$17,149, respectively)	90,935	84,168	62,521	66,810	90,935	62,521
Gross profit	249,206	235,009	160,049	175,777	249,206	160,049
Selling, general and administrative expense	198,475	191,672	131,104	144,021	206,421	137,782
Research and development expense	11,055	8,095	8,311	7,911	11,644	9,979
Change in fair value of contingent consideration	—	(739)	—	—	—	—
Restructuring costs	575	1,373	—	540	575	—
Depreciation and amortization	7,908	8,615	5,305	5,815	7,908	5,305
Loss on impairment of intangible assets	—	489	—	—	—	—
Operating income	31,193	25,504	15,329	17,490	22,658	6,983
Interest expense	21,579	19,171	7,095	13,935	21,014	7,883
Other (income) expense	(75)	226	(4,539)	71	(75)	(4,539)
Other expense	21,504	19,397	2,556	14,006	20,939	3,344
Income from continuing operations before income taxes	9,689	6,107	12,773	3,484	1,719	3,639
Income tax expense	1,576	1,664	302	684	1,576	302
Net income from continuing operations	8,113	4,443	12,471	2,800	143	3,337
Loss from discontinued operations, net of tax	1,815	16,650	—	1,616	1,815	—
Net income (loss)	6,298	(12,207)	12,471	1,184	(1,672)	3,337
Net (loss) income from continuing operations attributable to noncontrolling interest	(553)	—	(1,164)	(30)	(1,063)	(147)
Net income attributable to Bioventus	6,851	(12,207)	13,635	1,214	\$ (609)	\$ 3,484
Accumulated and unpaid preferred distributions	(5,955)	(5,781)	(4,525)	(4,421)	—	—
Net income allocated to participating shareholders	(1,555)	—	(5,225)	—	—	—
Net (loss) income attributable to common unit holders	\$ (659)	\$ (17,988)	\$ 3,885	\$ (3,207)	—	—
Net (loss) income per common unit, basic and diluted	\$ (0.13)	\$ (3.67)	\$ 0.79	\$ (0.65)	—	—
Weighted average common units outstanding, basic and diluted	4,900	4,900	4,900	4,900	—	—
Pro forma weighted average shares of Class A common stock outstanding:	—	—	—	—	—	—
Basic	—	—	—	—	37,697,158	37,697,158
Diluted	—	—	—	—	37,697,158	37,697,158
Pro forma net (loss) income per share of Class A common stock outstanding:	—	—	—	—	—	—
Basic	—	—	—	—	\$ (0.2)	\$ 0.09
Diluted	—	—	—	—	\$ (0.2)	\$ 0.09
Other Financial Data:						
Adjusted EBITDA(2)	\$ 79,188	\$ 72,171	\$ 44,289	\$ 48,483	\$ 79,188	\$ 44,289

(in thousands)	Years Ended		Nine Months Ended	
	December 31, 2019	December 31, 2018	September 26, 2020	September 28, 2019
Consolidated statements of cash flows data:				
Net cash provided by (used in):				
Operating activities from continuing operations	\$ 42,545	\$ 52,310	\$ 46,752	\$ 21,329
Investing activities from continuing operations	(7,912)	(6,061)	(18,961)	(7,348)
Financing activities	(10,951)	(13,256)	(19,691)	(11,640)
Discontinued operations	(1,832)	(7,163)	(228)	(1,663)
Effect of exchange rate changes on cash	(104)	(160)	86	171
Net change in cash and cash equivalents	<u>\$ 21,746</u>	<u>\$ 25,670</u>	<u>\$ 7,958</u>	<u>\$ 849</u>

(in thousands)	September 26, 2020	Pro forma Bioventus Inc.(1) As of September 26, 2020
Balance sheet data:		
Cash and cash equivalents	\$ 72,478	\$ 170,710
Total assets	\$ 479,277	\$ 577,245
Total liabilities	\$ 333,938	\$ 313,629
Accumulated deficit	\$ (142,176)	\$ —
Total members'/stockholders' equity	\$ 145,339	\$ 263,615

- (1) Gives pro forma effect to the Transactions, including the offering and sale of 7,350,000 shares of Class A common stock in this offering at an initial public offering price of \$17.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus. See "Unaudited pro forma consolidated financial information."
- (2) We define Adjusted EBITDA as net income from continuing operations before interest expense, provision for income taxes and depreciation and amortization, adjusted for the impact of certain cash, non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include loss on impairment of intangible assets, equity compensation, losses associated with debt refinancing, adjustments to the fair value of contingent consideration liabilities, restructuring costs, foreign currency impact and other non-recurring costs. We use Adjusted EBITDA, a non-GAAP financial measure, because we believe it is a useful indicator of our operating performance. Our management uses Adjusted EBITDA principally as a measure of our operating performance and believes that Adjusted EBITDA is useful to our investors because it is frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies in industries similar to ours. Our management also uses Adjusted EBITDA for planning purposes, including the preparation of our annual operating budget and financial projections.

Adjusted EBITDA is not a measurement of financial performance under U.S. generally accepted accounting principles, or U.S. GAAP or GAAP. Adjusted EBITDA should not be considered in isolation or as a substitute for a measure of our liquidity or operating performance prepared in accordance with U.S. GAAP and is not indicative of net income (loss) from continuing operations as determined under U.S. GAAP. In addition, Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Adjusted EBITDA and other non-GAAP financial measures

have limitations that should be considered before using these measures to evaluate our liquidity or financial performance. Some of these limitations are as follows:

Adjusted EBITDA excludes certain tax payments that may require a reduction in cash available to us; does not reflect our cash expenditures, or future requirements, for capital expenditures (including capitalized software developmental costs) or contractual commitments; does not reflect changes in, or cash requirements for, our working capital needs; does not reflect the cash requirements necessary to service interest or principal payments on our debt; and excludes certain purchase accounting adjustments related to acquisitions.

In addition, our definition and calculation of Adjusted EBITDA may differ from that of other companies. We compensate for these limitations by relying primarily on our U.S. GAAP results and by using non-GAAP financial measures as a supplement.

The following table presents a reconciliation of net income from continuing operations to Adjusted EBITDA for the periods presented:

(in thousands)	Year ended		Nine Months Ended		Pro Forma Bioventus Inc.	
	December 31, 2019	December 31, 2018	September 26, 2020	September 28, 2019	Year ended December 31, 2019	Nine Months Ended September 26, 2020
	Net income from continuing operations	\$ 8,113	\$ 4,443	\$ 12,471	\$ 2,800	\$ 143
Depreciation and amortization ^(a)	30,316	29,238	21,789	22,972	30,316	21,789
Income tax expense	1,576	1,664	302	684	1,576	302
Interest expense	21,579	19,171	7,095	13,935	21,014	7,883
Equity compensation ^(b)	10,844	14,325	619	3,252	19,379	8,965
COVID-19 benefits, net ^(c)	—	—	(4,158)	—	—	(4,158)
Succession and transition charges ^(d)	—	—	5,345	—	—	5,345
Restructuring costs ^(e)	575	1,373	—	540	575	—
Foreign currency impact ^(f)	8	234	(58)	146	8	(58)
Loss on impairment of intangible assets ^(g)	—	489	—	—	—	—
Losses associated with debt refinancing ^(h)	367	—	—	—	367	—
Change in fair value of contingent consideration ⁽ⁱ⁾	—	(739)	—	—	—	—
Other non-recurring costs ⁽ⁱ⁾	5,810	1,973	884	4,154	5,810	884
Adjusted EBITDA	<u>\$ 79,188</u>	<u>\$ 72,171</u>	<u>\$ 44,289</u>	<u>\$ 48,483</u>	<u>\$ 79,188</u>	<u>\$ 44,289</u>

- (a) Includes for the years ended December 31, 2019 and 2018 and the nine months ended September 26, 2020 and September 28, 2019, respectively, depreciation and amortization of \$22.4 million, \$20.6 million, \$16.1 million and \$17.1 million in cost of sales and \$7.9 million, \$8.6 million, \$5.3 million and \$5.8 million represented in the consolidated statements of operations and comprehensive income (loss) with the balance in research and development.
- (b) Represents compensation as well as the change in fair market value resulting from two equity-based compensation plans, the MIP and the Phantom Plan.

[Table of Contents](#)

- (c) Represents income resulting from the CARES Act offset by additional cleaning and disinfecting expenses and contract termination fees for events we were unable to hold.
- (d) Primarily represents costs related to the chief executive officer transition.
- (e) Represents costs related to a shift from direct to an indirect distribution model in our International business to improve performance. In addition, various international subsidiaries were dissolved and or merged into other Bioventus LLC entities.
- (f) Represents realized and unrealized gains and losses from fluctuations in foreign currency and is included in other (income) expense on the consolidated statements of operations and comprehensive income (loss).
- (g) Represents the write-off of an intangible asset related to a BGS product we no longer sell.
- (h) Represents charges with our 2019 debt refinancing that were included in selling, general and administrative expense on the consolidated statements of operations and comprehensive income (loss).
- (i) Represents adjustments to the fair value of contingent consideration liabilities related to a supply agreement resulting from the OsteoAMP acquisition.
- (j) Represents charges associated with Bioventus LLC potential strategic transactions such as potential acquisitions or preparing to become a public company, primarily accounting and legal fees.

RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. These risks include, but are not limited to, those described below, each of which may be relevant to an investment decision. You should carefully consider the risks described below, together with all of the other information in this prospectus, including our financial statements and related notes, before investing in our Class A common stock. The realization of any of these risks could adversely affect our business, results of operations and financial condition. In that event, the trading price and value of our Class A common stock could decline, and you may lose part or all of your investment.

Risks related to our business

Our business may continue to experience adverse impacts as a result of the COVID-19 pandemic.

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The COVID-19 pandemic is having widespread, rapidly evolving and unpredictable impacts on global society, economies, financial markets and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home and supply chain logistical changes. We remain focused on protecting the health and well-being of our employees, partners and patients while assuring the continuity of our business operations. Furthermore, the long-term impact of COVID-19 on our business will depend on many factors, including, but not limited to, the duration and severity of the pandemic and the impact it has on our partners, patients and communities in which we operate, all of which continue to be uncertain. For example, there has been a decrease in patient visits to hospitals due to risk and fear of exposure to COVID-19, as well as decreases in, or temporary moratoriums on, elective procedures, which may be re-imposed in the future. Our business, results of operations and financial condition have been, and may continue to be, materially impacted due to the decrease in patient visits and elective procedures and any future temporary cessations of elective procedures and could be further impacted by delays in payments from customers, supply chain interruptions, extended “shelter in place” orders or advisories, facility closures or other reasons related to the pandemic.

To the extent the COVID-19 disruptions adversely impact our business, results of operations and financial condition, it may also have the effect of heightening many of the other risks described in “Risk Factors,” including risks relating to our ability to successfully commercialize new developed or acquired products or therapies, consolidation in the healthcare industry, disruptions in the supply or manufacturing of our products or their components, intensified pricing pressure as a result of changes in the purchasing behavior of hospitals and maintenance of our numerous contractual relationships.

We are highly dependent on a limited number of products.

Our OA joint pain treatment and joint preservation products accounted for 54%, 49%, 53% and 53% of our total revenue for the years ended December 31, 2019 and 2018 and the nine months ended September 26, 2020 and September 28, 2019, respectively. We expect that sales of such products will continue to account for a substantial portion of our revenue, and therefore, our ability to execute our growth strategy and maintain profitability will depend upon the continued demand for these products. In addition, our supply and distribution agreements for Durolane, GELSYN-3 and SUPARTZ FX are subject to renewal and their terms end in December 2115, February 2026 and December 2028, respectively. If the supply and distribution agreements for any of our HA viscosupplementation therapies were terminated, our revenue would be impaired. If our OA joint pain treatment and joint preservation products fail to maintain their market acceptance for any reason, our business, results of operations and financial condition may be adversely affected.

Our long-term growth depends on our ability to develop, acquire and commercialize new products, line extensions or expanded indications.

Our industry is highly competitive and subject to rapid change and technological advancements. Therefore, it is important to our business that we continue to introduce new products and/or enhance our existing product offerings through line extensions or expanded indications. Developing, acquiring and commercializing products is expensive, time-consuming and could divert management's attention away from our existing business. Even if we are successful in developing additional products, the success of any new product offering or enhancements to existing products will depend on several factors, including our ability to:

- properly identify and anticipate the needs of healthcare professionals and patients;
- develop and introduce new products, line extensions and expanded indications in a timely manner;
- distinguish our products from those of our competitors;
- avoid infringing upon the intellectual property rights of third-parties and maintain necessary intellectual property licenses from third-parties;
- demonstrate, if required, the safety and efficacy of new products with data from preclinical studies and clinical trials;
- obtain clearance or approval, if required, from the FDA and other regulatory agencies, for such new products, line extensions and expanded indications, and maintain full compliance with FDA and other regulatory requirements applicable to new devices or products or modifications of existing devices or products;
- provide adequate training to potential users of our products;
- receive adequate coverage and reimbursement for our products; and
- maintain an effective and dedicated sales and marketing team.

If we are unsuccessful in developing, acquiring and commercializing new products or enhancing our existing product offerings through line extensions and expanded indications, our ability to increase our net sales may be impaired.

Additionally, our research and development efforts may require a substantial investment of time and resources before we are adequately able to determine the commercial viability of a new product, technology, material or other innovation. Such efforts may not result in the development of a viable product. In addition, even if we are able to successfully develop new active healing products, line extensions and expanded indications, these products may not produce sales in excess of the costs of development and they may be rendered obsolete by changing customer preferences or the introduction by our competitors of products embodying new technologies or features.

We may be unable to successfully commercialize newly developed or acquired products or therapies in the United States.

The commercial success of newly acquired or developed products, such as MOTYS, in the United States will depend upon the awareness and acceptance of such products among the medical community, including physicians and patients. Market acceptance will depend on a number of factors, including, among others:

- the perceived advantages and disadvantages of such products over existing therapies and other competitive treatments;
- availability of alternative treatments;
- inability to secure and maintain adequate coverage, including obtaining a unique reimbursement code;

Table of Contents

- the extent to which physicians prescribe the Company's products;
- the willingness of the target patient population to try new therapies;
- the strength of marketing and distribution support of the Company's new products and competitive products;
- publicity concerning the Company's new products, our existing products or competing products and treatments;
- pricing and cost effectiveness of such new therapies;
- the effectiveness of our sales and marketing strategies; and
- the willingness of patients to pay out-of-pocket in the absence of third-party reimbursement.

Our efforts to educate the medical community about the benefits of newly acquired or developed products may require significant resources and we may never be successful. If such newly acquired or developed products do not achieve an adequate level of acceptance by patients and physicians in the United States, our business, results of operations and financial condition may be adversely affected.

Demand for our existing portfolio of products and any new products, line extensions or expanded indications depends on the continued and future acceptance of our products by physicians, patients, third-party payers and others in the medical community.

We cannot be certain that our existing portfolio of products and any new products, line extensions or expanded indications that we develop will achieve or maintain market acceptance. With respect to our OA joint pain treatment and joint preservation products, third-party payers may be reluctant to continue to cover our HA viscosupplementation therapies at their current prices. Further, new injectable therapies or oral medications may become available that help manage OA joint pain in a more convenient and/or cost effective manner than our HA viscosupplementation therapies. With respect to our BGS products, new allograft, DBMs, synthetics, growth factors, or other enhancements to our existing implants may never achieve broad market acceptance, which can be affected by a lack of clinical acceptance of BGSs and technologies, introduction of competitive treatment options which render BGSs and technologies too expensive or obsolete and difficulty training surgeons in the use of BGSs and technologies. Media reports or other negative publicity concerning both methods of tissue recovery from donors and actual or potential disease transmission from donated tissue may limit widespread acceptance by the medical community of our allografts, growth factor and DBMs, whether directed at these products generally or our products specifically. Unfavorable reports of improper or illegal tissue recovery practices by any participant in the industry, both in the United States and internationally, as well as incidents of improperly processed tissue leading to transmission of disease, may broadly affect the rate of future tissue donation and market acceptance of allograft based technologies by the medical community.

In addition, we believe that even if the medical community generally accepts our existing portfolio of products and any new products, line extensions or expanded indications, acceptance and recommendations by influential members of the medical community will be important to their broad commercial success. If the medical community does not broadly accept our products, we may not remain competitive in the market, which could adversely affect our business, results of operations and financial condition.

Our commercial success depends on our ability to differentiate the HA viscosupplementation therapies that we own or distribute from alternative therapies for the treatment of OA.

Our ability to achieve commercial success will, at least in part, depend on our ability to differentiate the HA viscosupplementation therapies that we own or distribute in such a way that physicians and patients will select them. The HA viscosupplementation therapies that we own or distribute could face competition from steroid injections, other HA viscosupplementation therapies, combination HA viscosupplementation/steroid therapies and alternate therapies for the treatment of OA, including those currently in development.

We expect that the HA viscosupplementation therapies that we own or distribute will continue to be used primarily after oral analgesics and steroid injections no longer provide adequate pain relief. In addition, the five and three injection HA viscosupplementation therapies that we distribute face competition from single injection therapies. We expect the three injection market to decline by a projected 3.1% CAGR and the five injection market to decline by a projected 13.6% CAGR from 2019 to 2024. Due to the convenience associated with the single injection treatments, it is expected that these products will continue to capture increasing market share of the HA viscosupplementation therapies market, which may adversely affect our business, results of operations and financial condition to the extent physicians and patients do not select Durolane, our single injection HA viscosupplementation therapy. There are also a number of combination HA viscosupplementation/steroid therapies currently in development. The American Association of Orthopedic Surgeons, or AAOS, since the release of their May 2013 clinical practice guidelines, does not recommend the use of HA for patients with symptomatic knee OA. The evidence for the AAOS recommendation is based on two or more high quality studies with consistent findings for recommending for or against the intervention. The AAOS recommendation states that practitioners should follow a strong recommendation, such as this one, unless a clear and compelling rationale for an alternative approach is present. In May 2018, the Journal of the AAOS ranked the nonsteroidal anti-inflammatory drug naproxen the most effective in individual knee OA treatment for improving both pain and function. To the extent that any additional therapies receive approval or alternative therapies receive positive support from the AAOS or other physician associations, they could reduce the market share represented by HA viscosupplementation therapies for OA treatment and adversely affect our commercial success.

If we are unable to differentiate the HA viscosupplementation therapies we own or distribute from other therapies, physicians and patients may not be willing to use them or be willing to switch from existing therapies with which they are familiar. Once physicians incorporate a particular treatment into their practice, they may not alter their practice absent compelling clinical evidence of safety and/or effectiveness and/or significant pricing reimbursement advantages.

The proposed down-classification of non-invasive bone growth stimulators, including our Exogen system, by the FDA could increase future competition for bone growth stimulators and otherwise adversely affect the Company's sales of Exogen.

On August 17, 2020, FDA published a Federal Register notice announcing its proposal to reclassify non-invasive bone growth stimulators, such as Exogen, from Class III medical devices to Class II with special controls. Class III devices are subject to the most stringent regulatory pathway for approval for medical devices requiring, among other things, rigorous clinical studies and pre-approval manufacturing review. Class II devices may be cleared for marketing by the FDA under the 510(k) pathway if they are determined to be substantially equivalent to a legally marketed predicate device. The 510(k) clearance process does not always require clinical testing, and is generally less onerous than the premarket approval process applicable to Class III devices. On September 8-9, 2020, the Orthopaedic and Rehabilitation Devices Panel of the FDA Medical Devices Advisory Committee met and discussed FDA's proposal. The Panel, whose authority is non-binding but nonetheless considered by FDA, ultimately voted in favor of FDA's proposal to down-classify non-invasive bone growth stimulators.

The FDA has proposed that any final order would become effective 30 days after publication. While FDA has not yet finalized its proposal to down-classify non-invasive bone growth stimulators, should such down-classification occur now or in the future, we may face additional competition from new market entrants who would be able to pursue marketing authorization through the 510(k) clearance pathway instead of the more onerous and burdensome PMA approval process. Class II devices that qualify as durable medical equipment under the Medicare program may also be eligible for inclusion in Medicare's competitive bidding program for durable medical equipment, prosthetics, orthotics and supplies. As a result of down-classification, Exogen could face additional competition or we could receive lower reimbursement amounts for Exogen, all of which could adversely affect our business, results of operations and financial condition.

If we are unable to achieve and maintain adequate levels of coverage and/or reimbursement for our products, the procedures using our products, or any future products we may seek to commercialize, the commercial success of these products may be severely hindered.

Our products are purchased by healthcare providers and customers who typically bill third-party payers, such as government programs, including Medicare and Medicaid, or private insurance plans and healthcare networks, to cover all or a portion of the costs and fees associated with our products. Patients may also be billed for deductibles or co-payments in accordance with third-party payer policies. These third-party payers and insurers may deny reimbursement if they determine that a device or product provided to a patient or used in a procedure does not meet applicable payment criteria or if the policyholder's healthcare insurance benefits are limited.

As required by law, the Centers for Medicare and Medicaid Services, or CMS, which administers the Medicare program, has continued efforts to implement a competitive bidding program for selected durable medical equipment, prosthetic and orthotic supplies items paid for by the Medicare program. In this program, Medicare rates are based on bid amounts for certain products in designated geographic areas, rather than the Medicare fee schedule amount. Bone growth stimulation products like our Exogen system are currently exempt from this competitive bidding process, but may be eligible for inclusion if the FDA's proposed down-classification order becomes effective. We cannot predict which products from any of our businesses may ultimately be affected or whether or when the competitive bidding process may be extended to our businesses.

Limits put on reimbursement by third-party payers, whether foreign or domestic, governmental or commercial, could make it more difficult to buy our products and substantially reduce, or possibly eliminate, patient access to our products. The healthcare industry in the United States has experienced a trend toward cost containment as government and private insurers seek to control rising healthcare costs by imposing lower payment rates and negotiating reduced contract rates with providers and suppliers.

There is no uniform policy of coverage and reimbursement for our products or procedures using our products among third-party payers in the United States, and coverage and reimbursement for our products and procedures using our products can differ significantly from payer to payer. Further, these payers regularly review new and existing technologies for possible coverage and can, without notice, deny or reverse coverage for new or existing products and treatments. Third-party payers may not consider our products to be medically necessary or cost-effective for certain indications or off-label uses or for all uses, and as a result, may not provide coverage for the products. For example, Blue Cross Blue Shield Association's Evidence Street platform issued a report in April 2018 questioning the efficacy of our Exogen system, which resulted in several non-coverage policies being issued by member organizations. Additionally, to the extent that third party payers decide that they are no longer willing to provide reimbursement for physician prescribed off-label uses of Exogen, sales may be negatively impacted. See "Risk factors—Risks related to government regulation—We may be subject to enforcement action if we engage in improper marketing or promotion of our products, and the misuse or off-label use of our products may harm our image in the marketplace, result in injuries that lead to product liability suits or result in costly investigations, fines or sanctions by regulatory bodies if we are deemed to have engaged in the promotion of these uses, any of which could be costly to our business."

We may also be required to conduct expensive clinical studies to justify coverage and reimbursement and/or the level of reimbursement relative to other therapies. In addition, should governmental authorities continue to enact legislation or adopt regulations that affect third-party coverage and reimbursement, access to our products and coverage by private or public insurers may be reduced. If third-party payers or insurers that currently cover or reimburse our products or the procedures in which they are used limit their coverage or reimbursement in the future, or if other third-party payers or insurers issue similar policies, this could impact our ability to sell our products, force us to lower the price we charge for our products, and adversely affect our business, results of operations and financial condition.

[Table of Contents](#)

Our ability to market and sell our products could be harmed by future actions by CMS, other government agencies or private payers to diminish payments to healthcare providers and suppliers. For example, the CMS, in its ongoing implementation of the Medicare program, periodically reviews medical study literature to determine how the literature addresses certain procedures and therapies in the Medicare population. The impact that these assessments could have on Medicare or third-party payer coverage determinations for our products is currently unknown, but we cannot provide assurances that the resulting actions will not restrict Medicare or other insurance coverage for our products. In addition, there can be no assurance that we or our distributors will not experience significant coverage or reimbursement impediments in the future related to these or other programs and policies of CMS. Specifically, drug pricing reform legislation and executive orders, which could negatively affect the reimbursement rates paid for HA viscosupplements, have been issued by the White House and have been proposed or enacted by Congress. For example, the Consolidated Appropriations Act, 2021, or CAA, was signed into law on December 27, 2020, and will expand price reporting obligations for manufacturers of certain products reimbursed under Medicare Part B beginning, January 1, 2022. CMS could utilize the new pricing information to adjust Medicare payment for these products, which may include HA viscosupplements. We cannot predict how this law will be implemented by CMS, or the extent to which this law, or other proposals that may be enacted in the future, may impact the Medicare payment available for our HA viscosupplements.

Private payers may adopt coverage decisions and payment amounts determined by CMS as guidelines in setting their coverage and reimbursement policies. In addition, for some governmental programs, such as Medicaid, coverage and reimbursement differs from state to state. Medicaid payments to physicians, facilities and other providers are often lower than payments by other third-party payers and some state Medicaid programs may not pay an adequate amount for the procedures performed with our products, if any payment is made at all. If CMS, other government agencies or private payers lower their reimbursement rates, or if any of the proposed drug pricing executive orders or legislative reforms are enacted, the commercial success of our products may be adversely affected.

Our business may be adversely affected if consolidation in the healthcare industry leads to demand for price concessions or if a GPO, third-party payers or other similar entities exclude us from being a supplier.

Healthcare costs have risen significantly over the past decade, which has resulted in or led to numerous cost reform initiatives by legislators, regulators and third-party payers. Cost reform has triggered a consolidation trend in the healthcare industry to aggregate purchasing power, which may increase requests for pricing concessions or risk vendor exclusion. For example, non-clinical staff at hospitals are increasingly involved in the evaluation of products and product purchasing decisions. In order for us to sell our products, we must convince such staff as well as physicians and hospitals that our products are attractive alternatives to competing products for use in surgical procedures. Additionally, GPOs, independent delivery networks and large single accounts may continue to use their market power to consolidate purchasing decisions for physicians. Third-party payers may also continue to use their market power to reduce the reimbursement for our products by increasing the rebates we are required to pay them when our products are covered, which may negatively impact our results. We expect that market demand, government regulation, third-party coverage and reimbursement policies and societal pressures will continue to change the healthcare industry worldwide, resulting in further business consolidations and alliances among our customers, which may exert further downward pressure on the prices of our products.

If we choose to acquire or invest in new businesses, products or technologies, we may be unable to complete these acquisitions or to successfully integrate them in a cost-effective and non-disruptive manner.

Our success depends on our ability to enhance and broaden our product offerings in response to changing customer demands, competitive pressures and advances in technologies. We continue to search for viable acquisition candidates or strategic alliances that would expand our market sector and/or global presence, as well as additional products appropriate for current distribution channels. Accordingly, we may in the future pursue the acquisition of, or joint ventures relating to, new businesses, products or technologies instead of developing them

[Table of Contents](#)

internally. For example, we entered into an Option and Equity Purchase Agreement with CartiHeal providing for, among other things, an exclusive option to acquire the company under certain terms and conditions as described above. See “Business—Development and Clinical Pipeline—Treatment of Cartilage for Osteochondral defects—CartiHeal (developer of Agili-C) investment and option and equity purchase agreement.” We are also exploring a possible acquisition of a medical device company, referred to herein as the Target. We were recently notified that a minority shareholder of the Target has filed a complaint with the Court of Chancery of the State of Delaware contesting the Potential Transaction, as well as related motions to expedite proceedings and issue a temporary restraining order. We understand that the Target intends to defend the action vigorously, but there can be no assurance that this action will not impact the timing, terms or likelihood of closing of the Potential Transaction. Other risks involving potential future and completed acquisitions and strategic investments include:

- risks associated with conducting due diligence;
- problems integrating the purchased technologies, products or business operations;
- inability to achieve the anticipated synergies and overpaying for acquisitions or unanticipated costs associated with acquisitions;
- invalid net sales assumptions for potential acquisitions;
- issues maintaining uniform standards, procedures, controls and policies;
- diversion of management’s attention from our core business;
- adverse effects on existing business relationships with suppliers, distributors and customers;
- risks associated with entering new markets in which we have limited or no experience;
- potential loss of key employees of acquired businesses; and
- increased legal, accounting and compliance costs.

We compete with other companies for these opportunities, and we may be unable to consummate such acquisitions or joint ventures on commercially reasonable terms, or at all. In addition, acquired businesses may have ongoing or potential liabilities, legal claims (including tort and/or personal injury claims) or adverse operating issues that we fail to discover through due diligence prior to the acquisition. Even if we are aware of such liabilities, claims or issues, we may not be able to accurately estimate the magnitude of the related liabilities and damages. In particular, to the extent that prior owners of any acquired businesses or properties failed to comply with or otherwise violated applicable laws or regulations, failed to fulfill their contractual obligations to their customers, or failed to satisfy legal obligations to employees or third parties, we, as the successor, may be financially responsible for these violations and failures and may suffer reputational harm or otherwise be adversely affected. Acquisitions also frequently result in the recording of goodwill and other intangible assets which are subject to potential impairment in the future that could harm our financial results. If we were to issue additional equity in connection with such acquisitions, this may dilute our stockholders.

Pricing pressure from our competitors or hospitals may affect our ability to sell our products at prices necessary to support our current business strategies.

Medical device companies, healthcare systems and GPOs have intensified competitive pricing pressure as a result of industry trends and new technologies. Purchasing decisions are gradually shifting to hospitals, IDNs and other hospital groups, with surgeons and other physicians increasingly acting only as “employees.” Changes in the purchasing behavior of hospitals or the amount third-party payers are willing to reimburse our customers for procedures using our products, including those as a result of healthcare reform initiatives, could create additional pricing pressure on us. In addition to these competitive forces, we continue to see pricing pressure as hospitals introduce new pricing structures into their contracts and agreements, including fixed price formulas, capitated pricing and episodic or bundled payments intended to contain healthcare costs. If such trends continue to drive down the prices we are able to charge for our products, our profit margins will shrink, adversely affecting our business, results of operations and financial condition.

If we fail to successfully enter into purchasing contracts for our BGS products or engage in contract bidding processes internationally, we may not be able to receive access to certain hospital facilities and our sales may decrease.

In the United States, the hospital facilities where physicians treat patients with our BGS products typically require us to enter into purchasing contracts. The process of securing a satisfactory contract can be lengthy and time-consuming and require extensive negotiations and management time. In certain international jurisdictions, from time to time, certain institutions require us to engage in a contract bidding process in the event that such institutions are considering making purchase commitments that exceed specified cost thresholds, which vary by jurisdiction. These processes are only open at certain periods of time, and we may not be successful in the bidding process. If we do not receive access to hospital facilities through these contracting processes or otherwise, or if we are unable to secure contracts or tender successful bids, our sales may stagnate or decrease and our operating results may be harmed. Furthermore, we may expend significant effort in these time-consuming processes and still may not obtain a purchase contract from such hospitals.

Governments outside the United States may not provide coverage or reimbursement of our products, which may adversely affect our business, results of operations and financial condition.

Acceptance of our products in international markets may depend, in part, upon the availability of coverage and reimbursement within prevailing healthcare payment systems. Reimbursement and healthcare payment systems in international markets vary significantly by country, and include both government-sponsored healthcare and private insurance. Our products may not obtain international coverage and reimbursement approvals in a timely manner, if at all, which may require consumers desiring our products to purchase them directly. Third-party coverage and reimbursement for our products or any of our products in development for which we may receive regulatory approval may not be available or adequate in international markets, which could adversely affect our business, results of operations and financial condition.

Our future growth depends on physician awareness of the distinctive characteristics, benefits, safety, clinical efficacy and cost-effectiveness of our products.

We focus our sales, marketing and training efforts on physicians, surgeons and other health care professionals. The acceptance of our products depends in part on our ability to educate physicians as to the distinctive characteristics, benefits, safety, clinical efficacy and cost-effectiveness of our products compared to alternative products, procedures and therapies. If physicians, surgeons or other healthcare professionals are not properly trained, they may misuse or ineffectively use our products, which may result in unsatisfactory patient outcomes, patient injury, negative publicity or lawsuits against us. In addition, a failure to educate physicians, surgeons or other healthcare professionals regarding our products may impair our ability to achieve market acceptance of our products.

We compete and may compete in the future against other companies, some of which have longer operating histories, more established products or greater resources than we do, which may prevent us from achieving increased market penetration or improved operating results.

The medical device industry is characterized by intense competition, subject to rapid change and significantly affected by market activities of industry participants, new product introductions and other technological advancements. We believe that our competitors have historically dedicated and will continue to dedicate significant resources to promote their products or to develop new products. We have competitors in the United States and internationally, including major medical device and pharmaceutical companies, biotechnology companies and universities and other research institutions.

These companies and other industry participants may develop alternative treatments, products or procedures that compete directly or indirectly with our products. If alternative treatments are, or are perceived to be, superior to our products, sales of our products could be adversely affected and our results of operations could suffer. Our competitors may also develop and patent processes or products earlier than we can or obtain regulatory clearance

[Table of Contents](#)

or approvals for competing products more rapidly than we can, which could impair our ability to develop and commercialize similar processes or products.

Many of our current and potential competitors are major medical device and pharmaceutical companies that have substantially greater financial, technical and marketing resources than we do, and they may succeed in developing products that would render our products obsolete or noncompetitive. It is also possible that our competition will be able to leverage their large market share to set prices at a level below that which is profitable for us.

Some of our competitors enjoy several competitive advantages over us, including:

- greater financial, human and other resources for product research and development, sales and marketing and litigation;
- significantly greater name recognition;
- control of intellectual property and more expansive portfolios of intellectual property rights, which could impact future products under development;
- greater experience in obtaining and maintaining regulatory clearances or approvals for products and product enhancements;
- established relationships with hospitals and other healthcare providers, physicians, suppliers, customers and third-party payers;
- additional lines of products, and the ability to bundle products to offer greater incentives to gain a competitive advantage; and
- more established sales, marketing and worldwide distribution networks.

The potential introduction by competitors of products that compete with our existing or planned products may also make it difficult to market or sell our products. In addition, the entry of multiple new products and competitors may lead some of our competitors to employ pricing strategies that could adversely affect the pricing of our products and pricing in the market generally.

As a result, our ability to compete successfully will depend on our ability to develop proprietary products that reach the market in a timely manner, receive adequate coverage and reimbursement from third-party payers, and are safer, less invasive and more effective than alternatives available for similar purposes. If we are unable to do so, our sales or margins could decrease, which would adversely affect our business, results of operations and financial condition.

The reclassification of our HA products from medical devices to drugs in the United States by the FDA could negatively impact our ability to market these products and may require that we conduct costly additional clinical studies to support current or future indications for use of those products.

On December 18, 2018, the FDA published notice in the Federal Register announcing its intention to reconsider the appropriate classification of HA intra-articular products intended for the treatment of pain in OA of the knee. Although HA products intended for this use have previously been regulated as medical devices, in its notice the FDA stated that current published scientific literature supports that HA products achieve their primary intended purpose of treatment of pain in OA of the knee through biological action in the body which would require such products being classified as drugs. The FDA has encouraged organizations intending to submit applications for changes in indications for use, formulation, or route of administration of their HA products to obtain from the FDA an informal or formal classification and jurisdiction determination as a drug or device through a pre-request for designation or request for designation, respectively, prior to submission of such application. However, the FDA to date has taken no action to reclassify HA products from medical devices to drugs, or indicated what the potential ramifications would be for currently marketed HA products if a reclassification were to occur.

We currently market three HA products: Durolane, GELSYN-3 and SUPARTZ FX. If the reclassification of HA products were to occur, the FDA may not allow us to continue to market these products without submitting additional clinical trial data, obtaining approval of a New Drug Application, or NDA, for these products, or

without otherwise complying with new conditions or limitations on how those products are marketed. Clinical testing can take years to complete, can be expensive and carries uncertain outcomes, and there is no guarantee that would be able to successfully obtain and maintain any required regulatory approvals. These new regulatory obligations could result in increased regulation of Durolane, GELSYN-3 and SUPARTZ FX and would subject these products to a new set of regulatory requirements to which they have not been previously subject. These changes could ultimately increase our costs and adversely impact our business, results of operations and financial condition if they were to be implemented. See “Risk factors—Risks related to our business—If we are unable to achieve and maintain adequate levels of coverage and/or reimbursement for our products, the procedures using our products, or any future products we may seek to commercialize, the commercial success of these products may be severely hindered.”

Our ability to maintain our competitive position depends on our ability to attract, retain and motivate our senior management team and highly qualified personnel, and our failure to do so could adversely affect our business, results of operations and financial condition.

We believe that our continued success depends to a significant extent upon the skill, experience and performance of members of our senior management team, who have been critical to the management of our operations and implementation of our strategy, as well as our ability to continue to attract, retain and motivate additional executive officers, and other key employees and consultants, such as those individuals who are engaged in our research and development efforts. The replacement of any of our key personnel likely would involve significant time and costs and may significantly delay or prevent the achievement of our business objectives and could therefore adversely affect our business, results of operations and financial condition. In addition, we do not carry any “key person” insurance policies that could offset potential loss of service under applicable circumstances.

Competition for experienced employees in the medical device industry can be intense. To attract, retain and motivate qualified employees, we may utilize equity-based incentive awards such as employee stock options. If the value of such equity incentive awards does not appreciate as measured by the performance of the price of our Class A common stock and ceases to be viewed as a valuable benefit, our ability to attract, retain and motivate our employees could be adversely impacted, which could adversely affect our business, results of operations and financial condition and/or require us to increase the amount we expend on cash and other forms of compensation.

Since inception, our history of operations has included periods of net losses, and we may not be able to sustain profitability.

For the years ended December 31, 2019 and 2018 and the nine months ended September 26, 2020 and September 28, 2019, we had net income from continuing operations of \$8.1 million, \$4.4 million, \$12.5 million and \$2.8 million, respectively. We had an accumulated deficit of \$142.2 million and \$141.7 million as of September 26, 2020 and December 31, 2019, respectively. Our ability to generate sufficient net sales from our existing products or from any of our products in development or products that we acquire, in order to sustain profitability, is uncertain, and, since inception, our history of operations has previously included periods of net loss. We expect that our operating expenses will continue to increase as we continue to develop, enhance and commercialize new products and incur additional operational costs associated with being a public company. Furthermore, we may not be able to sustain or increase profitability on an ongoing basis. If we do not achieve sustained profitability, it will be more difficult for us to finance our business and accomplish our strategic objectives.

If we fail to properly manage our anticipated growth, our business could suffer.

We have been growing steadily in recent periods. We intend to continue to grow and may experience periods of rapid growth and expansion, which could place a significant additional strain on our limited personnel, information technology systems and other resources. In particular, our sales force and distributor network requires significant management, training, financial and other supporting resources. Any failure by us to manage our growth effectively could have an adverse effect on our ability to achieve our development and commercialization goals.

[Table of Contents](#)

To achieve our revenue goals, we must also successfully increase supply of our products to meet expected customer demand. In the future, we may experience difficulties with yields, quality control, component supply and shortages of qualified personnel, among other problems. These problems could result in delays in product availability and increases in expenses. Any such delay or increased expense could adversely affect our ability to generate revenue.

Future growth will also impose significant added responsibilities on management, including the need to identify, recruit, train and integrate additional employees. In addition, rapid and significant growth will place a strain on our administrative and operational infrastructure.

In order to manage our operations and growth we will need to continue to improve our operational and management controls, reporting and information technology systems and financial internal control procedures. If we are unable to manage our growth effectively, it may be difficult for us to execute our business strategy and our operating results and business could suffer.

We may not be able to strengthen our brand and the brands associated with our products.

We believe that strengthening the Bioventus brand and the brands associated with our products is critical to achieving widespread acceptance of our products, particularly because of the rapidly developing nature of the market for active healing products. Promoting and positioning our brand will depend largely on the success of our marketing efforts and the reliability of our products. Historically, our efforts to build our brand have involved marketing expenses, and it is likely that our future marketing efforts will require us to incur additional expenses. These brand promotion activities may not yield increased sales and, even if they do, any sales increases may not offset the expenses we incur to promote our brand and our products. If we fail to successfully promote and maintain our brand, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand and the brands of our products, our products may not be accepted by healthcare providers, which would cause our sales to decrease and would adversely affect our business, results of operations and financial condition.

We face the risk of product liability claims that could be expensive, divert management's attention and harm our reputation and business. We may not be able to maintain adequate product liability insurance.

Our business exposes us to the risk of product liability claims that are inherent in the testing, manufacturing and marketing of our products. This risk exists even if a product is cleared or approved for commercial sale by the FDA and manufactured in facilities regulated by the FDA or an applicable foreign regulatory authority. Our products are designed to affect, and any future products will be designed to affect, important bodily functions and processes. Any side effects, manufacturing defects, misuse or abuse associated with our products or our products in development could result in patient injury or death. The medical device industry has historically been subject to extensive litigation over product liability claims, and we cannot assure you that we will not face product liability claims. We may be subject to product liability claims if our products or products in development cause, or merely appear to have caused, patient injury or death, even if such injury or death was as a result of supplies or components that are produced by third-party suppliers. Product liability claims may be brought against us by consumers, healthcare providers or others selling or otherwise coming into contact with our products, among others. If we cannot successfully defend ourselves against product liability claims, we will incur substantial liabilities and reputational harm. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- costs of litigation;
- distraction of management's attention from our primary business;
- the inability to commercialize existing or new products;
- decreased demand for our products or, if cleared or approved, products in development;
- damage to our business reputation;

[Table of Contents](#)

- product recalls or withdrawals from the market;
- withdrawal of clinical trial participants;
- substantial monetary awards to patients or other claimants; and
- loss of net sales.

While we may attempt to manage our product liability exposure by proactively recalling or withdrawing from the market any defective products, any recall or market withdrawal of our products may delay the supply of those products to our customers and may impact our reputation. For example, we have in the past instituted a voluntary recall for certain of our products. We cannot assure you that we will be successful in initiating appropriate market recall or market withdrawal efforts that may be required in the future or that these efforts will have the intended effect of preventing product malfunctions and the accompanying product liability that may result. Such recalls and withdrawals may also be used by our competitors to harm our reputation for product safety or be perceived by patients as a safety risk when considering the use of our products, either of which could adversely affect our business, results of operations and financial condition.

In addition, although we have product liability and clinical study liability insurance that we believe is appropriate, this insurance is subject to deductibles and coverage limitations. Our current product liability insurance may not continue to be available to us on acceptable terms, if at all, and, if available, coverage may not be adequate to protect us against any future product liability claims. If we are unable to obtain insurance at an acceptable cost or on acceptable terms or otherwise protect against potential product liability claims, we could be exposed to significant liabilities. A product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insured liabilities could adversely affect our business, results of operations and financial condition.

Fluctuations in the demand for our products or our inability to forecast demand accurately may influence the ability of our suppliers to meet our delivery needs or result in excess product inventory.

We are required by some of our contracts with suppliers of our products to forecast future product demand or meet minimum purchase requirements. Our supply agreement for Durolane is subject to a minimum order volume for each order and purchase amounts are based in part on forecasts. We are also subject to certain annual minimum purchase requirements for GELSYN-3 and SUPARTZ FX and purchase amounts are based on rolling annual forecasts. Our forecasts are based on multiple assumptions of product and market demand, which may cause our estimates to be inaccurate. If we underestimate demand, we may not have adequate supplies and could have reduced control over pricing, availability and delivery schedules with our suppliers, which could prevent us from meeting increased customer or consumer demand and harm our business. However, if we overestimate our demand, we may have underutilized assets and may experience reduced margins. If we do not accurately align our supplies with demand and/or fail to meet contractual minimum purchase requirements, our business, results of operations and financial condition may be adversely affected. For example, if we fail to order the minimum order quantity of SUPARTZ FX from Seikagaku Corporation, or SKK, we are obligated to pay SKK a specified fee equal to the number of units needed to meet the minimum order quantity multiplied by a specified percentage of the purchase price.

We may face issues with respect to the supply of our products or their components, including increased costs, disruptions of supply, shortages, contaminations or mislabeling.

We are dependent on a limited number of suppliers for our products and components used in the manufacturing process of our products. Our top three suppliers provide us with products and components that constituted 54%, 49%, 53% and 53% of total net sales for the years ended December 31, 2019 and 2018 and the nine months ended September 26, 2020 and September 28, 2019, respectively. Durolane, GELSYN-3 and SUPARTZ FX are supplied by single-source third-party manufacturers. Our Exogen system undergoes final assembly with components procured from various suppliers, including a transducer, which is a key component that is supplied by a single source supplier. We may not be able to renew or enter into new contracts with our existing suppliers following the expiration of such contracts on commercially reasonable terms, or at all.

[Table of Contents](#)

In particular, the success of our bone graft substitutions product portfolio, depends on our suppliers continuing to have access to donated human cadaveric tissue, as well as the maintenance of high standards in their processing methodology. The supply of such donors can fluctuate over time. We cannot be certain that our current suppliers who rely on allograft bone tissue, plus any additional sources that our suppliers identify in the future, will be sufficient to meet our product needs. Our dependence on a limited number of third-party suppliers and the challenges that they may face in obtaining adequate supplies of allograft bone tissue involve several risks, including limited control over pricing, availability, quality and delivery schedules. We may be unable to find an alternative supplier in a reasonable time period or on commercially reasonable terms, if at all, which would adversely affect our business, results of operations and financial condition.

If any of our products or the components used in our products are alleged or proven to include quality or product defects, including as a result of improper methods of tissue recovery from donors and disease transmission from donated tissue or illegal harvesting, we may need to find alternate supplies, delay production of our products, discard or otherwise dispose of our products, or engage in a product recall, all of which may adversely affect our business, results of operations and financial condition. If our products or the components in our products are affected by adverse prices or quality or other concerns, we may not be able to identify alternate sources of components or other supplies that meet our quality controls and standards to sustain our sales volumes or on commercially reasonable terms, or at all.

We rely on a limited number of third-party manufacturers to manufacture certain of our products.

Third-party manufacturers generally manufacture Durolane, GELSYN-3, SUPARTZ FX, Exogen components and our bone graft substitutions product portfolio. We have developed in-house assembly capabilities for our Exogen system. We and our third-party manufacturers are required to comply with the Quality System Regulation, or QSR, which is a set of FDA regulations that establishes current Good Manufacturing Practices, or cGMP, requirements for medical devices and covers the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of such devices. Moreover, certain of our products may be re-classified as drugs, and we are planning to seek approval of a product pursuant to the BLA pathway. In each case, such products would be required to comply with the cGMP requirements that apply to drugs and biologics, respectively.

There are a limited number of suppliers and third-party manufacturers that operate under FDA's QSR requirements and that have the necessary expertise and capacity to manufacture our products or components for our products. As a result, it may be difficult for us to locate manufacturers for our anticipated future needs, and our anticipated growth could strain the ability of our current suppliers and third-party manufacturers to deliver products, materials and components to us. Upon expiration of our existing agreements with these third-party manufacturers, we may not be able to renegotiate the terms of our agreements with these third-party manufacturers on a commercially reasonable basis, or at all.

If we or our third-party manufacturers fail to maintain facilities in accordance with the FDA's QSR, the noncomplying party could lose the ability to manufacture our products on a commercial scale. Loss of this manufacturing capability would limit our ability to sell our products, including Durolane, GELSYN-3, SUPARTZ FX and our bone graft substitutions product portfolio, which are manufactured by single-source third-party manufacturers. See "Business—Manufacturing and supply."

The manufacturing of our products may not be easily transferable to other sites in the event that any of our third-party manufacturers experience breakdown, failure or substandard performance of equipment, disruption of supply or shortages of, or quality issues with, components of our products and other supplies, labor problems, power outages, adverse weather conditions and natural disasters or the need to comply with environmental and other directives of governmental agencies. From time to time, a third-party manufacturer may experience financial difficulties, bankruptcy or other business disruptions, which could disrupt our supply of finished goods or require that we incur additional expense by providing financial accommodations to the third-party

[Table of Contents](#)

manufacturer or taking other steps to seek to minimize or avoid supply disruption, such as establishing a new third-party manufacturing arrangement with another provider. The loss of any of these third-party manufacturers or the failure for any reason of any of these third-party manufacturers to fulfill their obligations under their agreements with us, including a failure to meet our quality controls and standards, may result in disruptions to our supply of finished goods. We may be unable to locate an additional or alternate third-party manufacturing arrangement that meets our quality controls and standards in a timely manner or on commercially reasonable terms, if at all. If this occurs, our business, results of operations and financial condition will be adversely affected.

If our facilities are damaged or become inoperable, we will be unable to continue to research, develop and manufacture our products and, as a result, our business, results of operations and financial condition may be adversely affected until we are able to secure a new facility.

We do not have redundant facilities for the final assembly of our Exogen system. Our other facilities and equipment would be costly to replace and could require substantial lead-time to repair or replace. Our facilities may be harmed or rendered inoperable by natural or man-made disasters, including, but not limited to, tornadoes, flooding, fire and power outages. Such disasters may render it difficult or impossible to manufacture and commercialize our products and conduct our research and development activities for new products, line extensions and expanded indications. The inability to perform those activities, combined with our limited inventory of supplies, components and finished product, may result in the inability to continue manufacturing or supplying our products during such periods and the loss of customers or harm to our reputation. Although we possess insurance for damage to our facilities and the disruption of our business, this insurance may not be sufficient to cover all of our potential losses and this insurance may not continue to be available to us on acceptable terms, or at all.

If we fail to maintain our numerous contractual relationships, our business, results of operations and financial condition could be adversely affected.

We are party to numerous contracts in the normal course of our business, including our supply and distribution agreements for Durolane, which has a current term expiring in December 2115, GELSYN-3, which has a current term expiring in February 2026, and SUPARTZ FX, which has a current term expiring in December 2028. We have contractual relationships with suppliers, distributors and agents, as well as service providers. In the aggregate, these contractual relationships are necessary for us to operate our business. From time to time, we amend, terminate or negotiate our contracts. We may also periodically be subject to, or make claims of breach of contract, or threaten legal action relating to our contracts. These actions may result in litigation. At any one time, we have a number of negotiations under way for new or amended commercial agreements. We devote substantial time, effort and expense to the administration and negotiation of contracts involved in our business. However, these contracts may not continue in effect past their current term or we may not be able to negotiate satisfactory contracts in the future with current or new business partners, which may adversely affect our business, results of operations and financial condition.

If we are unable to manage, train, maintain and grow our direct sales team and network of independent distributors, we may not be able to generate anticipated sales or we may be subject to regulatory or enforcement action.

Our operating results are directly dependent upon the sales and marketing efforts of not only our direct sales team, but also our independent distributors. If our direct sales team or independent distributors fail to adequately promote, market and sell our products, our sales could significantly decrease.

We face significant challenges and risks in managing our geographically dispersed distribution network and retaining the individuals who make up that network. If any members of our direct sales team were to leave us, or if any of our independent distributors were to cease to do business with us, our sales could be adversely affected.

[Table of Contents](#)

In such a situation, we may need to seek alternative independent distributors or increase our reliance on our direct sales team, which may not prevent our sales from being adversely affected. If a member of our direct sales team or independent distributor were to depart and be retained by one of our competitors, we may be unable to prevent them from helping competitors solicit business from our existing customers, which could further adversely affect our sales. Because of the competition for their services, we may be unable to recruit or retain additional qualified independent distributors or to hire additional direct sales team members to work with us on favorable or commercially reasonable terms, if at all. Failure to hire or retain qualified members of our direct sales team or independent distributors would prevent us from maintaining or expanding our business and generating sales.

If we launch new products or increase our marketing efforts with respect to existing products, we will need to expand the reach of our marketing and sales networks. Our future success will depend largely on our ability to continue to hire, train, retain and motivate skilled members of our direct sales team and independent distributors with significant technical knowledge in active healing products. New hires require training and take time to achieve full productivity. If we fail to train new hires adequately, or if we experience high turnover in our sales force in the future, we cannot be certain that new hires will become as productive as may be necessary to maintain or increase our sales. Further, if we are unable to adequately train new hires and/or members of our direct sales team, if new hires and/or members of our direct sales team engage in practices such as the promotion of unapproved or off-label uses of our devices or if new hires and/or members of our direct sales team assist with the reimbursement process in a manner that results in false or fraudulent claims for reimbursement being submitted to government or private payers, we may be subject to investigations or regulatory or enforcement actions by governmental authorities or third party payers for reasons such as the promotion of unapproved or off-label uses of our devices, inappropriate actions and involvement in the reimbursement process, or inappropriate completion of reimbursement forms. See “—Risks related to government regulation—We may be subject to enforcement action if we engage in improper claims submission practices and resulting audits or denials of our claims by government agencies could reduce our net sales or profits.”

If we are unable to expand our sales and marketing capabilities domestically and internationally, we may not be able to effectively commercialize our products, which would adversely affect our business, results of operations and financial condition.

Actual or attempted breaches of security, unauthorized disclosure of information, denial of service attacks or the perception that personal and/or other sensitive or confidential information in our possession or control is not secure, could result in a material loss of business, substantial legal liability or significant harm to our reputation.

We receive, collect, process, use and store a large amount of information, including personally identifiable, protected health and other sensitive and confidential information. This data is often accessed by us through transmissions over public and private networks, including the Internet. The secure transmission of such information over the Internet and other mechanisms is essential to maintain confidence in our IT systems. Despite the privacy and security measures we have in place to ensure compliance with applicable laws, regulations and contractual requirements, our facilities and systems, and those of our third-party vendors and service providers, are vulnerable to privacy and security incidents including, but not limited to, computer hacking, breaches, acts of vandalism or theft, computer viruses and other malware, including ransomware or other forms of cyber-attack, misplaced or lost data, programming and/or human errors or other similar events. A party, whether internal or external, that is able to circumvent our security systems could, among other things, misappropriate or misuse sensitive or confidential information, user information or other proprietary information, or cause significant interruptions in our operations. Internal or external parties have and will continue to attempt to circumvent our security systems, and we expect that we may in the future experience external attacks on our network, such as, reconnaissance probes, denial of service attempts, malicious software attacks and phishing attacks.

[Table of Contents](#)

Because the techniques used to circumvent security systems can be highly sophisticated and change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address all possible techniques or implement adequate preventive measures for all situations. Recent, well-publicized attacks on prominent companies have resulted in the theft of significant amounts of sensitive and personal information and demonstrate the sophistication of the perpetrators and magnitude of the threat posed to companies across the nation, including the health care industry.

If someone is able to circumvent or breach our security systems, they could steal any information located therein or cause interruptions to our operations. Security breaches or attempts thereof could also damage our reputation and expose us to a risk of monetary loss and/or litigation, fines and sanctions. We also face risks associated with security breaches affecting third parties that conduct business with us or our customers and others who interact with our data. While we maintain insurance that covers certain security and privacy breaches, we may not carry appropriate insurance or maintain sufficient coverage to compensate for all potential liability. Additionally, the costs incurred to remediate any data security or privacy incident could be substantial.

We cannot assure you that our third-party service providers with access to our or our customers', suppliers', trial patients', and employees' personally identifiable and other sensitive or confidential information in relation to which we are responsible will not breach contractual obligations imposed by us, or that they will not experience data security breaches or attempts thereof, which could have a corresponding effect on our business including putting us in breach of our obligations under privacy laws and regulations and/or which could in turn adversely affect our business, results of operations and financial condition. While we attempt to address the associated risks by performing security assessments and detailed due diligence, we cannot assure you that these contractual measures and our own privacy and security-related safeguards will protect us from the risks associated with the third-party processing, storage and transmission of such information.

Failure of a key information technology and communication system, process or site could adversely affect our business, results of operations and financial condition.

We rely extensively on information technology and communication systems and software and hardware products, including those of external providers, to conduct business. These systems and software and hardware impact, among other things, ordering and managing components of our products from suppliers, shipping products to customers on a timely basis, processing transactions, coordinating our sales activities across all of our products, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, data security and other processes necessary to manage our business.

Despite any precautions we may take, our systems and software and hardware could be exposed to damage or interruption from circumstances beyond our control, such as fire, natural disasters, systems failures, power outages, cyber-attacks, terrorism, energy loss, telecommunications failure, security breaches and attempts thereof, computer viruses and similar disruptions affecting the global Internet. Although we have taken steps to prevent system failures and have back-up systems and procedures to prevent or reduce disruptions, such steps may not prevent an interruption of services and our disaster recovery planning may not be adequate or account for all contingencies. Additionally, our insurance may not adequately compensate us for all losses or failures that may occur. If our systems or software and hardware are damaged or cease to function properly and our business continuity plans do not effectively compensate on a timely basis, we may suffer interruptions in our operations, which could adversely affect our business, results of operations and financial condition.

We will need to improve and upgrade our systems and infrastructure as our operations grow in scale in order to maintain the reliability and integrity of our systems and infrastructure. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources before the volume of our business increases, with no assurance that the volume of business will increase. Any service outages or delays due to the installation of any new or upgraded technology (and customer issues therewith), or

[Table of Contents](#)

the impact on the reliability of our data from any new or upgraded technology could adversely affect our business, results of operations and financial condition.

Our business subjects us to economic, political, regulatory and other risks associated with international sales and operations that could adversely affect our business, results of operations and financial condition.

Since we sell our products in many different jurisdictions outside the United States, our business is subject to risks associated with conducting business internationally. We anticipate that net sales from international operations will continue to represent a portion of our total net sales. In addition, a number of our third-party manufacturing facilities and suppliers of our products are located outside the United States. Accordingly, our future results could be harmed by a variety of factors, including:

- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- customers in some foreign countries potentially having longer payment cycles;
- disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations, including the U.S. Foreign Corrupt Practices Act, or FCPA, regulations of the U.S. Office of Foreign Assets Controls, and U.S. anti-money laundering regulations, as well as exposure of our foreign operations to liability under these regulatory regimes;
- training of third-parties on our products and the procedures in which they are used;
- reduced protection for and greater difficulty enforcing our intellectual property rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements, export licensing requirements or other restrictive actions by foreign governments;
- difficulty in staffing and managing widespread operations, including compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign taxes, including withholding of payroll taxes;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- international regulators and third-party payers requiring additional clinical studies prior to approving or allowing reimbursement for our products;
- complexities associated with managing multiple payer reimbursement regimes, government payers or patient self-pay systems;
- production shortages resulting from any events affecting material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geopolitical actions, including war and terrorism, global pandemics or natural disasters including earthquakes, typhoons, floods and fires.

In addition, further expansion into new international markets may require significant resources and the efforts and attention of our management and other personnel, which may divert resources from our existing business operations. As we expand our business internationally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our operations outside of the United States.

We are exposed to foreign currency risks, which may adversely affect our business, results of operations and financial condition.

External events such as the withdrawal by the United Kingdom from the EU, global pandemics, the ongoing uncertainty regarding actual and potential shifts in U.S. and foreign trade, economic and other policies and the passage of U.S. taxation reform legislation each have caused, and may continue to cause, significant volatility in currency exchange rates. Because some of our revenue, expenses, assets and liabilities are denominated in foreign currencies, we are subject to exchange rate and currency risks. In preparing our financial statements, which are presented in U.S. dollars, we must convert all non-U.S. dollar financial results to U.S. dollars at varying exchange rates. This may ultimately result in currency gain or loss, the outcome of which we cannot predict. Furthermore, to the extent that we incur expenses or earn revenue in currencies other than in U.S. dollars, any change in the values of those foreign currencies relative to the U.S. dollar could cause our profits to decrease or our products to be less competitive against those of our competitors. To the extent that our current assets denominated in foreign currency are greater or less than our current liabilities denominated in foreign currencies, we face potential foreign exchange exposure.

To minimize such exposures, we have entered, and may in the future enter, into derivative instruments related to forecasted foreign currency transactions or currency hedges from time to time. Losses from changes in the value of the Euro or other foreign currencies relative to the U.S. dollar could adversely affect our business, results of operations and financial condition.

We are subject to differing tax rates in several jurisdictions in which we operate, which may adversely affect our business, results of operations and financial condition.

We will be subject to taxes in the United States and certain foreign jurisdictions. Due to economic and political conditions, tax rates in various jurisdictions, including the United States, may be subject to change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities and changes in tax laws or their interpretation. In addition, we may be subject to income tax audits by various tax jurisdictions. Although we believe our income tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, an adverse resolution by one or more taxing authorities could have a material impact on the results of our operations

International tariffs applied to goods traded between the United States and China may adversely affect our business, results of operations and financial condition.

International tariffs, including tariffs applied to goods traded between the United States and China, may adversely affect our business, results of operations and financial condition. Since the beginning of 2018, there has been increasing rhetoric, in some cases coupled with legislative or executive action, from several U.S. and foreign leaders regarding the possibility of instituting tariffs against foreign imports of certain materials. More specifically, in March and April of 2018, the U.S. and China have applied tariffs to certain of each other's exports. The institution of trade tariffs both globally and between the U.S. and China specifically carries the risk of adversely affecting overall economic condition, which could have a negative impact on us as imposition of tariffs could cause an increase in the cost of our products and the components for our products, specifically with respect to our Exogen system, which may adversely affect our business, results of operations and financial condition.

The 2019 Credit Agreement contains financial and operating restrictions that may limit our access to credit. If we fail to comply with financial or other covenants in the 2019 Credit Agreement, we may be required to repay indebtedness to our existing lenders, which may harm our liquidity.

On December 6, 2019, we entered into a \$250.0 million credit and guaranty agreement, or the 2019 Credit Agreement, with Wells Fargo Bank National Association, as administrative agent and collateral agent, and a

Table of Contents

syndicate of other entities as lenders. As of September 26, 2020, we had outstanding indebtedness of \$193.3 million under our term loan (leaving \$49.9 million available under our revolving credit facility after giving effect to \$0.1 million in an outstanding letter of credit). We are subject to certain covenants under the 2019 Credit Agreement, including, but not limited to:

- a minimum interest coverage ratio and a maximum debt leverage ratio requirement as defined in our credit agreement;
- restrictions on the declaration or payment of certain distributions on or in respect of our equity interests;
- restrictions on acquisitions, investments and certain other payments;
- limitations on the incurrence of new indebtedness;
- limitations on the incurrence of new liens on property or assets;
- limitations on transfers, sales and other dispositions;
- limitations on entering into transactions with affiliates; and
- limitations on making any material change in any of our business objectives that could reasonably be expected to have a material adverse effect on the repayment of our credit agreement.

Such indebtedness could have significant consequences, including:

- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of funding growth, working capital, capital expenditures, investments or other cash requirements;
- reducing our flexibility to adjust to changing business conditions or obtain additional financing;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our term loan, are at variable rates, making it more difficult for us to make payments on our indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- subjecting us to restrictive covenants that may limit our flexibility in operating our business; and
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements and general corporate or other purposes.

In addition, we may not be able to comply with these financial covenants described above in the future. In the absence of a waiver from our lenders, any failure by us to comply with these covenants in the future may result in the declaration of an event of default, which could adversely affect our business, results of operations and financial position. See “Management’s discussion and analysis of financial condition and results of operations—Indebtedness.”

Uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR in the future may adversely affect our financing costs.

Currently, the 2019 Credit Agreement utilizes the London Interbank Offered Rate, or LIBOR, or various alternative methods set forth in the 2019 Credit Agreement to calculate interest on any borrowings. National and international regulators and law enforcement agencies have conducted investigations into a number of rates or indices known as “reference rates.” Actions by such regulators and law enforcement agencies may result in changes to the manner in which certain reference rates are determined, their discontinuance or the establishment of alternative reference rates. In particular, on July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, or the FCA, which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. Such announcement indicates

[Table of Contents](#)

that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. As a result, it appears highly likely that LIBOR will be discontinued or modified by 2021.

At this time, it is not possible to predict the effect that these developments, any discontinuance, modification or other reforms to LIBOR or any other reference rate, or the establishment of alternative reference rates may have on LIBOR, other benchmarks or LIBOR-based debt instruments. Uncertainty as to the nature of such potential discontinuance, modification, alternative reference rates or other reforms could cause the interest rates calculated for the 2019 Credit Agreement to be materially different than expected, which could have a material adverse effect on our financing costs.

Due to the high degree of uncertainty regarding the implementation and impact of the CARES Act and other legislation related to COVID-19, there can be no assurance as to the total amount of financial assistance we will receive or that we will be able to comply with the applicable terms and conditions for retaining such assistance.

On March 27, 2020, the CARES Act was signed into law, which is aimed at providing emergency assistance and health care for individuals, families, and businesses affected by the COVID-19 pandemic and generally supporting the U.S. economy. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, and modifications to the net interest deduction limitations. The CARES Act and similar legislation intended to provide assistance related to the COVID-19 pandemic also authorized \$175.0 billion in funding to be distributed by the U.S. Department of Health and Human Services, or the HHS, to eligible health care providers. This funding, known as the Provider Relief Fund, is designated to fund eligible healthcare providers' healthcare-related expenses or lost revenues attributable to COVID-19. On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law, which adds \$3.0 billion to the Provider Relief Fund. Payments from the Provider Relief Fund are subject to certain eligibility criteria, as well as reporting and auditing requirements, but do not need to be repaid to the U.S. government if recipients comply with the applicable terms and conditions.

In reliance on the CARES Act, we deferred our employer social security payroll tax payments from May 2020 until the remainder of the 2020 calendar year of which, 50% is deferred until December 31, 2021, with the remaining 50% deferred until December 31, 2022. The Company has deferred \$1.2 million of payroll tax payments as of September 26, 2020, all of which has been recorded in other long-term liabilities on the condensed consolidated balance sheet. We are in the process of analyzing other provision of the CARES Act to determine the financial impact on our condensed consolidated financial statements.

In April 2020, we received, without request, a \$1.2 million payment from the Provider Relief Fund from HHS. We determined that we complied with the conditions to be able to keep and use the funds as reimbursement for health care related expenses and lost revenue attributable to the public health emergency resulting from COVID-19 and submitted to HHS the required attestation to agree to the applicable terms and conditions of the Provider Relief Fund Phase I General Distribution. In July 2020, we applied for and received a second Provider Relief Fund payment totaling \$2.9 million, which is subject to the same conditions as the initial payment. The payments were recorded as other income on the condensed consolidated statement of operations and comprehensive income for the nine months ended September 26, 2020.

Due to the high degree of uncertainty regarding the implementation of the CARES Act, the Consolidated Appropriations Act, 2021 and other stimulus legislation, there can be no assurance that the terms and conditions of the Provider Relief Fund or other relief programs will not change or be interpreted in ways that affect our ability to comply with such terms and conditions in the future, which could affect our ability to retain such assistance. We will continue to monitor our compliance with the terms and conditions of the Provider Relief Fund, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. If we are unable to comply with current or future terms and conditions, our ability to retain some or all of the distributions received may be impacted, and we may be subject to actions including payment recoupment, audits and inquiries by governmental authorities, and criminal, civil or administrative penalties.

Our future capital needs are uncertain and we may need to raise additional funds in the future, and such funds may not be available on acceptable terms or at all.

We believe that our current cash and cash equivalents, in combination with the borrowing availability under our credit facility and our expected cash from operations, will be sufficient to meet our projected operating requirements for the foreseeable future. However, we may seek additional funds from public and private stock offerings, borrowings under our existing or new credit facilities or other sources in order to fund future initiatives related to the expansion of our business, which financing may not be available on acceptable or commercially reasonable terms, if at all. For example, pursuant to the Option and Equity Purchase Agreement with CartiHeal and its shareholders, CartiHeal has a put option that would require us to purchase 100% of CartiHeal's shares for \$350 million under certain conditions, or the Put Option. The Put Option is only exercisable by CartiHeal upon pivotal clinical trial success of the Agili-C device and we may terminate the Put Option at any time ending 30 days after receipt by CartiHeal of the statistical report regarding the final results of the pivotal clinical upon payment of \$30.0 million to CartiHeal. See "Management's discussion and analysis of financial condition and results of operations—Strategic transactions—CartiHeal (developer of Agili-C) investment and option and equity purchase agreement."

Furthermore, if we issue equity or debt securities to raise additional capital, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. In addition, if we raise additional capital through collaboration, licensing or other similar arrangements, it may be necessary to relinquish valuable rights to our products, potential products or proprietary technologies, or grant licenses on terms that are not favorable to us. If we cannot raise capital on acceptable terms, we may not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities, or respond to competitive pressures, changes in our supplier relationships, or unanticipated customer requirements. Any of these events could adversely affect our business, results of operations and financial condition.

Risks related to government regulation

The risk factors listed below describe the risks we face related to government regulation. The companies who manufacture or produce certain of the products we distribute face similar risks with respect to government regulation relating to such products. If such suppliers are unable to comply with government regulations, they may not be able to continue to supply us with products, which could adversely affect our business, results of operations and financial condition.

Our products and operations are subject to extensive governmental regulation, and our failure to comply with applicable requirements could cause our business to suffer.

The healthcare industry, and in particular the medical device industry, are regulated extensively by governmental authorities, principally the FDA and corresponding state and foreign regulatory agencies and authorities. The FDA and other U.S. and foreign governmental agencies and authorities regulate and oversee, among other things:

- design, development and manufacturing;
- testing, labeling, content and language of instructions for use and storage;
- clinical trials;
- product safety;
- marketing, sales and distribution;
- premarket clearance and approval;
- conformity assessment procedures;
- record-keeping procedures;

Table of Contents

- advertising and promotion;
- recalls and other field safety corrective actions;
- postmarket surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;
- postmarket studies; and
- product import and export.

The regulations to which we are subject are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales.

The failure to comply with applicable regulations could jeopardize our ability to sell our products and result in enforcement actions such as:

- administrative or judicially imposed sanctions;
- unanticipated expenditures to address or defend such actions;
- injunctions, consent decrees or the imposition of civil penalties or fines;
- recall or seizure of our products;
- total or partial suspension of production or distribution;
- refusal to grant pending or future clearances or approvals for our products;
- withdrawal or suspension of regulatory clearances or approvals;
- clinical holds;
- untitled letters or warning letters;
- refusal to permit the import or export of our products; and
- criminal prosecution of us or our employees.

Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and harm our reputation, business, results of operations and financial condition.

Moreover, governmental authorities outside the United States have become increasingly stringent in their regulation of medical devices, and our products may become subject to more rigorous regulation by non U.S. governmental authorities in the future. U.S. or non-U.S. government regulations may be imposed in the future that adversely affect our business, results of operations and financial condition. The European Commission has harmonized national regulations for the control of medical devices through European Medical Device Directives with which manufacturers must comply. Under these new regulations, manufacturing plants must have received a full Quality Assurance Certification from a “Notified Body” in order to be able to sell products within the member states of the EU. This certification allows manufacturers to stamp the products of certified plants with a “CE” mark. Products covered by European Commission regulations that do not bear the CE mark cannot be sold or distributed within the EU. We have received certification for all of our manufacturing facilities.

We may be subject to enforcement action if we engage in improper claims submission practices and resulting audits or denials of our claims by government agencies could reduce our net sales or profits.

In connection with our Exogen system, we submit claims directly to, and receive payments directly from, the Medicare and Medicaid programs and private payers. Therefore, we are subject to extensive government

[Table of Contents](#)

regulation, including detailed requirements for submitting claims under appropriate codes and maintaining certain documentation, including evidence that all medical necessity requirements are met to support our claims. Billing for our Exogen system is complex, time-consuming and expensive, particularly for items and services provided to government healthcare program beneficiaries, such as Medicare and Medicaid. Reimbursement claims may be adversely affected by improper completion of the Certificate for Medical Necessity form, or CMN, required in connection with Medicare claims for the Exogen system and we may be subject to investigations by governmental authorities or third party payers and required to prove the validity of the claims or the authenticity of the signatures on the CMNs under investigation. Reimbursement claims may also be adversely affected by the promotion of our devices for unapproved or off-label uses or assistance with the reimbursement process that could result in false or fraudulent claims for reimbursement being submitted to government or private payers. Depending on the billing arrangement and applicable law, we bill various payers, all of which may have different prior authorization, patient qualification and medical necessity requirements, as well as patients for any applicable co-payments or co-insurance amounts. In addition, we may also face increased risk in our collection efforts, including potential write-offs of doubtful accounts and long collection cycles, any of which could adversely affect our business, results of operations and financial condition.

We are also required to implement compliance procedures and oversight, train and monitor our employees, appeal coverage and payment denials, and perform internal audits periodically to assess compliance with applicable laws and regulations as well as internal compliance policies and procedures. We are required to report and return any overpayments received from government payers within 60 days of identification and exercise of reasonable diligence to investigate credible information regarding potential overpayments. Failure to identify and return such overpayments exposes the provider or supplier to liability under federal false claims laws. See “Risk Factors—Risks related to government regulation—We are subject to federal, state and foreign laws and regulations relating to our healthcare business, and could face substantial penalties if we are determined not to have fully complied with such laws, which would adversely affect our business, results of operations and financial condition.” Moreover, Medicare contractors and Medicaid agencies periodically conduct pre- and post-payment reviews and other audits of claims and are under increasing pressure to more closely scrutinize healthcare claims and supporting documentation. We may be subject to pre-payment and post-payment reviews, as well as audits of claims in the future. Private payers may from time to time conduct similar reviews and audits. Any third-party payer reviews and audits of our claims could result in material delays in payment, material recoupments, overpayments, claim denials, fines, revocations of billing privileges, bars on re-enrollment in federal or state healthcare programs, cancellation of our agreements or damage to our reputation, any of which would reduce our net sales and profitability.

For example, in July of 2018 we became aware of allegations that certain of our sales personnel may have been completing Section B of the CMN required in connection with Medicare claims for the Exogen system, which, under federal law, must be completed by the physician and/or physician staff. Together with our outside counsel, we initiated an investigation into these allegations, and we determined that the CMN forms for a portion of Medicare claims for the Exogen system were in fact improperly completed by our sales representatives, some of which also failed to meet CMS coverage requirements. As a result of our findings, we made a self-disclosure on November 30, 2018 to the Office of Inspector General of the U.S. Department of Health and Human Services, or the OIG, under the Provider Self-Disclosure Protocol. Our self-disclosure disclosed the extent of our findings relating to the inappropriate completion of CMN forms by our sales personnel and offered to make repayment for such claims which failed to meet CMS coverage requirements and which we submitted to the Medicare program between October 1, 2012 and September 30, 2018, the statutory period applicable to such conduct. The total value of impacted claims was \$30.1 million in the aggregate. In October 2019, our outside counsel received a letter from the Office of the United States Attorney in the Middle District of North Carolina, or the USAO, stating that the USAO would be working with the OIG to resolve our self-disclosure. After settlement discussions with the USAO and OIG, on January 25, 2021 we reached an agreement in principle with the USAO and the OIG with respect to the submission of Medicare claims that did not meet CMS coverage requirements and for which our sales representatives completed Section B of the CMN forms. Under that agreement, we understand we will resolve the potential liability related to such claims for \$3.6 million, of which \$2.4 million has already been paid through our 2019 return of overpayments described below, leaving a net payment to be made of \$1.2 million. The

[Table of Contents](#)

agreement is subject to negotiation of final terms, approval by the parties and execution of a formal settlement agreement reflecting this payment, which is expected to be finalized and executed shortly and which will include releases from associated False Claims Act liability and further Civil Monetary Penalties that are customary in self-disclosures of this type. The settlement amount noted above will be recorded in the consolidated financial statements for the quarter ended December 31, 2020.

In 2019, separate from the self-disclosure described above, as a result of our internal auditing of Exogen Medicare claims, we made repayments to our Medicare Administrative Contractors, or MACs, for overpayments identified during such auditing totaling \$7.5 million for the period October 1, 2012 through December 31, 2018. This amount reflected certain Medicare claims for Exogen for which we lacked adequate documentation of medical necessity consistent with Medicare coverage requirements. Similarly, in July of 2020, we made repayments to the MACs of \$1.5 million after completing our internal auditing of Exogen Medicare claims for the period beginning January 1, 2019 through December 31, 2019. We maintain a reserve for reimbursement claims related to our Exogen system that may have been processed for payment without adequate medical records support. Our reserve is estimated using an extrapolation of an error rate from a statistical sample, which represents our best estimate as of the date of the financial statements, but because of the uncertainty inherent in such estimates, the ultimate repayment amounts may be materially different.

Until this self-disclosure matter is finally resolved, we cannot assure you that we will not be subject to monetary fines, non-monetary penalties, such as monitoring agreements, as well as requirements to conduct audits and submit reports to HHS. The ultimate outcome of these matters is uncertain and we cannot assure you that the actual fines will not be significantly higher than the prior payments and our currently proposed settlement amount. If all claims were pursued and resolved adversely against us, such fines could aggregate as much as \$50 million. In the event of an unfavorable outcome, these contingencies may have a material adverse effect on our business, results of operations and financial condition.

The FDA regulatory process is expensive, time-consuming and uncertain, and the failure to obtain and maintain required regulatory clearances and approvals could prevent us from commercializing our products.

Before we can market or sell a new medical device or other product or a new use of or a claim for or significant modification to an existing medical device in the United States, we must obtain either clearance from the FDA under 510(k) pathway or approval of a PMA, unless an exemption applies. In the United States, we have obtained 510(k) premarket clearance from the FDA to market products such as Signafuse Bioactive Bone Graft Putty, Interface Bioactive Bone Graft and Signafuse Mineralized Collagen Scaffold. Our OA joint pain treatment and joint preservation products, including Durolane, GELSYN-3 and SUPARTZ FX, and our Exogen system, have obtained PMA approval. In the 510(k) clearance process, before a device may be marketed, the FDA must determine that a proposed device is “substantially equivalent” to a legally-marketed “predicate” device, which includes a device that has been previously cleared through the 510(k) process, a device that was legally marketed prior to May 28, 1976 (preamendments device), a device that was originally on the U.S. market pursuant to an approved PMA application and later downclassified, or a 510(k)-exempt device. To be “substantially equivalent,” the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics and not raise different questions of safety or effectiveness than the predicate device. Clinical data are sometimes required to support substantial equivalence. In the PMA process, the FDA must determine that a proposed product is safe and effective for our intended use based, in part, on extensive data, including, but not limited to, technical, preclinical, clinical trial, manufacturing and labeling data. The PMA process is typically required for products that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices.

Modifications to products that are approved through a PMA application generally require FDA approval. Similarly, certain modifications made to products cleared through a 510(k) may require a new 510(k) clearance. Both the PMA approval and the 510(k) clearance process can be expensive, lengthy and uncertain. The FDA’s 510(k) clearance process usually takes from three to twelve months, but can last longer. The process of obtaining

[Table of Contents](#)

a PMA is much more costly and uncertain than the 510(k) clearance process and generally takes from six to 18 months, or even longer, from the time the application is filed with the FDA. In addition, a PMA generally requires the performance of one or more clinical trials. Despite the time, effort and cost, we cannot assure you that any particular device will be approved or cleared by the FDA. Any delay or failure to obtain necessary regulatory approvals could harm our business.

Any modification to one of our 510(k) cleared products that would constitute a major change in its intended use, or any change that could significantly affect the safety or effectiveness of the device would require us to obtain a new 510(k) marketing clearance and may even, in some circumstances, require the submission of a PMA application, if the change raises complex or novel scientific issues or the product has a new intended use. The FDA requires every manufacturer to make the determination regarding the need for a new 510(k) submission in the first instance, but the FDA may review any manufacturer's decision. We may make changes to our 510(k)-cleared products in the future that we may determine do not require a new 510(k) clearance or PMA approval. If the FDA disagrees with our decision not to seek a new 510(k) or PMA approval for changes or modifications to existing devices and requires new clearances or approvals, we may be required to recall and stop marketing our products as modified, which could require us to redesign our products, conduct clinical trials to support any modifications, and pay significant regulatory fines or penalties. If there is any delay or failure in obtaining required clearances or approvals or if the FDA requires us to go through a lengthier, more rigorous examination for future products or modifications to existing products than we had expected, our ability to introduce new or enhanced products in a timely manner would be adversely affected, which in turn would result in delayed or no realization of revenue from such product enhancements or new products and could also result in substantial additional costs which could decrease our profitability.

The FDA can delay, limit or deny clearance or approval of a device for many reasons, including:

- we may not be able to demonstrate to the FDA's satisfaction that the product or modification is substantially equivalent to the proposed predicate device or safe and effective for its intended use;
- the data from our preclinical studies and clinical trials may be insufficient to support clearance or approval, where required; and
- the manufacturing process or facilities we use may not meet applicable requirements.

In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions, which may prevent or delay approval or clearance of our future products under development or impact our ability to modify our currently cleared or approved products on a timely basis. Even after clearance or approval for our products is obtained, we and the products are subject to extensive postmarket regulation by the FDA, including with respect to advertising, marketing, labeling, manufacturing, distribution, import, export, and clinical evaluation. For example, as a condition of approving a PMA application, the FDA may require some form of post-approval study or post-market surveillance, whereby the applicant conducts a follow-up study or follows certain patient groups for a number of years and makes periodic reports to the FDA on the clinical status of those patients when necessary to protect the public health or to provide additional safety and effectiveness data for the device. The product labeling must be updated and submitted in a PMA supplement once results, including any adverse event data from the post-approval study, become available. Failure to conduct post-approval studies in compliance with applicable regulations or to timely complete required post-approval studies or comply with other post-approval requirements could result in withdrawal of approval of the PMA, which would harm our business.

We are also required to timely file various reports with regulatory agencies. If these reports are not timely filed, regulators may impose sanctions and sales of our products may suffer, and we may be subject to product liability or regulatory enforcement actions, all of which could harm our business. In addition, if we initiate a correction or removal for one of our devices, issue a safety alert, or undertake a field action or recall to reduce a risk to health posed by the device, we may be required to submit a report to the FDA, and in many cases, to other regulatory agencies. Such reports could lead to increased scrutiny by the FDA, other international regulatory agencies and our customers regarding the quality and safety of our devices and to negative publicity, including FDA alerts, press releases, or administrative or judicial actions. Furthermore, the submission of these reports has been and could be used by

[Table of Contents](#)

competitors against us in competitive situations and cause customers to delay purchase decisions or cancel orders, which would harm our reputation and business.

The FDA and state authorities have broad enforcement powers. Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA or state agencies, which may include any of the following sanctions:

- adverse publicity, warning letters, untitled letters, fines, injunctions, consent decrees and civil penalties;
- repair, replacement, refunds, recalls, termination of distribution, administrative detention or seizures of our products;
- operating restrictions, partial suspension or total shutdown of production;
- customer notifications or repair, replacement or refunds;
- refusing our requests for 510(k) clearance or PMA approvals or foreign regulatory approvals of new products, new intended uses or modifications to existing products;
- withdrawals of current 510(k) clearances or PMAs or foreign regulatory approvals, resulting in prohibitions on sales of our products;
- FDA refusal to issue certificates to foreign governments needed to export products for sale in other countries; and
- criminal prosecution.

Any of these sanctions could also result in higher than anticipated costs or lower than anticipated sales and adversely affect our business, results of operations and financial condition.

In addition, the FDA's and other regulatory authorities' 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 as a result of a changing regulatory landscape, we may lose any marketing approvals or clearances that we have already obtained or fail to obtain new marketing approvals or clearances, and we may not be able to achieve or sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations.

We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. The results of the 2020 Presidential election may impact our business and industry. Moreover, the Trump administration took several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, FDA's ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict whether or how these executive actions, including the Executive Orders, will be implemented, or whether they will be rescinded or replaced under the Biden administration. The policies and priorities of an incoming administration are unknown and could materially impact the regulatory framework governing our products.

Once obtained, we cannot guarantee that FDA or international product approvals will not be withdrawn or rescinded or that relevant regulatory authorities will not require other corrective action, and any withdrawal, rescission or corrective action could materially affect our business and financial results.

Once obtained, marketing approval can be withdrawn by the FDA or comparable foreign regulatory authorities for a number of reasons, including the failure to comply with ongoing regulatory requirements or the occurrence of unforeseen problems following initial approval. Regulatory authorities could also limit or prevent the manufacture or distribution of our products. Any regulatory limitations on the use of our products or any withdrawal, suspension or rescission of approval by the FDA or a comparable foreign regulatory authority could have a material adverse effect on our business, financial condition, and results of operations.

Legislative or regulatory reforms, including those currently under consideration by FDA, could make it more difficult or costly for us to obtain regulatory clearance or approval of any future products and to manufacture, market and distribute our products after clearance or approval is obtained, which could adversely affect our competitive position and materially affect our business and financial results.

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the regulatory clearance or approval, manufacture and marketing of regulated products or the reimbursement thereof. In addition, FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, propose new reclassification orders, or take other actions, which may prevent or delay approval or clearance of our future products under development or impact our ability to market or modify our currently cleared products on a timely basis. FDA and foreign regulations depend heavily on administrative interpretation, and we cannot assure you that future interpretations made by the FDA or other regulatory bodies, with possible retroactive effect, will not adversely affect us. Additionally, any changes, whether in interpretation or substance, in existing regulations or policies, or any future adoption of new regulations or policies by relevant regulatory bodies, could prevent or delay approval of our products. In the event our future, or current, products, including HA generally, are classified, or re-classified, as human drugs, combination products, or biologics by the FDA or an applicable international regulatory body, the applicable review process related to such products is typically substantially longer and substantially more expensive than the review process to which they are currently subject as medical devices. In 2018, FDA publicly indicated its intent to consider HA products for certain indications as drugs and has indicated that sponsors of HA products who submit PMAs or PMA supplements for changes in indications for use, formulation or route of administration should obtain an informal or formal classification and jurisdictional determination through a pre-request for determination or request for determination prior to submission. There exists uncertainty with respect to the final interpretation, implementation, and consequences of this development, and this or any other potential regulatory changes in approach or interpretation similar in substance to those mentioned in this paragraph and affecting our products could materially impact our competitive position, business, and financial results.

Moreover, over the last several years, the FDA has proposed reforms to its 510(k) clearance process, and such proposals could include increased requirements for clinical data and a longer review period, or could make it more difficult for manufacturers to utilize the 510(k) clearance process for their products. For example, in November 2018, FDA officials announced forthcoming steps that the FDA intends to take to modernize the premarket notification pathway under Section 510(k) of the FDCA. Among other things, the FDA announced that it planned to develop proposals to drive manufacturers utilizing the 510(k) pathway toward the use of newer predicates. These proposals included plans to potentially sunset certain older devices that were used as predicates under the 510(k) clearance pathway, and to potentially publish a list of devices that have been cleared on the basis of demonstrated substantial equivalence to predicate devices that are more than 10 years old. The FDA also announced that it intended to finalize guidance to establish a premarket review pathway for “manufacturers of certain well-understood device types” as an alternative to the 510(k) clearance pathway and that such premarket review pathway would allow manufacturers to rely on objective safety and performance criteria recognized by the FDA to demonstrate substantial equivalence, obviating the need for manufacturers to compare the safety and performance of their medical devices to specific predicate devices in the clearance process.

In May 2019, the FDA solicited public feedback on its plans to develop proposals to drive manufacturers utilizing the 510(k) pathway toward the use of newer predicates, including whether the FDA should publish a list of devices that have been cleared on the basis of demonstrated substantial equivalence to predicate devices that are more than 10 years old. The FDA requested public feedback on whether it should consider certain actions that might require new authority, such as whether to sunset certain older devices that were used as predicates under the 510(k) clearance pathway. These proposals have not yet been finalized or adopted, and the FDA may work with Congress to implement such proposals through legislation. Accordingly, it is unclear the extent to which any proposals, if adopted, could impose additional regulatory requirements on us that could delay our ability to obtain new 510(k) clearances, increase the costs of compliance, or restrict our ability to maintain our current clearances, or otherwise create competition that may negatively affect our business.

[Table of Contents](#)

More recently, in September 2019, the FDA finalized the aforementioned guidance to describe an optional “safety and performance based” premarket review pathway for manufacturers of “certain, well-understood device types” to demonstrate substantial equivalence under the 510(k) clearance pathway, by demonstrating that such device meets objective safety and performance criteria established by the FDA, obviating the need for manufacturers to compare the safety and performance of their medical devices to specific predicate devices in the clearance process. The FDA intends to maintain a list of device types appropriate for the “safety and performance based pathway” and develop product-specific guidance documents that identify the performance criteria for each such device type, as well as the testing methods recommended in the guidances, where feasible. The FDA may establish performance criteria for classes of devices for which we or our competitors seek or currently have received clearance, and it is unclear the extent to which such performance standards, if established, could impact our ability to obtain new 510(k) clearances or otherwise create competition that may negatively affect our business.

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 statutes, regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of any future products or make it more difficult to obtain clearance or approval for, manufacture, market or distribute our products. 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: additional testing prior to obtaining clearance or approval; changes to manufacturing methods; recall, replacement or discontinuance of our products; or additional record keeping. Additionally, the implementation of the new European Medical Device Regulation, or EU MDR, set to take full effect on May 26, 2021 after a one-year postponement due to the COVID-19 pandemic, is expected to change several aspects of the existing regulatory framework in Europe. Specifically, the EU MDR will require changes in the clinical evidence required for medical devices, post-market clinical follow-up evidence, annual reporting of safety information for Class III products, and bi-annual reporting for Class II products, Unique Device Identification, or UDI, for all products, submission of core data elements to a European UDI database prior to placement of a device on the market, reclassification of medical devices, and multiple other labeling changes. While we will be able to continue marketing our currently CE-marked products in the EEA after the EU MDR enters into full effect and until the associated CE mark certificates expire, acquiring approvals for new products or renewing our existing CE mark certificates once these expire could be more challenging and costly.

Our HCT/P products are subject to extensive government regulation and our failure to comply with these requirements could cause our business to suffer.

In the United States, we sell human tissue-derived BGSs, such as PureBone and OsteoAMP, which are referred to by the FDA as human cells, tissues and cellular or tissue-based products, or HCT/Ps. In the U.S., we are marketing our HCT/Ps pursuant to Section 361 of the PHSA and 21 CFR Part 1271 of FDA’s regulations. We do not manufacture these HCT/P products, but serve as a distributor for them. So-called Section 361 HCT/Ps are not currently subject to the FDA requirements to obtain marketing authorizations as long as they meet certain criteria provided in FDA’s regulations. HCT/Ps regulated as “361 HCT/Ps” are currently subject to requirements relating to registering facilities and listing products with the FDA, screening and testing for tissue donor eligibility, current Good Tissue Practices, or cGTP, when processing, storing, labeling and distributing HCT/Ps, including required labeling information, stringent record keeping and adverse event reporting. If we or our suppliers fail to comply with these requirements, we could be subject to FDA enforcement action, including, for example, warning letters, fines, injunctions, product recalls or seizures, and, in the most serious cases, criminal penalties. To be regulated as Section 361 HCT/Ps, these products must meet FDA’s criteria to be considered “minimally manipulated” and intended for “homologous use,” among other requirements. HCT/Ps that do not meet the criteria to be considered Section 361 HCT/Ps are subject to the FDA’s regulatory requirements applicable to medical devices, biologics or drugs. Device, biologic or drug HCT/Ps must comply both with the requirements exclusively applicable to Section 361 HCT/Ps and, in addition, with other requirements, including requirements for marketing authorization. For example, Section 361 HCT/Ps do not require 510(k) clearance, PMA approval, approval of a BLA, or other premarket authorization from FDA before marketing. Except as described below with regard to MOTYS, we believe our HCT/Ps are regulated solely under Section 361 of the PHSA, and therefore, we have not sought or obtained 510(k) clearance, PMA approval, or licensure through a BLA for such HCT/Ps.

[Table of Contents](#)

The FDA could disagree with our determination that these human tissue products are Section 361 HCT/Ps and could determine that these products are biologics requiring a BLA or medical devices requiring 510(k) clearance or PMA approval, and could require that we cease marketing such products and/or recall them pending appropriate clearance, approval or licensure from the FDA. For example, the FDA's Center for Devices and Radiological Health, or CDRH, issued us a letter in March 2016 in which it asserted that OsteoAMP meets the definition of a medical device, and requested that we provide CDRH with information in support of our position that OsteoAMP does not require 510(k) clearance or PMA approval. We provided CDRH with the requested information in support of this position in May 2016 and we have received no further inquiries to date. We believe that CDRH's assertion is unfounded and inconsistent with a 2011 letter from the FDA concluding that OsteoAMP meets the criteria for regulation solely as a Section 361 HCT/P. However, if the FDA were to disagree, and if we are otherwise unsuccessful in asserting our position, the FDA may then require that we obtain 510(k) clearance or PMA approval and that we cease marketing OsteoAMP and/or recall OsteoAMP unless and until we receive clearance or approval. If we have to cease marketing and/or have to recall any of our BGSs products, including OsteoAMP, our net sales would decrease, which would adversely affect our business, results of operations and financial condition.

HCT/Ps that do not meet the criteria of Section 361 are regulated under Section 351 of the PHSA. Unlike Section 361 HCT/Ps, HCT/Ps regulated as "351" HCT/Ps are subject to premarket review and approval by the FDA. In November 2017, the FDA released a guidance document entitled "Regulatory Considerations for Human Cells, Tissues, and Cellular and Tissue—Based Products: Minimal Manipulation and Homologous Use—Guidance for Industry and Food and Drug Administration Staff." The guidance outlined the FDA's position that all lyophilized amniotic products are more than minimally manipulated and would therefore require a BLA to be lawfully marketed in the United States. The guidance also indicated that the FDA would exercise enforcement discretion, using a risk-based approach, with respect to the IND application and pre-market approval requirements for certain HCT/Ps for a period of 36 months from the issuance date of the guidance to allow manufacturers to pursue its IND application. Under this approach, FDA indicated that high-risk products and uses could be subject to immediate enforcement action; FDA has not clearly stated what must happen by the end of its enforcement discretion period in order to avoid enforcement (i.e., whether a BLA must be approved by that time, or merely submitted). In July 2020, the FDA extended its period of enforcement discretion to May 31, 2021.

We plan to market MOTYS under the FDA's policy of enforcement discretion as we pursue marketing authorization under a BLA for the product. We may be required to cease selling MOTYS if the FDA changes the scope of its enforcement discretion or changes the criteria used to assess which products qualify. In addition, following the period of enforcement discretion articulated in FDA's guidance, we may be required to cease selling MOTYS until such time as we obtain BLA approval or be subject to another enforcement action or penalties. We may also be subject to enforcement on the grounds that we are marketing a product at the same time we are investigating that product pursuant to an IND, in violation of FDA's prohibition on the preapproval promotion of an investigational product. The loss of our ability to market and sell this product could have an adverse impact on our business, results of operations and financial condition. In addition, we expect the cost to manufacture our products will be higher than our other HCT/Ps because of the costs to comply with the more stringent requirements that apply to products regulated as biologics for which a BLA is required (and not just as Section 361 HCT/Ps). These requirements include satisfying cGMP manufacturing standards and performing ongoing product testing. If we do receive BLA approval for this product, changes such as adding new indications, manufacturing changes and additional labeling claims, will be subject to further testing requirements and FDA review and approval.

In addition, the FDA may in the future modify the scope of its enforcement discretion with respect to Section 361 HCT/Ps or change its position on which current or future products qualify as Section 361 HCT/Ps, or determine that some or all of our HCT/P products may not be lawfully marketed under the FDA's policy of enforcement discretion. Any regulatory changes could have adverse consequences for us and make it more

[Table of Contents](#)

difficult or expensive for us to conduct our business by requiring pre-market clearance or approval and compliance with additional post-market regulatory requirements with respect to those products.

If clinical studies of our future products do not produce results necessary to support regulatory clearance or approval in the United States or elsewhere, we will be unable to expand the indications for or commercialize these products.

We will likely need to conduct additional clinical studies in the future to support new indications for our products or for clearances or approvals of new product lines, or for the approval of the use of our products in some foreign countries. Clinical testing can take many years, can be expensive and carries uncertain outcomes. The initiation and completion of any of these studies may be prevented, delayed, or halted for numerous reasons. Conducting successful clinical studies requires the enrollment of large numbers of patients, and suitable patients may be difficult to identify and recruit. Patient enrollment in clinical trials and completion of patient participation and follow-up depends on many factors, including the size of the patient population, the nature of the trial protocol, the attractiveness of, or the discomforts and risks associated with, the treatments received by enrolled subjects, the availability of appropriate clinical trial investigators and support staff, proximity of patients to clinical sites, patient ability to meet the eligibility and exclusion criteria for participation in the clinical trial and patient compliance. For example, patients may be discouraged from enrolling in our clinical trials if the trial protocol requires them to undergo extensive post-treatment procedures or follow-up to assess the safety and effectiveness of our products or if they determine that the treatments received under the trial protocols are not attractive or involve unacceptable risks or discomforts. Patients may also not participate in our clinical trials if they choose to participate in contemporaneous clinical trials of competitive products. In addition, patients participating in clinical trials may die before completion of the trial or suffer adverse medical events unrelated to investigational products.

For example, in late 2017 we began enrollment for the B.O.N.E.S. clinical study, a uniquely designed trial to further broaden the label of our Exogen system to include a fuller range of bones that may be treated as fresh fractures in predisposed patients at risk of nonunion. The B.O.N.E.S clinical study design includes prospective inclusion of 3,000 Exogen-treated patients presenting certain risk factors observed over the course of 12 months. See “Business—Development and Clinical Pipeline—Exogen clinical data—Ongoing Bioventus-sponsored clinical studies (B.O.N.E.S.)” If we are unable to successfully complete enrollment and conclude the B.O.N.E.S. study, or the data generated from the study does not support these new indications, future demand for our Exogen system may be affected. On October 29, 2020, we received FDA confirmation indicating its authorization of our IND, which will allow us to conduct a clinical trial to support a BLA submission for MOTYS, as well as an additional clinical trial based on a registry of patients who receive MOTYS after our initial commercial launch in the cash pay market. If we are unable to complete enrollment of these trials or if these trials do not support our desired clinical indications for use or show clinical efficacy of the MOTYS product, we may not obtain approval of the BLA and may not be able to continue to sell MOTYS or obtain coverage or reimbursement for the product.

Clinical failure can occur at any stage of testing. Our clinical studies may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical and non-clinical studies in addition to those we have planned. In addition, failure to adequately demonstrate the safety and efficacy of any of our devices would prevent receipt of regulatory clearance or approval and, ultimately, the commercialization of that device or indication for use. Even if our future products are cleared in the United States, commercialization of our products in foreign countries would require approval by regulatory authorities in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from, and greater than, those in the United States, including additional preclinical studies or clinical trials. Any of these occurrences could adversely affect our business, results of operations and financial condition.

Interim, “top-line” and preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publish interim, “top-line” or preliminary data from our clinical trials. Interim, top-line, or preliminary data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Preliminary, “top-line,” or interim data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, interim, “top-line,” and preliminary data should be viewed with caution until the final data are available. Differences between preliminary, interim, or “top-line” data and final data could significantly harm our business prospects and may cause the trading price of our common stock to fluctuate significantly.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our business in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is the material or otherwise appropriate information to include in our disclosure, and any information we determine not to disclose may ultimately be deemed significant with respect to future decisions, conclusions, views, activities or otherwise regarding a particular product candidate or our business. If the interim, “top-line,” or preliminary data that we report differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for and commercialize our product candidates, our business, operating results, prospects or financial condition may be harmed.

We may be subject to enforcement action if we engage in improper marketing or promotion of our products, and the misuse or off-label use of our products may harm our image in the marketplace, result in injuries that lead to product liability suits or result in costly investigations, fines or sanctions by regulatory bodies if we are deemed to have engaged in the promotion of these uses, any of which could be costly to our business.

The medical devices that we currently market have been cleared or approved by the FDA and other foreign regulatory bodies for specific treatments. However, we cannot prevent a physician from using our products outside of such cleared or approved indications for use, known as off-label uses, when in the physician’s independent professional medical judgment, he or she deems it appropriate, and we do not analyze the ordering practices of physicians with respect to off-label uses. In cases where prescriptions of our Exogen system are written for off-label uses, we could be subject to regulatory or enforcement actions if we were determined to have engaged in promotion of our products for off-label uses, or otherwise determined to have made false or misleading statements about our products. There may be increased risk of injury to patients if physicians attempt to use our products off-label. Furthermore, the use of our products for indications other than those cleared or approved by the FDA or any foreign regulatory body may not effectively treat such conditions, which could harm our reputation in the marketplace among physicians and patients.

In addition, physicians may misuse our products or use improper techniques if they are not adequately trained, potentially leading to injury and an increased risk of product liability. If our products are misused or used with improper technique, we may become subject to costly litigation by our customers or their patients. Product liability claims could divert management’s attention from our core business, be expensive to defend and result in sizeable damage awards against us that may not be covered by insurance.

Further, our promotional materials and training methods must comply with FDA and other applicable laws and regulations, including the prohibition of the promotion of off-label use. If the FDA or any foreign regulatory

[Table of Contents](#)

body determines that our promotional materials or training constitute promotion of an off-label use, the FDA could request that we modify our training, promotional materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, civil fine or criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our business activities to constitute promotion of an off-label use, which could result in significant penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. Such enforcement actions may include, but are not limited to, criminal, civil and administrative penalties, treble damages, fines, disgorgement, exclusion from participation in government healthcare programs, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws and the curtailment or restructuring of our operations.

Our products may cause or contribute to adverse medical events that we are required to report to the FDA, and if we fail to do so, we would be subject to sanctions that could materially harm our business.

Some of our marketed products are subject to Medical Device Reporting, or MDR, obligations, which require that we report to the FDA any incident in which our products may have caused or contributed to a death or serious injury, or in which our products malfunctioned and, if the malfunction were to recur, it could likely cause or contribute to a death or serious injury. The timing of our obligation to report under the MDR regulations is triggered by the date we become aware of the adverse event as well as the nature of the event. We may fail to report adverse events of which we become aware within the prescribed timeframe. We may also fail to recognize that we have become aware of a reportable adverse event, especially if it is not reported to us as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of our products. If we fail to comply with our reporting obligations, the FDA could take action including warning letters, untitled letters, administrative actions, criminal prosecution, imposition of civil monetary penalties, revocation of our device clearances, seizure of our products, or delay in clearance of future products.

We and our third-party manufacturers and suppliers are subject to various governmental regulations related to the manufacturing of our products.

Our products and the manufacturing processes, reporting requirements, post-approval clinical data and promotional activities for such products, will be subject to continued regulatory review, oversight and periodic inspection by the FDA and other domestic and foreign regulatory bodies. In particular, the methods used in, and the facilities used for, the manufacture of the products that we own and distribute that are regulated as medical devices must comply with the FDA's QSR, which covers the procedures and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of medical devices. The FDA enforces the QSR through periodic announced or unannounced inspections of manufacturing facilities, and both we and our third-party manufacturers and suppliers are subject to such inspections. Similarly, the devices we distribute on behalf of third-party manufacturers that are regulated as Section 361 HCT/Ps must be manufactured in compliance with cGTP requirements and other related requirements. Moreover, should any of our HA products be re-classified as drugs, such products would be required to comply with a different set of manufacturing requirements under FDA's current Good Manufacturing Practice, or cGMP, requirements for drugs. Similarly, if we are successful in obtaining BLA approval for MOTYS, that product will need to comply with the cGMP requirements for biologics, instead of the cGTP requirements that will apply to the product upon our planned launch of the product as a Section 361 HCT/P. The need to comply with different manufacturing requirements may require us to seek new suppliers.

Failure to comply with applicable FDA requirements, or later discovery of previously unknown problems with our products or the manufacturing processes of our third-party manufacturers and suppliers, including any failure to take satisfactory corrective action in response to an adverse regulatory inspection, can result in, among other things:

- administrative or judicially imposed sanctions;

[Table of Contents](#)

- injunctions or the imposition of civil penalties or fines;
- recall or seizure of our products;
- total or partial suspension of production or distribution;
- refusal to grant pending or future clearances or approvals for our products;
- withdrawal or suspension of regulatory clearances or approvals;
- clinical holds;
- untitled letters or warning letters;
- refusal to permit the import or export of our products; and
- criminal prosecution of us or our employees.

Any of these actions could prevent or delay us from marketing, distributing or selling our products and would likely harm our business. Furthermore, our suppliers may not currently be or may not continue to be in compliance with all applicable regulatory requirements, which could result in our failure to produce our products on a timely basis and in the required quantities, if at all.

Our products may be subject to product recalls. A recall of our products, either voluntarily or at the direction of the FDA or another governmental authority, or the discovery of serious safety issues with our products, could adversely affect us.

The FDA and similar foreign governmental authorities have the authority to require the recall of commercialized products in the event of material deficiencies or defects in their design or manufacture. The FDA's authority to require a recall for medical devices must be based on a finding that there is reasonable probability that the device would cause serious injury or death. We may also decide to voluntarily recall our products if certain deficiencies are found. We have in the past instituted a voluntary recall for certain of our products, and we are currently undertaking a voluntary Class II recall of certain vials of ultrasound gel that we provide with our Exogen system due to particulates, which were microbial in nature, found in the gel. The gel is manufactured by a third-party supplier, and we have discontinued the use of that suppliers' gel and have replaced that gel with that of another manufacturer. We have identified the affected lots and have notified patients to discard gel bottles from those lots. A government-mandated or voluntary recall could occur as a result of an unacceptable risk to health, component failures, malfunctions, manufacturing errors, design or labeling defects or other deficiencies and issues. Recalls of any of our products would divert managerial and financial resources and could adversely affect our reputation and business, which could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. We may also be subject to liability claims, be required to bear other costs, or take other actions that could adversely affect our business, results of operations and financial condition.

Companies are required to maintain certain records of recalls and corrections, even if they are not reportable to the FDA. We may initiate voluntary recalls or corrections for our products in the future that we determine do not require notification of the FDA. If the FDA disagrees with our determinations, they could require us to report those actions as recalls and we may be subject to enforcement action.

As we conduct clinical studies designed to generate long-term data on some of our existing products, the data we generate may not be consistent with our existing data and may demonstrate less favorable safety or efficacy. Data we generate may ultimately not be favorable, or could even hurt the commercial prospects for our products.

We are currently collecting and plan to continue collecting long-term clinical data regarding the quality, safety and effectiveness of some of our existing products. The clinical data collected and generated as part of

[Table of Contents](#)

these studies will further strengthen our clinical evaluation concerning safety and performance of these products. We believe that this additional data will help with the marketing of our products by providing surgeons and physicians with additional confidence in their long-term safety and efficacy. If the results of these clinical studies are negative, these results could reduce demand for our products and significantly reduce our ability to achieve expected net sales. We do not expect to undertake such studies for all of our products and will only do so in the future where we anticipate the benefits will outweigh the costs and risks. For these reasons, surgeons and physicians could be less likely to purchase our products than competing products for which longer-term clinical data are available. Also, we may not choose or be able to generate the comparative data that some of our competitors have or are generating and we may be subject to greater regulatory and product liability risks. If we are unable to or unwilling to collect sufficient long-term clinical data supporting the quality, safety and effectiveness of our existing products, our business, results of operations and financial condition could be adversely affected.

We may rely on third parties to conduct our clinical studies and to assist us with preclinical development and if they fail to perform as contractually required or expected, we may not be able to obtain regulatory clearance or approval to commercialize our products.

We have relied upon and may continue to rely upon third parties, such as contract research organizations, medical institutions, clinical investigators and contract laboratories to assist in conducting our clinical studies, which must be conducted in accordance with applicable regulations, including those known as good clinical practice, or GCP, and our preclinical development activities. We rely on these parties for execution of our studies, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our clinical studies is conducted in accordance with the applicable protocol, legal, regulatory, and scientific standards, and our reliance on these third parties does not relieve us of our regulatory responsibilities. GCPs are regulations and guidelines enforced by the FDA and other regulatory authorities for products in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, principal investigators, trial sites, and CROs. 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 GCP regulations. In addition, our clinical trials must be conducted with product produced under applicable manufacturing requirements.

If these third parties fail to successfully carry out their contractual duties, comply with applicable regulatory obligations, including GCP requirements, or meet expected deadlines, or if these third parties must be replaced, or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to clinical protocols or applicable regulatory requirements or for other reasons, our pre-clinical development activities or clinical studies may be extended, delayed, suspended or terminated. Under these circumstances we may not be able to obtain regulatory clearance or approval for, or successfully commercialize, our products on a timely basis, if at all, and our business, results of operations and financial condition may be adversely affected.

If any of our relationships with these third parties terminate, we may not be able to enter into arrangements with alternative third parties or to do so on commercially reasonable terms. In addition, our third parties are not our employees, and except for remedies available to us under our agreements with them, we cannot control whether or not they devote sufficient time and resources to our on-going clinical, nonclinical and preclinical programs. Switching or adding additional third parties involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO or other third party vendor commences work. As a result, delays occur, which can materially impact our ability to meet our desired development timelines. Though we carefully manage our relationships with our third party vendors including CROs, 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.

Healthcare regulatory reform may affect our ability to sell our products profitably and could adversely affect our business, results of operations and financial condition.

In the United States and in certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the regulatory and healthcare systems in ways that could prevent or delay marketing approval of our products in development, restrict or regulate post-approval activities of our products and impact our ability to sell our products profitably. In the United States in recent years, new legislation has been proposed and adopted at the federal and state level that is effecting major changes in the healthcare system. In addition, new regulations and interpretations of existing healthcare statutes and regulations are frequently adopted.

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the Affordable Care Act, was signed into law. While the goal of healthcare reform is to expand coverage to more individuals, it also involves increased government price controls, additional regulatory mandates and other measures designed to constrain medical costs. The Affordable Care Act substantially changes the way healthcare is financed by both governmental and private insurers, encourages improvements in the quality of healthcare items and services and significantly impacts the medical device industry. Among other things, the Affordable Care Act:

- increased the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;
- created a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected;
- extended manufacturers' Medicaid rebate liability to individuals enrolled in Medicaid managed care organizations;
- expanded eligibility criteria for Medicaid programs;
- established a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical effectiveness research in an effort to coordinate and develop such research; and
- implemented payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the Affordable Care Act, as well as efforts by the former Trump administration to repeal or replace certain aspects of the ACA, and we expect such challenges and amendments to continue. For example, the Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas, ruled that the individual mandate is a critical and inseparable feature of the Affordable Care Act, and therefore, because it was repealed as part of the U.S. Tax Act, the remaining provisions of the Affordable Care Act are invalid as well. On December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the Affordable Care Act are invalid as well. On March 2, 2020, the United States Supreme Court granted the petitions for writs of certiorari to review this case, and the Court held oral argument on November 10, 2020. The case is expected to be decided in mid-2021. It is unclear how this decision and other efforts to challenge, repeal or replace the Affordable Care Act will impact the Affordable Care Act or our business. We expect there will be additional challenges and amendments to the Affordable Care Act in the future.

The results of the 2020 U.S. presidential and congressional elections have created regulatory uncertainty, including with respect to the U.S. government's role, in the U.S. healthcare industry. As a result of such

[Table of Contents](#)

elections, there are renewed and reinvigorated calls for health insurance reform, which could cause significant uncertainty in the U.S. healthcare market, could increase our costs, decrease our revenues or inhibit our ability to sell our products. We cannot predict with certainty what impact any U.S. federal and state health reforms will have on us, but such changes could impose new and/or more stringent regulatory requirements on our activities or result in reduced reimbursement for our products, any of which could adversely affect our business, results of operations and financial condition.

In addition, third-party payers regularly update payments to physicians and hospitals where our products are used. For example, the Medicare Access and CHIP Reauthorization Act of 2015, or MACRA, ended the use of the Sustainable Growth Rate Formula, and provided for a 0.5% annual increase in payment rates under the Medicare Physician Fee Schedule through 2019, but no annual update from 2020 through 2025. MACRA also introduced a merit based incentive bonus program for Medicare physicians beginning in 2019. At this time, it is unclear how the introduction of the merit based incentive program will impact overall physician reimbursement under the Medicare program. In addition, the Budget Control Act of 2011 imposed reductions to Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013. Subsequent legislative amendments related to the COVID-19 pandemic suspended this Medicare sequestration payment reduction from May 1, 2020 through March 31, 2021, but extended sequestration through 2030. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several types of providers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These and other payment updates could directly impact the demand for our products or any products we may develop in the future, if cleared or approved.

We expect that the Affordable Care Act, as well as other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, new payment methodologies and in additional downward pressure on the price that we receive for any cleared or approved products. Furthermore, we believe that many individuals who have obtained insurance coverage through the health insurance exchanges which arose as a result of the Affordable Care Act have done so with policies that have significantly higher deductibles than policies they may have obtained prior to its enactment. Because the out-of-pocket costs of undergoing certain procedures for patients who have not met their deductible for a given year would be significantly higher than they historically would have been, these patients may be discouraged from undergoing certain procedures due to the cost. Any reluctance on the part of patients to undergo procedures utilizing our products due to cost could impact our ability to expand sales of our products and could adversely impact our business, results of operations and financial condition.

We are subject to federal, state and foreign laws and regulations relating to our healthcare business, and could face substantial penalties if we are determined not to have fully complied with such laws, which would adversely affect our business, results of operations and financial condition.

Both in our capacity as a pharmaceutical and medical device manufacturer and/or as a supplier of covered items and services to federal health care program beneficiaries, with respect to which items and services we submit claims for reimbursement from such programs, we are subject to healthcare fraud and abuse regulation and enforcement by federal, state and foreign governments, which could adversely impact our business, results of operations and financial condition. Healthcare fraud and abuse and health information privacy and security laws potentially applicable to our operations include:

- the federal Anti-Kickback Statute, which applies to our marketing practices, educational programs, pricing and discounting policies and relationships with healthcare providers, by prohibiting, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering or providing remuneration intended to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare or Medicaid programs. A person or entity does not need to have actual knowledge of this statute or specific intent to violate it to have committed a

violation. Violations are also subject to civil monetary penalties up to \$100,000 for each violation, plus up to three times the remuneration involved. Civil penalties for such conduct can further be assessed under the federal False Claims Act. Violations of the federal Anti-Kickback Statute may also result civil and criminal penalties, including criminal fines of up to \$100,000 and imprisonment of up to ten years, or exclusion from Medicare, Medicaid or other governmental programs;

- the “Stark Law,” which prohibits a physician from referring Medicare or Medicaid patients to an entity providing “designated health services,” which includes durable medical equipment, if the physician or immediate family member of the physician, has an ownership or investment interest in or compensation arrangement with such entity that does not comply with the requirements of a Stark exception;
- the federal civil and criminal false claims laws, including the False Claims Act, which impose civil and criminal penalties through governmental, civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, claims for payment or approval to the federal government that are false or fraudulent, knowingly making a false statement material to an obligation to pay or transmit money or property to the federal government or knowingly concealing or knowingly and improperly avoiding or decreasing an obligation to pay or transmit money or property to the federal government. Suits filed under the False Claims Act, can be brought by any individual on behalf of the government, known as “qui tam” actions, and such individuals, commonly known as “whistleblowers,” may share in any amounts paid by the entity to the government in fines or settlement. The frequency of filing qui tam actions has increased significantly in recent years, causing greater numbers of pharmaceutical, medical device and other healthcare companies to have to defend a False Claims Act action. When an entity is determined to have violated the False Claims Act, the government may impose civil fines and penalties ranging from \$11,665 to \$23,331 for each false claim, plus treble damages, and exclude the entity from participation in Medicare, Medicaid and other federal healthcare programs. The government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the false claims statutes;
- the federal civil monetary penalties laws, which impose civil fines for, among other things, the offering or transfer of remuneration to a Medicare or state healthcare program beneficiary if the person knows or should know it is likely to influence the beneficiary’s selection of a particular provider, practitioner, or supplier of services reimbursable by Medicare or a state healthcare program, unless an exception applies;
- HIPAA and its implementing regulations, which created federal criminal laws that prohibit, among other things, executing or attempting to execute a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and its implementing regulations, which also imposes certain regulatory and contractual requirements regarding the privacy, security and transmission of protected health information, or PHI;
- the federal Physician Payments Sunshine Act, which requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children’s Health Insurance Program (with certain exceptions) to report annually to the government information related to certain payments or other “transfers of value” made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and, beginning in 2022, physician assistants, nurse practitioners, and other practitioners, and requires applicable manufacturers to report annually to the government ownership and investment interests held by the providers described above and their immediate family members and payments or other “transfers of value” to such provider owners. Failure to submit required information may result in civil

[Table of Contents](#)

monetary penalties of \$11,766 per failure up to an aggregate of \$176,495 per year (or up to an aggregate of \$1.177 million per year for “knowing failures”), for all payments, transfers of value or ownership or investment interests that are not timely, accurately, and completely reported in an annual submission, and may result in liability under other federal laws or regulations;

- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;
- federal government price reporting laws, which require us to calculate and report complex pricing metrics in an accurate and timely manner to government programs, and where the failure to report such prices may expose us to potential liability; and
- state and foreign law equivalents of each of the above federal laws and regulations, such as anti-kickback, self-referral, fee-splitting and false claims laws that may apply to items or services reimbursed by any third-party payer, including commercial insurers; state laws that require pharmaceutical and device companies to comply with the industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise that restrict payments that may be made to healthcare providers; state laws that require drug and device manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures and pricing information; and state and foreign laws governing the privacy and security of certain health information, such as GDPR, which imposes obligations and restrictions on the collection and use of personal data relating to individuals located in the EU (including health data), many of which differ from each other in significant ways and some of which may be more stringent than HIPAA or HITECH.

The risk of us being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. We are unable to predict what additional federal, state or foreign legislation or regulatory initiatives may be enacted in the future regarding our business or the healthcare industry in general, or what effect such legislation or regulations may have on us. Federal, state or foreign governments may impose additional restrictions or adopt interpretations of existing laws that could adversely affect us.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available under such laws, it is possible that some of our business activities, including certain sales and marketing practices and financial arrangements with physicians and other healthcare providers, some of whom recommend, use, prescribe or purchase our products, and other customers, could be subject to challenge under one or more of such laws. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management’s attention from the operation of our business. If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from governmental healthcare programs, disgorgement, contractual damages, reputational harm, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely impact our business, results of operations and financial condition.

We are subject to governmental regulation and other legal obligations, particularly related to privacy, data protection and information security, and we are subject to consumer protection laws that regulate our marketing practices and prohibit unfair or deceptive acts or practices. Our actual or perceived failure to comply with such obligations could harm our business.

We are subject to diverse laws and regulations relating to data privacy and security, including, in the United States, the federal Health Insurance Portability and Accountability Act of 1996, as amended by HITECH, and the regulations that implement both laws, collectively known as HIPAA, and, in the European Union, or EU, and the European Economic Area, or EEA, Regulation 2016/679, known as the General Data Protection Regulation, or

[Table of Contents](#)

GDPR. New privacy rules are being enacted in the United States and globally, and existing ones are being updated and strengthened. Complying with these numerous, complex and often changing regulations is expensive and difficult, and failure to comply with any privacy laws or data security laws or any security incident or breach involving the misappropriation, loss or other unauthorized use or disclosure of sensitive or confidential patient or consumer information, whether by us, one of our business associates or another third-party, could adversely affect our business, results of operations and financial condition, including but not limited to: investigation costs, material fines and penalties; compensatory, special, punitive, and statutory damages; litigation; reputational damage; consent orders regarding our privacy and security practices; requirements that we provide notices, credit monitoring services and/or credit restoration services or other relevant services to impacted individuals; adverse actions against our licenses to do business; and injunctive relief. Furthermore, these rules are constantly changing. For example, the California Consumer Privacy Act, or CCPA, took effect on January 1, 2020. The CCPA establishes a new privacy framework for covered businesses and provides new and enhanced data privacy rights to California residents, such as affording consumers the right to access and delete their information and to opt out of certain sharing and sales of personal information. The CCPA imposes severe statutory damages as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action is expected to increase the likelihood of, and risks associated with, data breach litigation. It remains unclear how various provisions of the CCPA will be interpreted and enforced. The CCPA contains an exemption for medical information governed by the California Confidentiality of Medical Information Act, or CMIA, and for PHI collected by a covered entity or business associate governed by the privacy, security and breach notification rules established pursuant to HIPAA, but the precise application and scope of this exemption is not yet clear, and the law may still apply to certain aspects of our business. The CCPA may lead other states to pass comparable legislation, with potentially greater penalties, and more rigorous compliance requirements relevant to our business, and that may not include exemptions for businesses subject to HIPAA. The effects of the CCPA, and other similar state or federal laws, are potentially significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such legislation.

The privacy laws in the EU have been significantly reformed. On May 25, 2018, the GDPR entered into force and became directly applicable in all EU member states. The GDPR implements more stringent operational requirements than its predecessor legislation. For example, the GDPR requires us to make more detailed disclosures to data subjects, requires disclosure of the legal basis on which we can process personal data, makes it harder for us to obtain valid consent for processing, requires the appointment of data protection officers when sensitive personal data, such as health data, is processed on a large scale, provides more robust rights for data subjects, introduces mandatory data breach notification through the EU, imposes additional obligations on us when contracting with service providers and requires us to adopt appropriate privacy governance including policies, procedures, training and data audit. If we do not comply with our obligations under the GDPR, we could be exposed to fines of up to the greater of €20 million or up to 4% of our total global annual revenue in the event of a significant breach. In addition, we may be the subject of litigation and/or adverse publicity, which could adversely affect our business, results of operations and financial condition.

Prior to the effectiveness of the GDPR, the US-EU Safe Harbor framework provided a method which permitted the transfer of personal data to the United States under European privacy law; in 2015 it was declared invalid and replaced with the US-EU Privacy Shield framework, or Privacy Shield. On July 16, 2020, the Court of Justice of the European Union, or CJEU, invalidated Privacy Shield. While the CJEU upheld the adequacy of the standard contractual clauses (a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism, and potential alternative to the Privacy Shield), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances; this has created increasing uncertainty. This recent development will require us to review and amend the legal mechanisms by which we make and/or receive personal data transfers to/in the U.S. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries

and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results.

Additionally starting on January 1, 2021 (following the United Kingdom's departure from the EU), we will have to comply with the GDPR and the UK GDPR (i.e. the GDPR as implemented into UK law) if we offer services to UK users, monitor their behavior or are established in the United Kingdom. Failure to comply with the UK GDPR can result in fines up to the greater of £17 million (approximately \$20 million), or 4% of global revenue. However, the relationship between the United Kingdom and the European Union in relation to certain aspects of data protection law remains unclear. For example, it is unclear what the role of the Information Commissioner's Office will be following the end of the transitional period. In addition, it is likely that documentation will need to be put in place between UK entities and entities in European member states to ensure adequate safeguards are in place for data transfers, which may result in increased costs with respect to transfers of personal data between the European Union and the UK, which would increase our expenses. We may find it necessary or advantageous to join industry bodies or self-regulatory organizations that impose stricter compliance requirements than those set out in applicable laws, including the GDPR. We may also be bound by contractual restrictions that prevent us from participating in data processing activities that would otherwise be permissible under applicable laws, including the GDPR. Such strategic choices may impact our ability to use and exploit data, and may have an adverse impact on our business.

Failure to comply with the FCPA and laws associated with our activities outside the United States could adversely affect our business, results of operations and financial condition.

We are subject to the FCPA and other anti-bribery legislation around the world. The FCPA generally prohibits covered entities and their intermediaries from engaging in bribery or making other prohibited payments, offers or promises to foreign officials for the purpose of obtaining or retaining business or other advantages. In addition, the FCPA imposes recordkeeping and internal controls requirements on publicly traded corporations and their foreign affiliates, which are intended to, among other things, prevent the diversion of corporate funds to the payment of bribes and other improper payments, and to prevent the establishment of "off books" slush funds from which such improper payments can be made. As we conduct our business in jurisdictions outside of the United States, we face significant risks if we fail to comply with the FCPA and other laws that prohibit improper payments, offers or promises of payment to foreign governments and their officials and political parties by us and other business entities for the purpose of obtaining or retaining business or other advantages. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other laws and regulations. Although we have implemented a company policy requiring our employees and consultants to comply with the FCPA and similar laws, such policy may not be effective at preventing all potential FCPA or other violations. Although our agreements with our international distributors clearly state our expectations for our distributors' compliance with U.S. laws, including the FCPA, and provide us with various remedies upon any non-compliance, including the ability to terminate the agreement, we also cannot guarantee our distributors' compliance with U.S. laws, including the FCPA. Therefore, there can be no assurance that our employees and agents, or those companies to which we outsource certain of our business operations, have not and will not take actions that violate our policies or applicable laws, for which we may be ultimately held responsible. Any violation of the FCPA and related policies could result in severe criminal or civil sanctions, which could adversely affect our business, results of operations and financial condition.

Furthermore, we are subject to the export controls and economic embargo rules and regulations of the United States, including, but not limited to, the Export Administration Regulations and trade sanctions against embargoed countries, which are administered by the Office of Foreign Assets Control within the Department of the Treasury, as well as the laws and regulations administered by the Department of Commerce. These regulations limit our ability to market, sell, distribute or otherwise transfer our products or technology to prohibited countries or persons. A determination that we have failed to comply, whether knowingly or inadvertently, may result in substantial penalties, including fines, enforcement actions, civil and/or criminal

sanctions, the disgorgement of profits, the imposition of a court-appointed monitor, as well as the denial of export privileges, and may adversely affect our business, results of operations and financial condition.

If we fail to meet Medicare accreditation and surety bond requirements or DMEPOS supplier standards, it could adversely affect our business, results of operations and financial condition.

Our Exogen system is classified by CMS and third-party payers as durable medical equipment. Suppliers of Medicare durable medical equipment, prosthetics, orthotics and supplies, or DMEPOS, must be accredited by an approved accreditation organization as meeting DMEPOS quality standards adopted by CMS and are required to meet surety bond requirements. In addition, Medicare DMEPOS suppliers must comply with Medicare supplier standards in order to obtain and retain billing privileges, including meeting all applicable federal and state licensure and regulatory requirements. CMS periodically expands or otherwise clarifies the Medicare DMEPOS supplier standards, and states periodically change licensure requirements, including licensure rules imposing more stringent requirements on out-of-state DMEPOS suppliers. We believe we are currently in compliance with these requirements. If we fail to maintain our Medicare accreditation status and/or do not comply with Medicare surety bond or supplier standard requirements or state licensure requirements in the future, or if these requirements are changed or expanded, it could adversely affect our business, results of operations and financial condition.

Our operations involve the use of hazardous and toxic materials, and we must comply with environmental, health and safety laws and regulations, which can be expensive, and could adversely affect our business, results of operations and financial condition.

We are subject to a variety of federal, state, local and foreign laws and regulations relating to the protection of the environment or of human health and safety, including laws pertaining to the use, handling, storage, disposal and human exposure to hazardous and toxic materials. Liability under environmental laws can be imposed on a joint and several basis (which could result in an entity paying more than its fair share) and without regard to comparative fault, and environmental laws are likely to become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violations, which could adversely affect our business, results of operations and financial condition.

Our employees, independent distributors, independent contractors, suppliers and other third parties may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could expose us to liability and hurt our reputation.

We are exposed to the risk that our employees, independent distributors, independent contractors, suppliers and others may engage in fraudulent conduct or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (1) FDA laws and regulations, including those laws that require the reporting of true, complete and accurate information to the FDA, (2) manufacturing standards, (3) healthcare fraud and abuse laws, or (4) laws that require the true, complete and accurate reporting of financial information or data. Activities subject to these laws also involve the improper use or misrepresentation of information obtained in the course of clinical trials, creating fraudulent data in our preclinical studies or clinical trials or illegal misappropriation of product, which could result in regulatory sanctions and cause serious harm to our reputation. It is not always possible to identify and deter misconduct by employees and other third parties, 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 be in compliance with such laws or regulations. Additionally, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred.

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 and financial results, including, without limitation, the imposition of significant civil, criminal and administrative penalties, damages, monetary fines,

[Table of Contents](#)

possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our business, results of operations and financial condition.

Risks related to intellectual property matters

The risk factors listed below describe the risks we face related to intellectual property matters. The companies who own certain of the products we distribute face similar risks with respect to intellectual property relating to such products. If such suppliers are unable to protect their intellectual property rights, they may not be able to continue to supply us with products, which could adversely affect our business, results of operations and financial condition.

Protection of our intellectual property rights may be difficult and costly, and our inability to protect our intellectual property could adversely affect our competitive position.

Our success depends on our ability to protect our proprietary rights to the technologies and inventions used in, or embodied by, our products. To protect our proprietary technology, we rely on patent protection, as well as a combination of copyright, trade secret and trademark laws, as well as nondisclosure, confidentiality and other contractual restrictions in our consulting and employment agreements. These legal means afford only limited protection, however, and may not adequately protect our rights or permit us to gain or keep any competitive advantage. Our existing confidentiality and/or invention assignment agreements with employees, contractors, and others who participate in IP development activities could be breached, or we may not enter into sufficient and adequate agreements with those individuals in the first instance, and we may not have adequate remedies for such breaches. Furthermore, we may be subject to, and forced to defend against, third-party claims of ownership to our intellectual property. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or rights to use, valuable intellectual property. Such an outcome could adversely affect our business, results of operations and financial condition. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Patents

The process of applying for patent protection is time-consuming and expensive and we cannot assure you that all of our patent applications will issue as patents or that, if issued, they will issue in a form that will be advantageous to us. The rights granted to us under our patents, including prospective rights sought in our pending patent applications, may not be meaningful or provide us with any commercial advantage, and they could be opposed, contested, narrowed, or circumvented by our competitors or declared invalid or unenforceable in judicial or administrative proceedings. We may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. As a result, some of our products are not, and in the future may not be, protected by patents. We generally apply for patents in those countries where we intend to make, have made, use, offer for sale, or sell products and where we assess the risk of infringement to justify the cost of seeking patent protection. However, we do not seek protection in all countries where we sell products and we may not accurately predict all the countries where patent protection would ultimately be desirable. If we fail to timely file a patent application in any such country or major market, we may be precluded from doing so at a later date. 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 in which we have patent protection but where such protection may not be sufficient to terminate infringing activities. Furthermore, we may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the rights to patents licensed to us by third-parties. Therefore, these patents and applications may not be prosecuted or enforced in a manner consistent with the best interests of our business. If such licensors fail to maintain such patents, or lose rights to those patents, the rights

[Table of Contents](#)

we have licensed may be reduced or eliminated, which could also adversely affect our business, results of operations and financial condition.

We own numerous issued patents and pending patent applications relating to our technology and products. The rights granted to us under these patents, including prospective rights sought in our pending patent applications, could be opposed, contested or circumvented by our competitors or declared invalid or unenforceable in judicial or administrative proceedings. If any of our patents are challenged, invalidated or legally circumvented by third-parties, and if we do not own other enforceable patents protecting our products, competitors could market products and use processes that are substantially similar to, or superior to, those of ours, and our business will suffer. In addition, the patents we own may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage, and competitors may be able to design around our patents or develop products that provide outcomes comparable to those of ours without infringing on our intellectual property rights.

Even if our patents are determined by the U.S. Patent and Trademark Office, or USPTO, foreign patent office, or a court to be valid and enforceable, they may not be drafted or interpreted sufficiently broadly to prevent others from marketing products and services similar to ours or designing around our patents. For example, third parties may be able to develop products that are similar to ours but that are not covered by the claims of our patents. Third parties may assert that we or our licensors were not the first to make the inventions covered by our issued patents or pending patent applications. The claims of our issued patents or patent applications when issued may not cover our commercial technology or the future products and services that we develop. We may not have freedom to operate unimpeded by the patent rights of others. Third parties may have dominating, blocking or other patents relevant to our technology of which we are not aware. In addition, because patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after the filing of certain priority documents (or, in some cases, are not published until they issue as patents) and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for our technology or our contemplated technology. Any such patent applications may have priority over our patent applications or issued patents, which could require us to obtain rights from third parties to issued patents or pending patent applications covering such technologies to allow us to commercialize our technology. If another party has filed a U.S. patent application on inventions similar to ours, depending on when the timing of the filing date falls under certain patent laws, we may have to participate in a priority contest (such as an interference proceeding) declared by the USPTO to determine priority of invention in the United States. There may be prior public disclosures of which we are not aware that could invalidate our patents or a portion of the claims of our patents. Further, we may not develop additional proprietary technologies and, even if we do, they may not be patentable.

In addition, patent reform legislation may pass in the future that could lead to additional uncertainties and increased costs surrounding the prosecution, enforcement, and defense of our patents and applications. We may be subject to a third-party preissuance submission of prior art to the USPTO, or become involved in opposition, derivation, reexamination, inter partes review, post-grant review or other patent office proceedings or litigation, in the United States or elsewhere, challenging our patent rights. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third-parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights.

Moreover, the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In addition, periodic maintenance fees on issued patents often must be paid to the USPTO and foreign patent agencies over the lifetime of the patent. While an unintentional lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a

[Table of Contents](#)

patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we fail to maintain the patents and patent applications covering our products or procedures, we may not be able to stop a competitor from marketing products that are the same as or similar to our products, which would adversely affect our business, results of operations and financial condition.

Filing, prosecuting and defending patents on our products in all countries throughout the world would be prohibitively expensive. The requirements for patentability may differ in certain countries, particularly developing countries, and the breadth of patent claims allowed can be inconsistent. In addition, the laws of some foreign countries may not protect our intellectual property rights to the same extent as 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. 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 in which we have patent protection that may not be sufficient to terminate infringing activities.

Due to differences between foreign and U.S. patent laws, our patented intellectual property rights may not receive the same degree of protection in every jurisdiction in which we obtain patents. Furthermore, we do not have patent rights in certain foreign countries in which a market may exist in the future. We may need to expend additional resources to protect or defend our intellectual property rights in these countries, and the inability to protect or defend the same could impair our brand or adversely affect the growth of our business internationally. For example, we may not be able to stop a competitor from marketing and selling in foreign countries products that are the same as or similar to our products.

Patents have a limited lifespan, and the protection patents affords is limited. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Even if patents covering our products are obtained, once the patent life has expired for patents covering a product, we may be open to competition from competitive products and services. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing product candidates similar or identical to ours.

Trademarks

We rely on our trademarks as one means to distinguish our products from the products of our competitors, and have registered or applied to register many of these trademarks. However, we may not be able to successfully secure trademark registrations for all such applications. Third-parties may oppose our trademark applications, or otherwise challenge our use of both registered and unregistered trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition and could require us to devote resources to advertising and marketing new brands. Our competitors may infringe our trademarks and we may not have adequate resources to enforce our trademarks. Over the long term, if we are unable to establish name recognition based on our trademarks, then we may not be able to compete effectively and our business, results of operations and financial condition may be adversely affected.

Trade secrets and know-how

We may not be able to prevent the unauthorized disclosure or use of our technical knowledge or other trade secrets by consultants, vendors, former employees or current employees, despite the existence generally of confidentiality agreements and other contractual restrictions. Monitoring unauthorized uses and disclosures of our intellectual property is difficult, and we do not know whether the steps we have taken to protect our intellectual property will be effective.

Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. For example, the FDA, as part of its Transparency Initiative, is currently considering whether to make additional

[Table of Contents](#)

information publicly available on a routine basis, including information that we may consider to be trade secrets or other proprietary information, and it is not clear at the present time how the FDA's disclosure policies may change in the future, if at all. Our competitors could use any of the information we may be required to disclose by the FDA to develop independently technology similar to those of ours. Competitors could purchase our products and attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, design around our protected technology or develop their own competitive technologies that fall outside of our intellectual property rights. If our intellectual property is not adequately protected so as to protect our market against competitors' products and methods, our competitive position could be adversely affected, as could our business, results of operations and financial condition.

If we were to enforce a claim that a third-party had illegally obtained, misappropriated or was using our trade secrets, it would be expensive and time consuming, and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. If any of the technology or information that we protect as trade secrets were to be independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us. Misappropriation or unauthorized disclosure of our trade secrets could impair our competitive position and may adversely affect our business, results of operations and financial condition. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret.

We depend on certain technologies that are licensed to us. We do not control the intellectual property rights covering these technologies and any loss of our rights to these technologies or the rights licensed to us could prevent us from selling our products, which could adversely impact our business, results of operations and financial condition.

We are a party to license agreements under which we are granted rights to intellectual property that is important to our business, and we may need to enter into additional license agreements in the future. We rely on these licenses in order to be able to use and sell various proprietary technologies that are material to our business, as well as technologies which we intend to use in our future commercial activities. Our rights to use these technologies and the inventions claimed in the licensed patents are subject to the continuation of and our compliance with the terms of those licenses. Our existing license agreements impose, and we expect that future license agreements will impose on us, various diligence obligations, payment of milestones or royalties and other obligations. If we fail to comply with our obligations under these agreements, or we are subject to a bankruptcy, the licensor may have the right to terminate the license, in which case we would not be able to market products covered by the license, which would adversely affect our business, results of operations and financial condition.

As we have done previously, we may need to obtain licenses from third parties to advance our research or allow commercialization of our products and technologies. We may fail to obtain any of these licenses on commercially reasonable terms, if at all. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In the event that we are not able to acquire a license, we may be required to expend significant time and resources to develop or license replacement technology. If we are unable to do so, we may be unable to develop or commercialize the affected products and technologies, which could materially harm our business. In addition, the third parties owning such intellectual property rights could seek either an injunction prohibiting our sales, or, with respect to our sales, an obligation on our part to pay royalties or other forms of compensation and damages.

In some cases, we may not have the right to control the prosecution, maintenance, or filing of the patents that are licensed to us, or the enforcement of these patents against infringement by third parties. Some of our patents and patent applications were not filed by us, but were either acquired by us or are licensed from third parties. Thus, these patents and patent applications were not drafted by us or our attorneys, and we did not control or have any input into the prosecution of these patents and patent applications prior to our acquisition of, or our entry into a license with respect to, such patents and patent applications. We cannot be certain that the

[Table of Contents](#)

drafting or prosecution of the patents and patent applications licensed to us will result or has resulted in valid and enforceable patents. Further, we do not always retain complete control over our ability to enforce our licensed patent rights against third-party infringement. In those cases, we cannot be certain that our licensor will elect to enforce these patents to the extent that we would choose to do so, or in a way that will ensure that we retain the rights we currently have under our license. If our licensor fails to properly enforce the patents subject to our license in the event of third-party infringement, our ability to retain our competitive advantage with respect to our products may be materially and adversely affected.

Licensing of intellectual property is an important part of our business and involves complex legal, business and scientific issues. Disputes may arise between us and our licensors regarding intellectual property that is subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the license agreement;
- our right to sublicense patent and other rights to third parties under collaborative development relationships;
- our diligence obligations with respect to the use of the licensed technology in relation to our development and commercialization of our products and technologies, and what activities satisfy those diligence obligations; and
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners.

In addition, we may become the owner of intellectual property that was obtained through assignments which may be subject to re-assignment back to the original assignor upon our failure to prosecute or maintain such intellectual property, upon our breach of the agreement pursuant to which such intellectual property was assigned, or upon our bankruptcy.

If disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, or if intellectual property is re-assigned back to the original assignor, we may be unable to successfully develop and commercialize the affected products and technologies.

Our intellectual property agreements with third parties may be subject to disagreements over contract interpretation, which could narrow the scope of our rights to the relevant intellectual property or technology.

Certain provisions in our intellectual property agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could affect the scope of our rights to the relevant intellectual property or technology, or affect financial or other obligations under the relevant agreement, either of which could adversely affect our business, results of operations and financial condition.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact conceives or develops intellectual property that we regard as our own. Our assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

We may in the future be a party to patent and other intellectual property litigation and administrative proceedings that could be costly and could interfere with our ability to successfully market our products.

The medical device industry has been characterized by frequent and extensive intellectual property litigation and is highly competitive. Our competitors or other patent holders may assert that our products and/or the

[Table of Contents](#)

methods employed in our products are covered by their patents or that we are infringing, misappropriating, or misusing their trademark, copyright, trade secret, and/or other proprietary rights.

If our products or methods are found to infringe, we could be prevented from manufacturing or marketing our products. In the event that we become involved in such a dispute, we may incur significant costs and expenses and may need to devote resources to resolving any claims, which would reduce the cash we have available for operations and may be distracting to management and other employees, including those involved in the development of intellectual property. We do not know whether our competitors or potential competitors have applied for, will apply for, or will obtain patents that will prevent, limit or interfere with our ability to make, use, sell, import or export our products. Because patent applications can take many years to issue, third parties may have currently pending patent applications which may later result in issued patents that our products and technologies may infringe, or which such third parties claim are infringed by the use of our products or technologies. There is no guarantee that patents will not issue in the future from currently pending applications that may be infringed by our technology or products. In addition, identification of third-party patent rights that may be relevant to our technology is difficult because patent searching is imperfect due to differences in terminology among patents, incomplete databases, and difficulty in assessing the meaning of patent claims. Moreover, as the medical device industry expands and more patents are issued in this area, the risk increases that we may be subject to claims of infringement of the patent rights of third parties. We cannot assure you that we will prevail in such actions, or that other actions alleging misappropriation or misuse by us of third-party trade secrets or infringement by us of third-party patents, copyrights, trademarks or other rights or challenging the validity of our patents, copyrights, trademarks or other rights will not be asserted against us. Competing products may also be sold in other countries in which our patent coverage might not exist or be as strong. If we lose a foreign patent lawsuit alleging our infringement of a competitor's patents, we could be prevented from marketing our products in one or more foreign countries.

We may also initiate litigation against third-parties to enforce our patent and proprietary rights or to determine the scope, enforceability or validity of the proprietary rights of others. Our intellectual property has not been tested in litigation. If we initiate litigation to protect our rights, we run the risk of having our patents and other proprietary rights invalidated, canceled or narrowed, which could undermine our competitive position. Further, if the scope of protection provided by our patents or patent applications or other proprietary rights is threatened or reduced as a result of litigation, it could discourage third parties from entering into collaborations with us that are important to the commercialization of our products.

We may be subject to ownership disputes relating to intellectual property, including disputes arising from conflicting obligations of consultants or others who are involved in developing our product. Furthermore, if a license to necessary technology is terminated, the licensor may initiate litigation claiming that our processes or products infringe or misappropriate its patent or other intellectual property rights and/or that we breached our obligations under the license agreement, and we and our collaborators would need to defend against such proceedings.

These lawsuits and proceedings, regardless of merit, are time-consuming and expensive to initiate, maintain, defend or settle, and could divert the time and attention of managerial and technical personnel, which could materially adversely affect our business, results of operations and financial condition. Any such claim could also force use to do one or more of the following:

- incur substantial monetary liability for infringement or other violations of intellectual property rights, which we may have to pay if a court decides that the product, service, or technology at issue infringes or violates the third-party's rights, and if the court finds that the infringement was willful, we could be ordered to pay treble damages and the third-party's attorneys' fees;
- pay substantial damages to our customers or end users to discontinue use or replace infringing technology with non-infringing technology;

Table of Contents

- stop manufacturing, offering for sale, selling, using, importing, exporting or licensing the product or technology incorporating the allegedly infringing technology or stop incorporating the allegedly infringing technology into such product, service, or technology;
- obtain from the owner of the infringed intellectual property right a license, which may require us to pay substantial upfront fees or royalties to sell or use the relevant technology and which may not be available on commercially reasonable terms, or at all;
- redesign our products, services, and technology so they do not infringe or violate the third-party's intellectual property rights, which may not be possible or may require substantial monetary expenditures and time;
- enter into cross-licenses with our competitors, which could weaken our overall intellectual property position;
- lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property against others;
- find alternative suppliers for non-infringing products and technologies, which could be costly and create significant delay; or
- relinquish rights associated with one or more of our patent claims, if our claims are held invalid or otherwise unenforceable.

Some of our competitors may be able to sustain the costs of complex intellectual property litigation more effectively than we can because they have substantially greater resources. In addition, intellectual property litigation, regardless of its outcome, may cause negative publicity, adversely impact prospective customers, cause product shipment delays, divert the time, attention and resources of management, or prohibit us from manufacturing, marketing or otherwise commercializing our products, services and technology. Any uncertainties resulting from the initiation and continuation of any litigation could adversely affect our ability to raise additional funds or otherwise adversely affect our business, results of operations and financial condition.

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. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If these results are perceived to be negative, the price of our Class A common stock could be adversely affected.

In addition, certain of our agreements with suppliers, distributors, customers and other entities with whom we do business may require us to defend or indemnify these parties to the extent they become involved in infringement claims relating to our technologies or products, or rights licensed to them by us. We could also voluntarily agree to defend or indemnify third parties in instances where we are not obligated to do so if we determine it would be important to our business relationships. If we are required or agree to defend or indemnify any of these third parties in connection with any infringement claims, we could incur significant costs and expenses that could adversely affect our business, results of operation and financial condition.

We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets of our competitors or former employers or are in breach of non-competition or non-solicitation agreements with our competitors or former employers.

We could in the future be subject to claims that we or our employees have inadvertently or otherwise used or disclosed alleged trade secrets or other proprietary information of former employers or competitors. In addition, we may in the future be subject to claims that we caused an employee to breach the terms of his or her non-competition or non-solicitation agreement. 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 could be a

distraction to management. If our defense to those claims fails, in addition to paying monetary damages, a court could prohibit us from using technologies or features that are essential to our products, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of the competitors or former employers. An inability to incorporate technologies or features that are important or essential to our products could adversely affect our business, results of operations and financial condition, and may prevent us from selling our products. In addition, we may lose valuable intellectual property rights or personnel. Any litigation or the threat thereof may adversely affect our ability to hire employees or contract with independent sales representatives. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our products, which could adversely affect our business, results of operations and financial condition.

Any product candidates that we develop as biologics subject to the BLA pathway may be subject to competition sooner than anticipated.

We expect to submit a BLA to allow for the marketing of MOTYS following the expiration of FDA's enforcement discretion period for certain HCT/Ps. See “—Risks related to government regulation—Our HCT/P products are subject to extensive government regulation and our failure to comply with these requirements could cause our business to suffer. These products could be subject to significant additional regulatory requirements.” The Biologics Price Competition and Innovation Act of 2009, or BPCIA, was enacted as part of the Affordable Care Act to establish an abbreviated pathway for the approval of biosimilar and interchangeable biological products. The regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as “interchangeable” based on its similarity to an approved biologic. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years after the reference product was approved under a BLA. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when processes intended to implement BPCIA may be fully adopted by the FDA, any of these processes could have a material adverse effect on the future commercial prospects for our biological products.

We believe that any of the product candidates we develop that is approved in the United States as a biological product under a BLA should qualify for the 12-year period of exclusivity. However, there is a risk that this exclusivity could be shortened due to congressional action or otherwise, or that the FDA will not consider the subject product candidates to be reference products for competing products, potentially creating the opportunity for generic competition sooner than anticipated. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of the reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

In addition, the approval of a biologic product biosimilar to one of our products could have a material adverse impact on our business as it may be significantly less costly to bring to market and may be priced significantly lower than our products.

Intellectual property rights do not necessarily address all potential threats to our business.

Once granted, patents may remain open to invalidity challenges including opposition, interference, re-examination, post-grant review, inter partes review, nullification or derivation action in court or before patent offices or similar proceedings for a given period after allowance or grant, during which time third parties can raise objections against such grant. In the course of such proceedings, which may continue for a protracted period of time, the patent owner may be compelled to limit the scope of the allowed or granted claims thus attacked, or may lose the allowed or granted claims altogether.

In addition, the degree of future protection afforded by our intellectual property rights is uncertain because even granted intellectual property rights have limitations, and may not adequately protect our business, provide a

Table of Contents

barrier to entry against our competitors or potential competitors or permit us to maintain our competitive advantage. Moreover, if a third-party has intellectual property rights that cover the practice of our technology, we may not be able to fully exercise or extract value from our intellectual property rights. The following examples are illustrative:

- others may be able to develop and/or practice technology that is similar to our technology or aspects of our technology, but that are not covered by the claims of the patents that we own or control, assuming such patents have issued or do issue;
- we or our licensors or any future strategic partners might not have been the first to conceive or reduce to practice the inventions covered by the issued patent or pending patent application that we own or have exclusively licensed;
- we or our licensors or any future strategic partners might not have been the first to file patent applications covering certain of our inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- our pending patent applications may not lead to issued patents;
- issued patents that we own or exclusively license may not provide us with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- third parties performing manufacturing or testing for us using our products or technologies could use the intellectual property of others without obtaining a proper license;
- parties may assert an ownership interest in our intellectual property and, if successful, such disputes may preclude us from exercising exclusive rights over that intellectual property;
- we may not develop or in-license additional proprietary technologies that are patentable;
- we may not be able to obtain and maintain necessary licenses on commercially reasonable terms, or at all; and
- the patents of others may adversely affect our business.

Should any of these events occur, they could adversely affect our business, results of operations and financial condition.

Risks related to our organizational structure and the Tax Receivable Agreement

Our principal asset after the completion of this offering will be our interest in Bioventus LLC, and, accordingly, we will depend on distributions from Bioventus LLC to pay our taxes and expenses, including payments under the Tax Receivable Agreement. Bioventus LLC's ability to make such distributions may be subject to various limitations and restrictions.

Upon the consummation of this offering, we will be a holding company and will have no material assets other than our ownership of LLC Interests of Bioventus LLC. As such, we will have no independent means of generating net sales or cash flow, and our ability to pay our taxes and operating expenses or declare and pay dividends in the future, if any, will be dependent upon the financial results and cash flows of Bioventus LLC and its subsidiaries and distributions we receive from Bioventus LLC. There can be no assurance that Bioventus LLC and its subsidiaries will generate sufficient cash flow to distribute funds to us or that applicable state law and contractual restrictions, including negative covenants in our debt instruments, will permit such distributions.

[Table of Contents](#)

Bioventus LLC will continue to be treated as a partnership for U.S. federal income tax purposes and, as such, generally will not be subject to any entity-level U.S. federal income tax. Instead, taxable income will be allocated to holders of LLC Interests, including us. Accordingly, we will incur income taxes on our allocable share of any net taxable income of Bioventus LLC. Under the terms of the Bioventus LLC Agreement, Bioventus LLC will be obligated to make tax distributions to holders of LLC Interests, including us, subject to any limitations or restrictions in our debt arrangements. In addition to tax expenses, we will also incur expenses related to our operations, including payments under the Tax Receivable Agreement, which we expect could be significant. See “Certain relationships and related party transactions—Tax Receivable Agreement.” We intend, as its managing member, to cause Bioventus LLC to make cash distributions to the owners of LLC Interests, including us, in an amount sufficient to (i) fund their or our tax obligations in respect of allocations of taxable income from Bioventus LLC and (ii) cover our operating expenses, including payments under the Tax Receivable Agreement. However, Bioventus LLC’s ability to make such distributions may be subject to various limitations and restrictions, such as restrictions on distributions that would either violate any contract or agreement to which Bioventus LLC is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering Bioventus LLC insolvent. If we do not have sufficient funds to pay taxes or other liabilities or to fund our operations, we may have to borrow funds, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, such payments generally will be deferred and will accrue interest until paid; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreement and therefore accelerate payments due under the Tax Receivable Agreement. See “Certain relationships and related party transactions—Tax Receivable Agreement.” In addition, if Bioventus LLC does not have sufficient funds to make distributions, our ability to declare and pay cash dividends will also be restricted or impaired. See “Risk Factors—Risks related to this offering and ownership of our Class A common stock” and “Dividend policy.”

The Tax Receivable Agreement with the Continuing LLC Owner requires us to make cash payments to it in respect of certain tax benefits to which we may become entitled, and we expect that the payments we will be required to make could be significant.

Upon the closing of this offering, we will be a party to the Tax Receivable Agreement with the Continuing LLC Owner. Under the Tax Receivable Agreement, we will be required to make cash payments to the Continuing LLC Owner equal to 85% of the tax benefits, if any, that we actually realize, or in certain circumstances are deemed to realize, as a result of (1) increases in the tax basis of assets of Bioventus LLC resulting from (a) any future redemptions or exchanges of LLC Interests described under “Certain relationships and related party transactions—Bioventus LLC Agreement—LLC Interest Redemption Right,” and (b) certain distributions (or deemed distributions) by Bioventus LLC and (2) certain other tax benefits arising from payments under the Tax Receivable Agreement. We expect the amount of the cash payments that we will be required to make under the Tax Receivable Agreement will be significant. The actual amount and timing of any payments under the Tax Receivable Agreement will vary depending upon a number of factors, including the timing of redemptions or exchanges by the Continuing LLC Owner, the amount of gain recognized by the Continuing LLC Owner, the amount and timing of the taxable income we generate in the future, and the federal tax rates then applicable. Any payments made by us to the Continuing LLC Owner under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to us. To the extent that we are unable to make timely payments under the Tax Receivable Agreement for any reason, the unpaid amounts will be deferred and will accrue interest until paid by us. Furthermore, our future obligation to make payments under the Tax Receivable Agreement could make us a less attractive target for an acquisition, particularly in the case of an acquirer that cannot use some or all of the tax benefits that are the subject of the Tax Receivable Agreement. Payments under the Tax Receivable Agreement are not conditioned on the Continuing LLC Owner’s continued ownership of LLC Interests or our Class A common stock after this offering. For more information, see “Certain relationships and related party transactions—Tax Receivable Agreement.” Assuming no material changes in the relevant tax laws and that we earn sufficient taxable income to realize all tax benefits that are subject to the Tax Receivable Agreement, we expect that the tax savings associated with the purchase of

LLC Interests in connection with this offering, together with future redemptions or exchanges of all remaining LLC Interests owned by the Continuing LLC Owner pursuant to the Bioventus LLC Agreement as described above, would aggregate to approximately \$101.0 million over 20 years from the date of this offering based on the assumed initial public offering price of \$17.00 per share of our Class A common stock, which is the midpoint of the range set forth on the cover page of this prospectus, and assuming all future redemptions or exchanges would occur one year after this offering. Under such scenario, assuming future payments are made on the date each relevant tax return is due, without extensions, we would be required to pay approximately 85% of such amount, or approximately \$85.8 million, over the 20-year period from the date of this offering. The actual amounts we will be required to pay under the Tax Receivable Agreement will depend on, among other things, the timing of subsequent redemptions or exchanges of LLC Interests by the Continuing LLC Owner, the price of our shares of Class A common stock at the time of each such redemption or exchange, and the amounts and timing of our future taxable income, and may be significantly different from the amounts described in the preceding sentence. Additionally, in certain cases such payments may be accelerated or significantly exceed the actual benefits we realize. See “—In certain cases, payments under the Tax Receivable Agreement to the Continuing LLC Owners may be accelerated or significantly exceed the actual benefits we realize in respect of tax attributes subject to the Tax Receivable Agreement.”

Our organizational structure, including the Tax Receivable Agreement, confers certain tax benefits upon the Continuing LLC Owner that may not benefit Class A common stockholders to the same extent as they will benefit the Continuing LLC Owner.

Our organizational structure, including the Tax Receivable Agreement, confers certain tax benefits upon the Continuing LLC Owner that may not benefit the holders of our Class A common stock to the same extent as they will benefit the Continuing LLC Owner. We will enter into the Tax Receivable Agreement with Bioventus LLC and the Continuing LLC Owner that will provide for our payment to the Continuing LLC Owner of 85% of the amount of tax benefits, if any, that we actually realize (or in some circumstances are deemed to realize) as a result of (i) increases in the tax basis of assets of Bioventus LLC resulting from (a) any future redemptions or exchanges of LLC Interests described under “Certain relationships and related party transactions—Bioventus LLC Agreement—LLC Interest Redemption Right,” and (b) certain distributions (or deemed distributions) by Bioventus LLC and (ii) certain other tax benefits arising from payments under the Tax Receivable Agreement. Although Bioventus will retain 15% of such tax benefits, this and other aspects of our organizational structure may adversely impact the future trading market for the Class A common stock.

In certain cases, payments under the Tax Receivable Agreement to the Continuing LLC Owner may be accelerated or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the Tax Receivable Agreement.

The Tax Receivable Agreement will provide that if (i) we materially breach any of our material obligations under the Tax Receivable Agreement, (ii) certain mergers, asset sales, other forms of business combinations or other changes of control were to occur on or before December 31, 2021 or (iii) we elect an early termination of the Tax Receivable Agreement, then our obligations or our successor’s obligations under the Tax Receivable Agreement to make payments thereunder would be based on certain assumptions, including an assumption that we would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the Tax Receivable Agreement (or, in the case of certain mergers, asset sales, other forms of business combinations or other changes of control occurring after December 31, 2021, that we would have taxable income at least equal to four times the highest taxable income in any of the four fiscal quarters ending prior to the closing date of such transaction (increased by 10% for each taxable year beginning with the second taxable year following such closing date)).

As a result of the foregoing, (i) we could be required to make payments under the Tax Receivable Agreement that are greater than the specified percentage of the actual benefits we ultimately realize in respect of the tax benefits that are subject to the Tax Receivable Agreement and (ii) if we materially breach any of our material obligations under the Tax Receivable Agreement or if we elect to terminate the Tax Receivable

[Table of Contents](#)

Agreement early, we would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, our obligations under the Tax Receivable Agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. For example, should we elect to terminate the Tax Receivable Agreement immediately following this offering, assuming no material changes in the relevant tax laws or tax rates and that we earn sufficient taxable income to realize all tax potential benefits that are subject to the Tax Receivable Agreement, we estimate that the aggregate of termination payments would be approximately \$74.3 million based on the assumed initial public offering price of \$17.00 per share of our Class A common stock, which is the midpoint of the range set forth on the cover page of this prospectus and assuming LIBOR were to be 0.36%. There can be no assurance that we will be able to fund or finance our obligations under the Tax Receivable Agreement. We may elect to completely terminate the Tax Receivable Agreement early only with the written approval of a majority of our directors other than any directors that have been appointed or designated by the Continuing LLC Owner or any of such person's affiliates. See "Certain relationships and related party transactions—Tax Receivable Agreement."

We may make payments to the Continuing LLC Owner under the Tax Receivable Agreement that exceed the tax benefits actually realized by us in the event that any tax benefits are disallowed by a taxing authority.

Payments under the Tax Receivable Agreement will be based on the tax reporting positions that we determine, and the Internal Revenue Service, or the IRS, or another tax authority may challenge all or part of the tax basis increases, as well as other related tax positions we take, and a court could sustain such challenge. Pursuant to the Tax Receivable Agreement, the Continuing LLC Owner is required to reimburse us for any cash payments previously made to it under the Tax Receivable Agreement in the event that any tax benefits actually realized by us and for which payment has been made under the Tax Receivable Agreement are subsequently challenged by a taxing authority and are ultimately disallowed. In addition, but without duplication of any amounts previously reimbursed by the Continuing LLC Owner, any excess cash payments made by us to the Continuing LLC Owner will be netted against any future cash payments that we might otherwise be required to make to the Continuing LLC Owner under the terms of the Tax Receivable Agreement. However, we might not determine that we have effectively made an excess cash payment to the Continuing LLC Owner for a number of years following the initial time of such payment. Moreover, there can be no assurance that any excess cash payments for which the Continuing LLC Owner has a reimbursement obligation under the Tax Receivable Agreement will be repaid to us. As a result, payments could be made under the Tax Receivable Agreement in excess of the tax savings that we realize in respect of the tax attributes with respect to the Continuing LLC Owner that are the subject of the Tax Receivable Agreement. See "Certain relationships and related party transactions—Tax Receivable Agreement."

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results of operations and financial condition.

We are subject to taxes by the U.S. federal, state, local and foreign tax authorities, and our tax liabilities will be affected by the allocation of expenses to differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of equity-based compensation;
- changes in tax laws, regulations or interpretations thereof; or

[Table of Contents](#)

- future earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated earnings in countries where we have higher statutory tax rates.

In addition, we may be subject to audits of our income, sales and other transaction taxes by U.S. federal, state, local and foreign taxing authorities. Outcomes from these audits could adversely affect our business, results of operations and financial condition.

If we were deemed to be an investment company under the Investment Company Act of 1940, as amended, or the 1940 Act, as a result of our ownership of Bioventus LLC, applicable restrictions could make it impractical for us to continue our business as contemplated and could adversely affect our business, results of operations and financial condition.

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an “investment company” for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an “investment company,” as such term is defined in either of those sections of the 1940 Act.

As the sole managing member of Bioventus LLC, we will control and operate Bioventus LLC. On that basis, we believe that our interest in Bioventus LLC is not an “investment security” as that term is used in the 1940 Act. However, if we were to cease participation in the management of Bioventus LLC, our interest in Bioventus LLC could be deemed an “investment security” for purposes of the 1940 Act.

We and Bioventus LLC intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could adversely affect our business, results of operations and financial condition.

Bioventus is controlled by the Original LLC Owners, whose interests may differ from those of our public stockholders.

Immediately following this offering and the application of net proceeds from this offering, the Original LLC Owners will control approximately 86.5% of the combined voting power of our common stock through their ownership of both Class A common stock and Class B common stock. The Original LLC Owners will, for the foreseeable future, have the ability to substantially influence us through their ownership position over corporate management and affairs, and will be able to control virtually all matters requiring stockholder approval. The Original LLC Owners are able to, subject to applicable law, and the voting arrangements described in “Certain relationships and related party transactions,” elect a majority of the members of our board of directors and control actions to be taken by us and our board of directors, including amendments to our certificate of incorporation and bylaws and approval of significant corporate transactions, including mergers and sales of substantially all of our assets. The directors so elected will have the authority, subject to the terms of our indebtedness and applicable rules and regulations, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions. It is possible that the interests of the Original LLC Owners may in some circumstances conflict with our interests and the interests of our other stockholders, including you. For example, the Continuing LLC Owner may have different tax positions from us, especially in light of the Tax Receivable Agreement that could influence our decisions regarding whether and when to dispose of assets, whether and when to incur new or refinance existing indebtedness, and whether and when Bioventus should terminate the Tax Receivable Agreement and accelerate its obligations thereunder. In addition, the determination of future tax reporting positions and the structuring of future transactions may take into

[Table of Contents](#)

consideration the Continuing LLC Owner's tax or other considerations, which may differ from the considerations of us or our other stockholders. See "Certain relationships and related party transactions—Tax Receivable Agreement."

Risks related to this offering and ownership of our Class A common stock

We have identified an ongoing material weakness in our internal control over financial reporting. If we are unable to remediate this material weakness, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely requirements applicable to public companies, which may adversely affect investor confidence in us, and, as a result, the market price of our Class A common stock.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Our 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 GAAP.

Prior to the completion of this offering, we have been a private company with limited accounting personnel and other resources to address our internal control over financial reporting. In connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2018, we identified two material weaknesses in our internal control over financial reporting, one of which had not been remediated by December 31, 2019. A material weakness is a deficiency, or combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

In connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2019, we determined that we continued to have a material weakness associated with the proper processing of Exogen reimbursement claims in accordance with regulations and contractual terms related to items we self-reported to the OIG.

We have implemented measures designed to improve our internal control over financial reporting to address the underlying causes of this material weakness. These efforts include:

- the augmentation, reorganization and training of our prescription to cash staff, which includes our direct sales team, order management personnel, patient financial services personnel and reimbursement services and accounts receivable personnel, regarding key aspects of regulations and requirements and how to deal with inconsistencies within patient medical records,
- realigning executive responsibility for this function to enhance the segregation of duties;
- implementation of monthly sales order testing on sampling basis by the Compliance department including a review of medical necessity;
- implementation of a third party medical billing review including a review of key regulatory elements;
- implementation of an electronic Certificate of Medical Necessity Form to ensure authorized individuals complete the appropriate sections in accordance with Medicare guidelines
- established a cross functional governance committee, reporting to an executive steering committee to review and approve the Company's Exogen Medicare policy and oversee future Exogen policy and process interpretations and changes; and
- implementing a checklist to be completed for each Medicare order to ensure compliance with the Company's policy for Medicare claims and then further automating this checklist.

[Table of Contents](#)

In addition, we also determined that we had a material weakness associated with the establishment and review of a reimbursement claim reserve for errors related to the determination of medical necessity for Exogen reimbursement claims, which we believe has been remediated.

We cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to our material weaknesses in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. If we are unable to successfully remediate our existing or any future material weaknesses in our internal control over financial reporting, or identify any additional material weaknesses, 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, investors may lose confidence in our financial reporting, and the market price of our Class A common stock may decline as a result. We could also become subject to investigations by the SEC or other regulatory authorities, which could require additional financial and management resources.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could adversely affect our business and stock price.

We are not currently required to comply with the rules of the SEC implementing Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal controls over financial reporting. Though we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC. However, as an emerging growth company, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with the SEC or the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

To comply with the requirements of being a public company, we have undertaken various actions, and may need to take additional actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business. Additionally, when evaluating our internal controls over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal controls over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal controls over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting once we are no longer an emerging growth company, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

We will incur increased costs as a result of becoming a public company and in the administration of our organizational structure.

As a public company, we will incur significant legal, accounting, insurance and other expenses that we have not incurred as a private company, including costs associated with public company reporting requirements. We also have incurred and will incur costs associated with the Sarbanes-Oxley Act and related rules implemented by the SEC. Following the completion of this offering, we will incur ongoing periodic expenses in connection with the administration of our organizational structure. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. In estimating these costs, we took into account expenses related to insurance, legal, accounting, and compliance activities, as well as other expenses not currently incurred. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

The dual class structure of our common stock may adversely affect the trading price or liquidity of our Class A common stock.

The existence of dual classes of our common stock could result in less liquidity for any such class than if there were only one class of our capital stock. In addition, S&P Dow Jones and FTSE Russell have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices that will exclude companies with multiple classes of shares of common stock from being added to such indices. Several shareholder advisory firms also have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may prevent the inclusion of our Class A common stock in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our Class A common stock. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock.

Immediately following the consummation of this offering, the Continuing LLC Owner will have the right to have its LLC Interests redeemed pursuant to the terms of the Bioventus LLC Agreement, which may dilute the owners of the Class A common stock.

After this offering, we will have an aggregate of 212,302,842 shares of Class A common stock authorized but unissued, including approximately 16,534,814 shares of Class A common stock issuable upon redemption of LLC Interests that will be held by the Continuing LLC Owner. Bioventus LLC will enter into the Bioventus LLC Agreement and, subject to certain restrictions set forth therein and as described elsewhere in this prospectus, the Continuing LLC Owner will be entitled to have its LLC Interests redeemed for shares of our Class A common stock. We also intend to enter into the Registration Rights Agreement pursuant to which the shares of Class A common stock issued to the Continuing LLC Owner upon redemption of its LLC Interests and the shares of Class A common stock issued to the Former LLC Owners in connection with the Transactions will be eligible for resale, subject to certain limitations set forth therein. See “Certain relationships and related party transactions—Registration Rights Agreement.”

We cannot predict the size of future issuances of our Class A common stock or the effect, if any, that future issuances and sales of shares of our Class A common stock may have on the market price of our Class A

[Table of Contents](#)

common stock. Sales or distributions of substantial amounts of our Class A common stock, including shares issued in connection with an acquisition, or the perception that such sales or distributions could occur, may cause the market price of our Class A common stock to decline.

We are a “controlled company” within the meaning of Nasdaq listing standards and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Substantially concurrent with the closing of this offering, the Voting Group, which will hold Class A common stock and Class B common stock representing approximately 86.5% of the combined voting power of our common stock, intends to enter into the Stockholders Agreement. Pursuant to the terms of the Stockholders Agreement, until such time as EW Healthcare Partners, certain other members of the Voting Group and their respective affiliates own less than 10% of the total shares of our Class A common stock owned by them as of the date this offering is consummated, and Continuing LLC Owner and its affiliates own less than 10% of the total shares of our Class A common stock and Class B common stock owned by them as of the date this offering is consummated, or the Stockholders Agreement is otherwise terminated in accordance with its terms, the parties to the Stockholders Agreement will agree to vote their shares of Class A common stock and Class B common stock in favor of the election of the nominees of certain members of the Voting Group to our board of directors upon their nomination by the nominating and corporate governance committee of our board of directors. See “Certain relationships and related party transactions—Stockholders Agreement.”

Because of the Stockholders Agreement and the aggregate voting power over our Class A common stock and Class B common stock held by the parties to the Stockholders Agreement, we are considered a “controlled company” for the purposes of Nasdaq. As such, we are exempt from certain corporate governance requirements of Nasdaq, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors and (3) the requirement that we have a compensation committee that is composed entirely of independent directors. Following this offering, we intend to rely on some or all of these exemptions. As a result, we will not have a majority of independent directors and our compensation and nominating and corporate governance committees will not consist entirely of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

If you purchase shares of Class A common stock in this offering, you will incur immediate and substantial dilution.

Dilution is the difference between the offering price per share and the pro forma net tangible book value per share of our Class A common stock immediately after the offering. The price you pay for shares of our Class A common stock sold in this offering is substantially higher than our pro forma net tangible book value per share immediately after this offering. If you purchase shares of Class A common stock in this offering, you will incur immediate and substantial dilution in the amount of \$16.70 per share based upon an assumed initial public offering price of \$17.00 per share (the midpoint of the price range listed on the cover page of this prospectus). In addition, you may also experience additional dilution, or potential dilution, upon future equity issuances to investors or to our employees and directors under our stock option plan and any other equity incentive plans we may adopt. As a result of this dilution, investors purchasing shares of Class A common stock in this offering may receive significantly less than the full purchase price that they paid for the stock purchased in this offering in the event of liquidation. See “Dilution.”

[Table of Contents](#)

We do not know whether a market will develop for our Class A common stock or what the market price of our Class A common stock will be and as a result it may be difficult for you to sell your shares of our Class A common stock.

Before this offering, there was no public trading market for our Class A common stock. If a market for our Class A common stock does not develop or is not sustained, it may be difficult for you to sell your shares of Class A common stock at an attractive price or at all. We cannot predict the prices at which our Class A common stock will trade. It is possible that in one or more future periods our results of operations may be below the expectations of public market analysts and investors and, as a result of these and other factors, the price of our Class A common stock may fall.

If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our Class A common stock, the price of our Class A common stock could decline.

The trading market for our Class A common stock will rely in part on the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by industry or securities analysts. If no or few analysts commence coverage of us, the trading price of our stock would likely decrease. Even if we do obtain analyst coverage, if one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our Class A common stock could decline. If one or more of these analysts cease to cover our Class A common stock, we could lose visibility in the market for our stock, which in turn could cause our Class A common stock price to decline.

We expect that the price of our Class A common stock will fluctuate substantially and you may not be able to sell the shares you purchase in this offering at or above the offering price.

The initial public offering price for the shares of our Class A common stock sold in this offering is determined by negotiation between the representatives of the underwriters and us. This price may not reflect the market price of our Class A common stock following this offering. In addition, the market price of our Class A common stock is likely to be highly volatile and may fluctuate substantially due to many factors, including:

- the volume and timing of sales of our products;
- the introduction of new products or product enhancements by us or our competitors;
- disputes or other developments with respect to our or others' intellectual property rights;
- our ability to develop, obtain regulatory clearance or approval for, and market new and enhanced products on a timely basis;
- product liability claims or other litigation;
- quarterly variations in our results of operations or those of our competitors;
- media exposure of our products or our competitors;
- announcement or expectation of additional equity or debt financing efforts;
- additions or departures of key personnel;
- issuance of new or updated research or reports by securities analysts;
- failure to meet or exceed financial estimates and projections of the investment community or that we provide to the public;
- changes in governmental regulations or in reimbursement;
- changes in earnings estimates or recommendations by securities analysts; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

[Table of Contents](#)

In recent years, the stock markets generally have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may significantly affect the market price of our Class A common stock, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our Class A common stock shortly following this offering. If the market price of shares of our Class A common stock after this offering does not ever exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment.

In addition, in the past, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Securities litigation brought against us following volatility in our stock price, regardless of the merit or ultimate results of such litigation, could result in substantial costs, which would hurt our financial condition and operating results and divert management's attention and resources from our business.

Substantial future sales of our Class A common stock, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial amounts of our Class A common stock in the public market after this offering, or the perception that these sales could occur, could adversely affect the price of our Class A common stock and could impair our ability to raise capital through the sale of additional shares. Upon the closing of this offering, we will have 37,697,158 shares of Class A common stock outstanding (or 38,799,657 if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and 16,534,814 shares of Class A common stock that would be issuable upon redemption or exchange of LLC Interests authorized but unissued. The shares of Class A common stock offered in this offering will be freely tradable without restriction under the Securities Act, except for any shares of our common stock that may be held or acquired by our directors, executive officers and other affiliates, as that term is defined in the Securities Act, which will be restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

The remaining outstanding 30,347,158 shares of Class A common stock held by the Former LLC Owners will be subject to certain restrictions on sale. We and each of our executive officers and directors and the Original LLC Owners, which collectively will hold 86.5% of our outstanding capital stock (including shares of Class A common stock issuable upon redemption or exchange of LLC Interests) upon the closing of this offering, have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any shares of common stock or securities convertible into or exchangeable for (including the LLC Interests), or that represent the right to receive, shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives on behalf of the underwriters. See "Underwriting." All of our shares of common stock outstanding as of the date of this prospectus (and shares of Class A common stock issuable upon redemption or exchange of LLC Interests) may be sold in the public market by existing stockholders following the expiration of the applicable lock-up period, subject to applicable limitations imposed under federal securities laws.

We also intend to enter into the Registration Rights Agreement pursuant to which the shares of Class A common stock issued upon redemption or exchange of LLC Interests held by the Continuing LLC Owner and the shares of Class A common stock issued to the Former LLC Owners in connection with the Transactions will be eligible for resale, subject to certain limitations set forth therein. See "Certain relationships and related party transactions—Registration Rights Agreement."

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of Class A common stock subject to outstanding options and Class A common stock (a) issued or issuable under our stock plans and (b) issuable to the Phantom Plan Participants under the Phantom Plan. Any such Form S-8 registration statements will automatically become effective upon filing. Accordingly, shares registered

[Table of Contents](#)

under such registration statements will be available for sale in the open market following the expiration of the applicable lock-up period.

See “Shares eligible for future sale” for a more detailed description of the restrictions on selling shares of our common stock after this offering.

In the future, we may also issue additional securities if we need to raise capital, which could constitute a material portion of our then-outstanding shares of common stock.

We have broad discretion over the use of the net proceeds from this offering and it is possible that we will not use them effectively.

We intend to use the net proceeds to us from this offering to purchase 7,350,000 newly-issued LLC Interests (or 8,452,500 LLC Interests if the underwriters exercise in full their option to purchase additional shares of Class A common stock) directly from Bioventus LLC at a purchase price per LLC Interest equal to the initial public offering price per share of Class A common stock less the underwriting discounts and commissions.

As the sole managing member of Bioventus LLC, we intend to cause Bioventus LLC to use such proceeds, after deducting estimated offering expenses, (i) to redeem all of Mr. Bihl’s Profits Interest Units as described in “Executive Compensation—Narrative to Summary Compensation Table—Severance,” (ii) to satisfy the \$4.4 million cash entitlement of the Continuing LLC Owner in respect of the EPR Unit held by the Continuing LLC Owner, (iii) to pursue future potential acquisition opportunities, such as the acquisition of all of the shares of CartiHeal in connection with the Call Option (as defined herein) or Put Option (as defined herein), and (iv) for general corporate purposes; however, we cannot specify with any certainty the particular uses of the net proceeds that we will receive from this offering. Our management will have broad discretion in the application of the net proceeds from this offering, including for any of the purposes described in the section titled “Use of Proceeds,” and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure by our management to apply these proceeds effectively could adversely affect our business, results of operations and financial condition. Pending their use, we may invest our proceeds in a manner that does not produce income or that loses value. Our investments may not yield a favorable return to our investors and may negatively impact the price of our Class A common stock.

Taking advantage of the reduced disclosure requirements applicable to “emerging growth companies” may make our Class A common stock less attractive to investors.

The JOBS Act provides that, so long as a company qualifies as an “emerging growth company,” it will, among other things:

- be exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that its independent registered public accounting firm provide an attestation report on the effectiveness of its internal control over financial reporting;
- be exempt from the “say on pay” and “say on golden parachute” advisory vote requirements of the Dodd-Frank Wall Street Reform and Customer Protection Act, or the Dodd-Frank Act;
- be exempt from certain disclosure requirements of the Dodd-Frank Act relating to compensation of its executive officers and be permitted to omit the detailed compensation discussion and analysis from proxy statements and reports filed under the Exchange Act; and
- be permitted to provide a reduced level of disclosure concerning executive compensation and be exempt from any rules that have been adopted by the Public Company Accounting Oversight Board requiring a supplement to the auditor’s report on the financial statements or that may be adopted requiring mandatory audit firm rotations.

[Table of Contents](#)

We are an “emerging growth company,” as defined in the JOBS Act, and we could be an emerging growth company for up to five years following the completion of this offering. For as long as we continue to be an emerging growth company, we may choose to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies. We currently intend to take advantage of the reduced disclosure requirements regarding executive compensation. We have irrevocably elected not to take advantage of the extension of time to comply with new or revised financial accounting standards available under Section 107(b) of the JOBS Act. We could be an emerging growth company for up to five years after this offering and will continue to be an emerging growth company unless our total annual gross revenues are \$1.07 billion or more, we have issued more than \$1 billion in non-convertible debt in the past three years or we become a “large accelerated filer” as defined in the Exchange Act. If we remain an “emerging growth company” after this offering, we may take advantage of other exemptions, including the exemptions from the advisory vote requirements and executive compensation disclosures under the Dodd-Frank Act and the exemption from the provisions of Section 404(b) of the Sarbanes-Oxley Act. We cannot predict if investors will find our Class A common stock less attractive if we elect to rely on these exemptions, or if taking advantage of these exemptions would result in less active trading or more volatility in the price of our Class A common stock. Also, as a result of our intention to take advantage of some or all of the reduced regulatory and reporting requirements that will be available to us as long as we qualify as an “emerging growth company,” our financial statements may not be comparable to those of companies that fully comply with regulatory and reporting requirements upon the public company effective dates.

We do not currently expect to pay any cash dividends.

We do not anticipate declaring or paying any cash dividends to holders of our Class A common stock in the foreseeable future. We currently intend to retain future earnings, if any, to finance our growth. Any determination to pay cash dividends in the future will be at the sole discretion of our board of directors, subject to limitations under applicable law and may be discontinued at any time. In addition, our ability to pay cash dividends is currently restricted by the terms of our 2019 Credit Agreement. Therefore, you are not likely to receive any dividends on your Class A common stock for the foreseeable future, and the success of an investment in our Class A common stock will depend upon any future appreciation in its value. Consequently, investors may need to sell all or part of their holdings of our Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. There is no guarantee that our Class A common stock will appreciate in value or even maintain the price at which our stockholders have purchased our Class A common stock. Investors seeking cash dividends should not purchase our Class A common stock.

In addition, our operations are currently conducted entirely through Bioventus LLC and its subsidiaries and our ability to generate cash to meet our debt service obligations or to make future dividend payments, if any, is highly dependent on the earnings and the receipt of funds from Bioventus LLC and its subsidiaries via dividends or intercompany loans.

Our amended and restated certificate of incorporation will, to the extent permitted by applicable law, contain provisions renouncing our interest and expectation to participate in certain corporate opportunities identified or presented to certain of our Original LLC Owners.

Certain of the Original LLC Owners are in the business of making or advising on investments in companies and these Original LLC owners may hold, and may, from time to time in the future, acquire interests in or provide advice to businesses that directly or indirectly compete with certain portions of our business or the business of our suppliers. Our amended and restated certificate of incorporation will provide that, to the fullest extent permitted by law, none of the Original LLC Owners or any director who is not employed by us or his or her affiliates will have any duty to refrain from engaging in a corporate opportunity in the same or similar lines of business as us. The Original LLC Owners may also pursue acquisitions that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. As a result, these arrangements could adversely affect our business, results of operations, financial condition or prospects if

[Table of Contents](#)

attractive business opportunities are allocated to any of the Original LLC Owners instead of to us. See “Description of capital stock—Corporate opportunities.”

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the price of our Class A common stock.

Our amended and restated certificate of incorporation will authorize us to issue one or more series of preferred stock. Our board of directors will have the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our Class A common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discourage bids for our Class A common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our Class A common stock.

Anti-takeover provisions in our governing documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management, and depress the market price of our common stock.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain or will contain provisions that could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. Among others, our amended and restated certificate of incorporation and amended and restated bylaws will include the following provisions:

- authorizing the issuance of “blank check” preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- establishing a classified board of directors so that not all members of our board of directors are elected at one time;
- the removal of directors only for cause;
- prohibiting the use of cumulative voting for the election of directors;
- limiting the ability of stockholders to call special meetings or amend our bylaws;
- requiring all stockholder actions to be taken at a meeting of our stockholders; and
- establishing advance notice and duration of ownership requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management. As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, or the DGCL, which prevents interested stockholders, such as certain stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations unless (i) prior to the time such stockholder became an interested stockholder, the board approved the transaction that resulted in such stockholder becoming an interested stockholder, (ii) upon consummation of the transaction that resulted in such stockholder becoming an interested stockholder, the interested stockholder owned 85% of the common stock or (iii) following board approval, the business combination receives the approval of the holders of at least two-thirds of our outstanding common stock not held by such interested stockholder. Because we have “opted out” of Section 203 of the DGCL in our amended and restated certificate of incorporation, the statute will not apply to business combinations involving us.

[Table of Contents](#)

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

Our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation will provide that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for: (a) any derivative action, suit or proceeding brought on our behalf; (b) any action, suit or proceeding asserting a claim of breach of fiduciary duty owed by any of our directors, officers or stockholders to us or to our stockholders; (c) any action, suit or proceeding arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or amended bylaws (as either may be amended from time to time); or, (d) any action, suit or proceeding asserting a claim governed by the internal affairs doctrine; provided that the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations and financial condition.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “may,” “objective,” “plan,” “predict,” “potential,” “positioned,” “seek,” “should,” “target,” “will,” “would” and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These forward-looking statements include, but are not limited to, statements about:

- the adverse impacts on our business as a result of the COVID-19 pandemic;
- our dependence on a limited number of products;
- our ability to develop, acquire and commercialize new products, line extensions or expanded indications;
- the continued and future acceptance of our existing portfolio of products and any new products, line extensions or expanded indications by physicians, patients, third-party payers and others in the medical community;
- our ability to differentiate the HA viscosupplementation therapies we own or distribute from alternative therapies for the treatment of OA;
- the proposed down-classification of non-invasive bone growth stimulators, including our Exogen system, by the FDA;
- our ability to achieve and maintain adequate levels of coverage and/or reimbursement for our products, the procedures using our products, or any future products we may seek to commercialize;
- our ability to complete acquisitions or successfully integrate new businesses, products or technologies in a cost-effective and non-disruptive manner;
- competition against other companies;
- the negative impact on our ability to market our HA products due to the reclassification of HA products from medical devices to drugs in the United States by the FDA;
- our ability to attract, retain and motivate our senior management and qualified personnel;
- our ability to continue to research, develop and manufacture our products if our facilities are damaged or become inoperable;
- failure to comply with the extensive government regulations related to our products and operations;
- enforcement actions if we engage in improper claims submission practices or in improper marketing or promotion of our products;
- the FDA regulatory process and our ability to obtain and maintain required regulatory clearances and approvals;
- failure to comply with the government regulations that apply to our HCT/P products;
- the clinical studies of any of our future products that do not produce results necessary to support regulatory clearance or approval in the United States or elsewhere; and
- the other risks identified in this prospectus including, without limitation, those under the sections titled “Risk factors,” “Management’s discussion and analysis of financial condition and results of operations” and “Business.”

[Table of Contents](#)

Forward-looking statements are based on management's current expectations, estimates, forecasts and projections about our business and the industry in which we operate, and management's beliefs and assumptions are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this prospectus may turn out to be inaccurate. Furthermore, if the forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. Factors that may cause actual results to differ materially from current expectations include, among other things, those described in the section entitled "Risk factors" and elsewhere in this prospectus. Potential investors are urged to consider these factors carefully in evaluating these forward-looking statements. These forward-looking statements speak only as of the date of this prospectus. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks and other information we describe in the reports we will file from time to time with the SEC after the date of this prospectus.

USE OF PROCEEDS

We estimate the net proceeds from this initial public offering of shares of Class A common stock will be approximately \$112.4 million, or \$129.9 million if the underwriters exercise their option to purchase additional shares in full, assuming an initial public offering price of \$17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us by approximately \$6.8 million, 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 underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) the net proceeds to us by approximately \$15.8 million, assuming that the assumed initial public offering price remains the same, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds to us from this offering to purchase 7,350,000 newly-issued LLC Interests (or 8,452,500 LLC Interests if the underwriters exercise in full their option to purchase additional shares of Class A common stock) directly from Bioventus LLC at a purchase price per LLC Interest equal to the initial public offering price per share of Class A common stock less the underwriting discounts and commissions.

We intend to cause Bioventus LLC to use such proceeds (together with any additional proceeds it may receive if the underwriters exercise their option to purchase additional shares of Class A common stock), after deducting estimated offering expenses, (i) to redeem all of Mr. Bihl's Profits Interest Units for which he is entitled to receive a payment on or before June 16, 2021 in an amount equal to the greater of (a) \$7.71 million and (b) the fair market value of such remaining MIP award as of the date of payment, as well as an additional cash payment of \$1.54 million, as described in "Executive Compensation—Narrative to Summary Compensation Table—Severance," (ii) to satisfy the \$4.4 million cash entitlement of the Continuing LLC Owner in respect of the EPR Unit held by the Continuing LLC Owner, (iii) to pursue future potential acquisition opportunities, such as the acquisition of all of the shares of CartiHeal in connection with the Call Option or Put Option, and (iv) for general corporate purposes.

As of the date of this prospectus, since we cannot specify with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering, our management will have broad discretion over the use of any net proceeds from this offering that are to be applied for general corporate purposes. Pending the use of the proceeds from this offering, we intend to invest the net proceeds in short-term, interest-bearing, investment grade securities, certificates of deposit or governmental securities.

DIVIDEND POLICY

We do not anticipate declaring or paying any cash dividends to holders of our Class A common stock in the foreseeable future. We currently intend to retain future earnings, if any, to finance the growth of our business. If we decide to pay cash dividends in the future, the declaration and payment of such dividends will be at the sole discretion of our board of directors and may be discontinued at any time. Holders of our Class B common stock are not entitled to participate in any dividends declared by our board of directors. In determining the amount of any future dividends, our board of directors will take into account any legal or contractual limitations, our actual and anticipated future earnings, cash flow, debt service and capital requirements and other factors that our board of directors may deem relevant.

Upon consummation of this offering, Bioventus Inc. will be a holding company and will have no material assets other than its ownership of LLC Interests. The limited liability company agreement of Bioventus LLC that will be in effect at the time of this offering provides that certain distributions to cover the taxes of the Continuing LLC Owner will be made based upon assumed tax rates and other assumptions provided in the limited liability company agreement. See “Certain Relationships and Related Person Transactions—Bioventus Limited Liability Company Agreement.” Additionally, in the event Bioventus Inc. declares any cash dividend, we intend to cause Bioventus LLC to make distributions to Bioventus Inc., in an amount sufficient to cover such cash dividends declared by us. If Bioventus LLC makes such distributions to Bioventus Inc., the Continuing LLC Owner will also be entitled to receive the respective equivalent pro rata distributions in accordance with the percentages of their respective LLC Interests. See “Risk Factors—Risks Related to Our Organizational Structure—Our principal asset after the completion of this offering will be our interest in Bioventus LLC, and, accordingly, we will depend on distributions from Bioventus LLC to pay our taxes and expenses, including payments under the Tax Receivable Agreement. Bioventus LLC’s ability to make such distributions may be subject to various limitations and restrictions.”

In addition, the terms of our financing arrangements, including the 2019 Credit Agreement, contain covenants that may restrict Bioventus LLC and its subsidiaries from paying such distributions, subject to certain exceptions. Any financing arrangements that we enter into in the future may include restrictive covenants that limit our ability to pay dividends. In addition, Bioventus LLC is generally prohibited under Delaware law from making a distribution to a member to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Bioventus LLC (with certain exceptions) exceed the fair value of its assets. Subsidiaries of Bioventus LLC are generally subject to similar legal limitations on their ability to make distributions to Bioventus LLC.

TRANSACTIONS

Existing organization

Prior to the consummation of this offering and the organizational transactions described below, the Original LLC Owners are the only owners of Bioventus LLC. Bioventus LLC is treated as a partnership for U.S. federal income tax purposes and, as such, generally is not subject to any U.S. federal entity-level income taxes (with the exception of certain subsidiaries that are subject to entity-level income taxes). Rather, taxable income or loss is included in the U.S. federal income tax returns of Bioventus LLC's members.

Bioventus Inc. was incorporated as a Delaware corporation on December 22, 2015 to serve as the issuer of the Class A common stock offered hereby.

Transactions

In connection with the closing of this offering, we will consummate the following organizational transactions, which we refer to as the "Transactions":

- we will amend and restate the Bioventus LLC Agreement, to, among other things, (i) provide for LLC Interests that will be the single class of common membership interests in Bioventus LLC, (ii) exchange all of the existing membership interests (including profit interests awarded under our MIP) in Bioventus LLC for LLC Interests and (iii) appoint Bioventus Inc. as the sole managing member of Bioventus LLC;
- we will amend and restate Bioventus Inc.'s certificate of incorporation to, among other things, (i) provide for Class A common stock and Class B common stock, each share of which entitles its holders to one vote per share on all matters presented to Bioventus Inc.'s stockholders and (ii) issue shares of Class B common stock to the Continuing LLC Owner, on a one-to-one basis with the number of LLC Interests it owns;
- the Former LLC Owners will exchange their indirect ownership interests in Bioventus LLC for 30,347,158 shares of Class A common stock;
- Bioventus Inc. will issue 7,350,000 shares of our Class A common stock to the purchasers in this offering (or 8,452,500 shares of Class A common stock if the underwriters exercise in full their option to purchase additional shares of Class A common stock) in exchange for net proceeds of approximately \$112.4 million (or approximately \$129.9 million if the underwriters exercise in full their option to purchase additional shares of Class A common stock), assuming the shares are offered at \$17.00 per share (the midpoint of the price range listed on the cover page of this prospectus), after deducting underwriting discounts and commissions but before offering expenses;
- Bioventus Inc. will use all of the net proceeds from this offering (including any net proceeds received upon exercise of the underwriters' option to purchase additional shares of Class A common stock) to acquire newly-issued LLC Interests from Bioventus LLC at a purchase price per interest equal to the initial public offering price per share of Class A common stock, less underwriting discounts and commissions, collectively representing 13.5% of Bioventus LLC's outstanding LLC Interests (or 15.3%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- Bioventus LLC will use the proceeds from the sale of LLC Interests to Bioventus Inc. as described in "Use of proceeds;"
- the Phantom Plan will be terminated and the Phantom Plan Participants who are employed as of the date of this offering will receive rights to receive up to 1,351,834 shares of Class A common stock upon settlement of their awards under the Phantom Plan, with such settlement expected to take place between twelve and 24 months following the date of termination of the Phantom Plan as described in

[Table of Contents](#)

“Executive compensation—Narrative to summary compensation table—Equity-based compensation” (which settlement may result in a change in the timing over which compensation expense is recognized as described in “Management’s discussion and analysis of financial condition and results of operations—Components of our results of operations—Selling, general and administrative expense”), and Bioventus Inc. will receive a corresponding number of LLC Interests from Bioventus LLC upon settlement;

- the Continuing LLC Owner will continue to own the LLC Interests it received in exchange for its existing membership interests in Bioventus LLC; and
- Bioventus Inc. will enter into (i) the Tax Receivable Agreement with the Continuing LLC Owner, (ii) the Stockholders Agreement with the Voting Group and (iii) the Registration Rights Agreement with the Original LLC Owners who, upon the consummation of this offering, will own 46,881,972 shares of Bioventus’ Class A common stock and Class B common stock (which will not have any liquidation or distribution rights).

Organizational structure following this offering

Immediately following the completion of the Transactions, including this offering:

- Bioventus Inc. will be a holding company and the principal asset of Bioventus Inc. will be LLC Interests of Bioventus LLC;
- Bioventus Inc. will be the sole managing member of Bioventus LLC and will control the business and affairs of Bioventus LLC and its subsidiaries;
- Bioventus Inc.’s amended and restated certificate of incorporation and the Bioventus LLC Agreement will require that we and Bioventus LLC at all times maintain a one-to-one ratio between the number of shares of Class A common stock issued by us and the number of LLC Interests owned by us, as well as a one-to-one ratio between the number of shares of Class B common stock owned by the Continuing LLC Owner and the number of LLC Interests owned by the Continuing LLC Owner;
- Bioventus Inc. will own LLC Interests representing 69.5% of the economic interest in Bioventus LLC (or 70.1%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- the purchasers in this offering (i) will own 7,350,000 shares of Class A common stock, representing approximately 13.5% of the combined voting power of all of Bioventus Inc.’s common stock (or 8,452,500 shares of Class A common stock, representing approximately 15.3%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock), (ii) will own 19.5% of the economic interest in Bioventus Inc. (or 21.8%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and (iii) through Bioventus Inc.’s ownership of LLC Interests, indirectly will hold (applying the percentages in the preceding clause (ii) to Bioventus Inc.’s percentage economic interest in Bioventus LLC) approximately 13.5% of the economic interest in Bioventus LLC (or 15.3% if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- the Former LLC Owners (i) will own 30,347,158 shares of Class A common stock, representing approximately 56.0% of the combined voting power of all of Bioventus Inc.’s common stock (or approximately 54.8%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock), (ii) will own 80.5% of the economic interest in Bioventus Inc. (or 78.2%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and (iii) through Bioventus Inc.’s ownership of LLC Interests, indirectly will hold (applying the percentages in the preceding clause (ii) to Bioventus Inc.’s percentage economic interest in Bioventus LLC) approximately 56.0% of the economic interest in Bioventus LLC (or 54.8%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- the Continuing LLC Owner will own (i) through its ownership of Class B common stock, approximately 30.5% of the voting power in Bioventus Inc. (or approximately 29.9%, if the

[Table of Contents](#)

underwriters exercise in full their option to purchase additional shares of Class A common stock) and (ii) LLC Interests, representing 30.5% of the economic interest in Bioventus LLC (or 29.9%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock). Following the offering, each LLC Interest held by the Continuing LLC Owner will be redeemable, at its election, for newly-issued shares of Class A common stock on a one-for-one basis or, if Bioventus Inc. and the Continuing LLC Owner agree, a cash payment equal to a volume weighted average market price of one share of Class A common stock for each LLC Interest redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the Bioventus LLC Agreement; provided that, at Bioventus Inc.'s election, Bioventus Inc. may effect a direct exchange of such Class A common stock or such cash (if mutually agreed) for such LLC Interests. Shares of Class B common stock will be cancelled on a one-for-one basis if we, at the election of the Continuing LLC Owner, redeem or exchange its LLC Interests pursuant to the terms of the Bioventus LLC Agreement. See "Certain relationships and related party transactions—Bioventus LLC Agreement;" and

- Bioventus Inc. will enter into (i) the Tax Receivable Agreement with the Continuing LLC Owner, (ii) the Stockholders Agreement with the Voting Group and (iii) the Registration Rights Agreement with the Original LLC Owners. Upon the consummation of this offering, the Continuing LLC Owner will own (x) 16,534,814 shares of Bioventus' Class B common stock (which will not have any liquidation or distribution rights), representing approximately 30.5% of the combined voting power of all of Bioventus Inc.'s common stock (or approximately 29.9%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and (y) 16,534,814 LLC Interests, representing approximately 30.5% of the economic interest in the business of Bioventus LLC and its subsidiaries (or approximately 29.9%, if the underwriters exercise in full their option to purchase additional shares of Class A common stock), representing both a direct interest through the Continuing LLC Owner's ownership of LLC Interests and an indirect interest through the Former LLC Owners' ownership of Class A common stock.

Our corporate structure following this offering, as described above, is commonly referred to as an Up-C structure, which is often used by partnerships and limited liability companies when they undertake an initial public offering of their business. The Up-C structure will allow the Continuing LLC Owner to retain its equity ownership in Bioventus LLC and to continue to realize tax benefits associated with owning interests in an entity that is treated as a partnership, or "passthrough" entity, for U.S. federal income tax purposes following the offering. Investors in this offering will, by contrast, hold their equity ownership in Bioventus Inc., a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes, in the form of shares of Class A common stock. Similarly, the Former LLC Owners will also hold their equity ownership in Bioventus Inc. in the form of shares of Class A common stock. One of the tax benefits to the Continuing LLC Owner associated with this structure is that future taxable income of Bioventus LLC that is allocated to the Continuing LLC Owner will be taxed on a flow-through basis and therefore will not be subject to corporate taxes at the entity level. Additionally, because the Continuing LLC Owner may redeem or exchange its LLC Interests for newly issued shares of our Class A common stock on a one-for-one basis or, at our option, for cash, the Up-C structure also provides the Continuing LLC Owner with potential liquidity that holders of non-publicly traded limited liability companies are not typically afforded. Bioventus Inc. also expects to benefit from the "Up-C" structure because, in general, we expect to benefit in the form of cash tax savings in amounts equal to 15% of certain tax benefits arising from redemptions or exchanges of the Continuing Owner's LLC Interests for Class A Common Stock or cash and certain other tax benefits covered by the Tax Receivable Agreement discussed in "Certain relationships and related party transactions—Tax Receivable Agreement." See "Risk Factors—Risks related to our organizational structure and the Tax Receivable Agreement."

Immediately following this offering, Bioventus Inc. will be a holding company and our principal asset will be the LLC Interests we purchase from Bioventus LLC and acquire from the Former LLC Owners. As the sole managing member of Bioventus LLC, Bioventus Inc. will operate and control all of the business and affairs of

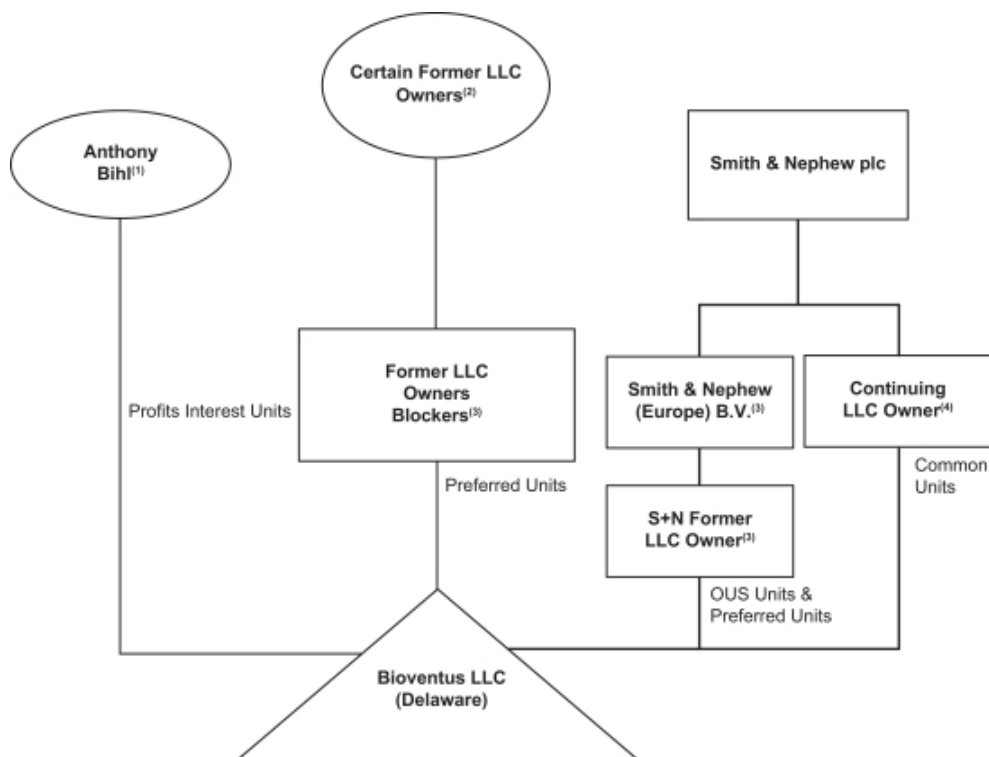
[Table of Contents](#)

Bioventus LLC and, through Bioventus LLC and its subsidiaries, conduct our business. Accordingly, we will have the sole voting interest in, and control the management of, Bioventus LLC. As a result, Bioventus Inc. will consolidate Bioventus LLC in our consolidated financial statements and will report a non-controlling interest related to the LLC Interests held by the Continuing LLC Owner on our consolidated financial statements. Bioventus Inc. will have a board of directors and executive officers, but will have no employees. The functions of all of our employees are expected to reside at or under Bioventus LLC.

See “Description of capital stock” for more information about our certificate of incorporation and the terms of the Class A common stock and Class B common stock. See “Certain relationships and related party transactions” for more information about (i) the Bioventus LLC Agreement, including the terms of the LLC Interests and the redemption right of the Continuing LLC Owner; (ii) the Tax Receivable Agreement; (iii) the Registration Rights Agreement; and (iv) the Stockholders Agreement. Under the Stockholders Agreement, any increase or decrease in the size of our board of directors or any committee, and any amendment to our organizational documents, will in each case require the approval of EW Healthcare Partners, certain other members of the Voting Group and their respective affiliates, for so long as they collectively own at least 10% of the total shares of our Class A common stock owned by them as of the date this offering is consummated, and will also require the approval of Smith & Nephew, Inc. and Smith & Nephew (Europe) B.V. and their affiliates, for so long as Continuing LLC Owner and its affiliates own at least 10% of the total shares of our Class A common stock and Class B common stock owned by them as of the date this offering is consummated.

[Table of Contents](#)

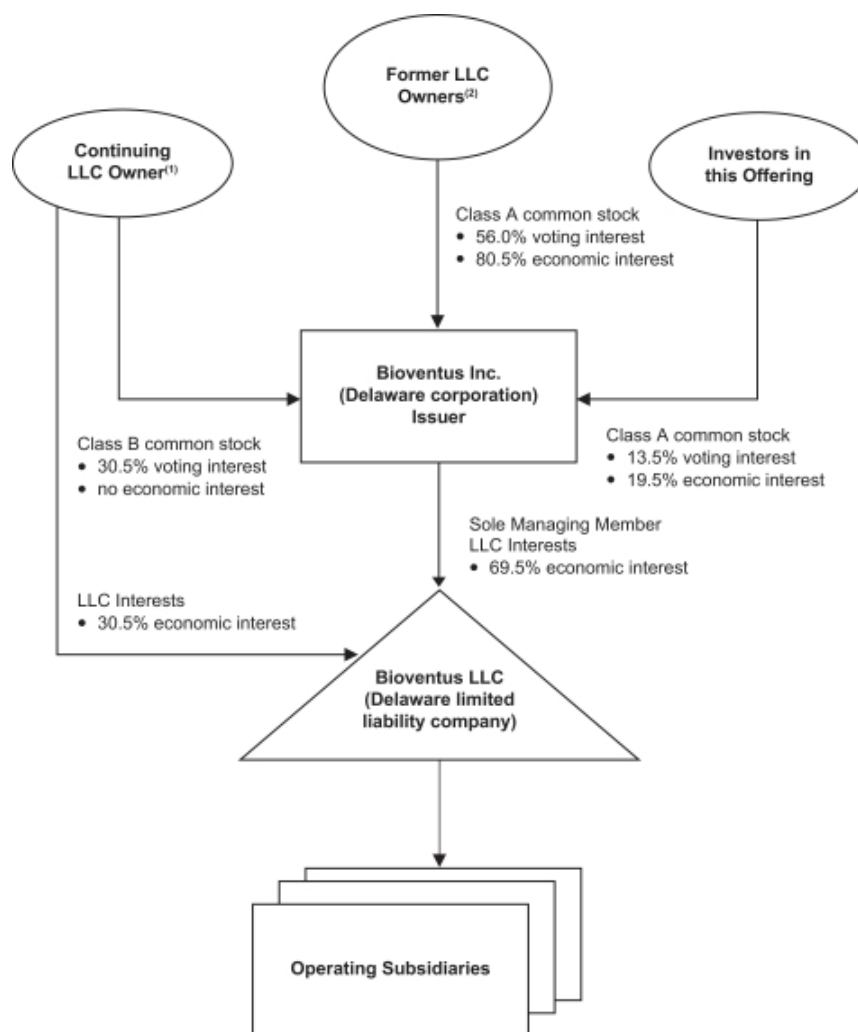
The diagram below depicts our organizational structure immediately prior to giving effect to the Transactions.



- (1) We plan to redeem all of Mr. Bihl’s Profits Interest Units as described in “Executive Compensation—Narrative to Summary Compensation Table—Severance.”
- (2) Refers to all the Original LLC Owners (including EW Healthcare Partners) but excluding the Continuing LLC Owner, the S+N Former LLC Owner and Smith & Nephew (Europe) B.V.
- (3) Immediately prior to the consummation of this offering, each of the Former LLC Owners, including Smith & Nephew (Europe) B.V., a wholly-owned indirect Dutch subsidiary of Smith & Nephew plc and the owner of S+N Former LLC Owner, will exchange their indirect ownership interests in Bioventus LLC for shares of Class A common stock and the Former LLC Owners Blockers and S+N Former LLC Owner will merge with and into Bioventus Inc.
- (4) Following the consummation of this offering, the Continuing LLC Owner will continue to own the LLC Interests it receives in exchange for its existing membership interests in Bioventus LLC.

[Table of Contents](#)

The diagram below depicts our organizational structure after giving effect to the Transactions, including this offering, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock:



- (1) Refers to Smith & Nephew, Inc., a wholly-owned indirect U.S. subsidiary of Smith & Nephew plc, which will continue to own LLC Interests after the Transactions and which may, following the consummation of this offering, exchange its LLC Interests for shares of our Class A common stock or a cash payment (if mutually agreed) as described in “Certain relationships and related party transactions—Bioventus LLC Agreement,” in each case, together with a cancellation of the same number of its shares of Class B common stock.
- (2) Refers to all of the Original LLC Owners (including EW Healthcare Partners and Smith & Nephew (Europe) B.V., but excluding the Continuing LLC Owner) who will exchange their indirect ownership interests in Bioventus LLC for shares of our Class A common stock in connection with the consummation of this offering.

CAPITALIZATION

The following table sets forth the cash and cash equivalents and capitalization as of September 26, 2020:

- of Bioventus LLC and its subsidiaries on an actual basis; and
- of Bioventus Inc. and its subsidiaries on a pro forma basis to give effect to the Transactions, including our issuance and sale of 7,350,000 shares of Class A common stock in this offering at an assumed initial public offering price of \$17.00 per share, the midpoint of the price range listed on the cover page of this prospectus, after (i) deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the application of the proceeds from the offering, each as described under “Use of proceeds.”

You should read this information together with the financial statements and related notes appearing elsewhere in this prospectus and the information set forth under the headings “Prospectus summary—Summary historical and pro forma financial data,” “Transactions,” “Use of proceeds,” “Selected financial data,” and “Management’s discussion and analysis of financial condition and results of operations”.

<u>(in thousands, except share and per share data)</u>	<u>As of September 26, 2020</u>	
	<u>Bioventus LLC actual</u>	<u>Bioventus Inc. pro forma(1)</u>
Cash and cash equivalents	\$ 72,478	\$ 170,710
Long-term indebtedness:		
Term loan(2)	195,000	195,000
Stockholders’ equity (deficit):		
Class A common stock, par value \$0.001 per share; no shares authorized, issued and outstanding, actual; 250,000,000 shares authorized, 37,697,158 shares issued and outstanding, Bioventus Inc. pro forma	—	38
Class B common stock, par value \$0.001 per share; no shares authorized, issued and outstanding, actual; 50,000,000 shares authorized, 16,534,814 shares issued and outstanding, Bioventus Inc. pro forma	—	17
Preferred stock, \$0.001 par value, no shares authorized, issued or outstanding, actual; 10,000,000 shares authorized, no shares issued and outstanding, Bioventus Inc. pro forma	—	—
Members’ equity	285,173	—
Accumulated other comprehensive income	222	—
Additional paid-in capital	—	181,067
Accumulated deficit	(142,176)	—
Non-controlling interest in subsidiary	2,120	82,494
Total members’ equity, actual; stockholders’ equity pro forma	<u>145,339</u>	<u>263,615</u>
Total capitalization	<u>\$ 338,614</u>	<u>\$ 458,615</u>

- (1) A \$1.00 increase (decrease) in the assumed initial public offering price of \$17.00 per share, which is the midpoint of the price range listed on the cover page of this prospectus, would increase (decrease) the pro forma amount of each of cash and cash equivalents, additional paid-in capital, total stockholders’ equity and total capitalization by approximately \$6.8 million, 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 estimated underwriting discounts and commissions and estimated offering expenses payable by us.
- (2) For more information regarding our term loan and revolving credit facility, see “Management’s discussion and analysis of financial condition and results of operations—Indebtedness.”

DILUTION

The Continuing LLC Owner will maintain its LLC Interests in Bioventus LLC after the Transactions. Because the Continuing LLC Owner does not own any Class A common stock or have any right to receive distributions from Bioventus, we have presented dilution in pro forma net tangible book value per share after this offering assuming the Continuing LLC Owner had its LLC Interests redeemed or exchanged for newly-issued shares of Class A common stock on a one-for-one basis (rather than for cash), and the cancellation for no consideration of all of its shares of Class B common stock (which are not entitled to distributions from Bioventus Inc.), in order to more meaningfully present the dilutive impact on the investors in this offering. We refer to the assumed redemption or exchange of all LLC Interests owned by the Continuing LLC Owner for shares of Class A common stock as described in the previous sentence as the “Assumed Redemption.” We also note that the effect of the Assumed Redemption is to increase the assumed number of shares of Class A common stock outstanding before the offering, thereby decreasing the pro forma net tangible book value per share before the offering and correspondingly increasing the dilution per share to new Class A common stock investors.

Dilution is the amount by which the offering price paid by the purchasers of the Class A common stock in this offering exceeds the pro forma net tangible book value per share of Class A common stock after the offering. Bioventus LLC’s net tangible book value as of September 26, 2020 was \$(101.1) million. Net tangible book value per share is determined at any date by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of shares of Class A common stock deemed to be outstanding at that date.

If you invest in our Class A common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the pro forma net tangible book value per share of our Class A common stock after this offering.

Pro forma net tangible book value per share is determined at any date by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of shares of Class A common stock, after giving effect to the Transactions, including this offering, and the Assumed Redemption. Our pro forma net tangible book value as of September 26, 2020 would have been approximately \$17.1 million, or \$0.32 per share of Class A common stock. This amount represents an immediate increase in pro forma net tangible book value of \$2.38 per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of approximately \$16.68 per share to new investors purchasing shares of Class A common stock in this offering. We determine dilution by subtracting the pro forma net tangible book value per share after this offering from the amount of cash that a new investor paid for a share of Class A common stock. The following table illustrates this dilution:

Assumed initial public offering price per Class A share	\$17.00
Pro forma net tangible book value per share as of September 26, 2020 before this offering ⁽¹⁾⁽²⁾	\$ (2.06)
Increase in pro forma net tangible book value per share attributable to investors in this offering	<u>2.38</u>
Pro forma net tangible book value per share after this offering	\$ <u>0.32</u>
Dilution per share to new Class A common stock investors	<u>\$16.68</u>

[Table of Contents](#)

- (1) The computation of pro forma net tangible book value per share as of September 26, 2020 before this offering and after the Assumed Redemption is set forth below:

Numerator:	
Book value of tangible assets	\$ 216,997
Less: total liabilities	(313,629)
Pro forma net tangible book value ^(a)	<u>\$ (96,632)</u>
Denominator:	
Shares of Class A common stock outstanding immediately prior to this offering and after Assumed Redemption	46,881,972
Pro forma net tangible book value per share	<u>\$ (2.06)</u>

- (a) Gives pro forma effect to the Transactions (other than this offering) and the Assumed Redemption.

- (2) The computation of pro forma net tangible book value per share as of September 26, 2020 before this offering and before the Assumed Redemption is set forth below:

Numerator:	
Book value of tangible assets	\$ 216,997
Less: total liabilities	(313,629)
Pro forma net tangible book value ^(a)	<u>\$ (96,632)</u>
Denominator:	
Shares of Class A common stock outstanding immediately prior to this offering and prior to any Assumed Redemption	30,347,158
Pro forma net tangible book value per share	<u>\$ (3.18)</u>

- (a) Gives pro forma effect to the Transactions (other than this offering) and excludes the Assumed Redemption.

If the underwriters exercise their option to purchase additional shares of our Class A common stock in full in this offering, the pro forma net tangible book value after the offering would be \$0.62 per share, the increase in pro forma net tangible book value per share to existing stockholders would be \$2.31 and the dilution per share to new investors would be \$16.38 per share, in each case assuming an initial public offering price of \$17.00 per share, which is the midpoint of the price range listed on the cover page of this prospectus.

The following table summarizes, as of September 26, 2020 after giving effect to this offering, the Transactions and the differences between the Original LLC Owners and new investors in this offering with regard to:

- the number of shares of Class A common stock purchased from us by investors in this offering and the number of shares issued to the Original LLC Owners after giving effect to the Assumed Redemption,
- the total consideration paid to us in cash by investors purchasing shares of Class A common stock in this offering and by the Original LLC Owners, and
- the average price per share of Class A common stock that such Original LLC Owners and new investors paid.
- The calculation below is based on an assumed initial public offering price of \$17.00 per share, which is the midpoint of the price range listed on the cover page of this prospectus, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

[Table of Contents](#)

	Shares purchased		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Original LLC Owners	46,881,972	86.5%	\$ 281.4	68.5%	\$ 5.79
New investors	7,350,000	13.5	125.0	31.5	\$ 17.00
Total	54,231,972	100%	\$ 406.4	100%	\$ 7.31

Except as otherwise indicated, the discussion and the tables above assume no exercise of the underwriters' option to purchase additional shares of Class A common stock. The number of shares of our Class A common stock outstanding after this offering as shown in the tables above is based on the membership interests of Bioventus LLC outstanding as of September 26, 2020, and excludes:

- 7,592,476 shares of Class A common stock reserved for future issuance under the Plan, as described in "Executive compensation—New incentive arrangements," consisting of (i) 4,561,500 shares of Class A common stock issuable upon the exercise of options that vest between two and four years from the date of this prospectus to purchase, at the initial public offering price, shares of Class A common stock granted to our directors and certain employees, including the named executive officers, in connection with this offering, as described in "Executive compensation—Director compensation" and Executive compensation—New equity awards," (ii) 360,670 shares of Class A common stock released between one to four years from the date of this prospectus upon meeting vesting requirements of restricted stock units granted on the date of this prospectus to our directors and certain employees, including the named executive officers, in connection with this offering as described in "Executive compensation—Director compensation" and "Executive compensation—New equity awards," and (iii) 2,670,306 additional shares of Class A common stock reserved for future issuance (exclusive of the additional shares available for issuance under the Plan pursuant to the annual increase each calendar year beginning in 2022 and ending in 2031, as described in "Executive compensation—New incentive arrangements");
- 1,351,834 shares of Class A common stock reserved as of the closing date of this offering for future issuance to the Stock Plan Participants upon settlement of their awards, as described in "Executive compensation—Narrative to summary compensation table—Equity-based compensation," 162,106 of which are unvested and are expected to vest within twelve months of the date of this prospectus;
- 542,349 shares of Class A common stock reserved for issuance under our Employee Stock Purchase Plan, as described in "Executive compensation—New incentive arrangements;" and
- 16,534,814 shares Class A common stock reserved as of the closing date of this offering for future issuance upon redemption or exchange of LLC Interests by the Continuing LLC Owner.

Unless otherwise indicated, this prospectus assumes:

- the completion of the organizational transactions as described under "Transactions;"
- no exercise by the underwriters of their option to purchase additional shares of Class A common stock;
- the shares of Class A common stock are offered at \$17.00 per share (the midpoint of the price range listed on the cover page of this prospectus); and
- no exercise of outstanding options after September 26, 2020.

Notwithstanding the foregoing, to the extent there is an increase in the public offering price, the number of Class A shares outstanding and Class A shares issuable upon redemption of LLC Interests would decrease from the amounts noted herein; to the extent there is a decrease in the public offering price, the number of Class A shares outstanding and Class A shares issuable upon redemption of LLC Interests would increase. However, to the extent there is an increase in the public offering price, the number of Class A shares issuable under awards would increase from the amounts noted herein; to the extent there is a decrease in the public offering price, the number of Class A shares issuable under awards would decrease. A \$1.00 increase (decrease) in the assumed initial public offering price of \$17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, would result in a net decrease (increase) of approximately 300,000 (three hundred thousand) in the aggregate number of Class A shares outstanding, Class A shares issuable upon redemption of LLC Interests and Class A shares issuable under stock awards. The relative magnitude of the change in Class A shares outstanding and Class A shares issuable upon redemption of LLC Interests decreases as the share price moves further away from the midpoint.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following statements set forth unaudited pro forma consolidated financial data for Bioventus Inc. as of September 26, 2020, for the nine months ended September 26, 2020 and September 28, 2019 and for the year ended December 31, 2019. The unaudited pro forma consolidated balance sheet as of September 26, 2020 gives effect to the Transactions as if they had occurred on that date. The unaudited pro forma consolidated statements of operations for the year ended December 31, 2019 and for the nine months ended September 26, 2020 and September 28, 2019 have been prepared to illustrate the effects of the Transactions as if they occurred on January 1, 2019. The unaudited pro forma consolidated financial statements have been developed by applying pro forma adjustments to the historical audited consolidated financial statements of Bioventus LLC included elsewhere in this prospectus. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with these unaudited pro forma consolidated financial statements.

Bioventus Inc. was incorporated on December 22, 2015 and has no business transactions, activities, assets or liabilities to date, and therefore its historical financial information is not shown in a separate column in the unaudited pro forma consolidated balance sheet and unaudited pro forma consolidated statement of operations.

The pro forma adjustments related to the Transactions other than this offering, which we refer to as Reorganization Adjustments, are described in the notes to the unaudited pro forma consolidated financial information, and principally include those transactions as listed within the “Transactions” section of this prospectus.

The pro forma adjustments related to this offering, which we refer to as the Offering Adjustments, are described in the notes to the unaudited pro forma consolidated financial information, and principally include those items listed within “The offering” and “Use of proceeds” sections of this prospectus.

Except as otherwise indicated, the unaudited pro forma consolidated financial information presented assumes no exercise by the underwriters of their option to purchase additional shares of Class A common stock from us.

Bioventus LLC has been, and following the Transactions will continue to be, treated as a partnership for U.S. federal income tax purposes and, as such, is generally not, apart from certain subsidiaries, subject to any U.S. federal entity-level income taxes. Rather, taxable income or loss is included in the U.S. federal income tax returns of Bioventus LLC’s members, including following this offering, Bioventus Inc. Bioventus Inc. will be subject to U.S. federal, state and local income tax with respect to its allocable share of any taxable income of Bioventus LLC. For the purposes of the unaudited pro forma financial statements, Bioventus Inc. has not recorded pro forma adjustments to income tax expense or deferred income tax as it is still analyzing if it is not more likely than not that Bioventus Inc. will be able to realize the benefit from the reorganization.

As described in greater detail under “Certain relationships and related party transactions—Tax Receivable Agreement,” in connection with the closing of this offering, we will enter into the Tax Receivable Agreement with the Continuing LLC Owner that will provide for the payment to it by Bioventus Inc. of 85% of the amount of tax benefits, if any, that Bioventus Inc. actually realizes (or in some circumstances is deemed to realize) as a result of (i) increases in the tax basis of assets of Bioventus LLC resulting from (a) any future redemptions or exchanges of LLC Interests described under “Certain relationships and related party transactions—Bioventus LLC Agreement—LLC Interest Redemption Right,” and (b) certain distributions (or deemed distributions) by Bioventus LLC and (ii) certain other tax benefits arising from payments under the Tax Receivable Agreement. Due to the uncertainty in the amount and timing of future redemptions or exchanges of LLC Interests by the Continuing LLC Owner, the unaudited pro forma consolidated financial information assumes that no redemptions or exchanges of LLC Interests have occurred and therefore no increases in tax basis in Bioventus LLC’s assets or other tax benefits that may be realized thereunder have been assumed in the unaudited pro forma consolidated financial information. However, if the Continuing LLC Owner were to exchange or redeem all of its

[Table of Contents](#)

LLC Interests, we would recognize a deferred tax asset of approximately \$101.0 million over 20 years from the date of this offering and a related liability for payments under the Tax Receivable Agreement of approximately \$85.8 million, assuming, among other factors, (i) all exchanges occurred on the same day; (ii) a price of \$17.00 per share of Class A common stock (which is the midpoint of the price range set forth on the cover of this prospectus), (iii) a constant corporate tax rate of 25.0%; (iv) we will have sufficient taxable income to fully utilize the tax benefits; (v) Bioventus LLC is able to fully depreciate or amortize its assets; and (vi) no material changes in tax law. For each 5% increase (decrease) in the price per share of Class A common stock (and therefore the value of the LLC Interests exchanged by the Continuing LLC Owner), our deferred tax asset would increase (decrease) by approximately \$5.1 million and the related liability for payments under the Tax Receivable Agreement would increase (decrease) by approximately \$4.3 million, assuming that the corporate tax rate remains the same. These amounts are estimates and have been prepared for informational purposes only. The actual amount of deferred tax assets and related liabilities that we will recognize will differ based on, among other things, the timing of the redemptions or exchanges, the price of our shares of Class A common stock at the time of the redemptions or exchanges and the tax rates then in effect.

Under the Tax Receivable Agreement, we may elect to terminate the Tax Receivable Agreement early by making an immediate cash payment equal to the present value of all of the tax benefit payments that would be required to be paid by us to the Continuing LLC Owner under the Tax Receivable Agreement. The calculation of such cash payment would be based on certain assumptions, including, among others (i) that the Continuing LLC Owner's LLC Interests that have not been exchanged are deemed exchanged, in general, for the market value of our Class A common stock that would be received by the Continuing LLC Owner if such LLC Interests had been exchanged at the time of termination, (ii) we will have sufficient taxable income in each future taxable year to fully realize all potential tax savings, (iii) the tax rates for future years will be those specified in the law as in effect at the time of termination and (iv) certain non-amortizable assets are deemed disposed of within specified time periods. In addition, the present value of such tax benefit payments is discounted at a rate equal to the lesser of (i) 6.50% per annum, compounded annually and (ii) LIBOR plus 100 basis points. Assuming that the market value of our Class A common stock were to be equal to \$17.00, the midpoint of the price range set forth on the cover of this prospectus and that LIBOR were to be 0.36%, we estimate that the aggregate amount of these termination payments would be approximately \$74.3 million if we were to exercise our termination right immediately following this offering.

The pro forma adjustments are based upon available information and methodologies that are factually supportable and directly related to the Transactions and are presented for illustrative purposes only. The unaudited pro forma consolidated financial information includes various estimates which are subject to material change and may not be indicative of what our operations or financial position would have been had the Transactions, including this offering, taken place on the dates indicated, or that may be expected to occur in the future.

The pro forma financial information should be read in conjunction with, "Risk factors," "Summary historical and unaudited pro forma consolidated financial and other data," "Management's discussion and analysis of financial condition and results of operations" and the historical consolidated financial statements and related notes included elsewhere in this prospectus.

[Table of Contents](#)

Bioventus Inc.
Unaudited pro forma consolidated balance sheet
As of September 26, 2020
(Dollar amounts in thousands)

	Bioventus LLC historical	Reorganization adjustments (note 1)	Offering adjustments (note 2)	Bioventus Inc. pro forma
Assets				
Current assets:				
Cash and cash equivalents	\$ 72,478	\$ (15,792)	\$ 114,024	\$ 170,710
Accounts receivable, net	80,813	—	—	80,813
Inventory	34,705	—	—	34,705
Prepaid and other current assets	5,145	—	(264)	4,881
Total current assets	193,141	(15,792)	113,760	291,109
Property and equipment, net	5,886	—	—	5,886
Goodwill	49,800	—	—	49,800
Intangibles assets, net	196,688	—	—	196,688
Operating lease assets	13,906	—	—	13,906
Investment and other assets	19,856	—	—	19,856
Total assets	\$ 479,277	\$ (15,792)	\$ 113,760	\$ 577,245
Liabilities and members'/stockholders' equity				
Current liabilities:				
Accounts payable	\$ 8,790	\$ —	\$ —	\$ 8,790
Accrued liabilities	73,019	(1,543)	—	71,476
Accrued equity-based compensation	9,580	7,990	—	17,570
Long-term debt	16,250	—	—	16,250
Other current liabilities	4,095	—	—	4,095
Total current liabilities	111,734	6,447	—	118,181
Long-term debt, less current portion	177,025	—	—	177,025
Accrued equity-based compensation, less current portion	22,086	(22,086)	—	—
Deferred income taxes	3,436	—	—	3,436
Other long-term liabilities	19,657	(4,669)	—	14,988
Total liabilities	333,938	(20,308)	—	313,630
Class A common stock, \$0.001 par value per share, shares authorized on a pro forma basis, shares issued and outstanding on a pro forma basis	—	31	7	38
Class B common stock, \$0.001 par value per share, shares authorized on a pro forma basis, shares issued and outstanding on a pro forma basis	—	17	—	17
Members equity	285,173	(285,173)	—	—
Additional paid in capital	—	67,313	113,753	181,066
Accumulated other comprehensive income	222	(222)	—	—
Accumulated deficit	(142,176)	142,176	—	—
Non-controlling interest in subsidiary	2,120	80,374	—	82,494
Total members'/stockholders' equity	145,339	4,516	113,760	263,615
Total liabilities and members'/stockholders' equity	\$ 479,277	\$ (15,792)	\$ 113,760	\$ 577,245

See Notes to the Unaudited Pro Forma Consolidated Financial Information.

[Table of Contents](#)

Bioventus Inc.
Unaudited pro forma consolidated statement of operations
For the year ended December 31, 2019
(Dollar amounts in thousands, except per share amounts)

	Bioventus LLC historical	Reorganization adjustments (note 1)	Offering adjustments (note 2)	Bioventus Inc. pro forma
Net sales	\$ 340,141	\$ —	\$ —	\$ 340,141
Cost of sales (including depreciation and amortization)	90,935	—	—	90,935
Gross profit	249,206	—	—	249,206
Selling, general and administrative expense	198,475	—	7,946	206,421
Research and development expense	11,055	—	589	11,644
Restructuring costs	575	—	—	575
Depreciation and amortization	7,908	—	—	7,908
Operating income	31,193	—	(8,535)	22,658
Interest expense	21,579	—	(565)	21,014
Other income	(75)	—	—	(75)
Other expense	21,504	—	(565)	20,939
Income from continuing operations before income taxes	9,689	—	(7,970)	1,719
Income tax expense	1,576	—	—	1,576
Net income from continuing operations	8,113	—	(7,970)	143
Less: Net (loss) income from continuing operations attributable to non-controlling interests	(553)	2,473	(2,430)	(510)
Net income from continuing operations attributable to Bioventus	\$ 8,666	\$ (2,473)	\$ (5,540)	\$ 653
Net income from continuing operations attributable to unit holders	\$ 8,666			
Accumulated and unpaid preferred distribution	(5,955)			
Net income allocated to participating shareholders	(1,555)			
Net income from continuing operations attributable to common unit holders	\$ 1,156			
Pro forma net income from continuing operations per share attributable to Bioventus:				
Basic				\$ 0.02
Diluted				\$ 0.02
Pro forma weighted average common shares outstanding:				
Basic				37,697,158
Diluted				37,697,158

See Notes to the Unaudited Pro Forma Consolidated Financial Information.

[Table of Contents](#)

Bioventus Inc.
Unaudited pro forma consolidated statement of operations
For the nine months ended September 26, 2020
(Dollar amounts in thousands, except per share amounts)

	Bioventus LLC historical	Reorganization adjustments (note 1)	Offering adjustments (note 2)	Bioventus Inc. pro forma
Net sales	\$ 222,570	\$ —	\$ —	\$ 222,570
Cost of sales (including depreciation and amortization)	62,521	—	—	62,521
Gross profit	160,049	—	—	160,049
Selling, general and administrative expense	131,104	—	6,678	137,782
Research and development expense	8,311	—	1,668	9,979
Depreciation and amortization	5,305	—	—	5,305
Operating income	15,329	—	(8,346)	6,983
Interest expense	7,095	—	788	7,883
Other income	(4,539)	—	—	(4,539)
Other expense	2,556	—	788	3,344
Income from continuing operations before income taxes	12,773	—	(9,134)	3,639
Income tax expense	302	—	—	302
Net income from continuing operations	12,471	—	(9,134)	3,337
Less: Net (loss) income from continuing operations attributable to non-controlling interests	(1,164)	3,802	(2,785)	(147)
Net income from continuing operations attributable to Bioventus	<u>\$ 13,635</u>	<u>\$ (3,802)</u>	<u>\$ (6,349)</u>	<u>\$ 3,484</u>
Net income from continuing operations attributable to unit holders	\$ 13,635			
Accumulated and unpaid preferred distribution	(4,525)			
Net income allocated to participating shareholders	(5,225)			
Net income from continuing operations attributable to common unit holders	<u>\$ 3,885</u>			
Pro forma net income from continuing operations per share attributable to Bioventus:				
Basic				\$ 0.09
Diluted				\$ 0.09
Pro forma weighted average common shares outstanding:				
Basic				37,697,158
Diluted				37,697,158

See Notes to the Unaudited Pro Forma Consolidated Financial Information.

[Table of Contents](#)

Bioventus Inc.
Unaudited pro forma consolidated statement of operations
For the nine months ended September 28, 2019
(Dollar amounts in thousands, except per share amounts)

	Bioventus LLC historical	Reorganization adjustments (note 1)	Offering adjustments (note 2)	Bioventus Inc. pro forma
Net sales	\$242,587	\$ —	\$ —	\$ 242,587
Cost of sales (including depreciation and amortization)	66,810	—	—	66,810
Gross profit	175,777	—	—	175,777
Selling, general and administrative expense	144,021	—	9,599	153,620
Research and development expense	7,911	—	1,065	8,976
Restructuring costs	540	—	—	540
Depreciation and amortization	5,815	—	—	5,815
Operating income (loss)	17,490	—	(10,664)	6,826
Interest expense	13,935	—	(14)	13,921
Other expense	71	—	—	71
Other expense, net	14,006	—	(14)	13,992
Income (loss) from continuing operations before income taxes	3,484	—	(10,650)	(7,166)
Income tax expense	684	—	—	684
Net income (loss) from continuing operations	2,800	—	(10,650)	(7,850)
Less: net (loss) income from continuing operations attributable to non-controlling interests	(30)	854	(3,248)	(2,424)
Net income (loss) from continuing operations attributable to Bioventus	<u>\$ 2,830</u>	<u>\$ (854)</u>	<u>\$ (7,402)</u>	<u>\$ (5,426)</u>
Net income from continuing operations attributable to unit holders	\$ 2,830			
Accumulated and unpaid preferred distribution	(4,421)			
Net income from continuing operations attributable to common unit holders	<u>\$ (1,591)</u>			
Pro forma net loss from continuing operations per share attributable to Bioventus:				
Basic				\$ (0.14)
Diluted				\$ (0.14)
Pro forma weighted average common shares outstanding:				
Basic				37,697,158
Diluted				37,697,158

See Notes to the Unaudited Pro Forma Consolidated Financial Information.

[Table of Contents](#)

Notes to unaudited pro forma consolidated financial information (Dollar amounts in thousands, except for per share amounts)

1. Reorganization adjustments

The following adjustments are related to the reorganization of the Company as described in the section entitled “Transactions”.

- (a) As a C-corporation, we will no longer record a members’ equity in the consolidated balance sheet. The preferred units of Bioventus LLC, along with their related preferred return (collectively the liquidation preference) will convert to common units in Bioventus LLC immediately prior to the Transactions. To reflect the C-corporation structure of our equity, we will separately present the value of our Class A common stock, Class B common stock, non-controlling interest in subsidiary, additional paid-in capital and accumulated deficit. This adjustment represents the issuance of 30,347,158 shares of Class A common stock with a par value of \$0.001 per share and the issuance of 16,534,814 shares of Class B common stock with a par value of \$0.001 per share. Additionally, this adjustment includes the elimination of previously recorded accumulated other comprehensive income and accumulated deficit of Bioventus LLC.
- (b) As described in “Executive Compensation,” with respect to the remaining MIP award, we retained the right to accelerate the redemption of such remaining MIP award and we anticipate accelerating such payments in connection with this offering.
- (c) As described in “Transactions”, Bioventus Inc. will become the sole managing member of, own the sole voting interest in, and control the management of Bioventus LLC. As a result, we will consolidate the financial results of Bioventus LLC and will report a non-controlling interest related to the LLC Interests held by the Continuing LLC Owner on our consolidated balance sheet.

The computation of the non-controlling interest following the consummation of this offering is as follows:

	Units	Percentage
LLC Interests in Bioventus LLC held by Bioventus Inc.	37,697,158	69.5%
Non-controlling interest in Bioventus LLC held by the Continuing LLC Owner	16,534,814	30.5%
	<u>54,231,972</u>	<u>100.0%</u>

If the underwriters were to exercise their option to purchase additional shares of our Class A common stock, Bioventus Inc. would own 70.1% of the economic interest of Bioventus LLC and the Continuing LLC Owner would own the remaining 29.9% of the economic interest of Bioventus LLC.

The balance of the non-controlling interest and total member’s equity as of September 26, 2020 on a pro forma basis were calculated as follows:

Historical Bioventus LLC equity	\$ 145,339
Net adjustments from the reorganization and this offering	<u>118,276</u>
Total members’ equity of Bioventus LLC after the Transactions	263,615
Total Continuing LLC Owner’s ownership percentage in Bioventus LLC after the Transactions	<u>30.5%</u>
Non-controlling interest as of September 26, 2020 on a pro forma basis	80,374
Stockholders’ equity attributable to common stock on a pro forma basis	<u>183,241</u>
Total stockholders’ equity at September 26, 2020 on a pro forma basis	<u>\$ 263,615</u>

The Continuing LLC Owner, from time to time following the offering, may require Bioventus LLC to redeem or exchange all or a portion of its LLC Interests for newly-issued shares of Class A common stock on a one-for-one basis or, if Bioventus Inc. and the Continuing LLC Owner agree, a cash payment equal to the volume weighted average market price of one share of our Class A common stock for each LLC Interest redeemed in accordance with the terms of the Bioventus LLC Agreement; provided that, at Bioventus’ election, Bioventus may effect a direct exchange of such Class A common stock or such cash (if mutually agreed) for such LLC Interests. See “Certain relationships and related party transactions—Bioventus LLC Agreement.”

[Table of Contents](#)

2. Offering adjustments

- (a) We have been deferring certain costs in our historical financial statements directly associated with this offering, including certain legal, accounting and other related expenses, which have been recorded in other assets on our consolidated balance sheet. Upon completion of this offering, approximately \$0.3 million of deferred costs will be reversed out of other assets and charged against the proceeds from this offering as a reduction to additional paid-in capital. The total amount of estimated offering expenses is \$3.8 million.
- (b) We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions but before estimated offering expenses, will be approximately \$116.2 million, based on an assumed initial public offering price of \$17.00 per share, the midpoint of the price range set forth on the cover page of this prospectus. If the underwriters exercise their option to purchase additional shares in full, we estimate that the net proceeds will be approximately \$133.7 million after deducting underwriting discounts and commissions but before estimated offering expenses.

Assumed initial public offering price per share	\$ 17.00
Shares of Class A common stock issued in this offering	7,350,000
Gross proceeds	\$ 124,950
Less: underwriting discounts and commissions	(8,750)
Less: offering expenses (including amounts previously deferred)	(3,795)
Net cash proceeds	\$ 112,405

- (c) We intend to use the proceeds from this offering to purchase 7,350,000 newly-issued LLC Interests from Bioventus LLC at a purchase price per interest equal to the initial public offering price per share of Class A common stock less underwriting discounts and commissions.
- (d) Pro forma basic net income (loss) from continuing operations per share is calculated by dividing net income (loss) attributable to common stockholders by the number of weighted average Class A common stock outstanding.

	<u>Year Ended</u> <u>December 31,</u> <u>2019</u>	<u>Nine months ended</u>	
		<u>September 26,</u> <u>2020</u>	<u>September 28,</u> <u>2019</u>
Net income (loss) from continuing operations per share, basic and diluted:			
Numerator			
Net income (loss) from continuing operations	\$ 143	\$ 3,337	\$ (7,850)
Less: Net (loss) income from continuing operations attributable to non-controlling interests	510	(147)	(2,424)
Net income (loss) from continuing operations attributable to Class A common stockholders	<u>\$ 653</u>	<u>\$ 3,484</u>	<u>\$ (5,426)</u>
Denominator			
Shares of Class A common stock issued in this offering	7,350,000	7,350,000	7,350,000
Shares of Class A common stock held by the Former LLC Owners	30,347,158	30,347,158	30,347,158
Weighted-average shares of Class A common stock	37,697,158	37,697,158	37,697,158
Net income (loss) from continuing operations per share, basic and diluted	<u>\$ 0.02</u>	<u>\$ 0.09</u>	<u>\$ (0.14)</u>

[Table of Contents](#)

In computing the dilutive effect, if any, that the aforementioned exchange would have on earnings per share, we considered that the net income available to holders of Class A common stock would increase due to elimination of the non-controlling interest in consolidated entities associated with the Class B common stock held (including any tax impact).

- (e) In connection with the Transactions, we intend to grant new equity-based compensation awards to certain of our employees and directors. Accordingly this adjustment reflects estimated compensation expense of \$19.2 million, \$8.9 million, and \$13.8 million, for the year ended December 31, 2019 and the nine months ended September 26, 2020 and September 28, 2019, respectively, which has been recorded in selling, general and administrative expense and research and development expense. The settlement of the awards under the Phantom Plan is expected to take place twelve months following the date of termination of the Phantom Plan. We do not anticipate compensation expense related to the settlement of the Phantom Plan awards.

The pro forma net income (loss) from continuing operations attributable to non-controlling interest is computed as follows by adjustment:

	<u>Year Ended</u>		<u>Nine Months Ended</u>			
	<u>December 31, 2019</u>		<u>September 26, 2020</u>		<u>September 28, 2019</u>	
	<u>Reorganization</u>	<u>Offering adjustment</u>	<u>Reorganization</u>	<u>Offering adjustment</u>	<u>Reorganization</u>	<u>Offering adjustment</u>
Net income (loss) from continuing operations	\$ 8,113	\$ (7,970)	\$ 12,471	\$ (9,134)	\$ 2,800	\$ (10,650)
Non-controlling interest ownership percentage	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%
Net income (loss) from continuing operations attributable to non-controlling interests	\$ 2,473	\$ (2,430)	\$ 3,802	\$ (2,785)	\$ 854	\$ (3,248)

SELECTED FINANCIAL DATA

The following table presents the selected financial data for Bioventus LLC and its subsidiaries for the periods and at the dates indicated. Bioventus LLC is the predecessor of the issuer, Bioventus Inc., for financial reporting purposes. The selected statements of operations and statement of cash flows data for the years ended December 31, 2019 and 2018 and the selected balance sheet data as of December 31, 2019 and 2018 are derived from the Bioventus LLC audited financial statements appearing elsewhere in this prospectus. The selected statements of operations and statement of cash flows data for the years ended December 31, 2017 and 2016 are derived from Bioventus LLC financial statements not appearing in this prospectus. The selected statements of operations and statement of cash flows data for the nine months ended September 26, 2020 and September 28, 2019 and the selected balance sheet data as of September 26, 2020 are derived from the Bioventus LLC unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the information set forth herein. You should read this data together with our audited and unaudited financial statements and related notes appearing elsewhere in this prospectus and the information under the captions “Capitalization” and “Management’s discussion and analysis of financial condition and results of operations.” Our historical results are not necessarily indicative of our future results or any other period and results of interim periods are not necessarily indicative of results for the entire year. The selected financial data included in this section are not intended to replace the financial statements and the related notes included elsewhere in this prospectus.

(in thousands, except per share and share amounts)	Years Ended December 31,				Nine Months Ended	
	2019	2018	2017	2016	September 26, 2020	September 28, 2019
Net sales	\$340,141	\$319,177	\$292,059	\$274,500	\$222,570	\$242,587
Cost of sales (including depreciation and amortization of \$22,399, \$20,614, \$22,296, \$22,760, \$16,076 and \$17,149, respectively)	90,935	84,168	82,101	80,388	62,521	66,810
Gross profit	249,206	235,009	209,958	194,112	160,049	175,777
Selling, general and administrative expense	198,475	191,672	164,842	160,321	131,104	144,021
Research and development expense	11,055	8,095	8,096	7,900	8,311	7,911
Change in fair value of contingent consideration	—	(739)	(10,492)	(4,796)	—	—
Restructuring costs	575	1,373	2,313	—	—	540
Depreciation and amortization	7,908	8,615	9,996	11,001	5,305	5,815
Loss on impairment of intangible assets	—	489	7,200	8,750	—	—
Operating income	31,193	25,504	28,003	10,936	15,329	17,490
Interest expense	21,579	19,171	18,897	15,938	7,095	13,935
Other (income) expense	(75)	226	448	652	(4,539)	71
Other expense	21,504	19,397	19,345	16,590	2,556	14,006
Income (loss) from continuing operations before income taxes	9,689	6,107	8,658	(5,654)	12,773	3,484
Income tax expense (benefit)	1,576	1,664	(785)	1,091	302	684
Net income (loss) from continuing operations	8,113	4,443	9,443	(6,745)	12,471	2,800
Loss attributable to noncontrolling interest	553	—	—	—	1,164	30
Loss from discontinued operations, net of tax	(1,815)	(16,650)	(8,885)	(11,208)	—	(1,616)
Net income (loss) attributable to unit holders	<u>\$ 6,851</u>	<u>\$ (12,207)</u>	<u>\$ 558</u>	<u>\$ (17,953)</u>	<u>\$ 13,635</u>	<u>\$ 1,214</u>

Table of Contents

(in thousands, except per share and share amounts)	Years Ended December 31,				Nine Months Ended	
	2019	2018	2017	2016	September 26, 2020	September 28, 2019
Net income (loss) from continuing operations attributable to unit holders	\$ 8,666	\$ 4,443	\$ 9,443	\$ (6,745)	\$ 13,635	\$ 2,830
Accumulated and unpaid preferred distributions	(5,955)	(5,781)	(5,613)	(5,449)	(4,525)	(4,421)
Net income allocated to participating shareholders	(1,555)	—	(2,197)	—	(5,225)	—
Net income (loss) from continuing operations attributable to common unit holders	1,156	(1,338)	1,633	(12,194)	3,885	(1,591)
Loss from discontinued operations, net of tax	1,815	16,650	8,885	11,208	—	1,616
Net (loss) income attributable to common unit holders	\$ (659)	\$ (17,988)	\$ (7,252)	\$ (23,402)	\$ 3,885	\$ (3,207)
Net (loss) income per unit attributable to common unit holders—basic and diluted:						
Net income (loss) from continuing operations	\$ 0.24	\$ (0.27)	\$ 0.33	\$ (2.49)	\$ 0.79	\$ (0.32)
Loss from discontinued operations, net of tax	0.37	3.40	1.81	2.29	—	0.33
Net (loss) income attributable to common unit holders	\$ (0.13)	\$ (3.67)	\$ (1.48)	\$ (4.78)	\$ 0.79	\$ (0.65)
Weighted average common units outstanding, basic and diluted	4,900	4,900	4,900	4,900	4,900	4,900

(in thousands)	Years Ended December 31,				Nine Months Ended	
	2019	2018	2017	2016	September 26, 2020	September 28, 2019
Consolidated statement of cash flow data:						
Net cash provided by (used in):						
Operating activities from continuing operations	\$ 42,545	\$ 52,310	\$ 28,976	\$ 37,145	\$ 46,752	\$ 21,329
Investing activities from continuing operations	(7,912)	(6,061)	(6,675)	(7,949)	(18,961)	(7,348)
Financing activities	(10,951)	(13,256)	(10,241)	(8,961)	(19,691)	(11,640)
Discontinued operations	(1,832)	(7,163)	(9,451)	(11,716)	(228)	(1,663)
Effect of exchange rate changes	(104)	(160)	1,176	(493)	86	171
Net change in cash and cash equivalents	\$ 21,746	\$ 25,670	\$ 3,785	\$ 8,026	\$ 7,958	\$ 849

(in thousands)	As of December 31,		As of
	2019	2018	September 26, 2020
Balance sheet data:			
Cash and cash equivalents	\$ 64,520	\$ 42,774	\$ 72,478
Total assets	\$ 472,407	\$ 442,723	\$ 479,277
Total liabilities	\$ 326,790	\$ 297,456	\$ 333,938
Accumulated deficit	\$(141,700)	\$(139,821)	\$ (142,176)
Total members' equity	\$ 145,617	\$ 145,267	\$ 145,339

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Risk factors," "Selected financial data" and our consolidated financial statements and the related notes to those statements included 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. Some of the numbers included herein have been rounded for the convenience of presentation. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk factors" and elsewhere in this prospectus. The following discussion does not give effect to the Transactions. See "Transactions" and "Unaudited pro forma consolidated financial information" included elsewhere in this prospectus for a description of the Transactions and their effect on our historical results of operations.

Executive Summary

We are a global medical device company focused on developing and commercializing clinically differentiated, cost efficient and minimally invasive treatments that engage and enhance the body's natural healing process. We operate our business through two reportable segments, U.S. and International, and our portfolio of products is grouped into following three verticals:

- OA joint pain treatment and joint preservation products, which are HA viscosupplementation therapies approved by the FDA through a PMA;
- BGSs, which are human tissue allograft and synthetic products used primarily in spine surgery which have either (i) received 510(k) clearance, which is a premarket submission made to the FDA to demonstrate that the device to be marketed is at least as safe and effective, that is, substantially equivalent, to a legally marketed device, or (ii) are regulated solely as Section 361 HCT/Ps, which means they are human cells, tissues and cellular and tissue-based products that do not require a PMA in the United States; and
- minimally invasive fracture treatment, which is a FDA-approved Exogen system prescribed for long bone stimulation for fracture healing.

Our U.S. segment offers our full existing portfolio of products. This includes our OA joint pain treatment and joint preservation products, which address the entire market for HA viscosupplementation with offerings for single, three and five injection therapies: (i) Durolane, a single injection therapy, which we launched in the United States in the first half of 2018 and also market outside the United States in more than 30 countries; (ii) GELSYN-3, a three injection therapy, which we have marketed in the United States since the second half of 2016; and (iii) SUPARTZ FX, a five injection therapy, which we have marketed in the United States since May 2012. Our U.S. segment also offers our BGS products, which are targeted at improving bone fusion rates following spinal fusion and other orthopedic surgeries. These products include allograft-derived bone graft with growth factors (OsteoAMP), a DBM (Exponent), cancellous bone in different preparations (PureBone), bioactive synthetics (Signafuse and Interface), a collagen ceramic matrix (OsteoMatrix) and two bone marrow isolation systems (CellXtract and Extractor). Further, our U.S. segment offers our Exogen system, which we believe offers significant advantages over electrical based long bone stimulation systems, including documented mechanism of action, shorter treatment times and superior nonunion heal rates.

Our International segment offers Durolane, or single injection therapy, OsteoAMP our allograft-derived bone graft with growth factors, and our Exogen system.

[Table of Contents](#)

The following table sets forth total net sales, net income from continuing operations and Adjusted EBITDA:

<u>(in thousands)</u>	<u>Years Ended</u> <u>December 31,</u>		<u>Nine Months Ended</u>	
	<u>2019</u>	<u>2018</u>	<u>September</u> <u>26, 2020</u>	<u>September</u> <u>28, 2019</u>
Net sales	\$ 340,141	\$ 319,177	\$ 222,570	\$ 242,587
Net income from continuing operations	\$ 8,113	\$ 4,443	\$ 12,471	\$ 2,800
Adjusted EBITDA(1)	\$ 79,188	\$ 72,171	\$ 44,289	\$ 48,483

- (1) For a reconciliation of net income from continuing operations to Adjusted EBITDA, see Note 2 to the information contained in “Prospectus summary —Summary historical and pro forma financial information.”

Strategic transactions

We have pursued and continue to pursue business development opportunities that leverage our significant customer presence across orthopedics, broaden our portfolio and increase our global footprint. Below is a summary of some of our recent transactions:

Collaboration and development agreement for MOTYS

On May 29, 2019, we entered into a collaboration and development agreement, or Development Agreement, with Musculoskeletal Transplant Foundation, Inc., or MTF, to develop an injectable placental tissue product, MOTYS, for use in the OA joint pain treatment. The development and commercialization of the product is anticipated to take place in two stages. In consideration for achieving its development milestones, we paid MTF \$1.5 million and are obligated to pay additional payments totaling \$0.8 million if certain further milestones are achieved. We began selling MOTYS in the fourth quarter of 2020, subject to the terms of an exclusive commercial supply agreement entered into with MTF on June 18, 2020.

Development collaboration agreement for PROcuff

On August 23, 2019, we entered into an exclusive Collaboration Agreement with Harbor, to develop and license the rights to commercialize a woven-suture-collagen composite implant product. Concurrently with the execution of the agreement, we purchased \$1.0 million of shares of Harbor. As a result of Harbor’s achievement of certain milestones, on October 5, 2020, we purchased \$1.0 million of additional shares of Harbor. Furthermore, we are obligated to make two additional one-time payments totaling \$6.0 million in aggregate upon Harbor’s achievement of (i) receiving regulatory approval and (ii) achieving a certain net sales target. The sole use of proceeds from these investments is for the development of the implant product that is the subject of our agreement. We intend to negotiate and enter into a definitive supply agreement with Harbor if and when the product is cleared for marketing by the FDA at a price per unit not to exceed an agreed upon maximum.

CartiHeal (developer of Agili-C) investment and option and equity purchase agreement

On July 15, 2020, we made a \$15.0 million equity investment in CartiHeal, a privately-held company headquartered in Israel and developer of the proprietary Agili-C implant for the treatment of joint surface lesions in traumatic and osteoarthritic joints. This investment follows the recently completed enrollment and outcome of interim analysis in CartiHeal’s IDE multinational pivotal study for Agili-C. This new round of funding is expected to enable CartiHeal to complete all patient follow-up in the Agili-C study and submit an application for PMA to the FDA. Under the agreement, CartiHeal can secure an additional \$5.0 million equity investment from us, if needed, for IDE study completion. We previously made an initial \$2.5 million investment in CartiHeal in January 2018 and a subsequent investment of \$0.2 million in January 2020.

At the time of closing of the initial equity investment, we also entered into an Option and Equity Purchase Agreement with CartiHeal and its shareholders, which provides us with an exclusive option to acquire 100% of

[Table of Contents](#)

CartiHeal's shares under certain conditions, or the Call Option, and provides CartiHeal with a put option that would require us to purchase 100% of CartiHeal's shares under certain conditions, or the Put Option. The Call Option is exercisable by us upon closing of the investment. The Put Option is only exercisable by CartiHeal upon pivotal clinical trial success, including achievement of certain secondary endpoints and FDA approval of the Agili-C device with a label consistent in all respects with pivotal clinical trial success. The pivotal clinical trial's objective is to demonstrate the superiority of the Agili-C implant over the surgical standard of care, including microfracture and debridement, for the treatment of cartilage or osteochondral defects, in both osteoarthritic knees and knees without degenerative changes. If not previously exercised, the Call Option and the Put Option terminate 45 days following the FDA approval of Agili-C or in the event of failure of the pivotal clinical trial. We also have the right to terminate the Call Option and Put Option at any time ending 30 days after receipt from CartiHeal of the statistical report regarding the final results of the pivotal clinical trial upon payment of a break fee of \$30.0 million. Consideration for the acquisition of all of the shares of CartiHeal pursuant to the Call Option or Put Option would be \$350.0 million, all of which would be payable at closing, with an additional \$150.0 million payable upon achievement of certain sales milestones related to Agili-C. Such closing would be subject to customary closing conditions.

Certain of the foregoing transactions have had a significant impact on our financial results of operations for the periods in which they occurred, and they have affected the comparability of these statements for the corresponding comparative periods.

Outlook

We plan to continue to expand our business and to increase our net sales and profitability by executing on the following strategies:

- continue to expand market share in HA viscosupplementation;
- introduce new OA joint pain treatment and joint preservation products;
- further develop and commercialize our BGS portfolio;
- expand indications for use for our Exogen system;
- invest in research and development;
- pursue business development opportunities; and
- opportunistically grow our international markets.

We expect to face challenges as we execute on our business strategy. Our industry is highly competitive, subject to rapid change and significantly affected by market activities of industry participants, new product introductions and other technological advancements. We believe our experienced management team positions us for success in facing these and other challenges. However, there are several factors affecting our business that are beyond our control, such as our ability to successfully introduce new products and line extensions, expand labels, continue to obtain reimbursement for our products at acceptable rates and receive necessary governmental approvals. In addition, we expect that market demand, government regulation, third-party coverage and reimbursement policies and societal pressures will continue to change the healthcare industry worldwide, resulting in further business consolidations and alliances among our customers, which may exert further downward pressure on the prices of our products. For information about additional factors that may affect our outlook, see the "Risk factors" and "Special note regarding forward-looking statements" sections of this prospectus.

COVID-19 Update and Outlook

In March 2020, the World Health Organization declared a global pandemic related to the rapidly growing outbreak of a novel strain of coronavirus known as COVID-19. In the following weeks, many states and counties

[Table of Contents](#)

across the United States responded by implementing a number of measures designed to prevent its spread, including stay-at-home or shelter-in-place orders, quarantines and closure of all non-essential businesses.

The COVID-19 pandemic has rapidly escalated in the United States, creating significant uncertainty and economic disruption, and leading to record levels of unemployment nationally. Due to the evolving nature of the COVID-19 crisis, we continue to monitor the situation closely and assess the impact on our business. In response to various governmental orders and public health advisories, we have implemented a number of measures to protect the health and safety of our workforce, conserve liquidity and position us to emerge from the current crisis in a healthy financial position. These measures include closing our offices and instituting work-from-home policies with the exception of essential personnel in March 2020. In addition, we temporarily imposed employee salary reductions for our U.S. employees for the month of June 2020 and suspended, until December 31, 2020, a portion of the employer contribution we make under our 401(k) plan. All temporary salary reductions have now been reversed and all salaries have been reinstated to pre-COVID-19 levels. To the extent permitted and in accordance with guidance from public health officials and government agencies, we have begun to reopen our locations and resume normal operations where appropriate. We expect our operations will continue to be impacted throughout 2020, however, the magnitude and duration of the impact is impossible to predict due to:

- uncertainties regarding the duration of the COVID-19 pandemic and the length of time over which the disruptions caused by COVID-19 will continue;
- the impact of governmental orders and regulations that have been, and may in the future be, imposed in response to the pandemic;
- the impact of COVID-19 on our suppliers, manufacturers and other third parties on which we rely;
- the deterioration of economic conditions in the United States, as well as record high unemployment levels, which could have an adverse impact on discretionary consumer spending; and
- uncertainty regarding the potential for a “second wave” of the COVID-19 crisis to occur later in the year.

The COVID-19 pandemic began to have a material impact on our business during the second quarter of 2020. Since March 2020, various governmental orders and public health advisories, including “shelter-in-place” orders and quarantines, have reduced or prevented patient access to hospitals and physicians. As a result, the number of both elective and non-elective procedures have been reduced and our sales have decreased. As a precautionary measure in March 2020, in response to changing market dynamics and in order to increase our cash position and preserve financial flexibility in view of the uncertainty resulting from the COVID-19 pandemic, we drew down \$49.0 million on our revolving credit facility. On September 24, 2020, we repaid all borrowings outstanding under our revolving credit facility.

In addition, we could be further impacted if we begin to see delays in payments from customers, return to more stringent “shelter in place” orders or advisories, facility closures or other reasons related to the pandemic. Despite the COVID-19 pandemic, we had positive cash flows for the nine months ended September 26, 2020, due to a lack of significant delays in payments from customers, decreases in expenses correlating to a decrease in sales, reduction in travel expenses and the institution of various cost cutting measures provided us with positive cash flow during the nine months ended September 26, 2020. However, the extent to which COVID-19 could materially impact our future liquidity is uncertain.

In April 2020, we received \$1.2 million in funds from the HHS as part of the CARES Act Provider Relief Fund. We determined we have complied with the CARES Act Provider Relief Fund conditions so that we may use the funds to reimburse for health care related expenses and lost revenues attributable to the public health emergency resulting from COVID-19. An additional \$2.9 million was received from the CARES Act Provider Relief Fund in July 2020. We have recognized these payments as other income within our condensed consolidated statement of operations and comprehensive income for the nine months ended September 26, 2020.

[Table of Contents](#)

Under the CARES Act, we have also taken advantage of the deferral of employer social security payroll tax payments. In April 2020, we began deferring all employer social security payroll tax payments for the remainder of the 2020 calendar year, with 50% of the taxes is deferred until December 31, 2021 and the remaining 50% deferred until December 31, 2022.

We are continuing to evaluate other aspects of the CARES Act, including the use of the employee retention tax credit. The employee retention tax credit provides an additional tax credit to employers that (i) have either fully or partially suspended operations because of government orders associated with COVID-19 or (ii) experience a substantial decline in income but continue to pay employees their wages.

Components of our results of operations

Net sales

We generate net sales from a portfolio of active healing products that serve physicians spanning the orthopedic continuum, including sports medicine, total joint reconstruction, hand and upper extremities, foot and ankle, podiatric surgery, trauma, spine and neurosurgery. We report sales net of contractual allowances, rebates and returns.

We sell our OA joint pain treatment and joint preservation products and minimally invasive fracture treatment through our direct sales team, who manage and maintain the sales relationship with healthcare providers, distribution centers or specialty pharmacies. In certain international markets, we also sell to independent distributors on pre-arranged business terms, who manage or maintain the sales relationship with their physician customers. See Note 2 to our consolidated financial statements for the years ended December 31, 2019 and 2018. We recognize revenue at the point in time when control is transferred to the customer, typically, in the case of our OA joint pain treatment and joint preservation products, when these products are shipped to the customer and, in the case of our Exogen system, when the patient has accepted the product.

Our BGSs are primarily sold in the U.S. market through independent distributors. We generally consign our BGS products to hospitals so our neurosurgeon and orthopedic spine surgeon customers can use them in procedures. We recognize revenue based upon consumption in a surgical procedure.

Cost of sales

Our cost of sales primarily consist of costs of products purchased from our third-party suppliers, direct labor and allocated overhead associated with the assembly of our Exogen system, excess and obsolete inventory charges, shipping, inspection and related costs incurred in making our products available for sale or use. In addition, cost of sales includes depreciation related to production as well as amortization of product-related intellectual property and distribution rights associated with commercialized products. Our OA joint pain treatment and joint preservation products and BGS products are manufactured by or obtained from third-party suppliers primarily located in Japan, Switzerland, Sweden and the United States. We receive the components for our Exogen system from suppliers and assemble each system in-house at our Cordova, Tennessee facility. In the future, we expect our cost of sales to increase due to increased sales volume.

Gross profit and gross margin

Gross profit consists of net sales less cost of sales. We calculate gross margin as gross profit divided by net sales. Our gross margin has been and will continue to be affected by a variety of factors, including costs of products purchased from our third-party suppliers, manufacturing costs, product mix and implementation over time of cost-reduction strategies. We expect net sales and product mix to vary quarter by quarter and therefore our gross profit will likely fluctuate from quarter to quarter.

Selling, general and administrative expense

Selling, general and administrative expense primarily consists of salaries, benefits and other related costs, including equity-based compensation, for personnel employed in sales, marketing, finance, legal, compliance, administrative, information technology, medical education and training, quality and human resource departments. Selling, general and administrative expense also includes third-party marketing, supply chain and distribution, information technology, legal, human resources, insurance and facilities expenses, selling, general and administrative expenses also include commissions, generally based on a percentage of sales, to our direct sales team and independent distributors. We expect our selling, general and administrative expenses will increase with the continued expansion of our sales organization and commercialization of our current and pipeline products. We plan to hire more personnel to support the growth of our business. In addition, as a public company, we will be implementing additional procedures and processes to address the standards and requirements applicable to public companies. We expect to incur additional annual selling, general and administrative expenses related to these additional procedures and processes including, among other things, equity-based compensation, increased liability insurance for our directors and officers, director fees, reporting requirements of the SEC, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses. We also expect a change in the timing over which compensation expense is recognized as a result of the termination of the Phantom Plan and the receipt by participants who are employed as of the date of this offering of shares of Class A common stock upon settlement of their awards (or of cash, in the case of participants whose employment terminates prior to this offering), which settlement is expected to take place between the twelve and 24 month anniversary of the date of such termination. However, over time, as we grow our net sales, we expect selling, general and administrative expenses to decline as a percentage of net sales.

Research and development expense

Research and development expense primarily consists of employee compensation, equity compensation and related expenses, as well as contract research organization service expenses related to clinical trials. We expense internal research and development costs as incurred and research and development costs incurred by third parties as they perform contracted work. Our research and development expenses may vary substantially from period to period based on the timing of research and development activities. We are focused on internal research and development to broaden our product portfolio across all verticals, expand our Exogen system product label and undertake clinical research to support commercialization of all of our products. As a result, we expect our research and development expenses to increase to the mid-single digits as a percentage of net sales as we introduce new products, extend existing product lines and expand indications. We see significant opportunity to develop innovative and clinically differentiated products in-house with our experienced research and development team. We are currently funding our B.O.N.E.S. clinical study, which began enrollment in 2018 and is aimed at broadening the label of our Exogen system to include a broader range of bones that may be treated as fresh fractures in predisposed patients at risk of nonunion. In addition, we are planning preclinical and animal model studies for MOTYS and PROcuff. Clinical and preclinical development timelines, the probability of success and development costs can differ materially from expectations.

Change in fair value of contingent consideration

Our change in fair value of contingent consideration primarily consists of changes in estimated contingent consideration payable to counterparties in connection with certain acquisition and investment transactions. During the periods presented, change in fair value of contingent consideration primarily consisted of income related to adjustments to the fair value of contingent consideration liabilities in connection with a supply agreement resulting from the OsteoAMP acquisition. We initially value contingent consideration using a weighted probability calculation of potential payment scenarios discounted at rates reflective of the risks associated with the expected future cash flows. Key assumptions used to estimate the fair value of contingent consideration include revenue, new business and operating forecasts and the probability of achieving the specific targets. After the initial valuation, we assign 100% probability to our best estimate in each reporting period and recognize a gain or loss in the income statement for fair value adjustments.

Restructuring costs

Restructuring costs primarily consist of employee severance, legal, consulting and temporary labor expenses. During the periods presented, restructuring costs were associated with headcount reductions in our international business to improve operating efficiency. Key assumptions in determining the restructuring costs include headcount reductions, as well as terms and negotiated payments to terminate certain contractual obligations.

Depreciation and amortization

Depreciation expense primarily consists of depreciation of computer equipment and software as well as leasehold improvements, furniture, fixtures, machinery and equipment. Amortization expense primarily consists of amortization expense related to customer relationships and other intangible assets.

Loss on impairment of intangible assets

During the periods presented, loss on impairment of intangible assets primarily consists of the write-off of an intangible asset related to a BGS product we no longer sell. We review intangible assets for recoverability if the facts and circumstances suggest that a potential impairment may have occurred. If this review indicates that carrying values may not be recoverable, we will perform an assessment to determine if an impairment charge is required to reduce carrying values to estimated fair value. We estimate fair value using a discounted value of estimated future cash flows.

Interest expense

Interest expense primarily consists of interest on our indebtedness, which currently consists of our term loan and revolving credit facility, which was incurred pursuant to the 2019 Credit Agreement. We have entered into interest rate swaps to limit our exposure to changes in the variable interest rate on our term loan. Interest expense includes any fair value gain or losses on these swaps. Interest expense also includes the revaluation for the liability related to our Equity Participation Right, or EPR, Unit. The EPR Unit's entitlement is 0.55% of available distributions arising from a distribution event as defined in the Bioventus LLC Agreement. We expect to use net proceeds from this offering to settle the EPR liability.

Other (income) expense

Other (income) expense primarily consists of foreign currency transaction and remeasurement gains and losses on transactions denominated in currencies other than our functional currency. Our foreign currency transaction and remeasurement gains and losses are primarily related to foreign currency denominated cash, liabilities and intercompany receivables and payables. Other (income) expense may also include certain nonrecurring items.

Income tax expense

Bioventus LLC is a partnership for U.S. federal tax purposes. Accordingly, the members include the profits and losses of Bioventus LLC in their income tax returns. Certain wholly-owned subsidiaries of Bioventus LLC are taxable entities for U.S. or foreign tax purposes and file tax returns in their local jurisdictions. Income tax expense includes U.S. federal and state and international income taxes, including certain taxes applicable to Bioventus LLC and U.S. federal income taxes for one of our subsidiaries that is treated as a corporation for U.S. federal tax purposes. Certain income and expense items in income tax returns are not reported in the same year as financial statements. We report the income tax effects of these differences as deferred income taxes. Valuation allowances recognized reduce the related deferred tax assets to an amount which will, more likely than not, be realized. We recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense.

[Table of Contents](#)

After the consummation of this offering, Bioventus Inc. will become subject to U.S. federal, state and local income taxes at the prevailing corporate tax rates with respect to our taxable income. In addition to tax expenses, we will be obligated to make payments under the Tax Receivable Agreement, which could be significant. The Tax Receivable Agreement, will obligate us to pay to the Continuing LLC Owner 85% of the amount of any realized tax benefits, (or in some circumstances are deemed to realize) resulting from (i) increases in the tax basis of assets of Bioventus LLC as a result of (a) any future redemptions or exchanges of LLC Interests described under “Certain relationships and related party transactions—Bioventus LLC Agreement—LLC Interest Redemption Right,” and (b) certain distributions (or deemed distributions) by Bioventus LLC and (ii) certain other tax benefits arising from our making payments under the Tax Receivable Agreement. For more information, see “Certain relationships and related party transactions—Tax Receivable Agreement.”

Adjusted EBITDA

We present Adjusted EBITDA, a non-GAAP financial measure because we believe it is a useful indicator of our operating performance. Our management uses Adjusted EBITDA principally as a measure of our operating performance and believes that Adjusted EBITDA is useful to our investors because it is frequently used by securities analysts, investors and other interested parties frequently use it in their evaluation of the operating performance of companies in industries similar to ours. Our management also uses Adjusted EBITDA for planning purposes, including the preparation of our annual operating budget and financial projections. We define Adjusted EBITDA as net income (loss) from continuing operations before depreciation and amortization, provision of income taxes and interest expense, adjusted for the impact of certain cash, non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include equity compensation, change in fair value of contingent consideration, COVID-19 benefits, succession and transition charges, loss on impairment of intangible assets, losses associated with debt refinancing, restructuring costs, foreign currency impact and other non-recurring costs. Adjusted EBITDA by segment is comprised of net sales and costs directly attributable to a segment, as well as an allocation of corporate overhead costs. The allocation of corporate overhead costs is determined based on various methods but is primarily based on a ratio of net sales by segment to total consolidated net sales. For more information regarding our calculation of Adjusted EBITDA, including information about its limitations as a tool for analysis, please see Note 2 to the table under “Prospectus summary—Summary historical and pro forma financial data.”

Interim Periods

The Company reports quarterly interim periods on a 13-week basis within a standard calendar year. Each annual reporting period begins on January 1 and ends on December 31. Each quarter ends on the Saturday closest to calendar quarter-end, with the exception of the fourth quarter, which ends on December 31. The 13-week quarterly periods ended on March 28, June 27 and September 26 for the year ended December 31, 2020. As a result, the fourth and first quarters may vary in length depending on the calendar year.

Results from continuing operations

Nine months ended September 26, 2020 compared to the nine months ended September 28, 2019

The following table sets forth components of our condensed consolidated statements of operations from continuing operations as a percentage of net sales for the periods presented:

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Net sales	100.0%	100.0%
Cost of sales (including depreciation and amortization)	28.1%	27.5%
Gross profit	71.9%	72.5%
Selling, general and administrative expense	58.9%	59.4%
Research and development expense	3.7%	3.3%
Restructuring costs	—	0.2%
Depreciation and amortization	2.4%	2.4%
Operating income	6.9%	7.2%

Table of Contents

The following table presents a reconciliation of net income from continuing operations to Adjusted EBITDA for the periods presented:

(in thousands)	Nine Months Ended	
	September 26, 2020	September 28, 2019
Net income from continuing operations	\$ 12,471	\$ 2,800
Depreciation and amortization ^(a)	21,789	22,972
Income tax expense	302	684
Interest expense	7,095	13,935
Equity compensation ^(b)	619	3,252
COVID-19 benefits, net ^(c)	(4,158)	—
Succession and transition charges ^(d)	5,345	—
Restructuring costs ^(e)	—	540
Foreign currency impact ^(f)	(58)	146
Other non-recurring costs ^(g)	884	4,154
Adjusted EBITDA	<u>\$ 44,289</u>	<u>\$ 48,483</u>

- (a) Includes for the nine months ended September 26, 2020 and September 28, 2019 depreciation and amortization of \$16.1 and \$17.1 million in cost of sales and also includes \$5.3 and \$5.8 million, respectively, presented in the consolidated statements of operations and comprehensive income, with the balance in research and development.
- (b) Represents compensation as well as the change in fair market value resulting from two equity-based compensation plans, the MIP and the Phantom Plan.
- (c) Represents income resulting from the CARES Act offset by additional cleaning and disinfecting expenses and contract termination fees for events we were unable to hold.
- (d) Primarily represents costs related to the CEO transition.
- (e) Represents costs related to a shift from direct to an indirect distribution model in our International business to improve performance. In addition, various international subsidiaries were dissolved and or merged into other Bioventus LLC entities.
- (f) Foreign currency impact represents realized and unrealized gains and losses from fluctuations in foreign currency and is included in other (income) expense on the consolidated statements of operations and comprehensive income.
- (g) Represents charges associated with potential strategic transactions, such as potential acquisitions, and preparing to become a public company, primarily accounting and legal fees.

Net sales

(in thousands, except for percentage)	Nine Months Ended		Change	
	September 26, 2020	September 28, 2019	\$	%
U.S.	\$204,022	\$218,228	\$(14,206)	(6.5)%
International	18,548	24,359	(5,811)	(23.9)%
Net Sales	<u>\$222,570</u>	<u>\$242,587</u>	<u>\$(20,017)</u>	<u>(8.3)%</u>

U.S.

Net sales decreased \$14.2 million, or 6.5%, for the nine months ended September 26, 2020, compared to the nine months ended September 28, 2019.

The changes in net sales by vertical are as follows:

- Minimally invasive fracture treatment (\$12.5) million
 - OA joint pain treatment and joint preservation (\$5.4) million
 - BGSs \$3.7 million

[Table of Contents](#)

Minimally invasive fracture treatment decreased primarily due to sales volume declines resulting from the disruption caused by the COVID-19 pandemic. OA joint pain and joint preservation decreased primarily due to more treatments being sold under contracts with major insurers at lower prices partially offset by sales volume growth. These decreases were also offset by sales volume growth within our BGS vertical.

International

Net sales decreased \$5.8 million, or 23.9%, for the nine months ended September 26, 2020, compared to the nine months ended September 28, 2019, primarily due to a decline in order volumes due to the disruption caused by the COVID-19 pandemic.

Gross profit and gross margin

(in thousands, except for percentage)	Nine Months Ended		Change	
	September 26, 2020	September 28, 2019	\$	%
Gross profit				
U.S.	\$ 147,654	\$ 159,154	\$ (11,500)	(7.2)%
International	12,395	16,623	(4,228)	(25.4)%
Total	<u>\$ 160,049</u>	<u>\$ 175,777</u>	<u>\$ (15,728)</u>	

	Nine Months Ended		Change
	September 26, 2020	September 28, 2019	
Gross margin			
U.S.	72.4%	72.9%	(0.5)%
International	66.8%	68.2%	(1.4)%
Total	71.9%	72.5%	(0.6)%

U.S.

Gross profit decreased \$11.5 million, or 7.2%, for the nine months ended September 26, 2020, compared to the nine months ended September 28, 2019, primarily due to the decline in net sales described above.

International

Gross profit decreased \$4.2 million, or 25.4%, for the nine months ended September 26, 2020, compared to the nine months ended September 28, 2019, primarily due to the decrease in sales from the disruption caused by COVID-19 pandemic. The decline in International gross margin of 1.4 percentage points is primarily due to the increased proportional mix of sales made through distributors compared to our direct sales team.

Selling, general and administrative expense

(in thousands, except for percentage)	Nine Months Ended		Change	
	September 26, 2020	September 28, 2019	\$	%
Selling, general and administrative expense	\$ 131,104	\$ 144,021	\$ (12,917)	(9.0)%

[Table of Contents](#)

Selling, general and administrative expense declined \$12.9 million, or 9.0%, for the nine months ended September 26, 2020, compared to the nine months ended September 28, 2019, primarily due to:

- COVID-19 related decreases, including declines in travel and meetings from doing business virtually, lower compensation related expenses as well as various cost-reduction initiatives \$13.4 million
- Lower legal and accounting expenses \$4.8 million

These decreases were partially offset by \$5.3 million in succession and transition charges primarily associated with the transition to our new Chief Executive Officer in April 2020.

Research and development expense

(in thousands, except for percentage)	Nine Months Ended		Change	
	September 26, 2020	September 28, 2019	\$	%
Research and development expense	\$ 8,311	\$ 7,911	\$ 400	5.1%

Research and development expense increased \$0.4 million, or 5.1%, for the nine months ended September 26, 2020, compared to the nine months ended September 28, 2019, primarily due to costs relating to the development agreement for MOTYS being almost entirely offset by cost reduction initiatives undertaken as a result of the COVID-19 pandemic.

Restructuring costs

There were no restructuring charges during the nine months ended September 26, 2020. Restructuring charges of \$0.5 million for the nine months ended September 28, 2019 resulted from a reduction in headcount and the closing of offices in certain countries as we shifted to an indirect distribution model in these countries to improve the performance of our International operations.

Depreciation and amortization

(in thousands, except for percentage)	Nine Months Ended		Change	
	September 26, 2020	September 28, 2019	\$	%
Depreciation and amortization	\$ 5,305	\$ 5,815	\$ (510)	(8.8)%

Depreciation and amortization during the nine months ended September 26, 2020 remained consistent with the nine months ended September 28, 2019, as it slightly decreased \$0.5 million, or 8.8%.

Other expense (income)

(in thousands, except for percentage)	Nine Months Ended		Change	
	September 26, 2020	September 28, 2019	\$	%
Interest expense	\$ 7,095	\$ 13,935	\$ (6,840)	(49.1)%
Other (income) expense	\$ (4,539)	\$ 71	\$ (4,610)	NM

Interest expense decreased \$6.8 million, or 49.1%, for the nine months ended September 26, 2020, compared to the nine months ended September 28, 2019, primarily due to decreased debt interest resulting from refinancing our debt in December 2019 as well as the decline in interest rates due to COVID-19. This decrease was partially offset with an increase of \$1.9 million primarily resulting from the decline in value of our interest rate swap.

Other income during the nine months ended September 26, 2020 was primarily the result of receiving Provider Relief Fund payments of approximately \$4.1 million in the aggregate pursuant to the CARES Act.

[Table of Contents](#)

Income tax expense

(in thousands, except for percentage)	Nine Months Ended		Change	
	September 26, 2020	September 28, 2019	\$	%
Income tax expense	\$ 302	\$ 684	\$ (382)	(55.8)%
Effective tax rate	2.4%	19.6%		(17.2)%

Income tax expense decreased \$0.4 million, or 55.8%, for the nine months ended September 26, 2020, compared to the nine months ended September 28, 2019, primarily due to the change in income from continuing operations before income taxes. Our change in effective tax rate is the result of Bioventus LLC's pass-through structure for U.S. income tax purposes, while being treated as taxable in certain states and various foreign jurisdictions as well as for certain subsidiaries.

Segment Adjusted EBITDA

Adjusted EBITDA for each of our reportable segments is as follows:

(in thousands, except for percentage)	Nine Months Ended		Change	
	September 26, 2020	September 28, 2019	\$	%
U.S.	\$ 42,800	\$ 44,406	\$ (1,606)	(3.6)%
International	\$ 1,489	\$ 4,077	\$ (2,588)	(63.5)%

U.S.

Adjusted EBITDA decreased \$1.6 million, or 3.6%, during the comparable time periods. The decline was the result of decreased gross profit, excluding depreciation and amortization in cost of sales, due to the decrease in sales primarily resulting from the economic impact of COVID-19, which also led to lower expenses resulting from doing business virtually, lower compensation related expenses, as well as various other cost-reduction initiatives.

International

Adjusted EBITDA decreased \$2.6 million, or 63.5%, during the comparable time periods. The decline was the result of decreased gross profit, excluding depreciation and amortization in cost of sales, resulting from the decrease in sales primarily due to the economic impact of COVID-19, which was partially offset by lower expenses resulting from doing business virtually, reduced compensation related expenses and various other cost-reduction initiatives.

Year ended December 31, 2019 compared to the Year ended December 31, 2018

The following table sets forth components of our consolidated statements of operations from continuing operations as a percentage of net sales for the periods presented:

	Years Ended December 31,	
	2019	2018
Net sales	100.0%	100.0%
Cost of sales (including depreciation and amortization)	26.7%	26.4%
Gross profit	73.3%	73.6%
Selling, general and administrative expense	58.3%	60.0%
Research and development expense	3.3%	2.5%
Change in fair value of contingent consideration	—	(0.2)%
Restructuring costs	0.2%	0.4%
Depreciation and amortization	2.3%	2.7%
Loss on impairment of intangible assets	—	0.2%
Operating income	<u>9.2%</u>	<u>8.0%</u>

Table of Contents

The following table presents a reconciliation of net income from continuing operations to Adjusted EBITDA for the periods presented:

(in thousands)	Years Ended December 31,	
	2019	2018
Net income from continuing operations	\$ 8,113	\$ 4,443
Depreciation and amortization ^(a)	30,316	29,238
Income tax expense (benefit)	1,576	1,664
Interest expense	21,579	19,171
Equity compensation ^(b)	10,844	14,325
Contingent consideration ^(c)	—	(739)
Loss on impairment of intangible assets ^(d)	—	489
Losses associated with debt refinancing ^(e)	367	—
Restructuring costs ^(f)	575	1,373
Foreign currency impact ^(g)	8	234
Other non-recurring costs ^(h)	5,810	1,973
Adjusted EBITDA	<u>\$ 79,188</u>	<u>\$ 72,171</u>

- (a) Includes for the years ended December 31, 2019 and 2018, respectively, depreciation and amortization of \$22.4 million and \$20.6 million in cost of sales and \$7.9 million, \$8.6 million shown on the consolidated statements of operations and comprehensive income (loss) with the balance in research and development expense.
- (b) Represents compensation as well as the change in fair market value resulting from two equity-based compensation plans, the MIP and the Phantom Plan.
- (c) Represents adjustments to the fair value of contingent consideration liabilities related to a supply agreement resulting from the OsteoAMP acquisition.
- (d) Represents the write-off of an intangible asset related to a BGS product we no longer sell.
- (e) Represents charges with our 2019 debt refinancing that were included in selling, general and administrative expense on the consolidated statements of operations and comprehensive income (loss).
- (f) Represents costs related to a shift from direct to an indirect distribution model in our International business to improve performance. In addition, various international subsidiaries were dissolved and or merged into other Bioventus LLC entities.
- (g) Foreign currency impact represents realized and unrealized gains and losses from fluctuations in foreign currency and is included in other (income) expense on the consolidated statements of operations and comprehensive income (loss).
- (h) Represents charges associated with Bioventus LLC potential strategic transactions such as potential acquisitions or preparing to become a public company, primarily accounting and legal fees.

Net sales

(in thousands, except for percentage)	Years Ended December 31,		Change	
	2019	2018	\$	%
U.S.	\$305,072	\$282,895	\$ 22,177	7.8%
International	35,069	36,282	(1,213)	(3.3)%
Net Sales	<u>\$340,141</u>	<u>\$319,177</u>	<u>\$ 20,964</u>	<u>6.6%</u>

[Table of Contents](#)

U.S.

Net sales increased \$22.2 million, or 7.8%, for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to an increase of \$26.7 million in sales of our treatments for OA joint pain and joint preservation due to multiple large contract wins executed in 2019, partially offset by net price decreases resulting from more products being sold under new contracts with major insurers at lower prices. Net sales also increased by \$11.6 million due to higher sales volume of BGS as we added new distributors. These increases were partially offset by a decrease of \$16.1 million in lower sales of our minimally invasive fracture treatment.

International

Net sales decreased \$1.2, or 3.3%, for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to conversion from direct to indirect sales channels in several markets.

Gross profit and gross margin

(in thousands, except for percentage)	Years Ended December 31,		Change	
	2019	2018	\$	%
Gross profit				
U.S.	\$224,957	\$209,415	\$ 15,542	7.4%
International	24,249	25,594	(1,345)	(5.3)%
Total	<u>\$249,206</u>	<u>\$235,009</u>	<u>\$ 14,197</u>	

	Years Ended December 31,		Change
	2019	2018	
Gross margin			
U.S.	73.7%	74.0%	(0.3)%
International	69.1%	70.5%	(1.4)%
Total	73.3%	73.6%	(0.3)%

U.S.

Gross profit increased \$15.5 million, or 7.4%, for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the increase in sales volume. The decline in U.S. gross margin of 0.3 percentage points primarily resulted from the change in mix in products sold as well as higher amortization expense attributed to our products.

International

Gross profit decreased \$1.3 million, or 5.3%, for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the decrease in sales. The decline in International gross margin of 1.4 percentage points is primarily due to the increased proportional mix of sales made through distributors compared to our direct sales team.

Selling, general and administrative expense

(in thousands, except for percentage)	Years Ended December 31,		Change	
	2019	2018	\$	%
Selling, general and administrative expense	\$198,475	\$191,672	\$ 6,803	3.5%

[Table of Contents](#)

Selling, general and administrative expense increased \$6.8 million, or 3.5%, for the year ended December 31, 2019, compared to the year ended December 31, 2018, due to:

- Increase in strategic transactions and consulting expenses \$4.9 million
- Increase in compensation related expenses \$1.2 million

Research and development expense

(in thousands, except for percentage)	Years Ended December 31,		Change	
	2019	2018	\$	%
Research and development expense	\$ 11,055	\$ 8,095	\$ 2,960	36.6%

Research and development expense increased \$3.0 million or 36.6% primarily due to the Development Agreement for MOTYS and our B.O.N.E.S. clinical study.

Change in fair value of contingent consideration

(in thousands, except for percentage)	Years Ended December 31,		Change	
	2019	2018	\$	%
Change in fair value of contingent consideration	\$ —	\$ (739)	\$ 739	100.0%

There was no change in the fair value of contingent consideration in 2019. The change in fair value of contingent consideration for the year ended December 31, 2018 was primarily driven by lower forecasted sales in subsequent years for certain BGS products as well as the actual 2018 sales being lower than those estimated at December 31, 2017. These were partially offset by interest on discounted cash flows.

Restructuring costs

(in thousands, except for percentage)	Years Ended December 31,		Change	
	2019	2018	\$	%
Restructuring costs	\$ 575	\$ 1,373	\$ (798)	(58.1)%

Restructuring costs decreased \$0.8 million, or 58.1%, for the year ended December 31, 2019, compared to the year ended December 31, 2018. The charges in 2019 and 2018 resulted from a reduction in headcount and the closing of offices in certain countries as we shifted to an indirect distribution model with more of the expense incurred in 2018.

Depreciation and amortization

(in thousands, except for percentage)	Years Ended December 31,		Change	
	2019	2018	\$	%
Depreciation and amortization	\$ 7,908	\$ 8,615	\$ (707)	(8.2)%

Depreciation and amortization during 2019 remained consistent with 2018 as it slightly decreased \$0.7 million, or 8.2%, during the comparable time periods.

Loss on impairment of intangible assets

During 2018, we decided to stop selling a specific BGS product and fully wrote off the related intangible asset, resulting in an impairment charge of \$0.5 million.

[Table of Contents](#)

Other expense

(in thousands, except for percentage)	Years Ended December 31,		Change	
	2019	2018	\$	%
Interest expense	\$21,579	\$19,171	\$ 2,408	12.6%
Other (income) expense	\$ (75)	\$ 226	\$ (301)	NM

Interest expense increased \$2.4 million, or 12.6%, for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the December 2019 refinancing resulting in a write-off of various deferred loan costs and discount related to the 2016 Credit Agreement.

Income tax expense

(in thousands, except for percentage)	Years Ended December 31,		Change	
	2019	2018	\$	%
Income tax expense	\$ 1,576	\$ 1,664	\$ (88)	(5.3)%
Effective tax rate	16.3%	27.2%		(10.9)%

Income tax expense remained consistent year over year. Our change in effective tax rate is the result of Bioventus LLC's pass-through structure for U.S. income tax purposes, while being treated as taxable in certain states and various foreign jurisdictions as well as for certain subsidiaries.

Segment Adjusted EBITDA

Adjusted EBITDA for each of our reportable segments is as follows:

(in thousands, except for percentage)	Years Ended December 31,		Change	
	2019	2018	\$	%
U.S.	\$71,673	\$67,480	\$ 4,193	6.2%
International	\$ 7,515	\$ 4,691	\$ 2,824	60.2%

U.S.

Adjusted EBITDA increased \$4.2, or 6.2%, during the comparable time periods. The increase was primarily the result of the increase in gross profit, excluding depreciation and amortization in cost of sales, resulting from the increase in sales. This increase was partially offset by the related increase in commissions, higher compensation expenses, increased consulting and legal expenses related to improving certain business processes.

International

Adjusted EBITDA increased \$2.8, or 60.2%, during the comparable time periods. The increase was primarily the result of the restructuring that began in late 2018 resulting in lower personnel expenses and a decline in various other costs due to the closure of offices. These increases in Adjusted EBITDA were partially offset by the decrease in gross profit, excluding depreciation and amortization in cost of sales, resulting from the decrease in and mix of sales due to conversion from direct to indirect sales channels in several markets.

Liquidity and Capital Resources

Overview

Our principal liquidity needs have historically been for acquisitions, working capital, research and development, clinical trials, and capital expenditures. We expect these needs to continue as we develop and commercialize new products and further our expansion into international markets. We believe that our existing cash and cash equivalents, borrowing capacity under our revolving credit facility, cash flow from operations and net proceeds from this offering will be enough to meet our anticipated cash requirements for at least the next twelve months. We may require additional liquidity as we continue to execute our business strategy. Negative impacts to our liquidity would include a decline in sales of our products, including declines due to changes in our

customers' ability to obtain third-party coverage and reimbursement for procedures that utilize our products, increased pricing pressures resulting from intensifying competition and cost increases, as well as general economic and industry factors. We anticipate that to the extent that we require additional liquidity, we will obtain funding through the incurrence of other indebtedness, additional equity financings or a combination of these potential sources of liquidity. In addition, we may raise additional funds to finance future cash needs through receivables or royalty financings or corporate collaboration and licensing arrangements. If we raise additional funds by issuing equity securities or convertible debt, our stockholders will experience dilution. Debt financing, if available, would result in increased fixed payment obligations and may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our products, future revenue streams or product candidates, or to grant licenses on terms that may not be favorable to us. The covenants under our credit agreement limit our ability to obtain additional debt financing. We cannot be certain that additional funding will be available on acceptable terms, or at all. Any failure to raise capital in the future could have a negative impact on our financial condition and our ability to pursue our business strategies.

After the completion of this offering, Bioventus Inc. will be a holding company and will have no material assets other than its ownership of LLC Interests. Bioventus Inc. has no independent means of generating revenue. The limited liability company agreement of Bioventus LLC that will be in effect at the time of this offering provides for the payment of certain distributions to the Continuing LLC Owner and Bioventus Inc. in amounts sufficient to cover the income taxes imposed on such members with respect to the allocation of taxable income from Bioventus LLC as well as to cover Bioventus Inc.'s obligations under the Tax Receivable Agreement. Additionally, in the event Bioventus Inc. declares any cash dividend, we intend to cause Bioventus LLC to make distributions to Bioventus Inc., in an amount sufficient to cover such cash dividends declared by us. Deterioration in the financial condition, earnings, or cash flow of Bioventus LLC and its subsidiaries for any reason could limit or impair their ability to pay such distributions. In addition, the terms of our financing arrangements, including the 2019 Credit Agreement, contain covenants that may restrict Bioventus LLC and its subsidiaries from paying such distributions, subject to certain exceptions. Further, Bioventus LLC is generally prohibited under Delaware law from making a distribution to a member to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Bioventus LLC (with certain exceptions), as applicable, exceed the fair value of its assets. Subsidiaries of Bioventus LLC are generally subject to similar legal limitations on their ability to make distributions to Bioventus LLC. See "Dividend Policy" and "Risk Factors—Risks Related to Our Organizational Structure—Our principal asset after the completion of this offering will be our interest in Bioventus LLC, and, accordingly, we will depend on distributions from Bioventus LLC to pay our taxes and expenses, including payments under the Tax Receivable Agreement. Bioventus LLC's ability to make such distributions may be subject to various limitations and restrictions." If we do not have sufficient funds to pay taxes or other liabilities or to fund our operations, we may have to borrow funds, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, such payments generally will be deferred and will accrue interest until paid; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreement and therefore accelerate payments due under the Tax Receivable Agreement. See "Certain relationships and related party transactions—Tax Receivable Agreement." In addition, if Bioventus LLC does not have sufficient funds to make distributions, our ability to declare and pay cash dividends will also be restricted or impaired. See "Risk Factors—Risks related to this offering and ownership of our Class A common stock" and "Dividend policy."

In addition, under the Tax Receivable Agreement, we will be required to make cash payments to the Continuing LLC Owner equal to 85% of the tax benefits, if any, that we actually realize (or in certain circumstances are deemed to realize), as a result of (1) increases in the tax basis of assets of Bioventus LLC resulting from (a) any future redemptions or exchanges of LLC Interests described under "Certain relationships and related party transactions—Bioventus LLC Agreement—LLC Interest Redemption Right," and (b) certain distributions (or deemed distributions) by Bioventus LLC and (2) certain other tax benefits arising from payments under the Tax Receivable Agreement. We expect the amount of the cash payments that we will be required to make under the Tax Receivable Agreement will be significant. The actual amount and timing of any payments under the Tax Receivable Agreement will vary depending upon a number of factors, including the

[Table of Contents](#)

timing of redemptions or exchanges by the Continuing LLC Owner, the amount of gain recognized by the Continuing LLC Owner, the amount and timing of the taxable income we generate in the future, and the federal tax rates then applicable. Any payments made by us to the Continuing LLC Owner under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to us. See “Risk Factors—Risks related to our organizational structure and the Tax Receivable Agreement—The Tax Receivable Agreement with the Continuing LLC Owner requires us to make cash payments to it in respect of certain tax benefits to which we may become entitled, and we expect that the payments we will be required to make could be significant.”

Nine Months Ended September 26, 2020 compared to the Nine Months ended September 28, 2019

Cash and cash equivalents, as of September 26, 2020, totaled \$72.5 million compared to \$64.5 million at December 31, 2019. The increase in cash was primarily due to the following:

(in thousands)	Nine Months Ended		Change	
	September 26, 2020	September 28, 2019	\$	%
Consolidated statement of cash flow data:				
Net cash provided by (used in):				
Operating activities from continuing operations	\$ 46,752	\$ 21,329	\$ 25,423	119.2%
Investing activities from continuing operations	(18,961)	(7,348)	(11,613)	158.0%
Financing activities	(19,691)	(11,640)	(8,051)	69.2%
Discontinued operations	(228)	(1,663)	1,435	(86.3)%
Effect of exchange rate changes on cash and cash equivalents	86	171	(85)	(49.7)%
Net change in cash and cash equivalents	<u>\$ 7,958</u>	<u>\$ 849</u>	<u>\$ 7,109</u>	NM

Operating Activities

Cash flows from operating activities from continuing operations increased \$25.4 million during the nine months ended September 26, 2020 compared to the nine months ended September 28, 2019 due to collections on accounts receivables staying strong while selling, general and administrative expenses declined. We experienced lower travel expense payments resulting from the near halting of all travel, a reduction in compensation related expenses due to the decline in sales and increased cash savings from cost cutting measures. We also received stimulus payments from government entities while we purchased less inventory due to the decline in sales. In addition, our interest expense was significantly lower during the nine months ended September 26, 2020 due to the December 2019 refinancing.

Investing Activities

Cash flows used in investing activities increased \$11.6 million during the nine months ended September 26, 2020 compared to the nine months ended September 28, 2019 primarily due to the \$16.6 million payment in connection with the 2020 CartiHeal investment partially offset by the \$6.0 million purchase of distribution rights during the nine months ended September 28, 2019.

Financing Activities

Cash flows used in financing activities increased \$8.1 million during the nine months ended September 26, 2020 compared to the nine months ended September 28, 2019 primarily due to the \$5.7 million increase in distribution to members as well as the \$2.4 million increase in debt payments.

Credit Facilities

As of September 26, 2020, there had been no material changes to our credit facilities as disclosed in our audited consolidated financial statements for the year ended December 31, 2019. In March 2020, as a precautionary measure and in order to increase our cash position and preserve financial flexibility in view of the uncertainty resulting from the COVID-19 pandemic, we drew down \$49.0 million on our revolving credit facility. On September 24, 2020, we repaid all borrowings outstanding under our revolving credit facility.

[Table of Contents](#)

Other

For information regarding Commitments and Contingencies, see Note 8 to the September 26, 2020 Notes to the Unaudited Condensed Consolidated Financial Statements contained herein.

Year ended December 31, 2019 compared to the Year ended December 31, 2018

	Years Ended December 31,		Change	
	2019	2018	\$	%
Consolidated statement of cash flow data:				
Net cash provided by (used in):				
Net cash provided by operating activities from continuing operations	\$ 42,545	\$ 52,310	\$ (9,765)	(18.7)%
Net cash used in investing activities from continuing operations	(7,912)	(6,061)	(1,851)	(30.5)%
Net cash used in financing activities	(10,951)	(13,256)	2,305	17.4%
Net cash used in discontinued operations	(1,832)	(7,163)	5,331	74.4%
Effect of exchange rate changes on cash and cash equivalents	(104)	(160)	56	35.0%
Net change in cash and cash equivalents	<u>\$ 21,746</u>	<u>\$ 25,670</u>	<u>\$ (3,924)</u>	(15.3)%

Operating activities

Net cash provided by operating activities from continuing operations decreased \$9.8 million during the year ended December 31, 2019 compared to the year ended December 31, 2018. The decrease was due to the timing of cash receipts and payments, including \$7.5 million paid to CMS Medicare as reimbursement for overpayments received on claims between October 1, 2012 and December 31, 2018.

Investing activities

Net cash used in investing activities increased \$1.9 million during the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to a \$2.5 million increase in the acquisition of distribution rights.

Financing activities

Net cash used in financing activities decreased \$2.3 million during the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to the receipt of \$3.9 million in net cash proceeds from the December 2019 refinancing, which was partially offset by \$1.3 million in additional distributions to members.

Indebtedness

On December 6, 2019, we entered into the 2019 Credit Agreement. The 2019 Credit Agreement is comprised of our \$200.0 million term loan and our \$50.0 million revolving credit facility. All obligations under the 2019 Credit Agreement are guaranteed by certain of our wholly owned domestic subsidiaries and secured by substantially all our and the guarantors' assets. The term loan and revolving credit facility mature on December 6, 2024. The 2019 Credit Agreement contains various restrictive covenants, including a quarterly covenant not to exceed a consolidated leverage ratio of 3.50 to 1.00 and an interest coverage ratio of 3.00:1.00 for the prior four consecutive quarters. The leverage and interest coverage ratios are based on Consolidated EBITDA as defined in the 2019 Credit Agreement, which includes several differences from Adjusted EBITDA as calculated in this prospectus. Consolidated EBITDA as defined in the 2019 Credit Agreement permits, among other things, the exclusion of (1) certain extraordinary, unusual and/or non-recurring expenses, some of which are subject to an aggregate cap, including but not limited to severance, acquisitions, dispositions, debt refinancing/amendment and initial public offering-related, (2) foreign currency gains/losses recognized in the

[Table of Contents](#)

statement of operations and (3) franchise, excise and property taxes recognized in the statement of operations. The restrictive covenants include limitations on (1) the declaration or payment of certain distributions on or in respect of our equity interests, (2) restrictions on acquisitions, investments and certain other payments, (3) limitations on the incurrence of new indebtedness, (4) limitations on transfers, sales and other dispositions and (5) limitations on making changes to our business and organizational documents. As of September 26, 2020, we complied with all covenants under the 2019 Credit Agreement and there was \$193.3 million of outstanding borrowings under the term loan. We have one nominal outstanding letter of credit. We intend to use the net proceeds for general corporate purposes. See "Use of proceeds."

Off-balance sheet arrangements

We do not have any off-balance sheet arrangements.

Contractual obligations

Our contractual obligations as of December 31, 2019 are as follows:

(in thousands)	Payments Due by Period				Total
	Less than 1 year	1-3 Years	3-5 Years	More than 5 years	
Long-term debt obligations	\$ 10,000	\$ 30,000	\$ 160,000	\$ —	\$ 200,000
Interest on long-term debt obligations	8,477	14,270	11,212	—	33,959
Operating lease obligations	1,814	3,602	3,575	7,336	16,327
Purchase obligations	16,889	—	—	—	16,889
	<u>\$ 37,180</u>	<u>\$ 47,872</u>	<u>\$ 174,787</u>	<u>\$ 7,336</u>	<u>\$ 267,175</u>

The table above does not include certain obligations as follows:

- commitments under our multi-year exclusive supply agreements for our OA products except for those amounts that are contractually committed as of December 31, 2019. Our purchase obligations under these supply agreements are generally based upon our forecasted requirements, subject in some cases to a contractual minimum per annum;
- commitments under the Development Agreement with MTF, the Option and Equity Purchase Agreement with CartiHeal and its shareholders and the Collaboration Agreement with Harbor, for which the relevant contingent events requiring a payment under the respective agreements have not yet occurred; and
- future milestone payments pursuant to the Development Agreement with MTF, the Option and Equity Purchase Agreement with CartiHeal and its shareholders, the Collaboration Agreement with Harbor and the amended and restated license agreement, or the Q-Med License Agreement, with Q-Med and NSH, as the payment obligations under these agreements are contingent upon future events and we are unable to estimate the timing or likelihood of achieving these milestones or generating future product sales.

Quantitative and qualitative disclosures about market risk

We are exposed to various market risks, which may result in potential losses arising from adverse changes in market rates, such as interest rates and foreign exchange rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes. We use derivative instruments to manage exposures to interest rates and foreign currencies. Derivatives are recorded on the balance sheet at fair value at each balance sheet date. We have elected the fair value method of accounting and do not designate whether the derivative

[Table of Contents](#)

instrument is an effective hedge of an asset, liability or firm commitment. Changes in the fair values of derivative instruments are recognized in the consolidated statements of operations and comprehensive income (loss) in the period incurred.

Interest rate risk

Our cash and cash equivalents balance as of September 26, 2020 consisted of demand deposits and institutional money market funds held in U.S. and foreign banks. Cash equivalents consist of highly liquid investment securities with original maturities on the date of purchase of three months or less and can be exchanged for a known amount of cash. We are exposed to the market risk related to fluctuations in interest rates and market prices for our cash equivalents. We are also exposed to interest rate risk in connection with borrowings under our credit agreement, which bear interest at a floating rate based on one-month LIBOR plus an applicable borrowing margin. As of September 26, 2020, a 1.0% increase in interest rate would result in \$9.0 million increase in total interest payable over the remaining life of the credit agreement in the event we were to draw down the entire capacity of our revolving credit facility. For variable rate debt, interest rate changes generally do not affect the fair value of the debt instrument, but impact future earnings and cash flows, assuming other factors are constant. In the ordinary course of business, we may enter into contractual arrangements to reduce our exposure to interest rate risks.

In March 2020, we entered into an interest rate swap agreement, effective March 26, 2020 and expiring December 6, 2024 to limit our exposure to changes in the variable interest rate on our term loan. The derivative instrument was not designated as a hedge.

Foreign exchange risk management

We operate in countries other than the U.S. and are exposed to foreign currency risks. We bill most direct sales outside of the U.S. in local currencies. We expect that the percentage of our sales denominated in foreign currencies will increase in the foreseeable future as we continue to expand into international markets. When sales or expenses are not denominated in U.S. dollars, a fluctuation in exchange rates could affect our net income. We believe that the risk of a significant impact on our operating income from foreign currency fluctuations is minimal. Although we do not currently have any foreign currency hedges, we have used foreign exchange forward contracts in the past to protect against the impact of foreign currency fluctuations and may use forward contracts, derivatives or other hedges for foreign exchange risk management purposes in the future.

Effects of inflation

We do not believe that inflation has had a material effect on our results of operations during the periods presented herein.

Related parties

For a description of our related party transactions, see "Certain relationships and related party transactions."

Recently issued accounting standards

The Company has elected to comply with non-accelerated public company filer effective dates of adoption. Therefore, the required effective dates for adopting new or revised accounting standards as described below are specific to non-accelerated public company filers, which are generally earlier than when emerging growth companies are required to adopt.

Accounting Pronouncements Recently Adopted

The Financial Accounting Standards Board, or FASB, issued Accounting Standards Update 2016-13, *Financial Instruments-Credit Losses*, or ASU 2016-13, in June 2016 that significantly changes accounting for

[Table of Contents](#)

credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 requires that an entity measure and recognize expected credit losses for financial assets held at amortized cost and replaces the incurred loss impairment methodology in prior GAAP with a methodology that considers a broad range of information for the estimation of credit losses. The Company adopted ASU 2016-13 on January 1, 2020 prospectively and the adoption did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software*, or ASU 2018-15, addressing a customer's accounting for implementation costs incurred in a cloud computing arrangement, or CCA, that is considered a service contract. Under ASU 2018-15, implementation costs for a CCA should be evaluated for capitalization using the same approach as implementation costs associated with internal-use software. The capitalized implementation costs should be expensed over the term of the hosting arrangement, which includes any reasonably certain renewal periods. Capitalized implementation costs should be assessed for impairment like long-lived assets. The Company adopted ASU 2018-15 on January 1, 2020 prospectively and it had no material impact on the consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement*, or ASU 2018-13, modifying the disclosure requirements on fair value measurements and eliminates the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. ASU 2018-13 modifies certain disclosures related to investments measured at net asset value and clarifies that companies are to disclose uncertainties in measurements as of the reporting date. ASU 2018-13 requires additional disclosure related to changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements as well as the range and weighted average, or other quantitative information that would be a more reasonable and rational method, of significant unobservable inputs used to develop Level 3 fair value measurements. The additional disclosures and description of any measurement uncertainty amendments should be applied prospectively for the most recent interim or annual period in the initial year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Company adopted ASU 2018-13 on January 1, 2020 and it did not have a material impact on its consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued Accounting Standards Update 2019-12, *Income Taxes*, or ASU 2019-12, which amended the accounting for income taxes. ASU 2019-12 eliminates certain exceptions to the guidance for income taxes related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences as well as simplifying aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 is effective for annual and interim periods beginning after December 15, 2020. Early adoption is permitted in interim or annual periods for which financial statements have not been made available for issuance. Entities that elect to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Certain amendments are to be applied prospectively while others are retrospective. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

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 GAAP. Prior to this offering, we were a private company and we are currently in the process of reviewing, documenting and testing our internal control over financial reporting.

[Table of Contents](#)

Presently, we are not an accelerated filer, as such term is defined by Rule 12b-2 of the Exchange Act, and therefore, our management is not presently required to perform an annual assessment of the effectiveness of our internal control over financial reporting. This requirement will first apply to our second Annual Report on Form 10-K. Our independent public registered accounting firm will first be required to attest to the effectiveness of our internal control over financial reporting for our Annual Report on Form 10-K for the first year we are no longer an “emerging growth company”.

Critical accounting policies and estimates

The preparation of the consolidated financial statements requires us to make assumptions, estimates and judgments that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of sales and expenses during the reporting periods. Certain of our more critical accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. On an ongoing basis, we evaluate our judgments, including those related to inventories, recoverability of long-lived assets and the fair value of our common stock. We use historical experience and other assumptions as the basis for our judgments in making these estimates. Because future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Any changes in these estimates will be reflected in our consolidated financial statements as they occur. While our significant accounting policies are more fully described in Note 1 to our consolidated financial statements included elsewhere in this prospectus, we believe that the following accounting policies and estimates are most critical to a full understanding and evaluation of our reported financial results. The critical accounting policies addressed below reflect our most significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue recognition

Sale of products

We derive revenue primarily from the sale of our OA joint pain treatment and joint preservation products, BGSs and minimally invasive fracture treatment. We sell these products directly to healthcare institutions, patients, distributors and dealers. We also enter into arrangements with pharmacy and health benefit managers that provide for privately negotiated rebates, chargebacks and discounts with respect to the purchase of our products. We recognize revenue at a point in time upon transfer of control of the promised product to customers in an amount that reflects the consideration we expect to receive in exchange for those products. We exclude from revenues taxes collected from customers and remitted to governmental authorities.

Revenues are recorded at the transaction price, which is determined as the contracted price net of estimates of variable consideration resulting from discounts, rebates, returns, chargebacks, contractual allowances, estimated third-party payer settlements and certain distribution and administration fees offered in our customer contracts and other indirect customer contracts relating to the sale of our products. We establish reserves for the estimated variable consideration based on the amounts earned or eligible for claim on the related sales. Where appropriate, these estimates take into consideration a range of possible outcomes, which are probability-weighted for relevant factors such as our historical experience, current contractual requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. The amount of variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. We regularly review all reserves and update them at the end of each reporting period as needed. Adjustments arising from the change in estimates of variable consideration were not significant for the years ended December 31, 2019 and 2018.

OA joint pain treatment and joint preservation

Revenue from customers such as healthcare providers, distribution centers or specialty pharmacies is recognized at the point in time when control is transferred to the customer, typically upon shipment.

Distributor chargebacks

We have preexisting contracts with established rates with many of the distributors' customers that require the distributors to sell our product at their established rate. We offer chargebacks to distributors who supply these customers with our products. We reduce revenue at the time of sale for the estimated future chargebacks. We record chargeback reserves as a reduction of accounts receivable and base the reserves on the expected value by using probability-weighted estimates of volume of purchases, inventory holdings and historical chargebacks requested for each distributor.

Discounts and rebates

We offer retrospective discounts and rebates linked to the volume of purchases which may increase at negotiated thresholds within a contract-buying period. We reduce revenue and record the reserve as a reduction to accounts receivable for the estimated discount and rebate at the most likely amount the customer will earn, based on historical buying trends and forecasted purchases.

Bone graft substitutes

The majority of our BGS product sales are through consignment inventory with hospitals, where ownership remains with us until the hospital performs a surgery and consumes the consigned inventory. We recognize the revenue when the surgery has been performed. The customer does not have control of the product until the customer consumes it, as we are able to require the return or transfer of the product to a third-party. An unconditional obligation to pay for the product does not exist until the customer consumes it.

Minimally invasive fracture treatment

We recognize revenue from third-party payers, such as governmental agencies, insurance companies or managed care providers, when we transfer control of the Exogen system to the patient, typically when the patient has accepted the product or upon delivery. We record this revenue at the contracted rate, net of contractual allowances at the time of sale, or an estimated price based on historical data and other available information for non-contracted payers. We record contractual allowances based on probability weighting historical data and collections. We recognize revenue from patients (self-pay and insured patients with coinsurance and deductible responsibilities) based on billed amounts giving effect to any discounts and implicit price concessions. Implicit price concessions represent differences between amounts billed and the amounts we expect to collect from patients, which considers historical collection experience and current market conditions.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. We are not aware of any claims, disputes or unsettled matters with any payer that would materially affect revenues for which we have not adequately provided for.

Product returns

We estimate the amount of returns and reduce revenue in the period the related product revenue is recognized. We record a liability for expected returns based on probability weighted historical data.

[Table of Contents](#)

Accounts receivable, net

Accounts receivable, net are amounts billed and currently due from customers. We record the amounts due net of allowance for doubtful accounts. We maintain allowances for credit losses to provide for receivables we do not expect to collect. We base the allowance on an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables and other information as applicable. Collection of the consideration that we expect to receive typically occurs within 30 to 90 days of billing. We apply the practical expedient for contracts with payment terms of one year or less which does not consider the effects of the time value of money. Occasionally, we enter into payment agreements with patients that allow payment terms beyond one year. In those cases, the financing component is not deemed significant to the contract.

Contract assets

Contract assets consist of unbilled amounts resulting from estimated future royalties from an international distributor that exceeds the amount billed. Contract assets are included in prepaid and other current assets on the consolidated balance sheets.

Contract liabilities

Contract liabilities consist of customer advance payments or deposits and deferred revenue. Occasionally for certain international customers, we require payments in advance of shipping product and recognizing revenue resulting in contract liabilities. Contract liabilities are included in accrued liabilities on the consolidated balance sheets.

Shipping and handling

We classify amounts billed for shipping and handling as a component of net sales. The related shipping and handling fees and costs as well as other distribution costs are included in cost of sales. We have elected to recognize shipping and handling activities that occur after control of the related product transfers to the customer as fulfillment costs and are included in cost of sales.

Contract costs

We apply the practical expedient of recognizing the incremental costs of obtaining contracts as an expense when incurred as the amortization period of the assets that we otherwise would have recognized is one year or less. These incremental costs include our sales incentive programs for the internal sales force and third-party sales agents as the compensation is commensurate with annual sales activities. These costs are included in selling, general and administrative expense on the consolidated statements of operations and comprehensive income (loss).

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenues and expenses during the period. On an ongoing basis, management evaluates these estimates, including those related to contractual allowances and sales incentives, allowances for doubtful accounts, inventory reserves, goodwill and intangible assets impairment, useful lives of long lived assets, noncontrolling interest, fair value measurements, litigation and contingent liabilities, income taxes, and equity-based compensation. Management bases its estimates on historical experience, future expectations and other relevant assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Fair value

We record certain assets and liabilities at fair value. Fair value is defined as the price that would be received from 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 at the measurement date. A three-level fair value hierarchy that prioritizes the inputs used to measure fair value is described below. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities are categorized based on the lowest level that is significant to the valuation.

The three levels of inputs used to measure fair value are as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities;

Level 2—Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and

Level 3—Unobservable inputs that are supported by little or no market data. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Business combinations

We record identifiable assets acquired, liabilities assumed and any noncontrolling interest in an acquiree resulting from a business combination at their estimated fair values on the date of the acquisition. We generally have third-party valuations completed for intangible assets in a business combination using a discounted cash flow analysis, incorporating various assumptions. Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired, including the amount assigned to identifiable intangible assets. The most significant estimates and assumptions inherent in a discounted cash flow analysis include the amount and timing of projected future cash flows, discount rate used to measure the risks inherent in the future cash flows, assessment of the asset's life cycle, and competitive and other trends impacting the asset, including consideration of technical, legal, regulatory, economic and other factors. Each of these factors and assumptions can significantly affect the value of the intangible asset.

Acquired in-process research and development, or IPR&D, is the fair value of projects for which the related products have not received regulatory approval and have no alternative future use and is capitalized as an indefinite-lived intangible asset. Due to inherent uncertainty related to research and development, actual results could differ materially from the assumptions used in the discounted cash flow model. Additionally, there are risks including, but not limited to, delay or failure to receive regulatory requirements to conduct clinical trials, required market clearances, or patent issuance, and that the research and development project does not result in a successful commercial product. Development costs incurred after the acquisition are expensed as incurred. Upon receipt of regulatory approval of the related technology or product, the indefinite-lived intangible asset is accounted for as a finite-lived intangible asset and amortized on a straight-line basis over its estimated useful life. If the research and development project is abandoned, the indefinite-lived asset is charged to expense.

We recognize contingent consideration liabilities resulting from business combinations at estimated fair value on the acquisition date. Contingent consideration liabilities are revalued subsequent to the acquisition date with changes in fair value recognized in earnings. Contingent payments related to acquisitions consist of development, regulatory and commercial milestone payments, and are valued using discounted cash flow techniques. Significant estimates and assumptions required for these valuations include the probability of achieving regulatory approval under specified time frames, product sales projections under various scenarios and discount rates used to calculate the present value of the estimated payments. Changes in the fair value of contingent consideration liabilities result from changes in these estimates and assumptions. Significant judgment

is employed in determining the appropriateness of the estimates and assumptions as of the acquisition date and in post-acquisition periods.

Impairment

We evaluate goodwill and other indefinite-lived intangible assets for impairment annually during the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Our reporting units are U.S. and International and we analyze each reporting unit separately in our goodwill impairment evaluation. We used independent third-party valuation specialists in 2019 and 2018 to assist management in performing the annual review of goodwill for impairment as well as in April 2020 due to the COVID-19 triggering event. The specialists assist management in the determination of fair value of reporting units based upon inputs and assumptions provided by management, which management uses for its impairment assessment. We analyze all other indefinite-lived intangible assets qualitatively to determine if it is more likely than not for an impairment to exist. If we meet the criteria, we perform a quantitative analysis to determine if an impairment exists.

Goodwill

Our goodwill impairment process includes applying a quantitative impairment analysis where the fair value of the reporting unit and compare it to its carrying value (including goodwill). We determine the fair value of U.S. and International reporting units based primarily on an income approach, which incorporates the use of a discounted free cash flow analysis. The discounted free cash flow analyses is based on significant judgments, including the current operating budgets, estimated long-term growth projections and future forecasts for each reporting unit. We discount future cash flows based on a market comparable weighted average cost of capital rate for each reporting unit. The discount rates used in the discounted free cash flow analyses reflect the risks inherent in the expected future cash flows generated by the respective intangible assets. Market risk, industry risk and a small company premium has an impact on the discount rate. The value of each reporting unit is determined on a stand-alone basis from the perspective of a market participant and represents the price we estimate we would receive in a sale of the reporting unit in an orderly transaction between market participants at the measurement date. Significant judgments inherent in this analysis include estimating the amount and timing of future cash flows and the selection of appropriate discount rates, royalty rate and long-term growth rate assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit and for some of the reporting units and could result in an impairment charge, which could be material to our financial position and results of operations. There has been no impairment of our goodwill related to our U.S. and International reporting units since our formation.

Equity compensation

We operate two equity-based compensation plans, the MIP and Phantom Plan. We issue MIP and Phantom Plan, which allows our employees to share our future profit without granting any additional voting rights. Awards granted under the MIP and certain Phantom Plan awards granted in 2015 and thereafter, or the 2015 Phantom Plan Units, are liability-classified. Those Phantom Plan awards granted from inception in 2012 and until the grant of the 2015 Phantom Plan Units, or the 2012 Phantom Plan Units, are equity-classified, as they do not contain a put option or other features requiring them to be liability-classified. Equity compensation includes compensation expense for all equity awards made to employees that are part of continuing operations and are based on estimated fair values as of the grant date for the 2012 Phantom Plan Units and period end fair value for the MIP units and 2015 Phantom Plan Units. We recognize expense for performance-based awards when we expect them to be earned. We recognize timed-based awards over the requisite service period, which is generally the vesting period of the award. We recognize forfeitures as they occur.

We used independent third-party valuation specialists in 2019 and 2018 to assist management in performing the annual valuation of MIP and 2015 Phantom Plan Units, as well as in April 2020 due to the COVID-19

[Table of Contents](#)

triggering event. The specialists assist management in the determination of fair value of awards granted using the Monte Carlo option pricing model. The subjective assumptions and the application of judgment in determining the fair value of the awards represent management's best estimates. If factors change and different assumptions are used, our equity compensation expense could be materially different in the future. The most significant assumptions and judgments are as follows:

- Expected volatility—We determine the expected price volatility based on the historical volatilities of our peer group, as we do not have a sufficient trading history for our units. Industry peers consist of several public companies in the medical device industry similar to us in size, stage of life cycle and financial leverage. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own stock price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.
- Time to liquidity event—The amount of time that the awards are expected to be outstanding.
- Risk-free interest rate—We based the risk-free rate on U.S. Government Constant Maturity Treasury rates for a term corresponding to the Time to Liquidity Event.
- Expected dividend yield—We used a dividend rate of zero as we have not previously issued dividends and do not anticipate paying dividends in the foreseeable future.

The assumptions utilized to determine the fair value of the awards are indicated in the following table:

	Year ended December 31,		April 30, 2020
	2019	2018	
Expected dividend yield	0.0%	0.0%	0.0%
Expected volatility	35.0%	30.0%	55.0%
Risk-free interest rate	1.5%	2.7%	0.2%
Time to exit event (in years)	1.5	1.0	1.0

The calculation of the fair value of awards also requires an estimate of our equity value, based on inputs from management and reporting unit valuation reports prepared by the specialists during the annual goodwill impairment process.

We determined the value of our equity utilizing methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Aid, "Valuation of Privately-Held-Company Equity Securities Issued as Compensation". Prior to the consummation of this offering, in the absence of a public trading market, our Board of Managers determines a reasonable estimate of the grant date fair value of our equity awards based on input from management and the annual valuation reports prepared by the specialists. In addition, we exercised judgment in evaluating and assessing the foregoing based on several factors including:

- the nature and history of our business;
- our historical operating and financial results;
- the market value of companies that are engaged in a similar business to ours;
- the lack of marketability of our common stock;
- the overall inherent risks associated with our business at the time awards were approved; and
- the overall equity market conditions and general economic trends.

After the closing of this offering, our board of directors will determine the grant date fair value of our equity awards based on the closing price of our common shares as reported by Nasdaq on the date of the grant.

[Table of Contents](#)

As of September 26, 2020, we had \$8.0 million of unrecognized compensation expense to be recognized over a weighted-average period of 1.3 years based on time to vest.

Income taxes

Bioventus LLC is currently a partnership for U.S. federal income tax purposes. As a partnership, taxable income or loss is generally included in the income tax returns of its members. We also have a subsidiary that operates as a C-corporation that is subject to income tax requirements and international operations that are subject to foreign income tax requirements. Additionally, Bioventus LLC is liable for various other state and local taxes. As a corporation, Bioventus Inc. will be subject to U.S. federal, state and local income taxes. We recognize the effect of income tax positions only if these positions are more likely than not to be sustained. We reflect changes in recognition or measurement in the period in which the change in judgment occurs. Upon the redemption or exchange of Bioventus LLC Units for shares of Class A common stock or cash, we will determine if we are likely to realize the resulting tax benefits. If we are, we will record (i) a deferred tax asset based on the step-up in basis resulting from the exchange and the then effective income tax rate, (ii) a payable to related party in respect of the corresponding 85% payment under the Tax Receivable Agreement and (iii) a tax benefit based on the net difference between (i) and (ii). As we realize cash tax savings, we will reduce the deferred tax asset and the payments made under the Tax Receivable Agreement will reduce the payable to related party. Further, we will evaluate the likelihood that we will realize the benefit represented by the deferred tax asset and, to the extent that we estimate it is more likely than not that we will not realize the benefit, we will reduce the carrying amount of the deferred tax asset with a valuation allowance.

Long-lived assets

Property and equipment are stated at cost and are depreciated using the straight-line method over the shorter of the asset's estimated useful life, or the lease term if related to leased property, as follows in years:

Computer software and hardware	3-5
Leasehold improvements	7
Machinery and equipment	7
Furniture and fixtures	7

We amortize finite-lived identifiable intangible assets using the straight-line method over their estimated remaining weighted average useful lives as follows in years:

	Weighted Average Useful Life
Intellectual property	17.1
Distribution rights	12.1
Customer relationships	10.0
Developed technology	5.0

We capitalize costs incurred from third-party vendors for software design, configuration, coding and testing and amortizes these costs on a straight-line basis over the estimated useful life of the product, not to exceed three years. We do not capitalize costs that are precluded from capitalization in authoritative guidance, such as preliminary project phase costs, planning, oversight, process re-engineering costs, training costs or data conversion costs.

The carrying values of property, equipment and finite lived intangible assets are reviewed for recoverability if the facts and circumstances suggest that a potential impairment may have occurred. If this review indicates that carrying values may not be recoverable, we will perform an assessment to determine if an impairment charge is required to reduce carrying values to estimated fair value. There were no events, facts or circumstances for the years ended December 31, 2019 and 2018 that resulted in any impairment charges to our property, equipment or finite lived intangible assets.

JOBS Act

We qualify as an “emerging growth company” pursuant to the provisions of the JOBS Act. For as long as we are an “emerging growth company,” we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, reduced disclosure obligations relating to the presentation of financial statements in the “Management’s discussion and analysis of financial condition and results of operations” section and exemptions from the requirements of holding advisory “say-on-pay” votes on executive compensation and shareholder advisory votes on golden parachute compensation. We have availed ourselves of the reduced reporting obligations and executive compensation disclosure in this prospectus and expect to continue to avail ourselves of the reduced reporting obligations available to emerging growth companies in future filings.

In addition, an emerging growth company can delay its adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to “opt out” of such extended transition period, and as a result, we plan to comply with any new or revised accounting standards on the relevant dates on which non-emerging growth companies must adopt such standards. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We will continue to qualify as an emerging growth company until the earliest of:

- The last day of our fiscal year following the fifth anniversary of the date of our initial public offering;
- The last day of our fiscal year in which we have annual gross revenues of \$1.07 billion or more;
- The date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt;
- The date on which we are deemed to be a “large accelerated filer”, which will occur at such time as we (1) have an aggregate worldwide market value of common equity securities held by non-affiliates of \$700 million or more as of the last business day of our most recently completed second quarter, (2) have been required to file annual and quarterly reports under the Exchange Act for a period of at least 12 months and (3) have filed at least one annual report pursuant to the Exchange Act.

BUSINESS

Overview

We are a global medical device company focused on developing and commercializing clinically differentiated, cost efficient and minimally invasive treatments that engage and enhance the body's natural healing process. We believe our non-invasive medical device and biologic products play a critical role in supporting the body's own healing mechanisms to heal or eliminate the pain caused by orthopedic conditions and problems, which we define as our active healing products. These products address an estimated \$6.0 billion market opportunity across OA joint pain treatment and joint preservation, spinal fusion surgery and bone fractures, each of which is experiencing growth through multiple industry tailwinds, including an aging population, increased participation in sports and active lifestyles and a rise in obesity rates. Our devices are most often used to delay or replace the need for an elective surgical procedure and are focused on reaching patients early on in their treatment paradigm. In 2019, approximately 85% of our \$340.1 million in revenues were derived from products associated with non-surgical procedures. Our products are widely reimbursed by both public and private health insurers and are sold in the physician's office or clinic, in ASCs, and in the hospital setting in the United States and across 37 countries. We have broad commercial reach across our established orthopedic customer base, which is a key strength of the company. We are focused on leveraging this significant customer base and the reach of our commercial organization to continue to grow the company by expanding our market share and product portfolio. This strategy has led to a 7.4% CAGR in revenue since 2016 and during this time period, our revenue has grown from \$274.5 million to \$340.1 million in 2019.

Our existing portfolio of products is grouped into three verticals based on our targeted customer focus:

- **OA Joint Pain Treatment and Joint Preservation.** We are the largest pure play orthopedics-focused company in the OA joint pain treatment and joint preservation market. We have been the fastest growing HA participant over the last three years, driving our share to number three by revenue in the U.S. market. We offer the only complete portfolio of HA viscosupplementation therapies, including single, three and five injection regimens, for patients experiencing pain related to OA in the knee. Our HA products are all approved by the FDA through PMAs, and include:
 - (a) Durolane, a single injection therapy, was launched in the United States in 2018 and is also marketed outside the United States in more than 30 countries including Europe through a CE mark;
 - (b) GELSYN-3, a three injection therapy, was launched in the United States in 2016; and
 - (c) SUPARTZ FX, a five injection therapy, was launched in the United States in 2001.
- **Bone Graft Substitutes.** We are the fastest growing participant in the BGSs market and offer a broad portfolio of products including human tissue allografts and synthetics. Our BGS products can be used in conjunction with any orthopedic fixation and spinal fusion implant. They are designed to improve bone fusion rates following spinal fusion and other orthopedic surgeries and reduce the need for using the patient's own bone, which is associated with additional cost and morbidity. Our products include an allograft-derived bone graft with growth factors (OsteoAMP), a DBM, a cancellous bone in different preparations (PureBone), bioactive synthetics (Signafuse and Interface), a collagen ceramic matrix (OsteoMatrix) and two bone marrow isolation systems (CellXtract and Extractor). Our products have received either 510(k) clearance from the FDA or are marketed as Section 361 HCT/Ps. HCT/Ps regulated solely under Section 361 are human cells, tissues and cellular and tissue-based products that do not require marketing authorization to be marketed in the United States.
- **Minimally Invasive Fracture Treatment.** Our Exogen system was the number one prescribed device in the bone growth stimulatory market in 2018 (the latest period for which data is available). It has had marketing authorization via a PMA through the FDA for over 25 years. We are the only company to utilize advanced, pulsed ultrasound technology for bone growth in delayed and nonunion fractures in all fracture locations except spine, as well as in fresh fractures of the tibia and radius. Our Exogen

[Table of Contents](#)

system offers significant advantages over electrical based long bone stimulation systems, including a documented mechanism of action, shorter treatment times and superior nonunion heal rates. The system is also sold internationally under a CE mark for nonunions and fresh fractures and is the market-leading bone healing treatment in the delayed union and nonunion market in Japan.

Our expansive direct sales and distribution channel across our three verticals provides us with broad and differentiated customer reach, and allows us to serve physicians spanning the orthopedic continuum, including sports medicine, total joint reconstruction, hand and upper extremities, foot and ankle, podiatric surgery, trauma, spine and neurosurgery. Our OA joint pain treatment and joint preservation products and minimally invasive fracture treatment are sold by a direct sales team of approximately 240 in the United States and approximately 45 internationally. This direct sales team is complemented by approximately 20 account representatives who facilitate account access through IDNs, GPOs and payer contracting. Our BGS products are sold by approximately 170 independent distributors in the United States, each with their own independent sales force, supported by our 15 member regionalized sales support team. We market our BGSs primarily to orthopedic spine surgeons and neurosurgeons for use in the operating room in both the hospital and ASC setting. We believe that our broad customer reach has and will continue to enable strong and durable growth in each of our verticals and provides a significant foundation for future product launches.

In addition to our current portfolio, we have a deep pipeline of new products under development, and we are pursuing the development of line extensions and expanded indications for already marketed products that address a significant market opportunity within our current customer base. On October 29, 2020, we received FDA confirmation indicating its authorization of our IND, allow us to begin a clinical trial for MOTYS, a placental tissue biologic for knee OA for which we ultimately plan to pursue a BLA. We have recently entered into an option and equity purchase agreement with CartiHeal, which provides us with the option to acquire CartiHeal and its Agili-C technology, which we believe is the only off-the-shelf scaffold implant designed to address osteochondral defects in the knee. CartiHeal submitted the non-clinical module of the PMA in January 2021 and expects to submit the final, clinical module of a Modular PMA in the fourth quarter of 2021 seeking FDA approval of Agili-C, which was granted breakthrough device designation by the FDA in the fourth quarter of 2020 for the treatment of certain knee-joint surface lesions. We have also entered into an exclusive Collaboration Agreement with Harbor for purposes of commercializing PROcuff, a rotator cuff tissue repair product, and we anticipate filing a request for 510(k) clearance in either the second or third quarter of 2022. We intend to launch OsteoAmp Flowable in 2021 for use in minimally invasive spine procedures. Additionally, we are currently conducting clinical studies of our Exogen system pursuant to an IDE from the FDA, and we plan to use data from these studies to seek approval for expanded indications with respect to fresh fractures. We intend to leverage the clinical data to support payer coverage in this area. We submitted the PMA supplement for the first proposed label expansion in December 2020.

We have grown our total net sales from \$319.2 million for the year ended December 31, 2018 to \$340.1 million for the year ended December 31, 2019. Our total net sales declined from \$242.6 million for the nine months ended September 28, 2019, to \$222.6 million for the nine months ended September 26, 2020, related to the COVID-19 pandemic. For the years ended December 31, 2019 and 2018 and the nine months ended September 26, 2020 and September 28, 2019, we had net income from continuing operations of \$8.1 million \$4.4 million, \$12.5 million and \$2.8 million, respectively. We have also grown our Adjusted EBITDA from \$72.2 million for the year ended December 31, 2018 to \$79.2 million for the year ended December 31, 2019. Our Adjusted EBITDA declined from \$48.5 million for the nine months ended September 28, 2019 to \$44.3 million for the nine months ended September 26, 2020, related to the COVID-19 pandemic. The COVID-19 pandemic and the measures imposed to contain the wide spread of the virus disrupted our business beginning in early March 2020 as healthcare systems across the U.S. were forced to limit patient visits and elective surgical procedures. The effects of the pandemic began to decrease in late April 2020 and we saw a very strong recovery for our products at the end of the second quarter as restrictions on orthopedic procedures were lifted across the United States and patients also returned to orthopedic offices. See the sections titled “Risk factors” and “Management’s discussion and analysis of financial condition and results of operations” for more information.

[Table of Contents](#)

For a reconciliation of net income (loss) from continuing operations to Adjusted EBITDA, see Note 2 to the information contained in “Prospectus summary—Summary historical and pro forma financial data.”

Our strengths

We believe that we have several key strengths that provide us with a competitive advantage:

- **Broad customer reach and market access.** We believe we have one of the largest sales organizations in the verticals in which we operate, including a direct sales team and distributors, with a dedicated focus on OA joint pain treatment and joint preservation products, BGSs and minimally invasive fracture treatments. We believe that our broad customer reach and market access are key factors contributing to our ability to increase our market share and grow faster than our competitors. Our sales organization has a performance culture built on serving our core orthopedic patient customers and delivering our products to a variety of physicians and care settings. We serve physicians spanning the orthopedic continuum, including sports medicine, total joint reconstruction, hand and upper extremities, foot and ankle, podiatric, trauma and spine. We believe we will continue to be well-positioned in the market given our strong foundation for reimbursement and customer access, coupled with a broad portfolio of clinically differentiated products.
- **Differentiated, market leading products across three verticals.** We believe our portfolio of complementary, market leading products provides patients and physicians with greater flexibility in tailoring a treatment regime that best fits the patient’s needs and lifestyle. Our products are most often used to delay or replace the need for an elective surgical procedure and are focused on reaching patients early on in their treatment paradigm. In 2019, approximately 85% of our \$340.1 million in revenues were associated with non-surgical procedures. We have the only complete one, three and five injection portfolio in the HA viscosupplementation market in the United States, which we believe gives patients the freedom of choice and appeals to the growing preference among providers to interact with a single vendor when accessing a complete portfolio of care. We also offer a comprehensive, clinically effective and cost efficient portfolio of BGSs to meet a broad range of patient needs and procedures. Our products are designed to improve bone fusion rates and avoid the cost and risks associated with autograft following spinal fusion and other orthopedic surgeries, and can be used in conjunction with any orthopedic fixation and spinal fusion implant. Additionally, our Exogen ultrasound bone healing system is the leader in the long bone stimulation market, offering shorter treatment times, superior non-union heal rates and a documented mechanism of action. Our Exogen system also has a broad label for patient use, including established nonunions and fresh fractures to the tibia and radius.
- **Substantial body of peer reviewed clinical evidence.** We believe that clinical evidence is critical to demonstrating efficacy, achieving reimbursement coverage and demonstrating the value of medical products. We have invested in building evidence and support for our key offerings and product portfolio. Clinical evidence is vital to physicians as they look to make decisions about which product would best serve their patients. The safety and efficacy of our key offerings within each of our three verticals has been demonstrated by numerous clinical studies, published peer review research and clinical publications. We believe that our significant body of clinical evidence creates a competitive barrier to entry given the time and investment required to amass the amount of published data we have and is an asset that would take years for a competitor to try to replicate.
- **Robust free cash flow conversion.** We believe that our robust free cash flow conversion and scale enables us to invest in our business in a meaningful way. Over the last four years, we have self-funded all internal research and development and business development efforts. We define free cash flow as net cash provided by operating activities from continuing operations as presented on our consolidated statement of cash flow plus interest expense as presented on our consolidated statement of operations less purchases of property and equipment and other on our consolidated statement of cash flow. Our free cash flow conversion, defined as free cash flow divided by Adjusted EBITDA, was 78% for the year ended December 31, 2019 and 93% from 2018 through September 26, 2020. With \$340.1 million in revenues for the year ended December 31, 2019, we also have scale to pursue opportunities to grow

our business, including internationally to regions such as China. Our attractive cash generation has and will continue to allow us to expand our deep pipeline of products through further internal research and development investment and additional tuck-in acquisitions that leverage our established infrastructure.

- **Experienced management team with a track record of value creation.** Our senior leadership team has been involved in growing large and mid-cap businesses, including through major acquisitions and integrations, public and private equity company sale transactions and strategic equity investments, as well as the development, approval and launch of new and transformative active healing products. Our team also has extensive operating experience with respect to active healing products, which includes designing clinical trials, working closely with regulatory agencies on identifying the appropriate path to market, successfully commercializing products, including securing managed care, payer or purchasing committee contracts and effectively managing our direct or distributor sales organizations.

Our growth strategy

We intend to pursue the following strategies to build a market-leading and customer-focused company centered on the OA joint pain treatment and joint preservation, BGSs and minimally invasive fracture treatments, and to continue to grow our net sales and Adjusted EBITDA:

- **Continue to expand market share in HA viscosupplementation.** We intend to increase sales of our HA viscosupplementation therapies and extend our market leadership in this category by building on our unique positioning as the only company to offer a one, three and five injection treatment regimen and by expanding payer coverage, which we have done successfully, increasing the number of lives under contract from 6 million to 48 million between April 2017 and April 2020. This increase in lives, along with our differentiated portfolio and dedicated direct sales team, has allowed us to achieve significant market share gains over the last several years and positioned us as the largest pure play orthopedic-focused company in the U.S. HA viscosupplementation market with a market share of approximately 17%.
- **Introduce new OA joint pain treatment and joint preservation products.** To expand our offering beyond HA viscosupplementation therapies and build a comprehensive portfolio for the OA joint pain treatment and joint preservation, we are planning to commercially launch a range of new therapies over the next several years, including:
 - (a) **MOTYS.** A placental tissue injectable biologic for knee OA, which we began selling in the cash pay market in the fourth quarter of 2020 as a Section 361 HCT/P pursuant to a temporary FDA policy of enforcement discretion. In parallel, we plan to pursue a required BLA premarket approval for this product, which we expect would expand insurance payment alternatives over time.
 - (b) **PROcuff.** A bio-inductive collagen implant for regeneration of tendon tissue in the rotator cuff. We expect to file a request for 510(k) clearance in either the second or third quarter of 2022.
 - (c) **Agili-C.** An off-the-shelf aragonite implant designed for implantation into osteochondral defects in the knee. We have an option to acquire this technology from CartiHeal upon FDA approval. CartiHeal submitted the non-clinical module of the PMA in January 2021 and expects to submit the final, clinical module of a Modular PMA in the fourth quarter of 2021 seeking FDA approval.
- **Further develop and commercialize our BGS portfolio.** We intend to grow our presence in the BGS market and expand our reach into the operating room in both ASCs and hospitals. In the near-term, we plan to maintain and selectively expand our profitable product lines by adding to our U.S. distributor base in an effort to reach significantly underpenetrated markets. Over time, we intend to launch product line enhancements and invest in the development of next-generation BGS therapies to continue to grow our market share. Consistent with this strategy, we recently launched the Signafuse Bioactive Strip and anticipate launching the OsteoAmp Flowable in 2021.

[Table of Contents](#)

- **Expand indications for use for our Exogen system.** We are focused on generating incremental clinical data and peer-reviewed publications to expand our indications and continue to grow our market leading share. We are currently underway with the B.O.N.E.S. clinical studies, which are aimed at generating data to support label expansion in additional bone types and expanded reimbursement for the treatment of fresh fractures in patients at risk of nonunion due to certain comorbidities, such as diabetes or obesity. We commenced patient enrollment to study three specific bones in 2017 and expect a rolling release of data starting in late 2020. Depending on the results from our studies, we plan to submit a total of three PMA supplements to the FDA, the first of which was submitted in December 2020 seeking approval for the adjunctive treatment of acute and delayed metatarsal fractures to reduce the risk of non-union. We plan to submit the second PMA supplement in the second quarter of 2022 and the third PMA supplement in either the third or fourth quarter of 2023.
- **Invest in research and development.** We are focused on internal research and development to broaden our portfolio of therapies to manage OA joint pain and joint preservation, expand our Exogen system product label and undertake clinical research to support commercialization of our next-generation of BGS products. We see significant opportunity to develop innovative and clinically differentiated products internally with our qualified research and development team. We rely on a team of 40 highly trained individuals to develop new products, conduct clinical investigations and help educate health care providers using our products. Our research and development team is comprised of 13 members holding PhDs and 18 members with more than 20 years of experience in the medical device industry. We collaborate with academic centers of excellence, leading contract research organizations and other industrial groups to complement and expedite execution of our research and development programs and minimize fixed costs.
- **Pursue business development opportunities.** Consistent with our track record of partnerships and acquisitions of MOTYS, PROcuff and CartiHeal, we intend to continue to pursue business development opportunities that leverage our significant customer presence across orthopedics, broaden our portfolio and increase our global footprint. We will continue to search for clinically differentiated and cost-effective products and technologies that also balance our portfolio in terms of risk and time to market.
- **Opportunistically grow our international markets.** We intend to focus our international business on markets where our existing portfolio can maintain profitable growth over time, either through direct or distributor based channels. For example, we launched OsteoAMP in Canada in 2020, where Durolane and Exogen had a market leading presence in 2016. We plan to selectively expand to new markets with Durolane, Exogen and our BGSs and intend to pursue further opportunities in the Asia Pacific markets. In particular, China represents an attractive and exciting market given its large and aging population as well as its rising middle class. We are adding a management team in China and will be creating a legal entity as we seek approval from the China Food and Drug Administration for Durolane, which we believe will be facilitated by the successful completion of our Chinese randomized controlled trial, or RCT.

Our products

We offer a diverse portfolio of active healing products to serve physicians spanning the orthopedic continuum, including sports medicine, total joint reconstruction, hand and upper extremities, foot and ankle, podiatric surgery, trauma, spine and neurosurgery, in the physician's office or clinic, ASCs or in the hospital setting.

Our portfolio of products is grouped into three verticals based on clinical use: (i) OA joint pain treatment and joint preservation, (ii) BGSs and (iii) minimally invasive fracture treatment.

OA joint pain treatment and joint preservation

Knee OA is a degenerative condition that is chronic in nature and is characterized by gradual breakdown and destruction of the cartilage in the knee. This condition develops over years and is often found in patients who

exhibit joint malalignment, have had a joint injury, or are overweight. The disease can involve joint inflammation and results in symptoms that include redness, warmth, swelling, stiffness, tenderness, limited range of motion and pain. As the condition advances, the knee joint gradually loses cartilage tissue and the cartilage layer attached to the bone deteriorates to the point where eventually the bone becomes exposed.

Knee OA is one of the five leading causes of disability among U.S. adults with an estimated 14 million individuals in the United States suffering from symptomatic knee OA. The prevalence of knee OA has increased over the past several decades in the United States, in line with the aging population and the growing obesity epidemic. Currently, the U.S. Census Bureau projects that nearly one in five U.S. residents will be aged 65 and older by 2030. As the chances of developing knee OA increase with each decade of life, we expect the number of individuals with knee OA to increase as the U.S. population as a whole becomes older. In addition, the Centers for Disease Control and Prevention, or CDC, estimates that one-third of the U.S. population is considered obese, and studies have shown that nearly two out of every three people who are obese will likely develop symptomatic knee OA in their lifetime. Furthermore, a study in the *American Journal of Epidemiology* has also shown that obese patients are significantly more likely to develop knee OA than non-obese patients. Accordingly, we believe that the number of individuals suffering from symptomatic knee OA in the United States will continue to grow.

Furthermore, costs due to hospitalizations for total knee replacements in patients with severe knee OA in the United States are estimated to be approximately \$40 billion annually, underscoring the need for non-surgical treatments for this prevalent chronic condition.

Although there is no cure for knee OA, several non-surgical options for treatment exist, such as weight reduction, physiotherapy, physical exercise and braces for functional assistance. Pharmacological therapy is often prescribed for symptoms of pain. Among these therapies are off-the-shelf oral analgesics, such as acetaminophen and nonsteroidal anti-inflammatory drugs, topical nonsteroidal anti-inflammatory drugs and intra-articular corticosteroid injections. Oral nonsteroidal anti-inflammatory drugs have well-known toxicities, with the potential for adverse gastrointestinal effects. Intra-articular corticosteroid injections have been shown to cause toxic effects in the joint, and a clinical study conducted by McAlindon et al. in 2017 observed that repeated injection of corticosteroids into patients' knees caused a measurable and significant loss in cartilage tissue. Furthermore, the pain relief provided by intra-articular corticosteroid injections is often short-lived (approximately three months), as observed by Bannuru et al. in a 2009 meta-analysis.

HA is a major component of the extracellular matrix in almost all living tissue that is produced naturally by the human body and is concentrated in the joints, cartilage and skin. HA is a natural lubricant and a major component of synovial fluid and articular cartilage and has an important anti-inflammatory role, causing inhibition of tissue destruction and facilitating tissue healing. Viscosupplementation is a procedure in which HA is injected into the joint. Within the United States, the FDA has approved the use of HA injections for treatment of pain caused by knee OA. Outside of the United States, HA viscosupplementation is used for treatment of OA in other joints in addition to the knee, such as the hip, ankle, shoulder elbow and small joints.




The treatment regimen for HA viscosupplementation therapies involves injections in the knee, with the number of injections depending on the type of formulation, the technology used to chemically modify HA to increase its longevity, as well as the preference of the patient and physician. Pain relief is usually experienced within four to twelve weeks and the effect has been shown to last up to six months. The safety of viscosupplementation has been established- infrequent potential side effects of knee OA injections include joint swelling and pain. Injection schedules vary from one to five injections and patients are generally advised to repeat the injection schedule if they are satisfied with the previous injection course. In a 2016 study, Bannuru et al. observed multiple cycles of HA viscosupplementation treatment to be safe and effective. A 2015 study conducted on claims data and published in *PLoS ONE* showed that HA injections are associated with significant delay in total knee replacement. In the cohort evaluated in this study, patients who received no HA viscosupplementation therapy had a median time-to-total knee replacement of approximately four months. With

[Table of Contents](#)

one course of HA viscosupplementation therapy, the median time to total knee replacement increased to more than 12 months and with more than five courses this number increased to 38 months, suggestive of a significant clinical benefit from HA injections.

In 2019, there were an estimated 2.4 million HA viscosupplementation procedures performed in the United States, representing approximately a \$1 billion market size across single, three and five injection treatments. The \$476.0 million single injection market has a projected 6.5% CAGR from 2019 to 2024 driven by economic advantages and greater patient convenience and compliance. The market opportunity for the \$405.0 million three injection market has a projected CAGR decline of (3.1)% and the \$113.0 million five injection market has a projected CAGR decline of (13.6)% from 2019 to 2024. However, we believe the multi-injection treatment market continues to be viable as there is a pool of patients that will continue to prefer these treatment protocols.

We have the only complete one, three and five injection portfolio in the HA viscosupplementation market in the United States with Durolane, GELSYN-3 and SUPARTZ FX.

<u>Product</u>	<u>Description</u>	<u>Regulatory pathway</u>	<u>Region where marketed(1)</u>
	Single injection HA viscosupplementation therapy	<ul style="list-style-type: none">• PMA• Device approval by Health Canada• CE mark and other registrations(2)	<ul style="list-style-type: none">• United States• Canada• Europe
	Three injection HA viscosupplementation therapy	<ul style="list-style-type: none">• PMA	<ul style="list-style-type: none">• United States
	Five injection HA viscosupplementation therapy	<ul style="list-style-type: none">• PMA	<ul style="list-style-type: none">• United States

- (1) We maintain exclusive distribution agreements with respect to Durolane, GELSYN-3 and SUPARTZ FX in the United States. We maintain exclusive distribution agreements and own certain assets with respect to Durolane outside the United States.
- (2) Durolane is also approved for marketing in Argentina, Australia, Brazil, Columbia, India, Indonesia, Jordan, Malaysia, Mexico, New Zealand, Russia, Switzerland, Taiwan, Turkey and the UAE.

Single Injection Therapy

Durolane is a sterile, transparent and viscoelastic gel that is a single injection therapy that is indicated for the symptomatic treatment of OA in the knee in the United States. Durolane is also indicated for the hip, ankle and shoulder, as well as for treatment of other small orthopedic joints outside the United States. Durolane contains high levels of HA and is injected directly into the joints affected by OA to relieve pain and restore lubrication and cushioning. This may improve joint function and help to potentially avoid or delay knee replacement surgery.

Physicians administer Durolane to the affected knee joint in a single injection and it has been observed to provide a benefit for pain reduction in patients with OA in the knee for up to 26 weeks. Durolane's injection schedule results in economic advantages and greater patient convenience and compliance compared to other HA viscosupplementation therapies which require weekly injections over a period of three to five weeks. For example, we believe that changes in physician visiting patterns, as a result of the COVID-19 pandemic, have led to increased preference for single injection therapies.

Durolane is highly purified and based upon a natural and patented non-animal stabilized HA, or NASHA, expanding use to patients who are allergic to animal derived solutions.

Table of Contents

Comparison of major FDA-approved single injection HA viscosupplementation therapies

Product Manufacturer or distributor	Indication	Source and process	Active ingredient / treatment dosage	Duration
DUROLANE <small>hyaluronic acid, stabilized single injection</small> Bioventus	OA of the knee	Non-animalstabilized HA	NASHA / (60 mg)	Six months
Synvisc-One Sanofi S.A.	OA of the knee	Animal sourced Hylan A and Hylan B polymers	Hylan G-F 20 / (48 mg)	Six months
Monovisc DePuy Orthopaedics, Inc.	OA of the knee	Non-animal cross-linked sourced HA	2.2% sodium hyaluronate / (88 mg)	Six months
Gel-One Zimmer Biomet Holdings, Inc.	OA of the knee	Animal sourced HA	1.0% sodium hyaluronate (30 mg)	Three months

Durolane clinical data

Durolane's proprietary stabilizing technology substantially extends the amount of time it remains in the joint. Multiple studies have been conducted to determine Durolane's half-life, which is the amount of time needed for 50% of the injected material to be broken down and excreted from the body.

In one study, Durolane's half-life in the joint was studied in a rabbit model. Results showed the Durolane remained in the joint with an observable half-life of 32 days, substantially longer than the half-lives of Synvisc and unmodified HA, as determined in comparable studies, which were 1.5 days and less than 1 day, respectively.

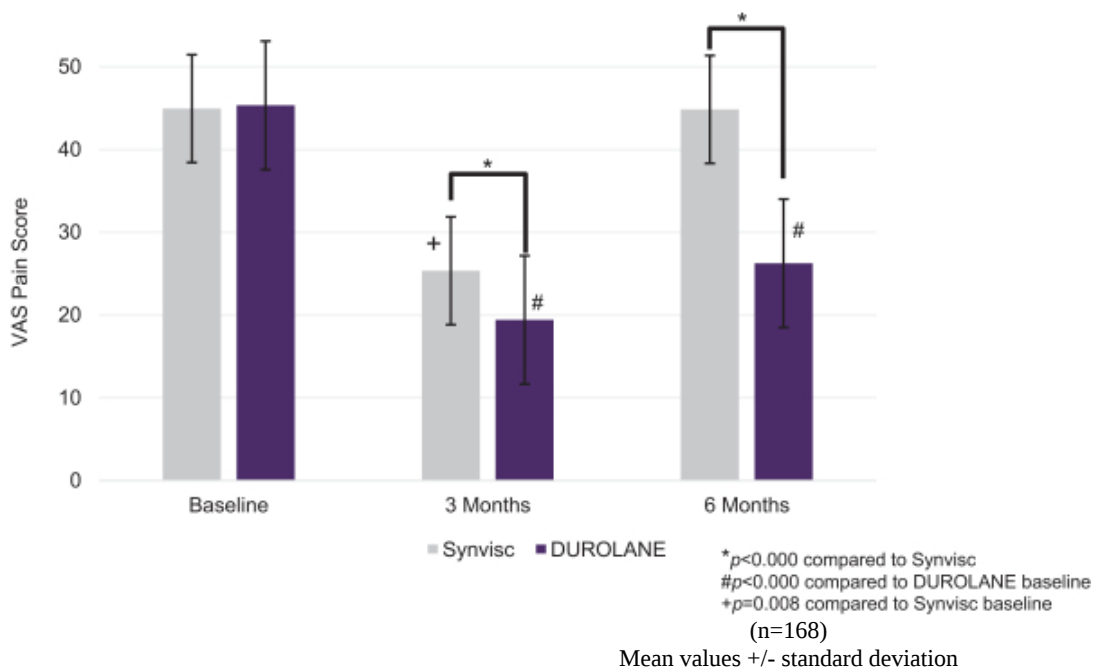
The long half-life of Durolane was also observed in the 2002 Lindqvist et al. human study where six healthy volunteers were given a single injection of Durolane that contained a radioactive isotope that could be traced, allowing scientists to measure Durolane's elimination from the body over time. The results showed a 30-day half-life, indicative of the expected long residence time in the joint due to Durolane's proprietary stabilizing technology and pre-clinical studies.

In terms of efficacy, Durolane has been directly compared against the main intra-articular therapeutic options available for managing osteoarthritic pain: SUPARTZ FX, a five injection product, Synvisc One, a single injection product and methylprednisolone acetate, an intra-articular corticosteroid.

In a multi-center randomized, blinded, controlled trial of 349 patients with mild-to-moderate knee OA, Durolane was compared with SUPARTZ FX. This 2015 Zhang et al. study concluded that one injection of Durolane was non-inferior to five weekly injections of SUPARTZ FX in terms of pain, stiffness, physical function and global self-assessment.

In an independent, investigator-initiated randomized, controlled study involving 213 patients with mild-to-moderate knee OA, Durolane was further compared to Synvisc-One. After following up with the patients over a span of 12 months following the treatment, the results from this 2013 McGrath et al. study showed that Durolane produced significantly more durable pain relief effects than Synvisc-One, while also providing longer-lasting improvements in range of motion and a reduction in the use of pain medication for study participants.

Greater Reduction in Knee Pain versus Synvisc-One



In a separate prospective, multi-center, randomized, active-controlled, double-blind, non-inferiority clinical trial with 442 enrolled patients with knee OA, it was observed that single injection Durolane was well tolerated and non-inferior compared to the corticosteroid methylprednisolone acetate at twelve weeks. Methylprednisolone acetate is a steroid injectable formulation used to treat pain and swelling that occurs with OA and other joint disorders. The effect size for pain, physical function and stiffness scores favored Durolane over methylprednisolone acetate from twelve to 26 weeks. The benefit of Durolane was maintained through 26 weeks, while that of methylprednisolone acetate declined during the same period. An additional injection of Durolane at 26 weeks conferred improvements through 52 weeks without increased sensitivity or risk of complications compared to the initial injection. One subset of 31 patients treated with Durolane remained pain free after six months from the first injection and did not elect to receive a second injection.

As of September 26, 2020, over 2 million injections of the Durolane formulation have been safely administered globally since its international launch in 2006. We launched Durolane in the United States in March 2018 and have owned certain Durolane assets outside of the United States relating to trademark, product registrations and clinical data since November 2015.

Three Injection Therapy

GELSYN-3 is an FDA-approved sterile, buffered solution of highly purified sodium hyaluronate that is administered as a three injection HA viscosupplementation therapy. It is indicated for the treatment of pain due to knee OA in patients who have failed to respond adequately to conservative non-pharmacologic therapy and simple analgesics. The solution treats knee OA by providing temporary replacement for the diseased synovial fluid and restoring lubricity of bearing joint surfaces. Physicians administer GELSYN-3 to the affected knee joint once a week for three consecutive weeks. GELSYN-3 provides relief of knee pain and may help delay the need for total knee replacement surgery. GELSYN-3 is derived from bacterial fermentation, is highly purified and does not involve the use of animal products, thereby reducing the potential risk of an immune response following

injection. We currently market GELSYN-3 in the United States. As of September 26, 2020, approximately 750,000 injections of the GELSYN-3 HA formulation have been safely administered in the United States since its launch in 2016.

GELSYN-3 clinical data

The safety and efficacy of GELSYN-3 was assessed in a prospective, multicenter, randomized, controlled, double-blind, non-inferiority pivotal study that enrolled 381 adult patients with knee OA. Patients were randomized to receive three weekly injections of GELSYN-3 or three weekly injections of Synvisc 3, a three injection regimen commercialized in the United States by Sanofi S.A., with follow-up visits scheduled up to 26 weeks. GELSYN-3 was observed to be non-inferior to Synvisc 3 at the 26-week time point.

Five Injection Therapy

SUPARTZ FX is an FDA-approved sterile and viscoelastic solution of HA that is administered as a five injection HA viscosupplementation therapy. It is indicated for the treatment of pain in patients with knee OA who failed to adequately respond to conservative nonpharmacological therapy and simple analgesics. The solution treats knee OA by providing temporary replacement for the diseased synovial fluid and restoring the lubricity of the bearing joint surfaces. Physicians administer SUPARTZ FX to the affected knee joint once a week for five consecutive weeks. SUPARTZ FX may also delay the need for total knee replacement. SUPARTZ FX is derived from HA extracted from certified and veterinary inspected chicken combs. Risks can include general knee pain, warmth and redness or pain at the injection site. We currently market SUPARTZ FX in the United States. As of March 31, 2020, over over 410 million injections of the SUPARTZ FX HA formulation have been safely administered globally since its launch in 1987.



SUPARTZ FX clinical data

In a double blind, randomized, multicenter, parallel group study conducted by Day et al. in 2004 of the effectiveness and tolerance of intra-articular SUPARTZ FX compared to control (saline) treatment for knee OA, it was observed that SUPARTZ FX reduced knee pain in patients during the post-injection period by about 50% from the baseline. Of 240 patients randomized for inclusion in the study, 223 patients were evaluable for the modified intention to treat analysis and the statistically significant difference from the control was apparent after the series of injections was complete. Intra-articular SUPARTZ FX therapy was shown to be more effective than saline in mild to moderate knee OA for the 13-week post injection period of the study.

The safety and efficacy of SUPARTZ FX was observed by Strand et al. in an integrated analysis. This integrated analysis included five separate double-blind, randomized, saline-controlled trials, and included a total of 1,155 patients comparing five weekly injections of SUPARTZ FX versus a saline placebo. The pooled results from this study showed that SUPARTZ FX produced statistically significantly greater reduction from baseline in total Lequesne scores, a measure of overall function including pain. The incidence of adverse events were observed to be minimal and similar in both treatment arms. Furthermore, none of the reported adverse events were observed to be deemed treatment-related suggesting that SUPARTZ FX was safe and well-tolerated.

[Table of Contents](#)

Comparison of FDA-approved multi-injection HA viscosupplementation therapies

Product <i>Manufacturer or distributor</i>	Indication	Source and process	Active ingredient / total treatment dosage	Number of injections per course	Duration
 GELSYN 3 <small>3 injection hyaluronic acid treatment</small> Bioventus	OA of the knee	Fermented, bacterial derived HA	0.84% sodium hyaluronate (50.4 mg)	Three	Six months
 SUPARTZ FX <small>sodium hyaluronate</small> Bioventus	OA of the knee	Naturally derived, purified HA	1.0% sodium hyaluronate (75/125 mg)	Three to Five	Six months
Synvisc <i>Sanofi S.A.</i>	OA of the knee	Hylan polymers, purified HA	0.8% Hylan G-F 20 (48 mg)	Three	Six months
Euflexxa <i>Ferring Pharmaceuticals Inc.</i>	OA of the knee	Fermented, bacterial derived HA	1.0% sodium hyaluronate (60 mg)	Three	Six months
Hyalgan <i>Fidia Farmaceutici S.p.A.</i>	OA of the knee	Naturally derived, purified HA	1.0% sodium hyaluronate (60 mg/100 mg)	Three to Five	Six months
Genvisc-850 <i>OrthogenRx, Inc.</i>	OA of the knee	Fermented, bacterial derived HA	1.0% sodium hyaluronate (75/125 mg)	Three to Five	Six months

Development and Clinical Pipeline

Amniotic tissue products for the treatment of OA

Collaboration and development agreement for MOTYS

On May 29, 2019, we entered into a Development Agreement with MTF to develop an injectable placental tissue product, MOTYS, for use in the OA joint pain treatment and joint preservation.

The development and commercialization of the product will take place in two stages, and we began limited commercialization of MOTYS to a cash pay only market in the fourth quarter of 2020 as a Section 361 HCT/P pursuant to the FDA's policy of enforcement discretion allowing for marketing without the required BLA approval until May 2021, while in parallel we pursue a BLA pre-market approval for the product. Once approved as a biologic, MOTYS will be eligible for health insurance reimbursement and hence gain access a broader patient population.

Given these products are currently sold in the cash pay market, there is limited industry data available on the current market for amniotic injectables. The approximately \$110.7 million U.S. amniotic tissue market for orthopedic, sports and spine applications is estimated to reach approximately \$271.3 million in 2023, a projected 25.1% CAGR from 2019 to 2023. We expect that demographic trends coupled with industry focus, expected positive clinical trial outcomes and potential for future coverage and reimbursement will drive further interest in amniotic tissue products.

We are planning to conduct randomized clinical trials to ultimately support the submission to the FDA of a BLA for the use of MOTYS in the OA joint pain treatment.

[Table of Contents](#)

Based on our preclinical evidence, we believe the MOTYS formulation holds potential for mitigating OA joint pain while protecting damaged cartilage and promoting anti-catabolic and pro-anabolic events that could ultimately result in delayed disease progression in OA. We have completed extensive in vitro and in vivo studies comparing the effect of MOTYS to the clinical standard of care (steroid injections). MOTYS provided non-inferior pain relief effects to a steroid, but was superior in its effect on cartilage protection and in promotion of new tissue formation.

On October 29, 2020, we received FDA confirmation indicating its authorization of our IND and plan to initiate clinical studies by year end. Amniotic products have been extensively and safely used in clinical practice, and FDA has granted Regenerative Medicine Advanced Therapy, or RMAT, designation to other amniotic tissue products being investigated for use in OA, which enables an expedited development pathway as well as eligibility for increased and earlier interactions with FDA. We intend to submit a request for RMAT designation for MOTYS in

Implantable for the treatment of rotator cuff injuries

Development collaboration agreement for PROcuff

On August 23, 2019, we entered into an exclusive Collaboration Agreement with Harbor to develop and license the rights to commercialize a woven-suture-collagen composite implant product, PROcuff, for the regeneration of tendon tissue.

Concurrently with the execution of the agreement, we purchased \$1.0 million of shares of Harbor. As a result of Harbor's achievement of certain milestones, on October 5, 2020, we purchased \$1.0 million of additional shares of Harbor.

The sole use of proceeds from these investments is for the development of the woven-suture-collagen composite implant product and we have the right to purchase the product from Harbor once it is cleared for marketing by the FDA.

According to SmartTRAK Business Intelligence, there will be an estimated 534,000 rotator cuff injuries surgically repaired in the United States in 2020, and at least one quarter of those injuries are in scope for PROcuff technology. The composite implant could also be used in additional tendon/ligament disorders in other extremities. The number of rotator cuff injuries surgically repaired in the United States is expected to grow to 802,000 procedures by 2024.

We have currently completed a pilot sheep implantation study through a collaboration with a prominent academic investigator. Results indicate that the material is well tolerated, rapidly integrated and promotes the formation of new tendon tissue at the bone tendon interface.

We expect to file a request for 510(k) clearance in either the second or third quarter of 2022. We plan to conduct post-clearance human clinical studies with the composite implant to further demonstrate the safety and efficacy of the product, and facilitate reimbursement.

Treatment of Cartilage for Osteochondral defects

CartiHeal (developer of Agili-C) investment and option and equity purchase agreement

On July 15, 2020, we made a \$15.0 million equity investment in CartiHeal, a privately-held company headquartered in Israel and developer of the proprietary Agili-C implant for the treatment of joint surface lesions in traumatic and osteoarthritic joints.

We believe Agili-C is the only product in clinical development in the United States as an off-the-shelf scaffold implant that is designed to regenerate hyaline cartilage and subchondral bone simultaneously. The

[Table of Contents](#)

associated surgical procedure is similar to osteochondral allograft implantation, but is a single-step process and is easier, faster and more cost-effective. We believe this is the first cartilage repair technology to be tested in trials designed for regulatory approval in the United States in non-OA and OA patients, potentially unlocking applications for millions of patients with knee OA and cartilage defects. We also believe Agili-C will enable the treatment of cartilage lesions in a significant population of OA patients, including those younger, active patients for whom available treatment options are limited. The FDA's grant of breakthrough device designation in the fourth quarter of 2020 for the treatment of an ICRS grade III or above knee-joint surface lesions(s), with a total treatable area of 1-7cm², without severe osteoarthritis (Kellgren-Lawrence grade 0-3) is a promising development, as such designation may help patients receive more timely access to Agili-C by expediting its development, assessment and review by the FDA. On January 12, 2021, CMS issued a final rule under which a breakthrough device designation by the FDA also provides a streamlined pathway to national Medicare coverage for a period of four years, beginning as early as the FDA approval for the product. The approximately \$110.0 million U.S. knee cartilage repair market for 2020 is estimated to reach approximately \$197.0 million in 2026, a projected 10% CAGR from 2019 to 2026. We believe Agili-C also has the potential for broader indications for use in other joints, providing entrance into an approximately \$1.3 billion global market for cartilage repair products designed to delay or eliminate the need for knee replacements.

In preclinical studies, Agili-C was associated with osteochondral regeneration, good lateral integration and hyaline cartilage formation in critical size defects at 20 months when implanted in a goat, with the implant being fully resorbed between six to 20 months.

The Agili-C implant has been implanted in more than 190 patients outside the United States with follow up of more than four years and is CE marked. The implant is currently being evaluated in a pivotal study pursuant to an IDE filed with the FDA. The trial's objective is to demonstrate the superiority of the Agili-C implant over the surgical standard of care (microfracture and debridement) for the treatment of cartilage or osteochondral defects, in both osteoarthritic knees and knees without degenerative changes. The study's protocol design, which is based on feedback from multiple pre-IDE interactions with the FDA, involves broad inclusionary criteria, such as defect size, age, and etiology, multiple controls, including microfracture and debridement, and multiple pre-planned secondary endpoints. The study has an adaptive design, which allows for a maximum of 500 planned patients, includes multiple interim analyses to estimate sample size needs and includes EU, Israeli and U.S. sites.

Our CartiHeal investment follows the recently completed enrollment and reporting of interim results in CartiHeal's IDE multinational pivotal study for Agili-C.

This investment is expected to enable CartiHeal to complete the study, including all patient follow-up, and submit a PMA to the FDA. Under the equity purchase agreement, CartiHeal can secure an additional \$5.0 million from us, if needed, for IDE study completion. We previously made an initial \$2.5 million investment in CartiHeal in January 2018 and a subsequent investment of \$0.2 million in January 2020 as part of prior CartiHeal financing rounds. Any additional investment we make will be subject to customary closing conditions.

We concurrently entered into an Option and Equity Purchase Agreement with CartiHeal and its shareholders, which provides us with an exclusive option to acquire 100% of CartiHeal's shares, or the Call Option, and provides CartiHeal with a put option that would require us to purchase 100% of CartiHeal's shares under certain conditions, or the Put Option. The Call Option is exercisable by us upon closing of the investment. The Put Option is only exercisable by CartiHeal upon pivotal clinical trial success, including achievement of certain secondary endpoints and FDA approval of the Agili-C device with a label consistent in all respects with pivotal clinical trial success.

If not previously exercised, the Call Option and the Put Option terminate 45 days following the FDA approval of Agili-C or in the event of failure of the pivotal clinical trial. We also have the right to terminate the Call Option and Put Option at any time ending 30 days after receipt from CartiHeal of the statistical report regarding the final results of the pivotal clinical trial upon payment of a breakup fee of \$30.0 million.

[Table of Contents](#)

Consideration for the acquisition of all of the shares of CartiHeal pursuant to the Call Option or Put Option would be \$350.0 million, all of which would be payable at closing, with an additional \$150.0 million payable upon achievement of certain sales milestones related to Agili-C.

Bone Graft Substitutes

BGSs in spinal fusion and other procedures

Bone grafting is a surgical procedure used to fuse spinal vertebrae, replace missing bones, fix bones that are damaged from trauma or problem joints, or to facilitate growing bones around an implanted device, such as a total knee replacement. The bones used in a bone graft can come from a particular patient's own body, referred to as an autograft, or from a donor, referred to as an allograft, or can be entirely man-made, referred to as a synthetic. Most bone grafts are expected to be reabsorbed and replaced as the natural bone heals over a few months.

In some spinal fusion procedures, parts of the vertebrae are removed to facilitate the procedure. The removed bone can be saved and used as the graft, known as a local autograft. Given that it is the patient's own bone, the advantage is that it will not be rejected and eliminates the need to harvest bone from elsewhere in the body. The disadvantage is that there is a limited amount of bone that can be harvested from the small spinal bones, especially as the patient gets older and their bones tend to thin and weaken.

An autograft can also be harvested from other parts of the patient's body such as the hip, rib or other areas of the spine. Iliac crest bone taken from a patient's hip has been considered the preferred bone graft material to promote successful fusion because it is easy to access, provides good quantities of cortical and cancellous bone, has natural curvatures that aid in the creation of grafts and does not carry the risk of rejection or disease transmission. The major drawback to the use of an autograft is graft-site morbidity and associated major complications such as deep infection, iliac fracture, chronic pain and arterial injury, among others. There is also extra cost associated with autograft bone grafting procedures, which face difficulties and complications such as increased operative time, blood loss, limited supply of bone graft, increased risk of subsequent pelvic fracture, peripheral nerve dysfunction causing numbness or weakness, postoperative pain and infection. Despite these potential adverse events, autograft bone grafting procedures are still performed regularly with approximately 175,000 performed in the United States in 2019.

To avoid the morbidity and cost of harvesting autograft, a number of BGSs have been developed and commercialized for orthopedic applications. There are several types of BGSs that have been developed and commercialized, including growth factors, stem cells, synthetics, DBMs and allografts.

Different BGSs are often combined in a procedure to achieve the key elements of successful bone regeneration, which include osteoinduction, osteoconduction and osteogenesis. Osteoinduction refers to the ability of an implant to stimulate bone formation based primarily on soluble growth factor signals. Osteoconduction refers to the ability of an implant to facilitate bone formation based primarily on a physical matrix or scaffold, when placed adjacent to viable bone tissue. Osteogenesis refers to the ability to facilitate new bone formation based primarily on the viable stem cells contained within the bone graft. BGSs, depending on their design, can be used entirely in place of an autograft or by extending the volume of an autograft by combining it with the BGS.

Surgeons utilize BGSs in spinal fusion, orthopedic trauma, foot and ankle, hand and wrist, hip and knee and craniomaxillofacial surgeries. Below is a brief description of these applications:

- ***Spinal fusion.*** Spinal fusion surgery is indicated for several conditions, including spine trauma, tumors and degenerative disease in the cervical, thoracic and lumbar sections of the spine. The objective of spinal fusion is to create an environment that will allow bone to form a solid bony bridge across the involved spinal segments. In 2019, spinal fusion represented the largest potential indication for bone

Table of Contents

replacement materials, accounting for 31.2%, or over 705,000 of all potential orthopedic spine bone grafting procedures. This number is expected to grow at a 3.6% CAGR from 2019 to 2024.

- **Orthopedic trauma.** Most uses of BGSs in trauma are for fresh fracture cases, rather than nonunion, due to the nature of these injuries. The number of trauma BGS procedures performed in 2019 was estimated to be approximately 553,000 and represents 24.4% of the total orthopedic spine bone grafting procedures for that year. Trauma BGS procedures are expected to grow at a 4.0% CAGR from 2019 to 2024.
- **Other.** BGSs are used in foot and ankle surgeries, as well as hand and wrist procedures to fill defects, span bone voids and correct alignment; in hip and knee procedures when there is bone lost to disease, infection or injury, or if the bone needs assistance integrating with surgically implanted devices; and in craniomaxillofacial surgeries to reduce fusion times and in conjunction with the use of metal plates. Excluding craniomaxillofacial surgeries, there were approximately 1,000,000 procedures performed in 2019 and this number of procedures is expected to grow at a 5.6% CAGR from 2019 to 2024.

<u>Bone graft substitutes</u>	<u>U.S. 2019 market size (in millions)</u>	<u>Market CAGR (2019-2023)</u>	<u>Primary applications</u>	<u>Bioventus product offerings(1)</u>
Allografts, DBMs and Growth factors	1,077	3.2%	Spinal fusion, trauma and other bone repair applications	Purebone, Exponent and OsteoAMP
Synthetics	534	1.5%	Spinal fusion, trauma and other bone repair applications	Signafuse, Interface and OsteoMatrix
Stem cells	395	16.1%	Spinal fusion, trauma and other bone repair applications	Distributor for other brands

Source: iData US Market report on Orthopedic Biomaterials

<u>Procedure</u>	<u>Description</u>	<u>Procedures in 2019 ('000)</u>
Allograft Bone Graft Substitutes	<ul style="list-style-type: none"> - Harvested from cadaveric femoral or iliac crests - Depending on preparation process may exhibit osteoconductive and/or osteoinductive properties - Comes in a variety of forms including freeze-dried, fresh-frozen, morselized and cancellous chips 	249
DBMs	<ul style="list-style-type: none"> - Allograft material obtained from cadaveric bone that is frozen, freeze-dried and devoid of mineral content - Structural matrix consisting of type-1 collagen provides osteoconductive activity and differences in demineralization process provides varying degrees of osteoinductive properties - Effective BGS for spinal fusion and other orthopedic procedures - Comes in a variety of forms including putty, gel, powder, fiber, flexible sheets or mixed with cortical chips 	401
Growth Factors	<ul style="list-style-type: none"> - When produced through recombinant manufacturing process, allows for easy reproducibility and consistent purity of large amounts of BMP-2 and PDGF, bone-growth regulatory factors - May include allogeneic morphogenic proteins that undergo a novel tissue processing technique that utilizes angiogenic, mitogenic and osteoinductive growth factors 	118

[Table of Contents](#)








<u>Procedure</u>	<u>Description</u>	<u>Procedures in 2019 ('000)</u>
Synthetics	<ul style="list-style-type: none">- Provides access to growth factors that are naturally found within bone marrow cells- Produced from ceramics such as hydroxyapatite, beta-tricalcium phosphate and bioactive glass- Osteoconductive, biodegradable, non-immunogenic and no risk of disease transmission- Readily available in large quantities and inexpensive to manufacture- Neither osteogenic nor osteoinductive- Designed to have porosity and pore size optimized for bony ingrowth- Can be fashioned in many different sizes and shapes- Possess limited compressive strength	432
Stem Cells	<ul style="list-style-type: none">- Obtained from cadaveric cancellous bone- Contains viable multipotent stem cells (mesenchymal stem cells)- Exhibits osteoinductive activity through mesenchymal stem cells-	109

Source: iData US Market report on Orthopedic Biomaterials

Our BGS product portfolio is comprised of clinically efficacious and cost effective bone graft solutions to meet a broad range of patient needs and procedures. Our products are designed to improve bone fusion rates following spinal and other orthopedic surgeries, including trauma and reconstructive foot and ankle procedures. These products include an allograft-derived bone graft with growth factors (OsteoAMP), a DBM (Exponent), cancellous bone in different preparations (PureBone), bioactive synthetics (Signafuse and Interface), a collagen ceramic matrix (OsteoMatrix) and two bone marrow isolation systems (CellXtract and Extractor).

As we build the body of clinical evidence supporting our products, we continue to look for and execute on opportunities to innovate in our BGS portfolio. To meet growing market demand and evolving surgical techniques, we continue to develop product extensions and adjust formulations. For example, we launched OsteoAMP Select in 2019 and we expect to launch OsteoAMP Flowable in 2021. We designed OsteoAMP Flowable to be moldable and easy to use, with a convenient, ready to use syringe.

Table of Contents

Product	Indications	Description	Regulatory pathway / year launched
Allograft			
 osteamp Allogeneic Morphogenetic Proteins	Orthopedic, neurosurgical and reconstructive bone grafting procedures	An allogeneic bone graft that is available in multiple formats (fibers, putty, sponge and granules) that is processed with bone marrow cells to maintain the wide array of growth factors present in native bone	• Section 361 HCT/P / 2009
 exponent Demineralized Bone Matrix	Posterolateral spine procedures	Derived from human allograft bone tissue and is combined with a migration-resistant resorbable carrier and formulated into a putty	• 510(k) / 2012
 purebone Demineralized and Mineralized Allograft	Orthopedic, neurosurgical and reconstructive bone grafting procedures	100% cancellous bone with compressible, elastic and sponge-like attributes, offered in filler, block and strip options, as well as mineralized chips	• Section 361 HCT/P / 2012
Synthetic			
 signafuse Bioactive Bone Graft	Standalone posterolateral spine, extremities and pelvis, as well as a bone graft extender in the posterolateral spine	Bioactive synthetic bone graft substitute comprised of a mixture of calcium phosphate granules and bioglass granules suspended in a resorbable polymer carrier that facilitates handling and delivery of the granule components to fill spaces of missing bone	• 510(k) / 2014
 interface Bioactive Bone Graft	Posterolateral spine when mixed with autograft, extremities and pelvis	Bioactive synthetic bone graft in the form of irregular granules of bioglass to repair bone defects	• 510(k) / 2011
 osteomatrix Biphasic Bone Graft	Posterolateral spine, extremities and pelvis	Next-generation mineralized two-phase calcium phosphate bone void filler comprised of a collagen scaffold designed for optimized intra-operative handling and biologic responsiveness at the defect site	• 510(k) / 2010
 signafuse Bioactive Bone Graft	Posterolateral spine, extremities and pelvis	Next-generation mineralized bone void filler comprised of bioglass and biphasic mineral granules embedded in a collagen scaffold designed for optimized intra-operative handling and biologic responsiveness at the defect site.	• 510(k) / 2020

Minimally Invasive Fracture Treatment

Bone fractures

Fractures, also known as broken bones, occur when there is a high force or impact put on a bone, most commonly from trauma resulting from sports injuries, car accidents, falls or from osteoporosis, which is bone weakening due to aging. Immediately following a fracture, patients are treated to realign the fractured bone ends. If possible or required, the affected limb is immobilized using plaster or a splint. In some cases, fractures require surgical fixation with devices such as screws, plates, rods and frames. X-rays, CT and MRI imaging are utilized to verify alignment of the bone and to assess progress towards healing.


[Table of Contents](#)

A fracture is considered a fresh fracture during the first 14 days after the fracture occurs. After a fracture is treated, new bone tissue begins to form and bridge the gap. With modern treatment methods, most fractures heal spontaneously over the course of several months following injury. However, some fractures fail to heal even when they receive the best surgical or non-surgical treatments. This condition may be diagnosed as a nonunion fracture. Nonunions may occur due to mechanical instability of the fracture site, due to inadequate immobilization, poor blood supply, gaps in bone to bone contact, or a number of comorbidities experienced by the patient. In clinical literature, it is estimated that five to ten percent of all fractures fail to heal, often in high impact fractures or in patients that have compromised health from old age, obesity, cardiovascular disorders, arthritis, diabetes or smoking. A nonunion is considered to be established when the fracture site shows no visibly progressive signs of healing. Nonunions have a negative impact on quality of life with symptoms, such as reduced mobility, swelling, pain, tenderness, deformity and difficulty bearing weight.

Long bone stimulation systems

Patients with nonunions may undergo surgery when certain conditions occur, such as an unstable or misaligned fracture, or a larger inter-fragment gap. Some nonunions can be treated non-surgically using bone stimulation devices. We estimate the total long bone stimulation market was approximately \$250.0 million in 2019 and that it will continue to grow at a 1.9% CAGR from 2019 to 2024 with the number of fractures treated with long bone stimulation devices to steadily grow from approximately 100,000 fractures treated in 2019 to 113,000 in 2024.

We offer our Exogen ultrasound bone healing system for the non-invasive treatment of established nonunion fractures and certain fresh fractures. Our Exogen system was the number one prescribed device in the bone growth stimulatory market in 2018 (the latest period for which data is available). It has been sold commercially for over 25 years and is the only FDA-approved device on the market for the accelerated healing of fresh, closed posteriorly displaced distal fractures of the radius and fresh, closed or Grade I open long bone fractures.

<u>Product</u>	<u>Description</u>	<u>Regulatory pathway</u>	<u>Region where marketed(1)</u>
	Ultrasound bone healing system for nonunion fractures and fresh fractures to the tibia and radius(2)	<ul style="list-style-type: none">• PMA• Device approval by Health Canada• CE mark and other registrations(2)	<ul style="list-style-type: none">• United States• Canada• Europe• Japan

(1) Our Exogen system is indicated in the United States for the non-invasive treatment of established nonunions, excluding skull and vertebra, and for accelerating the time to a healed fracture for fresh, closed, posteriorly displaced distal radius fractures and fresh, closed or Grade I open long bone fractures in skeletally mature individuals when these fractures are orthopedically managed by closed reduction and cast immobilization. We own our Exogen system and market it both in and outside the United States.

(2) Exogen is also approved for marketing in Australia, Japan, New Zealand, Saudi Arabia, Turkey and the UAE.

Our Exogen system is used to administer treatment in a location of convenience, including at home or work, once daily, for 20 minutes, or as prescribed by the patient's physician, for accelerating bone healing. This therapy provides a cost-effective treatment alternative to surgical intervention for nonunions.


Our Exogen system consists of the portable device, a charger, a gel bottle and strap. The device features a transducer at the end of a coiled cord, a color screen, a power button and a mini-USB charging port to allow for recharging the battery. The transducer sends specifically-programmed low-intensity pulsed ultrasound to the fracture site through the skin and soft tissue, with little or no sensation felt by the patient during the treatment. The gel facilitates ultrasound signal transmission through the patient's skin. Our Exogen system provides an easy to use interface that tracks treatment use and promotes compliance. In a clinical study of our Exogen system, we

[Table of Contents](#)

observed a 91% patient compliance with the treatment regimen, based on median total time of device usage. An additional support tool for the patient is Exogen Connects, a free smartphone app that provides daily automated treatment reminders and helpful healing information.

Our Exogen system utilizes low-intensity pulsed ultrasound technology to stimulate the body's natural bone healing process. The ultrasound output intensity of the device is comparable to diagnostic ultrasound intensity levels used in obstetrical sonogram procedures for fetal monitoring and is typically only one to five percent of the output intensity of conventional therapeutic ultrasound devices used for physical therapy. Some patients report experiencing a tingling sensation at the treatment site. The depth and breadth of the Exogen ultrasound signal enables it to treat superficial and deep indicated fractures. Exogen ultrasound is osteoinductive, which means it stimulates cells to differentiate into osteoblasts, or cells that make new bone. The growth of this new bone helps bridge the gap at the fracture site.

Comparison of U.S. long bone stimulation devices

Product <i>Manufacturer</i>	Daily treatment times	Technology	Indications
 Bioventus	20 minutes	Low-intensity pulsed ultrasound	Nonunions and select fresh fractures(1)
CMF OL1000 <i>DJO Global, Inc.</i>	30 minutes	Combined magnetic field	Nonunions
Physio-Stim <i>Orthofix International B.V.</i>	3 hours	Pulsed electromagnetic field	Nonunions
EBI Bone Healing System <i>Zimmer Biomet Holdings, Inc.</i>	10 hours	Pulsed electromagnetic field	Nonunions
OsteoGen <i>Zimmer Biomet Holdings, Inc.</i>	24 hours	Direct electrical current (implanted)	Nonunions
Orthopak 2 Bone Growth Stimulator <i>Zimmer Biomet Holdings, Inc.</i>	24 hours	Capacitive coupling	Nonunions

- (1) Our Exogen system is indicated in the United States for the non-invasive treatment of established nonunions excluding skull and vertebra and for accelerating the time to a healed fracture for fresh, closed, posteriorly displaced distal radius fractures and fresh, closed or Grade I open long bone fractures in skeletally mature individuals when these fractures are orthopedically managed by closed reduction and cast immobilization.

Exogen clinical data

In a meta-analysis published by Leighton et al. in 2017 studied heal rates of many different fracture nonunions treated with our Exogen system. A total of 13 eligible studies were identified which reported success of treatment with our Exogen system in 1,441 nonunions. Overall, that analysis estimated that 82% of nonunions of at least three months in age treated with our Exogen system successfully healed. Because healing of established nonunion is not expected without treatment, these findings are compelling. Our Exogen system may be most useful in patients for whom surgery is high risk. With an observed overall average nonunion heal rate of at least 80% after treatment with our Exogen system, the study authors concluded that treatment with our Exogen system was comparable to surgical treatment for nonunion.

[Table of Contents](#)

Additional published evidence supports the efficacy of our Exogen system in treating fracture nonunions. Established fracture nonunions rarely heal without corrective surgery, though nonunion revision surgery is expensive, invasive and the expected heal rate averages approximately 86%. In a study that looked at patient data collected over a four-year period, Zura et al. found that was that the Exogen system enhanced the heal rate among chronic nonunions and even healed fractures that had been nonunion for more than 10 years, without further surgical intervention. Heal rate was 86.2% among patients with fractures that had not healed for at least one year, 82.7% among 98 patients with chronic nonunion of greater than five years duration, and furthermore 12 patients healed after chronic nonunion of greater than 10 years. Therefore, our Exogen system offers a heal rate comparable to surgery, with fewer associated risks and morbidities.

Developmental and clinical pipeline

Ongoing Bioventus-sponsored clinical studies (B.O.N.E.S.)

While currently indicated for the treatment of both established nonunions, excluding skull and vertebrae, and certain types of conservatively managed acute fractures of the tibia and radius, our Exogen system's use in fracture care management has grown over its 20 year clinical history in both the United States and internationally. The use of our Exogen system for the management of fresh fractures has been the subject of numerous published peer reviewed research articles. The current prescription data indicate that the product's use in routine practice of fresh fracture management is based on clinician's determination of medical necessity, in an effort to mitigate risk of progression to fracture nonunion in at-risk patients.

In order to quantify the effectiveness of our Exogen system in mitigating the risk of progression to fracture nonunion, and in an effort to obtain regulatory approval for expanded indications, we are seeking to supplement the body of clinical knowledge in an innovative population-based clinical development program, B.O.N.E.S., which stands for Bioventus Observational Non-interventional Exogen Studies. With enrollment started in late 2017, the B.O.N.E.S. clinical study design includes the parallel conduct of three independent study protocols which, taken together, are designed to prospectively include more than 3,000 Exogen-treated patients presenting with certain risk factors to be observed over the course of 9 to 12 months. Our Exogen system treated patients will be propensity matched to one or more untreated controls extracted from a real-world health claims database provided by Truven Healthcare Analytics, generating a total sample size of at least 6,000 patients. The program involves the concurrent execution of three studies on pre-specified anatomical locations, such as the tibia, scaphoid and fifth metatarsal, with the objective of determining if the use of our Exogen system mitigates risk of fracture nonunion in predisposed patients. Depending on the results from our studies, we plan to submit a total of three PMA supplements to the FDA, the first of which was submitted in December 2020 seeking approval for the adjunctive treatment of acute and delayed metatarsal fractures to reduce the risk of non-union. We plan to submit the second PMA supplement in the second quarter of 2022 and the third PMA supplement in either the third or fourth quarter of 2023.

Sales and marketing

Our expansive direct sales and distribution channel across our product portfolio provides us with broad and differentiated customer reach, and allows us to serve physicians spanning the orthopedic continuum, including sports medicine, total joint reconstruction, hand and upper extremities, foot and ankle, podiatric surgery, trauma, spine and neurosurgery. Our products are widely reimbursed by both public and private health insurers and are sold in the physician's office or clinic, ASCs, and in the hospital setting in the United States and across 37 countries. Our sales team and distributors work directly with our physician customers on a frequent basis, providing us with a significant opportunity to introduce new products and upsell from our current portfolio. We believe our sales organization will provide us with an opportunity to efficiently roll out our deep pipeline and participate in business development opportunities going forward.

Our OA joint pain treatment and joint preservation products and our minimally invasive fracture treatment products are sold by a direct sales team of approximately 240 in the United States and approximately 45

[Table of Contents](#)

internationally. This direct team is complimented by approximately 20 account representatives who work with our sales team to provide account access through IDNs, GPOs and payer contracting. Our direct sales organization, totaling approximately 305 globally, is supplemented by approximately 35 sales managers. Our sales leaders have considerable experience, with an average of five years of experience. Our BGS products are sold by approximately 170 independent distributors in the United States, each with their own independent sales force, supported by our 15 member regionalized sales support team. We market our BGSs primarily to orthopedic spine surgeons and neurosurgeons for use in the operating room in both the hospital and ASC setting. We believe that our broad customer reach has and will continue to enable strong and durable growth in each of our verticals and provides a significant foundation for future product launches. We support our sales organization with extensive training to help them excel, and we have a performance culture built on serving our core orthopedic patient customers and delivering our products to a variety of physicians and care settings.

Research and clinical operations

We see significant opportunity to develop innovative and clinically differentiated products internally with our experienced research and development team. We are focused on internal research and development to broaden our portfolio of therapies to manage OA joint pain and joint preservation, expand our Exogen system product label and undertake clinical research to support commercialization of our next-generation of BGS products.

As a result, we expect our research and development expense to increase to the mid-single digits as a percentage of net sales as we introduce new products, extend existing product lines and expand indications. As of September 26, 2020, our research and development and clinical operations staff included approximately 40 engineers, scientists and project managers. Our research and development activities are focused on product development in BGSs, treatments for OA and soft tissue surgery. Our clinical research is focused on running the B.O.N.E.S. and MOTYS clinical programs, as well as continuing to build our body of clinical evidence to demonstrate the efficacy and value of our products through collaborations with prominent academic investigators. Our research and development team is comprised of 13 individuals holding PhDs and 18 individuals with more than 20 years of experience in the medical device industry. We collaborate with academic centers of excellence, leading contract research organizations and other industrial groups to complement and expedite execution of our research and development programs and minimize fixed costs. Research and development expense, including spending on our clinical evidence development efforts, totaled \$11.1 million, \$8.1 million and \$8.1 million for the years ended years ended December 31, 2019, 2018 and 2017, respectively, and \$8.3 million and \$7.9 million for the nine months ended September 26, 2020 and September 28, 2019, respectively.

Competition

The medical device industry is highly competitive, subject to change and significantly affected by activities of industry participants.

The multi-injection HA viscosupplementation therapies that we own or distribute compete against Ferring Pharmaceutical Inc.'s Euflexxa, Fidia Farmaceutici S.p.A.'s Hyalgan, DePuy Orthopaedics, Inc. (Johnson & Johnson's) Orthovisc, Sanofi S.A.'s Synvisc and OrthogenRx Inc.'s GenVisc 850. These products have faced significant competition from single injection therapies, such as Sanofi S.A.'s Synvisc-One, Zimmer Biomet Holdings, Inc.'s Gel-One and DePuy Orthopaedics, Inc. (Johnson & Johnson's) Monovisc.

Our BGS product portfolio competes with products from Medtronic, DePuy Orthopaedics, Inc. (Johnson & Johnson), Stryker Corporation, NuVasive, Inc., SeaSpine, Inc., Orthofix Medical Inc., Zimmer Biomet Holdings, Inc. and Globus Medical Inc.

[Table of Contents](#)

Our Exogen system competes with products marketed by Orthofix Medical Inc., Zimmer Biomet Holdings, Inc. and DJO Global Inc.

At any time, these or other market participants may develop alternative treatments, products or procedures that compete directly or indirectly with our products. They may also develop and patent processes or products earlier than we can or obtain regulatory clearance or approvals for competing products more rapidly than we can.

See “Risk factors—Risks related to our business—Our commercial success depends on our ability to differentiate the HA viscosupplementation therapies that we own or distribute from alternative therapies for the treatment of OA” and “Risk factors—Risks related to our business—We compete and may compete in the future against other companies, some of which have longer operating histories, more established products or greater resources than we do, which may prevent us from achieving increased market penetration or improved operating results.”

Intellectual property

We strive to protect and enhance the proprietary technologies, inventions and improvements that we believe are important to our business, including seeking, maintaining and defending patent rights, whether developed internally or licensed from third parties. Our policy is to seek to protect our proprietary position by, among other methods, pursuing and obtaining patent protection in the United States and in jurisdictions outside of the United States related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also rely on trademarks, trade secrets and careful monitoring of and contractual obligations with respect to our proprietary information to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection.

Our success will depend on our ability to obtain and maintain patent and other proprietary protection for commercially important technology, inventions and know-how related to our business, defend and enforce our patents, maintain our licenses to use intellectual property owned by third parties and operate without infringing the valid and enforceable patents and other proprietary rights of third parties. For important factors related to our proprietary technology, inventions and improvements, please see the section entitled “Risk factors—Risks related to intellectual property.”

Patents

We own numerous patents and/or patent applications which relate to our material products, including patents and/or patent applications with respect to our Exogen system, OsteoAMP and MOTYS. Although in the aggregate our intellectual property is of material importance to our business, we do not believe that any single patent is of material importance to our product portfolio. As of November 13, 2020, we owned four issued U.S. patents and two pending U.S. patent applications relating to our material products. We also owned nine issued foreign patents and 11 pending foreign patent applications directed to our material products. Our patents and patent applications as of November 30, 2020 directed to our material products are summarized below.

We owned three issued U.S. patents and one issued foreign patent in Australia directed to our Exogen system. The U.S. patents are expected to expire between 2025 and 2029, and the foreign patent is expected to expire in 2025.

We owned one issued U.S. patent, one pending U.S. patent application, eight issued foreign patents, and ten pending foreign patent applications directed to our OsteoAMP product, including foreign patents and patent applications in Europe, Asia, Canada and Australia. The issued U.S. patent is expected to expire in 2029. The issued foreign patents are expected to expire in 2029. The pending patent applications, if issued, are expected to expire in 2029, without accounting for potential patent term extensions and adjustments.

[Table of Contents](#)

We also own one pending U.S. patent application and one pending Patent Cooperation Treaty application directed to MOTYS. Patents issuing from these applications, if any, are expected to expire in 2040, without accounting for potential patent term extensions and adjustments. Our patents and pending patent applications directed to our material products are detailed in the table below.

Country	Application Number	Filing Date	Patent Number	Application Status	Expected Expiration Date	Description	Product
AU	2009324417	Dec. 13, 2009	2009324417	Issued	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
AU	2014259553	Nov. 14, 2014	2014259553	Issued	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
AU	2016213839	Aug. 11, 2016	2016213839	Issued	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
CA	2746668	Dec. 13, 2009	2746668	Issued	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
CN	200980155596.X	Dec. 13, 2009	200980155596.X	Issued	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
CN	201410413348.3	Aug. 20, 2014	201410413348.3	Issued	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
EP	09832666.3	Dec. 13, 2009		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
HK	15105678.1	June 16, 2015	HK1205007	Issued	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
IN	2567/KOLNP/2011	Dec. 13, 2009		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
KR	10-2011-7016270	Dec. 13, 2009	10-1713346	Issued	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
US	15/016072	Feb. 4, 2016	10383974	Issued	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
US	16/459778	July 2, 2019		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
GB	09832666.3	Dec. 13, 2009		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
FR	09832666.3	Dec. 13, 2009		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
DE	09832666.3	Dec. 13, 2009		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
IT	09832666.3	Dec. 13, 2009		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP

[Table of Contents](#)

<u>Country</u>	<u>Application Number</u>	<u>Filing Date</u>	<u>Patent Number</u>	<u>Application Status</u>	<u>Expected Expiration Date</u>	<u>Description</u>	<u>Product</u>
CH	09832666.3	Dec. 13, 2009		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
BE	09832666.3	Dec. 13, 2009		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
ES	09832666.3	Dec. 13, 2009		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
PT	09832666.3	Dec. 13, 2009		Pending	Dec. 2029	Directed to methods of making osteoinductive implants	OsteoAMP
US	09/925,193	Aug. 9, 2001	7,429,248	Granted	July 2025	Directed to applying ultrasound to tissue using a modal converter having a plurality of angled sides	Exogen
AU	2006203281	Aug. 1, 2006	2006203281	Granted	Aug. 2025	Directed to treating a neuropathy disease with ultrasound using a specific frequency and pulse rate for the signal	Exogen
US	11/462,271	Aug. 3, 2006	8,048,006	Granted	Feb. 2029	Directed to treating a neuropathy disease with ultrasound using a specific frequency and pulse rate for the signal	Exogen
US	12/296,333	April 7, 2007	8,226,582	Granted	June 2028	Directed to applying ultrasound to tissue using a modal converter having an oblique angle and speed of sound similar to human tissue	Exogen
US	17/097,350	Nov. 13, 2020		Pending	Nov. 2040	Directed to placental tissue particulates compositions, methods of treating musculoskeletal or orthopedic conditions, methods of treating pain associated with osteoarthritis, kits and methods of making the compositions	MOTYS
PCT	PCT/US20/60393	Nov. 13, 2020		Pending	Nov. 2040	Directed to placental tissue particulates compositions, for use in treating musculoskeletal or orthopedic conditions, methods of treating pain associated with osteoarthritis, kits and methods of making the compositions	MOTYS

Trademarks

We own registered trademarks for Bioventus, Cellxtract, Durolane, Exogen, Exponent, Gelsyn-3, OsteoAMP, Osteofuse, Prohesion, PureBone, SAFHS, and Signafuse in the United States.

Trade secrets

We may rely on trade secret law to protect some of our technology, including the processing of tissue for OsteoAMP. Trade secrets, however, can be difficult to protect.

[Table of Contents](#)

We seek to protect our proprietary technology and manufacturing process, in part, by confidentiality and invention assignment agreements with employees, under which they are bound to assign to us inventions that are made during the term of their employment and relate to our business, unless there is an exception. These agreements further prohibit our employees from using, disclosing, or bringing onto the premises any proprietary information belonging to any third-party. In addition, our consultants, scientific advisors and contractors are required to sign agreements under which they must assign to us any inventions that relate to our business. These agreements also prohibit these third-parties from incorporating into any inventions the proprietary rights of third-parties without informing us. It is our policy to require all employees to document potential inventions and other intellectual property in laboratory notebooks and to disclose inventions to patent counsel.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by taking commercially reasonable efforts to maintain the physical security of our premises and physical and electronic security of our information technology systems.

While we have confidence in these individuals, organizations and systems, our security measures may be breached, or may otherwise prove inadequate to protect the integrity and confidentiality of our data and trade secrets. Further, our agreements may be breached (or not obtained in the first place) and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our consultants, contractors or collaborators use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Amended and Restated License Agreement for Durolane

In December 2016, we entered into the Q-Med License Agreement with Q-Med and NSH. Pursuant to the Q-Med License Agreement, Q-Med granted us an exclusive license under certain intellectual property rights controlled by Q-Med to commercialize, but not to develop or manufacture, Durolane products for use in the prevention or treatment of pain due to OA in the United States. For the first ten years of the Q-Med License Agreement, we may not commercialize any single-injection-regimen or dual-injection-regimen products other than Durolane in the United States for use in the prevention or treatment of pain due to osteoarthritis. In connection with the Q-Med License Agreement, we paid Q-Med an upfront fee of \$2 million, and agreed to pay up to an aggregate of an additional \$8 million upon the achievement of certain regulatory and commercial milestones. We also agreed to pay Q-Med tiered royalties based on our annual net sales of Durolane, at rates calculated such that the sum of the royalty payable and the supply price we pay for Durolane purchased from Q-Med in the applicable year equals low-to mid- twenty percentages of net sales of Durolane, subject to a specified floor on such payment. In the event that we do not meet a specified minimum sales requirement we must pay Q-Med a fee equal to the shortfall.

The Q-Med License Agreement will remain in effect until the ninety-ninth anniversary of the effective date of the agreement unless earlier terminated. If the Q-Med Supply Agreement is terminated, the terminating party may simultaneously terminate the Q-Med License Agreement. The Q-Med License Agreement may be terminated earlier by either party in the event of material breach by the other party that remains uncured for 60 days, or by Q-Med if we were to challenge the validity or enforceability of the licensed patents, directly or indirectly through a third party.

Exclusive distribution agreement for GELSYN-3

In February 2016, we entered into an agreement with IBSA under which we obtained the exclusive distribution rights for GELSYN-3 in the United States, as well as an assignment of the related GELSYN-3 trademark. Under the agreement, IBSA will supply GELSYN-3 on a purchase order basis, based on the amounts of GELSYN-3 that we require as set forth in rolling forecasts. We are also subject to certain annual minimum purchase requirements. We are obligated to diligently market GELSYN-3 in the United States.

[Table of Contents](#)

The term of the IBSA agreement continues in effect for ten years, or until March 2026. Thereafter, the agreement will be automatically renewed for consecutive five year terms, unless either we or IBSA gives notice of termination at least six months prior to the expiration of the initial term or any renewal term. If we fail to meet the minimum purchase requirement in a given year and do not purchase enough products to satisfy the shortfall for such year within a specified time after receiving notice from IBSA, IBSA may terminate the agreement.

Either party may terminate the agreement on written notice for the other party's material breach that remains uncured for 30 days after receipt of prior written notice. Either party may terminate the agreement upon written notice for the other party's bankruptcy or insolvency-related events.

Exclusive distribution agreement for SUPARTZ FX

Effective December 22, 2020, we entered into an Amended and Restated Exclusive Distribution Agreement No.2 with SKK, whereby we maintained our exclusive promotion and distribution rights, with the right to engage sub-distributors if approved by SKK, for SUPARTZ FX in the United States. We also received an exclusive license to the trademarks SUPARTZ and SUPARTZ FX in the United States. SKK supplies to us SUPARTZ FX on a purchase order basis and in exchange, we pay to SKK an amount in the low thirty percentages of the average selling price per unit of SUPARTZ FX, subject to certain adjustments. We are subject to certain annual minimum purchase requirements based on a mutually agreed upon methodology and are obligated to use our best efforts to commercialize SUPARTZ FX in the United States. If we fail to order the minimum order quantity of SUPARTZ FX from SKK in any year during the term of the agreement, we must pay SKK a specified fee equal to the number of units needed to meet the minimum order quantity multiplied by a specified percentage of the purchase price.

The term of the SKK agreement continues in effect until December 31, 2028. Either party may terminate the agreement on written notice for the other party's material breach that cannot be cured, or that otherwise remains uncured for 60 days after receipt of prior written notice thereof, or for the other party's bankruptcy or insolvency-related events. SKK may terminate the agreement immediately if we fail to pay undisputed amounts due under the agreement within a certain time of receiving written notice of our nonpayment. We may terminate the agreement upon 15 days written notice if we are enjoined from selling SUPARTZ FX in any part of the United States a specified time period due to patent infringement.

Manufacturing and supply

Our HA viscosupplementation therapies and certain of our surgical products are manufactured exclusively by single-source third-party manufacturers, pursuant to multi-year supply agreements. We work closely with each of our manufacturing partners and provide them with a forecast, which enables them to better capacity plan and sequence their production efficiently. For Durolane, we are subject to minimum order volumes for each order and purchase amounts are also based in part on forecasts. For GELSYN-3, we will be subject to certain annual minimum purchase requirements and purchase amounts based on rolling forecasts. For SUPARTZ FX, we are subject to certain annual minimum purchase requirements based on a percentage of our SUPARTZ FX annual forecast.

For Durolane, in December 2016, we entered into an amended and restated supply agreement, or the Q-Med Supply Agreement, with Q-Med AB, or Q-Med. Under the Q-Med Supply Agreement, Q-Med supplies Durolane products exclusively to us for sale in the United States for use in the in the prevention or treatment of pain due to OA on a purchase order basis, based on the amounts of Durolane we require as set forth in rolling forecasts and we are subject to certain semi-annual minimum purchase requirements based on a percentage of our Durolane forecast.

The term of the Q-Med Supply Agreement continues in effect until the termination of the Q-Med License Agreement. We may terminate the Q-Med Supply Agreement immediately if Q-Med fails to supply a specified

[Table of Contents](#)

percentage of the aggregate quantities of licensed product required for a specified number of months and does not cure such shortfall within a defined time period and, upon such termination, Q-Med is obligated to grant us, or to a third party reasonably acceptable to us, the right to manufacture Durolane products.

Either party may terminate the Q-Med Supply Agreement upon written notice for the other party's material breach that remains uncured for 60 days (or 30 days for any payment default) after receipt of prior written notice.

We assemble, inspect, test and package our Exogen system at our facility in Cordova, Tennessee with components supplied by third-party suppliers. Our Exogen system includes a transducer which is a key component that is supplied by a single-source supplier. We perform inspections of these components before use in our manufacturing operations.

We intend to maintain sufficient supplies of the products and components from these single-source suppliers in the event that one or more of these suppliers were to encounter certain interruptions in supply. See "Risk factors—Risks related to our business—We rely on a limited number of third-party manufacturers to manufacture certain of our products."

We believe our manufacturing operations are in compliance with regulations mandated by the FDA. We are an FDA-registered medical device manufacturer. Our manufacturing facilities and processes are subject to periodic inspections and audits by various federal, state and foreign regulatory agencies.

With respect to MOTYS, on June 18, 2020, we entered into a commercial supply agreement with MTF. Under the agreement, MTF will exclusively manufacture and supply MOTYS under cGTPs to us to allow for our limited commercialization that began in the fourth quarter of 2020 under the tissue regulations while we pursue a BLA for the product. MTF is responsible for obtaining and storing all materials, including all tissue materials, required for the manufacture, testing, handling, packaging, labeling, release and delivery of the product to us.

We anticipate entering into an additional supply agreement with MTF if we are able to obtain FDA approval for our BLA and at the appropriate stage of development of the program, when adherence to cGMP manufacturing standards is required for continued regulatory compliance.

Government regulation

Government regulation of medical devices

Our medical devices are subject to regulation by numerous government agencies, including the FDA and comparable foreign agencies. The FDA and other U.S. and foreign governmental agencies regulate, among other things, with respect to medical devices:

- design, development and manufacturing;
- testing, labeling, content and language of instructions for use and storage;
- clinical trials;
- product safety;
- marketing, sales and distribution;
- premarket clearance and approval;
- record keeping procedures;
- advertising and promotion;
- recalls and field safety corrective actions;
- postmarket surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;

[Table of Contents](#)

- postmarket approval studies; and
- product import and export.

The regulations to which we are subject are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales.

FDA premarket clearance and approval requirements

Each medical device we seek to commercially distribute in the United States must first receive 510(k) clearance or approval of a PMA application from the FDA, unless specifically exempt. The FDA classifies all medical devices into one of three classes. Devices deemed to pose lower risk are categorized as either Class I or Class II. Class II devices require the manufacturer to submit to the FDA a 510(k) pre-market notification requesting clearance of the device for commercial distribution in the United States. Class I devices are exempted from this requirement. Devices deemed by the FDA to pose the greatest risk, such as life sustaining, life-supporting, selected implantable devices, or devices deemed not substantially equivalent to a previously 510(k) cleared device, are categorized as Class III, generally requiring submission and approval of a PMA.

510(k) clearance process

To obtain 510(k) clearance, we must submit a premarket notification to the FDA demonstrating the proposed device to be substantially equivalent to a predicate device. A predicate is a previously cleared 510(k) device, a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for the submission of PMA applications, or is a device that has been reclassified from Class III to either Class II or I. The standard review process for 510(k)s is between 30 days to 3 months, dependent upon the type of 510(k) filing submitted. Although many 510(k) premarket notifications are cleared without clinical data, in some cases, the FDA may require clinical data to support substantial equivalence. In reviewing a premarket notification, the FDA may request additional information, including clinical data, which may significantly prolong the review process and clearance is never assured.

After a device receives 510(k) clearance, any subsequent modification of the device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require submission and approval of a PMA application in cases where new indications are sought for which there is no predicate. Non-significant changes are handled via internal documentation by the Company. Each manufacturer must judge the significance of modifications based on algorithms within FDA 510(k) guidance documents. FDA may review any such decision and may disagree with a manufacturer's determination. If the FDA disagrees with a manufacturer's determination, the FDA may require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or PMA approval is obtained. We have modified aspects of some of our devices since receiving initial regulatory clearance. We concluded that some of those modifications did not significantly affect the safety or efficacy of the device and therefore, that new 510(k) clearances were not required. We have also obtained new 510(k) clearances from the FDA for other modifications to our devices. In the future, we may make additional modifications to our products after they have received FDA clearance or approval and in appropriate circumstances, determine that new clearance or approval is unnecessary. However, the FDA may disagree with our determination and if the FDA requires us to seek 510(k) clearance or submit new PMA applications for any modifications to a previously cleared product, we may be required to cease marketing or recall the modified device until we obtain the required clearance or approval. Under these circumstances, we may also be subject to significant regulatory fines or other penalties.

We have obtained 510(k) premarket clearance from the FDA for Signafuse Bioactive Bone Graft Putty, Interface Bioactive Bone Graft, Osteomatrix +, and Signafuse Mineralized Collagen Scaffold.

Premarket approval process

A PMA application must be submitted if the medical device is in Class III (although the FDA has the discretion to continue to allow certain pre-amendment Class III devices to use the 510(k) process) or cannot be

[Table of Contents](#)

cleared through the 510(k) process. A PMA application must be supported by, among other things, extensive technical, preclinical, clinical trials, manufacturing and labeling data to demonstrate to the FDA's satisfaction the safety and effectiveness of the device.

After a PMA application is submitted and filed, the FDA begins an in-depth review of the submitted information. The standard review of such application is six months. During this review period, the FDA may request additional information or clarification of information already provided. This can extend the overall review process and typically PMAs take between one to three years in total for approval. Also during the review period, an advisory panel of experts from outside the FDA will usually be convened for a new type of device to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. In addition, the FDA will conduct a pre-approval inspection of the manufacturing facility to ensure compliance with QSR, which impose elaborate design development, testing, control, documentation and other quality assurance procedures in the design and manufacturing process. The FDA may approve a PMA application with post-approval conditions intended to ensure the safety and effectiveness of the device including, among other things, restrictions on labeling, promotion, sale and distribution and collection of long-term follow-up data from patients in the clinical study that supported approval. Failure to comply with the conditions of approval can result in materially adverse enforcement action, including the loss or withdrawal of the approval. PMA supplements are required for significant modifications to the manufacturing process, labeling of the product and design of a device that is approved through the PMA process. PMA supplements requires submission of information needed to support any changes from the device covered by the original PMA and typically do not require clinical data or the convening of an advisory panel. Non-significant changes must be reported to the FDA through an annual report filing with the FDA. In review of this report, FDA may disagree with a manufacturer's determination of the level of significance of the change. If the FDA disagrees with a manufacturer's determination, the FDA may require the manufacturer to cease marketing and/or recall the modified device until PMA supplement approval is obtained.

Durolane, GELSYN-3, SUPARTZ FX and our Exogen bone healing system have each been approved through the PMA process.

Clinical trials

A clinical trial is typically required to support a PMA and is sometimes required for a 510(k) premarket notification. In the United States, authorization to conduct a clinical trial generally requires submission of an application for an IDE to the FDA. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the investigational protocol is scientifically sound. The IDE application must be approved in advance by the FDA for a specified number of patients, unless the product is deemed a non-significant risk device and eligible for abbreviated IDE requirements. Clinical trials for a significant risk device may begin once the IDE application is approved by the FDA as well as the appropriate institutional review boards, or IRBs, at the clinical trial sites and the informed consent of the patients participating in the clinical trial is obtained. After a trial begins, the FDA may place it on hold or terminate it if, among other reasons, it concludes that the clinical subjects are exposed to an unacceptable health risk. Any trials we conduct must be conducted in accordance with FDA regulations as well as other federal regulations and state laws concerning human subject protection and privacy. Moreover, the results of a clinical trial may not be sufficient to obtain clearance or approval of the product.

Pervasive and continuing FDA regulation

After a medical device is placed on the market, numerous FDA regulatory requirements apply, including, but not limited to the following:

- QSRs, which requires manufacturers to follow design, testing, control, documentation and other quality assurance procedures during the manufacturing process;
- Establishment Registration, which requires establishments involved in the production and distribution of medical devices, intended for commercial distribution in the United States, to register with the FDA;

Table of Contents

- Medical Device Listing, which requires manufacturers to list the devices they have in commercial distribution with the FDA;
- Labeling regulations, which prohibit “misbranded” devices from entering the market, as well as prohibit the promotion of products for unapproved or off-label uses and impose other restrictions on labeling;
- Postmarket surveillance, including MDR requirements which requires manufacturers to report to the FDA if their device may have caused or contributed to a death or serious injury, or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur; and
- Corrections and Removal Reporting regulations, which require that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by the device or to remedy a violation of the United States Federal Food, Drug, and Cosmetic Act that may present a risk to health.

The FDA enforces these requirements by inspection and market surveillance. Failure to comply with applicable regulatory requirements may result in enforcement action by the FDA, which may include one or more of the following sanctions:

- untitled letters or warning letters;
- fines, injunctions and civil penalties;
- mandatory recall or seizure of our products;
- administrative detention or banning of our products;
- operating restrictions, partial suspension or total shutdown of production;
- refusing our request for 510(k) clearances or PMA approvals for new product versions;
- revocation of 510(k) clearances or PMA approvals previously granted; and
- criminal prosecution and penalties.

U.S. regulation of HCT/Ps

Our products, including OsteoAMP and PureBone, are regulated as human cells, tissues and cellular and tissue-based products, or HCT/Ps. Section 361 of the PHS Act authorizes the FDA to issue regulations to prevent the introduction, transmission or spread of communicable disease. HCT/Ps regulated as “Section 361” HCT/Ps are subject to requirements relating to registering facilities and listing products with the FDA, screening and testing for tissue donor eligibility, cGMP, when processing, storing, labeling and distributing HCT/Ps, including required labeling information, stringent record keeping and adverse event reporting, among other applicable requirements and laws. Specifically, cGMPs are requirements that govern the methods used in, and the facilities and controls used for, the manufacture of HCT/Ps in a way that prevents the introduction, transmission, or spread of communicable diseases. Section 361 HCT/Ps do not require 510(k) clearance, PMA approval, BLAs, or other premarket authorization from the FDA before marketing. However, to be regulated as a Section 361 HCT/P, the product must, among other things, be “minimally manipulated,” which for structural tissue products means that the manufacturing processes do not alter the original relevant characteristics of the tissue relating to the tissue’s utility for reconstruction, repair, or replacement and for cells or nonstructural tissue products, means that the manufacturing processes do not alter the relevant biological characteristics of cells or tissues. A Section 361 HCT/P must also be intended for “homologous use,” which refers to use in the repair, reconstruction, replacement, or supplementation of a recipient’s cells or tissues with an HCT/P that performs the same basic function or functions in the recipient as in the donor.

We believe our OsteoAMP product is properly regulated as a Section 361 HCT/P and therefore have not sought or obtained 510(k) clearance, PMA approval, or licensure through a BLA. However, the FDA’s CDRH issued us a letter in March 2016 in which it asserted that OsteoAMP meets the definition of a medical device and

[Table of Contents](#)

requested that we provide CDRH with information in support of our position that OsteoAMP does not require 510(k) clearance or PMA approval. We provided CDRH with the requested information in support of this position in May 2016 and we have received no further inquiries to date. We believe that CDRH's assertion is unfounded and inconsistent with a 2011 letter from the FDA concluding that OsteoAMP meets the criteria for regulation solely as a Section 361 HCT/P. However, if the FDA were to disagree and if we are otherwise unsuccessful in asserting our position, the FDA may then require that we obtain 510(k) clearance or PMA approval and that we cease marketing OsteoAMP and/or recall OsteoAMP unless and until we receive clearance or approval. We estimate that if we were to cease marketing OsteoAMP and/or recall OsteoAMP that our net sales would decrease, which would adversely affect our results of operations. See "Risk factors—Risks related to government regulation—Our HCT/P products are subject to extensive government regulation and our failure to comply with these requirements could cause our business to suffer."

HCT/Ps that do not meet the criteria of Section 361 are regulated under Section 351 of the PHSA. Unlike 361 HCT/Ps, HCT/Ps regulated as "351" HCT/Ps are subject to premarket review and/or approval by the FDA, as required.

In November 2017, the FDA released a guidance document entitled "Regulatory Considerations for Human Cells, Tissues, and Cellular and Tissue—Based Products: Minimal Manipulation and Homologous Use—Guidance for Industry and Food and Drug Administration Staff." The guidance outlined the FDA's position that all lyophilized amniotic products are more than minimally manipulated and would therefore require a BLA to be lawfully marketed in the United States. The guidance also indicated that the FDA would exercise enforcement discretion, using a risk-based approach, with respect to the IND application and pre-market approval requirements for certain HCT/Ps for a period of 36 months from the issuance date of the guidance to allow manufacturers to pursue its IND application. Under this approach, FDA indicated that high-risk products and uses could be subject to immediate enforcement action. In July 2020, the FDA extended its period of enforcement discretion to May 31, 2021.

We plan to market MOTYS under the FDA's policy of enforcement discretion as we pursue approval under a BLA for the product. We may be required to cease selling MOTYS if the FDA changes the scope of its enforcement discretion policy or changes the criteria used to assess which products qualify. In addition, following the period of enforcement discretion under the guidance, we may be required to cease selling MOTYS until such time as we obtain BLA approval.

Failure to comply with statutory and regulatory requirements subjects a manufacturer to possible legal or regulatory action, including the seizure or recall of products, injunctions, consent decrees placing significant restrictions on or suspending manufacturing operations and civil and criminal penalties.

U.S. regulation of drugs and biologics

We expect that MOTYS will be regulated by the FDA as a biological product, or biologic, and we plan to submit a BLA to the FDA to allow for the marketing of MOTYS following the expiration of the FDA's enforcement discretion period for certain HCT/Ps. Biologics are regulated under both the FDCA and the PHSA and other federal, state, local and foreign statutes and regulations. We, along with third-party contractors, will be required to navigate the various preclinical, clinical and commercial approval requirements of the governing regulatory agencies of the countries in which we wish to conduct studies or seek approval or licensure of our product candidates.

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

- completion of extensive preclinical laboratory tests and animal studies performed in accordance with applicable regulations, including the FDA's Good Laboratory Practice, or GLP, regulations;
- submission to the FDA of an IND which must become effective before clinical trials may begin;

[Table of Contents](#)

- approval by an independent institutional review board, or IRB, or ethics committee at each clinical site before the trial is commenced;
- performance of adequate and well-controlled human clinical trials to establish the safety and effectiveness of the proposed drug candidate and the safety, purity and potency of the proposed biologic product candidate for its intended purpose;
- preparation of and submission to the FDA of an NDA or BLA after completion of all pivotal clinical trials;
- satisfactory completion of an FDA Advisory Committee review, if applicable;
- a determination by the FDA within 60 days of its receipt of a NDA or BLA to file the application for review;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the proposed product is produced to assess compliance with cGMP requirements, and to assure that the facilities, methods and controls are adequate to preserve the product's safety and effectiveness, and of selected clinical investigation sites to assess compliance with GCPs; and
- FDA review and approval of a NDA or BLA to permit commercial marketing of the product for particular indications for use in the United States.

Preclinical and Clinical Development

Prior to beginning the first clinical trial with a product candidate, we must submit an IND to the FDA. An IND is a request for authorization from the FDA to administer an investigational new drug product to humans. The central focus of an IND submission is on the general investigational plan and the protocol or protocols clinical trials. The IND also includes results of animal and *in vitro* studies assessing the toxicology, pharmacokinetics, pharmacology and pharmacodynamic characteristics of the product, chemistry, manufacturing and controls, or CMC, information, and any available human data or literature to support the use of the investigational product. An IND must become effective before human clinical trials may begin. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day period, raises safety concerns or questions about the proposed clinical trial. In such a case, the IND may be placed on clinical hold and the IND sponsor and the FDA must resolve any outstanding concerns or questions before the clinical trial can begin. Submission of an IND therefore may or may not result in FDA authorization to begin a clinical trial.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCPs, which include the requirement that all research subjects provide their informed consent for their participation in any clinical study. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. A separate submission to the existing IND must be made for each successive clinical trial conducted during product development and for any subsequent protocol amendments. Furthermore, an independent IRB for each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial and its informed consent form before the clinical trial begins at that site, and must monitor the study until completed. Regulatory authorities, the IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk or that the trial is unlikely to meet its stated objectives. Some studies also include oversight by an independent group of qualified experts organized by the clinical study sponsor, known as a data safety monitoring board, which provides authorization for whether or not a study may move forward at designated check points based on access to certain data from the study and may halt the clinical trial if it determines that there is an unacceptable safety risk for subjects or other grounds, such as no demonstration of efficacy. There are also requirements governing the reporting of ongoing preclinical studies and clinical trials and clinical study results to public registries.

For purposes of regulatory approval, human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- *Phase 1.* The investigational product is initially introduced into patients with the target disease or condition. These studies are designed to test the safety, dosage tolerance, absorption, metabolism and distribution of the investigational product in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on effectiveness.
- *Phase 2.* The investigational product is administered to a limited patient population to evaluate the preliminary efficacy, optimal dosages and dosing schedule and to identify possible adverse side effects and safety risks.
- *Phase 3.* The investigational product is administered to an expanded patient population to further evaluate dosage, to provide statistically significant evidence of clinical efficacy and to further test for safety, generally at multiple geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk/benefit ratio of the investigational product and to provide an adequate basis for product approval.

In some cases, the FDA may require, or companies may voluntarily pursue, additional clinical trials after a product is approved to gain more information about the product. These so-called Phase 4 studies may be made a condition to approval of the NDA or BLA. Concurrent with clinical trials, companies may complete additional animal studies and develop additional information about the biological characteristics of the product candidate, and must finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final product, or for biologics, the safety, purity and potency. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data, and clinical study investigators. The FDA or the sponsor or its data safety monitoring board may suspend a clinical study at any time on various grounds, including a finding that the research participant or participants are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical study at its institution if the clinical study is not being conducted in accordance with the IRB's requirements or if the product candidate has been associated with unexpected serious harm to patients. There are also requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries. Sponsors of clinical trials of FDA-regulated products may be required to register and disclose certain clinical trial information, which is publicly available at www.clinicaltrials.gov.

NDA or BLA Submission and Review

Assuming successful completion of all required testing in accordance with all applicable regulatory requirements, the results of product development, nonclinical studies and clinical trials are submitted to the FDA as part of a NDA or BLA requesting approval to market the product for one or more indications. The NDA or BLA must include all relevant data available from pertinent preclinical studies and clinical trials, including negative or ambiguous results as well as positive findings, together with detailed information relating to the product's CMCs and proposed labeling, among other things. The submission of a NDA or BLA requires payment of a substantial application user fee to the FDA, unless a waiver or exemption applies. The FDA has 60 days from the applicant's submission of a NDA or BLA to either issue a refusal to file letter or accept the NDA or BLA for filing, indicating that it is sufficiently complete to permit substantive review.

Once a NDA or BLA has been accepted for filing, the FDA's goal is to review standard applications within ten months after it accepts the application for filing, or, if the application qualifies for priority review, six months after the FDA accepts the application for filing. In both standard and priority reviews, the review process is often significantly extended by FDA requests for additional information or clarification. The FDA reviews a NDA or

[Table of Contents](#)

BLA to determine, among other things, whether a product is safe and effective, or safe, pure, and potent, for its intended use, and whether the facility in which it is manufactured, processed, packed or held meets standards designed to assure and preserve the product's identity, safety, strength, quality, potency and purity. The FDA may convene an advisory committee to provide clinical insight on application review questions. Before approving a NDA or BLA, the FDA will typically inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a NDA or BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCPs. If the FDA determines that the application, manufacturing process or manufacturing facilities are not acceptable, it will outline the deficiencies in the submission and often will request additional testing or information. Notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

After the FDA evaluates a NDA or BLA and conducts inspections of manufacturing facilities where the investigational product and/or its drug substance will be manufactured, the FDA may issue an approval letter or a Complete Response letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications. A Complete Response letter will describe all of the deficiencies that the FDA has identified in the NDA or BLA, except that where the FDA determines that the data supporting the application are inadequate to support approval, the FDA may issue the Complete Response letter without first conducting required inspections, testing submitted product lots and/or reviewing proposed labeling. In issuing the Complete Response letter, the FDA may recommend actions that the applicant might take to place the NDA or BLA in condition for approval, including requests for additional information or clarification, including the potential requirement for additional clinical studies. The FDA may delay or refuse approval of a BLA if applicable regulatory criteria are not satisfied, require additional testing or information and/or require post-marketing testing and surveillance to monitor safety or efficacy of a product.

If regulatory approval of a product is granted, such approval will be granted for particular indications and may entail limitations on the indicated uses for which such product may be marketed. For example, the FDA may approve the NDA or BLA with a Risk Evaluation and Mitigation Strategy, or REMS, to ensure the benefits of the product outweigh its risks. A REMS is a safety strategy to manage a known or potential serious risk associated with a product and to enable patients to have continued access to such medicines by managing their safe use, and could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling or the development of adequate controls and specifications. Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing requirements is not maintained or if problems occur after the product reaches the marketplace. The FDA may require one or more Phase 4 post-market studies and surveillance to further assess and monitor the product's safety and effectiveness after commercialization, and may limit further marketing of the product based on the results of these post-marketing studies

Post-Approval Requirements

Any products manufactured or distributed by us pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to record-keeping, reporting of adverse experiences, periodic reporting, product sampling and distribution, and advertising and promotion of the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims, are subject to prior FDA review and approval. There also are continuing user fee requirements, under which the FDA assesses an annual program fee for each product identified in an approved NDA or BLA. Manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMPs, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Changes to the manufacturing process are strictly regulated, and, depending on the significance of the change, may require prior FDA approval before being implemented. FDA regulations

[Table of Contents](#)

also require investigation and correction of any deviations from cGMPs and impose reporting requirements upon us and any third-party manufacturers that we may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMPs and other aspects of regulatory compliance.

The FDA may withdraw approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of a product, complete withdrawal of the product from the market or product recalls;
- fines, warning or untitled letters or holds on post-approval clinical studies;
- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of existing product approvals;
- product seizure or detention, or refusal of the FDA to permit the import or export of products;
- consent decrees, corporate integrity agreements, debarment or exclusion from federal healthcare programs;
- mandated modification of promotional materials and labeling and the issuance of corrective information;
- the issuance of safety alerts, Dear Healthcare Provider letters, press releases and other communications containing warnings or other safety information about the product; or
- injunctions or the imposition of civil or criminal penalties.

The FDA closely regulates the marketing, labeling, advertising and promotion of drugs and biologics. A company can make only those claims relating to safety and efficacy, purity and potency that are approved by the FDA and in accordance with the provisions of the approved label. However, companies may share truthful and not misleading information that is otherwise consistent with a product's FDA approved labeling. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. Failure to comply with these requirements can result in, among other things, adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe legally available products for uses that are not described in the product's labeling and that differ from those tested by us and approved by the FDA, but physicians may not submit claims for reimbursement that are false or fraudulent. Such off-label uses are common across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, restrict manufacturer's communications on the subject of off-label use of their products.

International regulation of medical devices

Sales of medical devices outside the United States are subject to foreign government regulations, which vary substantially from country to country. In order to market our products in other countries, we must obtain regulatory approvals and comply with extensive safety and quality regulations in other countries. The time required to obtain approval by a foreign country may be longer or shorter than that required for FDA approval and the requirements may differ significantly.

EU regulation of medical devices

The EU has adopted legislation, in the form of directives to be implemented in each Member State, concerning the regulation of medical devices within the EU. The directives include, among others, the Medical

[Table of Contents](#)

Device Directive (Council Directive 93/42/EEC) that establishes certain requirements, such as the essential requirements, with which medical devices must comply before they can be commercialized in the EEA (which is comprised of the Member States of the EU plus Norway, Liechtenstein and Iceland). Under the EU Medical Device Directive, medical devices are classified into four Classes, I, IIa, IIb and III, with Class I being the lowest risk and Class III being the highest risk. Under the Medical Device Directive, a competent authority is nominated by the government of each Member State to monitor and ensure compliance with the Directive. To demonstrate compliance of their medical devices with the essential requirements, manufacturers must undergo a conformity assessment evaluation, which varies according to the type of medical device and its classification. Except for certain types of low risk medical devices (Class I non-sterile, non-measuring devices), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the Medical Devices Directive, a conformity assessment evaluation requires the intervention of an organization accredited by a Member State of the EEA to conduct conformity assessments, a so-called Notified Body. The Notified Body would typically audit and examine the quality system for the manufacture, design and final inspection of the medical devices, along with conducting a technical review of data supporting the device's safety and efficacy, before issuing a certification demonstrating compliance with the essential requirements. Both the quality system and the product are reviewed and certified. The Company is subject to annual surveillance audits by the Notified Body and must undergo re-certification every 5 years. During these audits, (minor or major) non-conformities to the essential requirement may be issued to the Company. The Company could potentially lose marketing authorization if these non-conformities are not remediated with the Notified Body. Significant modifications to the quality system or product changes for Class III devices must be submitted to the Notified Body for review prior to implementation. Non-significant changes are subject to review during the annual surveillance audits. Medical devices that comply with the essential requirements are entitled to bear the CE mark, which is an abbreviation for *Conformité Européenne* or European Conformity. Medical devices properly bearing the CE mark may be commercially distributed throughout the EEA. We have received CE certification from the British Standards Institute, a United Kingdom Notified Body, for conformity with the EU Medical Device Directive allowing us to place the CE mark on Durolane (Class III) and our Exogen bone healing system (Class IIa). Additional PMAs in individual EEA countries are sometimes required prior to marketing of a product. Failure to maintain the CE mark would preclude us from selling our products in the EEA, as could failure to comply with the specific requirements of the Member States.

On April 5, 2017, the European Parliament passed the Medical Devices Regulation, which repeals and replaces the EU Medical Devices Directive. Unlike directives, which must be implemented into the national laws of the EEA Member States, the regulations would be directly applicable without the need for adoption of EEA Member State laws implementing them in all EEA Member States and are intended to eliminate current differences in the regulation of medical devices among EEA Member States. The Medical Devices Regulation, among other things, is intended to establish a uniform, transparent, predictable and sustainable regulatory framework across the EEA for medical devices and *in vitro* diagnostic devices and ensure a high level of safety and health while supporting innovation.

The Medical Devices Regulation was meant to become applicable three years after publication (in May 2020). However, on April 23, 2020, to take the pressure off EEA national authorities, notified bodies, manufacturers and other actors so they can focus fully on urgent priorities related to the COVID-19 pandemic, the European Council and Parliament adopted Regulation 2020/561, postponing the date of application of the Medical Devices Regulation by one year (to May 2021). Once applicable, the new regulations will among other things:

- strengthen the rules on placing devices on the market and reinforce surveillance once they are available;
- establish explicit provisions on manufacturers' responsibilities for the follow-up on the quality, performance and safety of devices placed on the market;
- improve the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;

[Table of Contents](#)

- set up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the EU; and
- strengthen rules for the assessment of certain high-risk devices, such as implants, which may have to undergo an additional check by experts before they are placed on the market.

These new rules and procedures may result in increased regulatory oversight of our devices and this may, in turn, increase the costs, time and requirements that we need to meet in order to maintain or place such devices on the EEA market.

Further, the advertising and promotion of our products in the EEA is subject to the laws of individual EEA Member States implementing the EU Medical Devices Directive, Directive 2006/114/EC concerning misleading and comparative advertising and Directive 2005/29/EC on unfair commercial practices, as well as other EEA Member State laws governing the advertising and promotion of medical devices. These laws may limit or restrict the advertising and promotion of our products to the general public and may impose limitations on our promotional activities with healthcare professionals.

Other countries' regulation of medical devices

Many other countries have specific requirements for classification, registration and postmarketing surveillance that are independent of the countries already listed. We obtain what we believe are the appropriate clearances for Durolane and our Exogen bone healing system and conduct our business in accordance with the applicable laws of each country. This landscape is constantly changing and we could be found in violation if we interpret the laws incorrectly or fail to keep pace with changes. In the event of either of these occurrences, we could be instructed to recall products, cease distribution and/or be subject to civil or criminal penalties.

Anti-kickback, false claims and other healthcare laws

In addition to FDA restrictions on the marketing of pharmaceutical, biological and medical device products, we are also subject to healthcare regulation and enforcement by the federal government and the states and foreign governments and authorities in the locations in which we conduct our business. These other agencies include, without limitation, CMS, other divisions of the HHS, the U.S. Department of Justice and individual U.S. Attorney offices within the Department of Justice, as well as state and local governments. Such agencies enforce a variety of laws which include, without limitation, state and federal anti-kickback, fraud and abuse, false claims, data privacy and security and physician payment transparency laws and regulations.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity from knowingly and willfully offering, paying, soliciting or receiving any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, to induce or in return for purchasing, leasing, ordering or arranging for or recommending the purchase, lease or order of any good, facility, item or service reimbursable, in whole or in part, by Medicare, Medicaid or other federal healthcare programs. The term "remuneration" has been broadly interpreted to include anything of value, including cash, improper discounts and free or reduced price items and services. Among other things, the Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical, biotechnology and medical device manufacturers on the one hand and prescribers, purchasers and formulary managers on the other. Although there are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, the exceptions and safe harbors are drawn narrowly. Practices that involve remuneration that may be alleged to be intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not meet the requirements of a statutory or regulatory exception or safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the Anti-Kickback Statute has been violated. In addition, a person or entity does not need to have actual

[Table of Contents](#)

knowledge of the statute or specific intent to violate it in order to have committed a violation. Violations are subject to civil monetary penalties up to \$100,000 for each violation, plus up to three times the remuneration involved, and may result in criminal fines of up to \$100,000 and imprisonment of up to ten years, or exclusion from Medicare, Medicaid or other governmental programs. Further, a claim including items or services resulting from a violation of the federal Anti-Kickback Statute also constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act.

Federal law also includes a provision commonly known as the “Stark Law,” which prohibits a physician from referring Medicare or Medicaid patients to an entity providing “designated health services,” which includes durable medical equipment, if the physician or immediate family member of the physician, has an ownership or investment interest or compensation arrangement with such entity that does not comply with the requirements of a Stark exception. Violation of the Stark Law could result in denial of payment, disgorgement of reimbursements received under a non-compliant arrangement, civil penalties, and exclusion from Medicare, Medicaid or other governmental programs.

The federal false claims and civil monetary penalties laws, including the civil False Claims Act, prohibit, among other things, any person or entity from knowingly presenting, or causing to be presented, a false or fraudulent claim for payment to or approval by the federal government or knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government. A claim includes “any request or demand” for money or property presented to the U.S. government. Actions under the False Claims Act may be brought by the Attorney General or as a qui tam action by a private individual in the name of the U.S. government. Violations of the False Claims Act can result in very significant monetary penalties and treble damages. The federal government is using the False Claims Act and the accompanying threat of significant liability, in its investigation and prosecution of pharmaceutical, biotechnology and medical device companies throughout the country. Manufacturers can be held liable under these laws if they are deemed to “cause” the submission of false or fraudulent claims by for example, in connection with the promotion of products for unapproved or off-label uses and other sales and marketing practices. The government has obtained multi-million and multi-billion dollar settlements under the False Claims Act in addition to individual criminal convictions under applicable criminal statutes. When an entity is determined to have violated the federal civil False Claims Act, the government may impose civil fines and penalties ranging from \$11,181 to \$22,363 for each false claim, plus treble damages, and exclude the entity from participation in Medicare, Medicaid and other federal healthcare programs. In addition, companies found liable under the False Claims Act have been forced to implement extensive corrective action plans, and have often become subject to consent decrees or corporate integrity agreements, severely restricting the manner in which they conduct their business and imposing ongoing reporting and disclosure obligations.

The federal civil monetary penalties statute imposes penalties against any person or entity that, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent. Given the significant size of actual and potential settlements, it is expected that governmental authorities will continue to devote substantial resources to investigating healthcare providers’ and manufacturers’ compliance with applicable fraud and abuse laws. For drugs that are covered under Medicare Part B, the manufacturer must report average sales price, or ASP, to CMS on a quarterly basis. Failure to report this information in a timely and accurate manner can lead to substantial civil and criminal penalties and to liability under the False Claims Act.

In July of 2018 we became aware of allegations that certain of our sales personnel may have been completing Section B of the CMN required in connection with Medicare claims for the Exogen system, which, under federal law, must be completed by the physician and/or physician staff.

Together with our outside counsel, we initiated an investigation into these allegations, and we determined that the CMN forms for a portion of Medicare claims for the Exogen system were in fact improperly completed by our sales representatives, some of which also failed to meet CMS coverage requirements. As a result of our findings we made a self-disclosure on November 30, 2018 to the OIG, under the Provider Self-Disclosure

[Table of Contents](#)

Protocol. Our self-disclosure disclosed the extent of our findings relative to the inappropriate completion of CMN forms by our sales personnel and offered to make repayment for such claims which failed to meet CMS coverage requirements and which we submitted to the Medicare program between October 1, 2012 and September 30, 2018, the statutory period applicable to such conduct. The total value of impacted claims was \$30.1 million in the aggregate.

In October 2019, our outside counsel received a letter from the USAO stating that the USAO would be working with the OIG to resolve our self-disclosure. After settlement discussions with the USAO and OIG, on January 25, 2021 we reached an agreement in principle with the USAO and the OIG with respect to the submission of Medicare claims that did not meet CMS coverage requirements and for which our sales representatives completed Section B of the CMN forms. Under that agreement, we understand we will resolve the potential liability related to such claims for \$3.6 million, of which \$2.4 million has already been paid through our 2019 return of overpayments described below, leaving a net payment to be made of \$1.2 million. The agreement is subject to negotiation of final terms, approval by the parties, and execution of a formal settlement agreement reflecting this payment, which is expected to be finalized and executed shortly and which will include releases from associated False Claims Act liability and further Civil Monetary Penalties that are customary in self-disclosures of this type. The settlement amount noted above will be recorded in the consolidated financial statements for the quarter ended December 31, 2020.

See “Risk factors—Risks related to government regulation—We may be subject to enforcement action if we engage in improper claims submission practices and resulting audits or denials of our claims by government agencies could reduce our net sales or profits.”

HIPAA created additional federal criminal statutes that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payers, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of these statutes or specific intent to violate them in order to have committed a violation.

Also, many states have similar fraud and abuse statutes or regulations that may be broader in scope and may apply regardless of payer, in addition to items and services reimbursed under Medicaid and other state programs.

In addition, a person who offers or transfers to a Medicare or Medicaid beneficiary any remuneration, including waivers of co-payments and deductible amounts (or any part thereof), that the person knows or should know is likely to influence the beneficiary’s selection of a particular provider, practitioner or supplier of Medicare or Medicaid payable items or services may be liable for civil monetary penalties of up to \$20,866 for each wrongful act. Moreover, in certain cases, providers who routinely waive co-payments and deductibles for Medicare and Medicaid beneficiaries can also be held liable under the Anti-Kickback Statute and civil False Claims Act, which can impose additional penalties associated with the wrongful act. One of the statutory exceptions to the prohibition is non-routine, unadvertised waivers of co-payments or deductible amounts based on individualized determinations of financial need or exhaustion of reasonable collection efforts. The OIG emphasizes, however, that this exception should only be used occasionally to address special financial needs of a particular patient. Although this prohibition applies only to federal healthcare program beneficiaries, the routine waivers of co-payments and deductibles offered to patients covered by commercial payers may implicate applicable state laws related to, among other things, unlawful schemes to defraud, excessive fees for services, tortious interference with patient contracts and statutory or common law fraud. To the extent our patient assistance programs are found to be inconsistent with applicable laws, we may be required to restructure or discontinue such programs, or be subject to other significant penalties.

[Table of Contents](#)

Additionally, there has been a recent trend of increased federal and state regulation of payments made to physicians and certain other healthcare providers. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education and Reconciliation Act, or collectively, the Affordable Care Act, imposed, among other things, new annual reporting requirements through the Physician Payments Sunshine Act for covered manufacturers for certain payments and “transfers of value” provided to physicians and teaching hospitals, and, beginning in 2022, physician assistants, nurse practitioners and other practitioners, as well as ownership and investment interests held by such providers and their immediate family members. Failure to submit timely, accurately and completely the required information for all payments, transfers of value and ownership or investment interests may result in civil monetary penalties of up to an aggregate of \$176,495 per year and up to an aggregate of \$1.177 million per year for “knowing failures.” Covered manufacturers must submit reports by the 90th day of each calendar year. In addition, certain states require implementation of compliance programs and compliance with the industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, impose restrictions on marketing practices, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities and/or require tracking and reporting of gifts, compensation and other remuneration or items of value provided to physicians and other healthcare professionals and entities.

These laws impact the kinds of financial arrangements we may have with hospitals, physicians or other potential purchasers of our products. They particularly impact how we structure our sales offerings, including discount practices, customer support, education and training programs, physician consulting, research grants and other arrangements. If our operations are found to be in violation of any of the health regulatory laws described above or any other laws or regulations that apply to us, we may be subject to penalties, including, without limitation, potentially significant criminal, civil and/or administrative penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs, imprisonment, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings and the curtailment or restructuring of our operations.

As a result of our sale or distribution of products in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post marketing requirements, including safety surveillance, anti-fraud and abuse laws and implementation of corporate compliance programs and reporting of payments or other transfers of value to healthcare professionals.

We participate in state government-managed Medicaid programs as well as certain other qualifying federal and state government programs where discounts and mandatory rebates are provided to participating state and local government entities. In connection with several of these government programs, we are required to report prices to various government agencies. Pricing calculations vary among programs. The calculations are complex and are often subject to interpretation by the reporting entities, government agencies and the courts. Our methodologies for calculating these prices could be challenged under false claims laws or other laws. We could make a mistake in calculating reported prices and required discounts, which could result in retroactive liability to government agencies. Government agencies may also make changes in program interpretations, requirements or conditions of participation, some of which may have implications for amounts previously estimated or paid. If we make these mistakes or if governmental agencies make these changes, we could face, in addition to prosecution under federal and state false claims laws, substantial liability and civil monetary penalties, exclusion of our products from reimbursement under government programs, criminal fines or imprisonment, or prosecutors may impose a Corporate Integrity Agreement, Deferred Prosecution Agreement, or similar arrangement.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, or the MMA, requires that manufacturers report data to CMS on pricing of covered drugs reimbursed under Medicare Part B. These are generally drugs and biologicals, such as injectable products, that are administered “incident to” a physician service and in general are not self-administered. Effective January 1, 2005, ASP became the basis for reimbursement to physicians and suppliers for drugs and biologicals covered under Medicare Part B, replacing the average wholesale price, or AWP, provided and published by pricing services. In general, we must comply with all reporting requirements for any drug that is separately reimbursable under Medicare. The SUPARTZ FX product is reimbursed under Medicare Part B and, as a result, we provide ASP data on this product to CMS on a quarterly basis.

Privacy and data protection laws in the United States

HIPAA and its implementing regulations, as amended by the regulations promulgated pursuant to the HITECH Act, which we collectively refer to as HIPAA, contain substantial restrictions and requirements with respect to the use and disclosure of certain PHI). These restrictions and requirements are set forth in the HIPAA Privacy, Security and Breach Notification Rules.

In some of our operations, such those involving the acceptance of payments, we are a “covered entity” under HIPAA and therefore required to comply with the Privacy, Security and Breach Notification Rules and is subject to significant civil and criminal penalties for failure to do so. We also provide services to customers that are covered entities themselves and we are required to provide satisfactory written assurances to these customers through written “business associate” agreements that we will provide our services in accordance with HIPAA.

The Final Rule published by the U.S. Department of Health and Human Services Office for Civil Rights, or OCR, of the Department of Health and Human Services in January 2013 and effective March 23, 2013, modified the HIPAA Privacy, Security, Breach Notification and Enforcement Rules, including revisions/additions made by the HITECH Act. The rule expanded the privacy and security requirements for business associates that create, receive, maintain or transmit PHI for or on behalf of covered entities, increased penalties for noncompliance and strengthened requirements for reporting of breaches of unsecured PHI, among other changes. The rule also made business associates and their subcontractors directly liable for civil monetary penalties for impermissible uses and disclosures of PHI.

If we were to be found to have breached our obligations under HIPAA, we could be subject to enforcement actions by the OCR and state health regulators and lawsuits, including class action law suits, by private plaintiffs. In addition, OCR performs compliance audits in order to proactively enforce the HIPAA privacy and security standards. OCR has become an increasingly active regulator and has signaled its intention to continue this trend. OCR has the discretion to impose penalties without being required to attempt to resolve violations through informal means; further OCR may require companies to enter into resolution agreements and corrective action plans which impose ongoing compliance requirements. OCR enforcement activity can result in financial liability and reputational harm, and responses to such enforcement activity can consume significant internal resources. In addition to enforcement by OCR, state attorneys general are authorized to bring civil actions under either HIPAA or relevant state laws seeking either injunctions or damages in response to violations that threaten the privacy of state residents. Although we have implemented and maintained policies, processes and a compliance program infrastructure to assist us in complying with these laws and regulations and our contractual obligations, we cannot provide assurance regarding how these laws and regulations will be interpreted, enforced or applied to our operations.

In addition to HIPAA, we must adhere to state patient confidentiality laws that are not pre-empted by HIPAA, including those that are more stringent than HIPAA requirements. Numerous other state, federal and foreign laws, including consumer protection laws and regulations, govern the collection, dissemination, use, access to, confidentiality and security of patient health information. In addition, Congress and some states are considering new laws and regulations that further protect the privacy and security of medical records or medical information. With the recent increase in publicity regarding data breaches resulting in improper dissemination of consumer information, all states have passed laws regulating the actions that a business must take if it experiences a data breach, such as prompt disclosure to affected customers. Generally, these laws are limited to electronic data and make some exemptions for smaller breaches. Congress has also been considering similar federal legislation relating to data breaches. The FTC and states’ Attorneys General have also brought enforcement actions and prosecuted some data breach cases as unfair and/or deceptive acts or practices under the FTC Act. In addition to data breach notification laws, some states have enacted statutes and rules requiring businesses to reasonably protect certain types of personal information they hold or to otherwise comply with certain specified data security requirements for personal information. For example, the CCPA took effect on January 1, 2020. The CCPA establishes a new privacy framework for covered businesses and provides new and enhanced data privacy rights to California residents, such as affording consumers the right to access and delete their information and to opt out of certain sharing and sales of personal information. The CCPA imposes severe statutory damages as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action is expected to increase the likelihood of, and risks associated with, data breach litigation. It remains unclear how various provisions of the CCPA will be interpreted and enforced. The CCPA

contains an exemption for medical information governed by the CMIA and for PHI collected by a covered entity or business associate governed by the privacy, security and breach notification rules established pursuant to HIPAA and HITECH, but the precise application and scope of this exemption is not yet clear, and the law may still apply to certain aspects of our business. Additionally, a new privacy law, the California Privacy Rights Act, or the CPRA, was approved by California voters in the November 3, 2020 election. The CPRA generally takes effect on January 1, 2023 and significantly modifies the CCPA, including by expanding consumers' rights with respect to certain personal information, restricting use of sensitive personal information, which includes health information, and creating a new state agency to oversee implementation and enforcement efforts, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. The CCPA and CPRA may lead other states to pass comparable legislation, with potentially greater penalties, and more rigorous compliance requirements relevant to our business, and that may not include exemptions for businesses subject to HIPAA. The effects of the CCPA, and other similar state or federal laws, are potentially significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such legislation. As with HIPAA, any laws regulating the collection, dissemination, use, access to, confidentiality and security of personal information may apply directly to our business or indirectly by contract when we provide services to other companies. We intend to continue to comprehensively protect all consumer data and to comply with all applicable laws regarding the protection of this data.

Privacy and data protection laws in Europe

We are subject to European laws relating to our and our suppliers', partners' and subcontractors' collection, control, processing and other use of personal data, such as data relating to an identifiable living individual, whether that individual can be identified directly or indirectly. We and our suppliers, partners and subcontractors process personal data including in relation to our employees, employees of customers, trial patients, health care professions and employees of suppliers including health and medical information. The data privacy regime in the EU includes the GDPR, the E-Privacy Directive (2002/58/EC) and national laws implementing or supplementing each of them.

The GDPR requires that personal data is only collected for specified, explicit and legal purposes as set out in the GDPR or local laws and the data may then only be processed in a manner consistent with those purposes. The personal data collected and processed must be adequate, relevant and not excessive in relation to the purposes for which it is collected and processed, it must be held securely, not transferred outside of the EEA unless certain steps are taken to ensure an adequate level of protection and must not be retained for longer than necessary for the purposes for which it was collected. In addition, the GDPR requires companies processing personal data to take certain organizational steps to ensure that they have adequate records, policies, security, training and governance frameworks in place to ensure the protection of data subject rights, including as required to respond to complaints and requests from data subjects. In addition, to the extent a company processes, controls or otherwise uses 'special category' personal data (including patients' health or medical information, genetic information and biometric information), more stringent rules apply, further limiting the circumstances and the manner in which a company is legally permitted to process that data. Finally, GDPR provides a broad right for EU Member States to create supplemental national laws and they are increasingly adopting different approaches to the role of the parties in clinical trials. Such laws, for example may relate to the processing of health, genetic and biometric data, which could further limit our ability to use and share such data or could cause our costs to increase and harm our business and financial condition.

From January 1, 2021, we are also subject to the UK GDPR, which, together with the amended UK Data Protection Act 2018, retains the GDPR in UK national law. The UK GDPR mirrors the fines under the GDPR, e.g. fines up to the greater of €20 million (£17.5 million) or 4% of global turnover. The relationship between the United Kingdom and the European Union in relation to certain aspects of data protection law remains unclear, and it is unclear how UK data protection laws and regulations will develop in the medium to longer term, and how data transfers to and from the United Kingdom will be regulated in the long term. Currently there is a four to six-month grace period agreed in the EU and UK Trade and Cooperation Agreement, ending 30 June 2021 at the latest, whilst the parties discuss an adequacy decision. However, it is not clear whether (and when) an adequacy decision may be granted by the European Commission enabling data transfers from EU member states to the United Kingdom long term without additional measures. These changes will lead to additional costs and increase our overall risk exposure.

[Table of Contents](#)

In addition, the United Kingdom's withdrawal from the European Union means that the United Kingdom will become a "third country" for the purposes of data transfers from the European Union to the United Kingdom following the expiration of the four to six-month personal data transfer grace period (from January 1, 2021) set out in the EU and UK Trade and Cooperation Agreement, unless a relevant adequacy decision is adopted in favor of the United Kingdom (which would allow data transfers without additional measures). These changes may require us to find alternative solutions for the compliant transfer of personal data into the United Kingdom.

We are also subject to evolving European laws on data export and electronic marketing. The rules on data export will apply when we transfer personal data to group companies or third parties outside of the EEA. For example, in 2015, the CJEU ruled that the U.S.-EU Safe Harbor framework, one compliance method by which companies could transfer personal data regarding citizens of the EU to the United States, was invalid and could no longer be relied upon. European and U.S. negotiators agreed in February 2016 to a new framework, the EU-US Privacy Shield framework, which replaced the Safe Harbor framework, however, on July 16, 2020 the CJEU also invalidated the Privacy Shield framework as a method to transfer personal data from the EEA to US. While the CJEU upheld the adequacy of the standard contractual clauses (a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism, and potential alternative to the Privacy Shield), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances; this has created uncertainty. These changes will require us to review and amend the legal mechanisms by which we make and/or receive personal data transfers to/ in the U.S. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results.

We are also subject to evolving EU and UK privacy laws on cookies and e-marketing. In the European Union and the United Kingdom, regulators are increasingly focusing on compliance with requirements in the online behavioral advertising ecosystem, and current national laws that implement the ePrivacy Directive are highly likely to be replaced by an EU regulation known as the ePrivacy Regulation which will significantly increase fines for non-compliance. In the European Union and the United Kingdom, informed consent is required for the placement of a cookie or similar technologies on a user's device and for direct electronic marketing. The GDPR also imposes conditions on obtaining valid consent, such as a prohibition on pre-checked consents and a requirement to ensure separate consents are sought for each type of cookie or similar technology. While the text of the ePrivacy Regulation is still under development, a recent European court decision and regulators' recent guidance are driving increased attention to cookies and tracking technologies. If regulators start to enforce the strict approach in recent guidance, this could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, increase costs and subject us to additional liabilities.

We are subject to the supervision of local data protection authorities in those jurisdictions where we are established or collecting data from EU residents. We depend on a number of third parties in relation to our provision of our services, a number of which process personal data on our behalf. With each such provider we enter into contractual arrangements to ensure that they only process personal data according to our instructions, and that they have sufficient technical and organizational security measures in place. Where we transfer personal data outside the EEA, we do so in compliance with the relevant data export requirements. As previously described, following the CJEU's decision to invalidate Privacy Shield, we are now required to review and amend the legal mechanisms by which we make and/or receive personal data transfers to/in the U.S. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results.

[Table of Contents](#)

We take our data protection obligations seriously, as any improper, unlawful or accidental disclosure, loss, alteration or access to, personal data, particularly sensitive personal data, such as special category, could adversely affect our business and/or our reputation.

We may find it necessary or desirable to join self-regulatory bodies or other privacy-related organizations, particularly relating to biopharmacy and/or scientific research that require compliance with certain rules pertaining to privacy and data security.

There are costs and administrative burdens associated with compliance with GDPR and the resultant changes in the EU and EEA Member States' national laws and the introduction of the e-Privacy Regulation once it takes effect. Any failure or perceived failure to comply with global privacy laws carries with it the risk of significant penalties and sanctions. These laws or new interpretations, enactments or supplementary forms of these laws, could create liability for us, could impose additional operational requirements on our business, and could affect the manner in which we use and transmit patient information and could increase our cost of doing business. Claims of violations of privacy rights or contractual breaches, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

Coverage and reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any pharmaceutical, biological or medical device product. In the United States and markets in other countries, patients who are prescribed treatments or undergo procedures for their conditions and the providers performing the services generally rely on third-party payers to reimburse all or part of the associated healthcare costs. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our products or related procedures. Sales of any products will therefore depend, in part, on the availability of coverage and adequate reimbursement from third-party payers. Third-party payers include government authorities, managed care organizations, private health insurers and other organizations.

The process for determining whether a third-party payer will provide coverage for a product typically is separate from the process for setting the price of such product or for establishing the reimbursement rate that the payer will pay for the product once coverage is approved. Third-party payers may limit coverage to specific products on an approved list, also known as a formulary, which might not include all of the FDA-approved products for a particular indication, or place products at certain formulary levels that result in lower reimbursement levels and higher cost-sharing obligation imposed on patients. A decision by a third-party payer not to cover any of our products or product candidates could reduce physician utilization of such products and adversely affect our business, results of operations and financial condition. Moreover, a third-party payer's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development. Additionally, coverage and reimbursement for products can differ significantly from payer to payer. One third-party payer's decision to cover a particular medical product or service does not ensure that other payers will also provide coverage for the medical product or service, or will provide coverage at an adequate reimbursement rate. As a result, the coverage determination process will often require us to provide scientific and clinical support for the use of our products to each payer separately and can be a time-consuming process.

Third-party payers are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. Third-party payers may not consider our products to be medically necessary or cost-effective for certain indications or for all uses, and as a result, may not provide coverage for our products. In order to obtain and maintain coverage and reimbursement for our products and product candidates, we may need to conduct expensive clinical trials in order to demonstrate the medical necessity and cost-effectiveness of such products, in addition to the costs required to obtain regulatory approvals. If third-party payers do not consider a product to be cost-effective compared to other available therapies,

[Table of Contents](#)

they may not cover the product as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow a company to sell our products at a profit. Any changes in coverage and reimbursement that further restrict coverage of our products or lower reimbursement for procedures using our devices could materially affect our business. See “Risk factors—Risks related to our business—If we are unable to achieve and maintain adequate levels of coverage and/or reimbursement for our products, the procedures using our products, or any future products we may seek to commercialize, the commercial success of these products may be severely hindered.”

Outside of the United States, the pricing of medical devices and prescription pharmaceuticals is subject to governmental control in many countries. For example, in the EU, pricing and reimbursement schemes vary widely from country to country. Some countries provide that products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost-effectiveness of a particular therapy to currently available therapies or so called health technology assessments, in order to obtain reimbursement or pricing approval. Other countries may allow companies to fix their own prices for products, but monitor and control prescription volumes and issue guidance to physicians to limit prescriptions. Efforts to control prices and utilization of medical devices and pharmaceutical products could continue as countries attempt to manage healthcare expenditures, especially in light of the severe fiscal and debt crises experienced by many countries in the EU. There can be no assurance that any country that has price controls or reimbursement limitations for medical devices or pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our products, if approved in those countries. See “Risk factors—Risks related to our business—Governments outside the United States may not provide coverage or reimbursement of our products, which may adversely affect our business, results of operations and financial condition.”

Exogen reimbursement and order fulfillment

Our Exogen system is classified as durable medical equipment, meaning the product is used by the patient in the home and that the patient and/or insurance company, rather than the physician, is billed for the product. We bill third-party payers, such as private insurance or Medicare, on behalf of our patients and bill the patient for their co-payment obligations and deductibles. An internal team and external consultants assist with billing and processing orders for our Exogen system and has been trained in verifying case-by-case benefits, obtaining prior authorization and billing and collecting payments from payers. We also have a separate dedicated team of employees that provides customer support services for our Exogen system.

We have strong and established payer relationships, including the largest private payers in the United States. Based on our estimates, we are contracted as a provider with payers covering over 200 million lives. These contracts allow patients to access our Exogen system at a competitive rate and copay comparable to other suppliers and easing our administrative burden in processing at both authorization and when billing. Our Exogen system is reimbursed under HCPCS code E0760.

Healthcare reform

Current and future legislative proposals to further reform healthcare or reduce healthcare costs may limit coverage for the procedures associated with the use of our products, or result in lower reimbursement for those procedures. The cost containment measures that payers and providers are instituting and the effect of any healthcare reform initiative implemented in the future could significantly reduce our revenues from the sale of our products. By way of example, the Affordable Care Act substantially changed healthcare financing and delivery by both governmental and private insurers and significantly impacted the pharmaceutical and medical device industries. The Affordable Care Act imposed, among other things, a new federal excise tax on the sale of certain medical devices, provided incentives to programs that increase the federal government’s comparative effectiveness research and implemented payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models. Since its enactment, there have been

[Table of Contents](#)

judicial and Congressional challenges to certain aspects of the Affordable Care Act, including the permanent repeal of the federal excise tax on the sale of certain medical devices effective January 1, 2020. We expect there will be additional challenges and amendments to the Affordable Care Act in the future.

In addition, other legislative changes have been proposed and adopted in the United States since the Affordable Care Act was enacted. On August 2, 2011, the Budget Control Act of 2011 was signed into law, which, among other things, included reductions to Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013. Subsequent legislative amendments related to the COVID-19 pandemic suspended this Medicare sequestration payment reduction from May 1, 2020 through March 31, 2021, but extended sequestration through 2030. On January 2, 2013, the American Taxpayer Relief Act of 2012, was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals.

Moreover, payment methodologies may be subject to changes due to healthcare legislation and regulatory initiatives. For example, CMS may develop new payment and delivery models, such as bundled payment models. In addition, recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several U.S. Congressional inquiries and proposed and enacted federal legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare and review the relationship between pricing and manufacturer patient programs.

Individual states in the United States have also increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional healthcare authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs.

In the EU, similar political, economic and regulatory developments have occurred or are being contemplated. In addition to continuing pressure on prices and cost containment measures, legislative developments at the EU or Member State level may result in significant additional requirements or obstacles that may increase operating costs. The delivery of healthcare in the EU, including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than EU, law and policy. National governments and health service providers have different priorities and approaches to the delivery of health care and the pricing and reimbursement of products in that context. In general, however, the healthcare budgetary constraints in most EU Member States have resulted in restrictions on the pricing and reimbursement of medicines by relevant health service providers.

We expect that additional foreign, state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products or additional pricing pressure.

Employee and Human Capital Resources

As of September 26, 2020, we had approximately 680 employees, none of whom were covered by collective bargaining agreements. Most of these employees are located in the United States with approximately 95 located outside the United States. We believe that our relations with our employees are generally good.

We value our employees and regularly benchmark total rewards we provide, such as short and long term compensation, 401(k) contributions, health, welfare and quality of life benefits, paid time off and personal leave, against our industry peers to ensure we remain competitive and attractive to potential new hires. We seek to create a workplace environment that fosters personal and business successes by offering training and

[Table of Contents](#)

development programs, which further assist our current employees in meeting and exceeding our established standards of performance. Additionally, through our Diversity, Equity and Inclusion Counsel, our employees work directly with our executive management team to address any internal concerns and continuously improve the ways in which we serve our employees and customers.

Facilities

Our principal executive offices are located on leased property in Durham, North Carolina. We also occupy leased office and manufacturing space in Cordova, Tennessee. In addition, our international operations occupy leased office spaces in Hoofddorp, Netherlands and Mississauga, Canada. We believe that our facilities are sufficient to meet our current needs and that suitable additional space will be available as and when needed on acceptable terms.

Legal proceedings

We are not currently a party to any material legal proceedings. We may at times be involved in litigation and other legal claims in the ordinary course of business. When appropriate in our estimation, we may record reserves in our financial statements for pending litigation and other claims.

MANAGEMENT

Executive officers, key employees and directors

The following table sets forth information regarding the individuals who have agreed to become our executive officers, key employees and directors upon the completion of this offering, as of December 31, 2020:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Executive Officers		
Kenneth M. Reali	55	Chief Executive Officer and Director
Gregory O. Anglum	50	Senior Vice President and Chief Financial Officer
John E. Nosenzo	63	Chief Commercial Officer
Anthony D'Adamio	60	Senior Vice President and General Counsel
Katrina Church	59	Senior Vice President and Chief Compliance Officer
Alessandra Pavesio	54	Senior Vice President and Chief Science Officer
Non-Employee Directors		
William A. Hawkins	66	Director, Chairperson
Philip G. Cowdy	53	Director
Guido J. Neels	72	Director
Guy P. Nohra	60	Director
David J. Parker	60	Director
Martin P. Sutter	65	Director
Susan M. Stalneckner	67	Director

The following are biographical summaries and a description of the business experience of those individuals who serve as officers of Bioventus LLC. Upon the consummation of this offering, such individuals will serve in the same capacities at Bioventus Inc. The following also contains biographical summaries and a description of the business experience of those individuals who will serve as directors of Bioventus Inc.

Executive officers and directors

Kenneth M. Reali has served as our Chief Executive Officer since April 2020 and as a member of our board of directors since September 2020. Mr. Reali previously served as President and Chief Executive Officer of Clinical Innovations, LLC, a medical device company focused on advancing woman's healthcare, from June 2015 until its successful sale on February 12, 2020. In this role, Mr. Reali led the company through two successful acquisitions by a private equity firm in October 2017 and later to a leading diagnostic and therapeutic medical technology company in February 2020. Prior to joining Clinical Innovations, LLC, Mr. Reali also served as the President and CEO of Baxano Surgical, Inc., a medical device company, from January 2010 until February 2015, leading its turn-around out of bankruptcy. Mr. Reali also held positions of increasing responsibility at several medical device companies, including Biomet, Inc. (now known as Zimmer Biomet) and Stryker Corporation. Mr. Reali also served as Senior Vice President and General Manager within the Biologics and Clinical Therapies business of Smith & Nephew plc from May 2005 to January 2010, a division which was later spun out to become Bioventus LLC. Mr. Reali has served as a member of the board of managers of Bioventus LLC since April 2020. Mr. Reali also currently serves as a member of the board of directors of Ossio, Ltd., an orthopedic medical device company, the Advanced Medical Technology Association, or AdvaMed, an American medical device trade association, and DYSIS Medical Ltd., a medical device company focused on the non-invasive, in-vivo detection of cancerous and pre-cancerous lesions. Mr. Reali also serves on the compensation committee of Ossio, Ltd. and the ethics and health care compliance committee of AdvaMed. Mr. Reali holds a Bachelor of Science in Business Administration from Valparaiso University.

[Table of Contents](#)

We believe Mr. Reali is qualified to serve on our board of directors because of his vast skills and experience in the medical device industry, his role as our Chief Executive Officer and his extensive knowledge of the Company.

Gregory O. Anglum has served as our Senior Vice President and Chief Financial Officer since May 2017. Previously, Mr. Anglum served as our Chief Accounting Officer from April 2016 to May 2017. Prior to joining us, Mr. Anglum served as Chief Financial Officer of Overture Networks, Inc. (now known as ADVA Optical Networking SE), a leading global provider of networking and telecommunications equipment from September 2015 to April 2016. From December 2014 to September 2015, Mr. Anglum was Chief Financial Officer at StrikeIron, Inc., a Data-as-a-Service software company. From August 2004 to July 2014, Mr. Anglum was an audit partner at Grant Thornton LLP, or GT, where he also served as leader of the Raleigh office from August 2009 through July 2014 and was a member of the firm-wide leadership team for the technology industry group. Mr. Anglum holds a Master of Business Administration with a concentration in Accounting from Vanderbilt University's Owen Graduate School of Management and a Bachelors of Arts in Economics from Vanderbilt University and is a Certified Public Accountant.

John E. Nosenzo has served as our Chief Commercial Officer since February 2017. Prior to joining us, Mr. Nosenzo served as Senior Vice President, Global Customer Operations at Beckman Coulter Diagnostics, a global leader in clinical diagnostics, from September 2011 to February 2017. From May 2010 to September 2011, Mr. Nosenzo was Senior Vice President, Customer Relations Management for Siemens Healthcare (now known as Siemens Healthineers AG), a clinical diagnostic services and therapeutic systems company, where he developed and implemented sales plans for their multi-billion dollar healthcare imaging and healthcare IT commercial organizations. Mr. Nosenzo's earlier career also includes senior positions at Quest Diagnostics and Bayer Healthcare LLC's Diagnostics Division (now known as Siemens Healthcare Diagnostics). Mr. Nosenzo currently serves as a member of the board of directors of Spectral Medical Inc. Mr. Nosenzo holds a Master of Business Administration in marketing and management from Adelphi University and received his Bachelor of Science in pharmacy from St. John's University.

Anthony D'Adamio has served as our Senior Vice President and General Counsel since August 2017. Previously, Mr. D'Adamio was General Counsel and Secretary at Siemens Healthcare (now known as Siemens Healthineers AG) from January 2010 to August 2017 and served as Deputy General Counsel and Secretary of Siemens Healthcare Diagnostics from January 2007 to January 2010. Prior to that, Mr. D'Adamio was Senior Counsel within the Diagnostics Division of Bayer Healthcare LLC (now known as Siemens Healthcare Diagnostics) from January 2001 to December 2006. Mr. D'Adamio began his legal career at the law firm of Bond, Schoeneck & King before taking corporate legal positions with companies within the health insurance, pharmaceutical and biotechnology industries, including Group Health Incorporated, Quest Diagnostics and Covance Inc. Mr. D'Adamio holds a Juris Doctor, cum laude, from Howard University School of Law and a Bachelor of Arts from the State University of New York at Binghamton.

Katrina Church has served as our Chief Compliance Officer since August 2020. Prior to joining us, Ms. Church served in corporate counsel and compliance roles within the Merz Group of companies, most recently as Global Compliance Officer for Merz Pharma GmbH & Co KGaA, a privately-held pharmaceutical company, from March 2015 to August 2020. From June 1998 to December 2008, Ms. Church was Executive Vice President and General Counsel of Connetics Corporation, a specialty pharmaceutical company that was acquired by Stiefel Laboratories, Inc. in 2008. Ms. Church began her career as an attorney at Hopkins & Carley, a San Jose-based law firm. In 2020, Ms. Church was nominated for several industry awards for compliance training and received the 2020 Women in Compliance Award for "Most Impactful Compliance Training Programme of the Year" and the Brandon Hall 2020 Gold Medal for Excellence in Training. Ms. Church holds a Juris Doctor from New York University School of Law and a Bachelor of Arts in Comparative Literature, magna cum laude, from Duke University.

Alessandra Pavesio has served as our Senior Vice President and Chief Science Officer since August 2013. Previously, Ms. Pavesio managed the Boston University Coulter Translational Partnership, a foundation-

[Table of Contents](#)

sponsored research program designed to enhance clinical impact and wealth creation through the development and transfer of innovative intellectual properties from university laboratories to commercial practice, from January 2012 to July 2013. From January 2010 to December 2011, Ms. Pavesio was Vice President of Research & Development at Anika Therapeutics, Inc., an integrated orthopedic medicines company. Prior to that, Ms. Pavesio served as Director of Research and Development at Fidia Advanced Biopolymers, s.r.l. (now known as Anika Therapeutics, Inc.), from May 1991 to December 2009. Ms. Pavesio is the co-author of numerous peer reviewed publications and more than 15 patented inventions on hyaluronan based and biologics technologies. In the European Union, she has also served as chairperson of international regenerative medicine technology platforms and government advisory councils on innovation. Ms. Pavesio holds a Master's degree in Medicinal Chemistry, magna cum laude, from the University of Turin in Italy.

Non-employee directors

William A. Hawkins has served as a member of our board of directors since September 2020 and was appointed Chairperson of our board of directors in September 2020. Mr. Hawkins is a Senior Advisor to EW Healthcare Partners, a leading private equity firm investing in life sciences. From October 2011 to July 2015, Mr. Hawkins served as President and Chief Executive Officer of Immucor, Inc., a leading provider of transfusion and transplantation diagnostic products worldwide. Prior to that, Mr. Hawkins served in positions of increasing responsibility at Medtronic, Inc., a prominent medical technology company, from January 2002 to June 2011, most recently serving as its Chief Executive Officer from November 2007 to June 2011. Mr. Hawkins served as President and Chief Executive Officer of Novoste Corporation, a global leader in the field of vascular brachytherapy, from 1988 to 2002 and has also held several senior leadership positions at American Home Products (now known as Wyeth, LLC), Johnson & Johnson, Guidant Corp. and Eli Lilly and Co. Mr. Hawkins has served as a member of the board of managers of Bioventus LLC since January 2016. Mr. Hawkins also currently serves on the board of directors of Avanos Medical, Inc., a public medical technology company; Biogen Inc. and MiMedx Group Inc., each a public biopharmaceutical company; and Asklepios BioPharmaceutical, Inc., Baebies, Inc., Cirtec Medical Corp., Immucor, Inc. and Virtue Labs, LLC, each a privately-held life science company. Mr. Hawkins was elected to the Duke University Board of Trustees in 2011 and currently serves as its Vice Chairman. Mr. Hawkins is also Chair of the Duke University Health System board of director and a member of the board of directors of the North Carolina Biotechnology Center and the Focused Ultrasound Foundation Society. Mr. Hawkins holds a Master of Business Administration from the University of Virginia Darden School of Business and received a Bachelor of Science in electrical and biomedical engineering from Duke University.

We believe Mr. Hawkins is qualified to serve on our board of directors because of his experience in and knowledge of the life science industry.

Philip G. Cowdy has served as a member of our board of directors since September 2020. Mr. Cowdy is the Chief Business Development and Corporate Affairs Officer for Smith & Nephew plc. Since joining Smith & Nephew plc in June 2008, he has also served as Executive Vice President of Business Development and Corporate Affairs, Head of Corporate Affairs and Strategic Planning, Group Director of Corporate Affairs and Director of Investor Relations. Prior to joining Smith & Nephew plc, Mr. Cowdy served as a Senior Director at Deutsche Bank for 13 years, providing corporate finance and equity capital markets advice to a variety of UK-based companies. Mr. Cowdy is currently a member of the board of managers of Bioventus LLC, which he has served on from January 2012 to October 2017 and again from July 2018, and he has served as a member of the Audit, Compliance and Quality Committee. Mr. Cowdy received his Bachelor of Science in Natural Sciences from Durham University (UK) and is a qualified chartered accountant.

We believe Mr. Cowdy is qualified to serve on our board of directors because of his experience in the industry, his finance experience, and his knowledge of the Company.

Guido J. Neels has served as a member of our board of directors since September 2020. Mr. Neels has been with Essex Woodlands since August 2006, where he is now an Operating Partner. Prior to joining Essex

[Table of Contents](#)

Woodlands, Mr. Neels served in a variety of management positions at Guidant Corporation, a developer of cardiovascular medical products. From July 2004 until retiring in November 2005, Mr. Neels served as Guidant's Chief Operating Officer, where he was responsible for the global operations of Guidant's four operating units: Cardiac Rhythm Management, Vascular Intervention, Cardiac Surgery and Endovascular Solutions. From December 2002 to July 2004, Mr. Neels served as Guidant's Group Chairman, Office of the President, responsible for worldwide sales operations, corporate communications, corporate marketing, investor relations and government relations. In January 2000, Mr. Neels was named Guidant's President, Europe, Middle East, Africa and Canada. In addition, Mr. Neels served as Guidant's Vice President, Global Marketing, Vascular Intervention, from 1996 to 2000 and as Guidant's General Manager, Germany and Central Europe, from 1994 to 1996. Mr. Neels has served as a member of the board of managers of Bioventus LLC since May 2012. Mr. Neels also currently serves on the board of directors of Axogen, Inc. and also is a member of its compensation committee. Mr. Neels previously served on the board of directors of Endologix, Inc. from December 2010 to June 2019 and on the board of directors of Entellus Medical from November 2009 to February 2018, each of which is a public company. Mr. Neels holds a Master in Business Administration from the Stanford University Graduate School of Business and received his Business Engineering degree from the University of Leuven in Belgium.

We believe that Mr. Neels is qualified to serve on our board of directors because of his experience in the industry, familiarity with serving on the boards of public companies and his knowledge of our business.

Guy P. Nohra has served as a member of our board of directors since September 2020. In March 1996, Mr. Nohra co-founded Alta Partners, a life sciences venture capital firm, and he has since been involved in the funding and development of numerous medical technology and life sciences companies. Mr. Nohra is currently a member of the board of managers of Bioventus LLC, which he has served on since May 2012, and serves as the Chair of the Compensation Committee. Mr. Nohra currently serves as a member of the boards of directors of several private life sciences companies, including Bionure, Inc., Sanifit Therapeutics S.A. and Spiral Therapeutics, Inc. He also previously served on the board of directors of various public companies, including ATS Medical, Inc., Cutera, Inc., AcelRx Pharmaceuticals, Inc., and ZS Pharma, as well as several private companies, including Carbylan Biosurgery, Inc., Cerenis Therapeutics, Coapt Systems, Paracor Medical, Inc. and PneumRx. Mr. Nohra holds a Master in Business Administration from the University of Chicago and received his Bachelor of Arts in History from Stanford University.

We believe Mr. Nohra is qualified to serve on our board because of his extensive experience in the life sciences industry, his investment and development experience, and his service as a director of other life sciences companies.

David J. Parker has served as a member of our board of directors since September 2020. Mr. Parker has been a General Partner at Ampersand Capital Partners since November 2010, a private equity firm with \$800.0 million of capital under management, which he joined in September 1994. Prior to joining Ampersand Capital Partners, Mr. Parker served as a management consultant at Bain & Company and Mercer Management Consulting, where he provided strategy and operations consulting services to clients in the healthcare, transportation, consumer products and telecommunications sectors. Mr. Parker is currently a member of the board of managers of Bioventus LLC, which he has served on since May 2012, and serves on the Audit, Compliance and Quality Committee. Mr. Parker also currently serves as a director of Genome Diagnostics B.V., or GenDx, MedPharm Ltd. And Tjoapack Holdings B.V. Mr. Parker also serves on the remuneration committees of both GenDx and MedPharm and the audit committee of GenDx. Mr. Parker holds a Master of Business Administration in Finance from The Wharton School of the University of Pennsylvania and received his Bachelor of Arts in Government and Economics from Dartmouth College.

We believe Mr. Parker is qualified to serve on our board because of his extensive experience in the life sciences industry, his finance and investment experience, and his service as a director of other life sciences companies.

[Table of Contents](#)

Martin P. Sutter has served as a member of our board of directors since September 2020. Mr. Sutter is one of the two founding Managing Directors of EW Healthcare Partners (previously known as Essex Woodlands), one of the oldest and largest life sciences and healthcare focused venture capital firms, which he formed in 1994. Mr. Sutter has more than 30 years of management experience in operations, marketing, finance and venture capital. Mr. Sutter has served as a member of the board of managers of Bioventus LLC since May 2012. Mr. Sutter also currently serves on the board of directors of Abiomed, Inc., a publicly traded biopharmaceutical company, MiMedx Group, Inc., a publicly traded medical devices company, and Prolacta Biosciences, Inc., a privately held life sciences company. Mr. Sutter has also previously served on the board of directors of Tissue Tech, Inc., Suneva Medical, Inc. and QSpex Technologies, Inc. Mr. Sutter currently serves on the compensation and nominating and governance committees of both Abiomed, Inc. and MiMedx Group, Inc. Mr. Sutter holds a Master of Business Administration from the University of Houston and received his Bachelor of Science from Louisiana State University.

We believe Mr. Sutter is qualified to serve on our board because of his extensive experience in the life sciences industry, his investment experience, and his service as a director of other life sciences companies.

Susan M. Stalnecker has served as a member of our board of directors since September 2020. Ms. Stalnecker has been a Senior Advisor at Boston Consulting Group, a global management consulting firm, since March 2016. Ms. Stalnecker served as Vice President of E.I. duPont de Nemours and Co. (now known as DuPont de Nemours, Inc., or DuPont), a public company engaged primarily in biotechnology and the manufacture of chemicals and pharmaceuticals, from December 1976 until she retired in 2016. During her nearly 40-year career at DuPont, Ms. Stalnecker served in several senior leadership roles including Vice President, Treasurer & M&A; Vice President, Risk Management; Vice President, Government and Consumer Markets; and Vice President, Productivity & Shared Services. Ms. Stalnecker has served as a member of the board of managers of Bioventus LLC since November 2018. Ms. Stalnecker also currently serves on the board of directors of Leidos Holding, Inc. and Optimum Funds McQuairie, and serves on the Board of Trustees of the Duke Health System. She also serves on the audit & finance committee of Leidos Inc., the audit committee of Optimum Funds McQuairie and the compliance, audit & finance committee of the Duke Health System. Ms. Stalnecker holds a Master of Business Administration from The Wharton School of the University of Pennsylvania and received her Bachelor of Arts from Duke University.

We believe Ms. Stalnecker is qualified to serve on our board because of her extensive experience as a financial expert, her investment experience, and her service as a director of other public companies.

Corporate governance

Composition of our board of directors

Our business and affairs are managed under the direction of our board of directors. We currently have eight directors and one vacant seat. Pursuant to the Stockholders Agreement, the Essex Members (as defined herein), collectively will have the right to designate up to three individuals to be included in the slate of nominees recommended by our board of directors. Smith & Nephew, Inc. and Smith & Nephew (Europe) B.V., as the other members of the Voting Group, will have the right to designate up to two individuals to be included in the slate of nominees recommended by our board of directors pursuant to the Stockholders Agreement, one of whom shall be the individual to be included in the slate of nominees recommended by our board of directors to fill the currently vacant seat. See “Certain Relationships and Related Party Transactions—Stockholders Agreement.” Our amended and restated certificate of incorporation and bylaws will provide for the division of our board of directors into three classes, as nearly equal in number as possible, with the directors in each class serving for a three-year term, and one class being elected each year by our stockholders. Prior to the offering, each of Mr. Reali, Mr. Hawkins, Mr. Cowdy, Mr. Neels, Mr. Nohra, Mr. Parker, Mr. Sutter and Ms. Stalnecker joined our board of directors.

[Table of Contents](#)

When considering whether directors and nominees have the experience, qualifications, attributes or skills, taken as a whole, to enable our board of directors to satisfy its oversight responsibilities effectively in light of our business and structure, the board of directors focuses primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business.

In accordance with our amended and restated certificate of incorporation and the Stockholders Agreement, each of which will be in effect upon the closing of this offering, our board of directors will be divided into three classes with staggered three year terms. At each annual meeting of stockholders after the initial classification, the successors to the directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following their election. Our directors will be divided among the three classes as follows:

- the Class I directors will be Guido J. Neels, Guy P. Nohra and David J. Parker, and their terms will expire at the annual meeting of stockholders to be held in 2022;
- the Class II directors will be William A. Hawkins, Susan M. Stalneckner and a S+N Stockholder Designee (as defined in the Stockholders Agreement) to be included in the slate of nominees pursuant to the Stockholders Agreement, and their terms will expire at the annual meeting of stockholders to be held in 2023; and
- the Class III directors will be Kenneth M. Reali, Philip G. Cowdy and Martin P. Sutter, and their terms will expire at the annual meeting of stockholders to be held in 2024.

Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our Company.

Director independence

Prior to the consummation of this offering, our board of directors undertook a review of the independence of our directors and considered whether any director has a material relationship with us that could compromise that director's ability to exercise independent judgment in carrying out that director's responsibilities. Our board of directors has affirmatively determined that Mr. Hawkins, Mr. Cowdy, Mr. Neels, Mr. Nohra, Mr. Parker, Mr. Sutter and Ms. Stalneckner are each an "independent director," as defined under the rules of Nasdaq. In making these determinations, our board of directors considered the current and prior relationships that each director has with our Company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each director, and the transactions involving them described in the section titled "Certain Relationships and Related Party Transactions."

Board committees

Our board has established four standing committees—audit, compliance and ethics, compensation, and nominating and corporate governance—each of which operates under a charter that has been approved by our board of directors. Current copies of each committee's charter are posted on our website, www.bioventus.com. The information on any of our websites is deemed not to be incorporated in this prospectus or to be part of this prospectus.

Following this offering, the Voting Group, which will hold Class A common stock and Class B common stock collectively representing a majority of the combined voting power of our total common stock outstanding, intends to enter into the Stockholders Agreement to elect the nominees of certain members of the Voting Group to our board of directors. See "Description of capital stock—Stockholders Agreement." As a result, we will be a

Table of Contents

“controlled company” under Nasdaq governance standards. As a controlled company, exemptions under the standards will mean that we are not required to comply with certain corporate governance requirements, including the following requirements:

- that a majority of our board of directors consists of “independent directors,” as defined under the Nasdaq rules;
- that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities;
- that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- for an annual performance evaluation of the nominating and governance committee and compensation committee.

These exemptions do not modify the independence requirements for our audit committee, and we intend to comply with the applicable requirements of the Sarbanes-Oxley Act and rules with respect to our audit committee within the applicable time frame.

Audit committee

The audit committee will be responsible for, among other matters:

- appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm;
- discussing with our independent registered public accounting firm their independence from management;
- reviewing with our independent registered public accounting firm the scope and results of their audit;
- approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC;
- reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls and compliance with legal and regulatory requirements;
- overseeing the Company’s cybersecurity policies, processes and controls; and
- establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters.

Upon the closing of this offering, our audit committee will consist of Philip G. Cowdy, David J. Parker and Susan M. Stalnecker, with Susan M. Stalnecker serving as chair. We intend to rely on the phase-in rules of Rule 10A-3 under the Exchange Act and the Nasdaq rules requiring that the audit committee be composed entirely of members who qualify as independent under the Nasdaq rules and the additional independence standards applicable to audit committee members established pursuant to Rule 10A-3 under the Exchange Act. Following the listing date of our common stock, and, in accordance with the phase-in provisions described above, one year from such date we intend all members of our audit committee to meet the definition of “independent director” for purposes of serving on the audit committee under Rule 10A-3 under the Exchange Act and the Nasdaq rules. We have determined that the fact that our audit committee will not be entirely comprised of independent directors in the first year following this offering will not materially adversely affect the ability of our audit committee to act independently and to satisfy the other requirements of the SEC and Nasdaq. Our board of directors has affirmatively determined that David J. Parker and Susan M. Stalnecker meet the definition of “independent director” for purposes of serving on an audit committee under Rule 10A-3 and the Nasdaq rules, and we intend to comply with the other independence requirements within the time periods specified. In addition, our board of directors has determined that Susan M. Stalnecker will qualify as an “audit committee financial expert,” as such term is defined in Item 407(d)(5) of Regulation S-K.

Compensation committee

The compensation committee's responsibilities include:

- reviewing and approving the compensation of our directors, Chief Executive Officer and other executive officers; and
- appointing and overseeing any compensation consultants.

Upon the closing of this offering, our compensation committee will consist of Guy P. Nohra and Guido J. Neels, with Guy P. Nohra serving as chair. As a controlled company, we will rely upon the exemption from the requirement that we have a compensation committee composed entirely of independent directors.

Compliance, ethics and culture committee

The compliance committee's responsibilities include:

- overseeing and monitoring the implementation of a Global Compliance Program, including our Code of Compliance and Ethics, and related compliance policies and procedures; and
- overseeing the activities of the Company's Chief Compliance Officer.

Upon the closing of this offering, our compliance committee will consist of William A. Hawkins and Susan M. Stalnecker, with William A. Hawkins serving as chair.

Nominating and corporate governance committee

The nominating and corporate governance committee's responsibilities include:

- identifying individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors; and
- developing and recommending to our board of directors a set of corporate governance guidelines and principles.

The members of our nominating and corporate governance committee are Philip G. Cowdy, Guy P. Nohra and Martin P. Sutter, with Martin P. Sutter serving as chair. As a controlled company, we will rely upon the exemption from the requirement that we have a nominating and corporate governance committee composed entirely of independent directors.

Risk oversight

Our board of directors is responsible for overseeing our risk management process. Our board of directors focuses on our general risk management strategy, the most significant risks facing us, and oversees the implementation of risk mitigation strategies by management. Our board of directors is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and significant transactions.

Risk considerations in our compensation program

We conducted an assessment of our compensation policies and practices for our employees and concluded that these policies and practices are not reasonably likely to have a material adverse effect on us.

Compensation committee interlocks and insider participation

During fiscal 2019, the members of Bioventus LLC's compensation committee were Bradley J. Cannon, Guido J. Neels and Guy P. Nohra. No member of our compensation committee is or has been a current or former

[Table of Contents](#)

officer or employee of Bioventus or had any related person transaction involving Bioventus. None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a director or member of Bioventus LLC's compensation committee during fiscal 2019.

Code of compliance and ethics

Prior to the completion of this offering, in addition to the existing Bioventus LLC policies in place, Bioventus Inc. will adopt a written code of compliance and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We will post a current copy of the code on our website, www.bioventus.com. In addition, we intend to post on our website all disclosures that are required by law or Nasdaq listing standards concerning any amendments to, or waivers from, any provision of the code. The information on any of our websites is deemed not to be incorporated in this prospectus or to be part of this prospectus.

EXECUTIVE COMPENSATION

This section discusses the material components of the executive compensation program for our executive officers who are named in the “2020 Summary compensation table” below. In 2020, our “named executive officers” and their positions were as follows:

- Kenneth Reali, Chief Executive Officer
- Gregory O. Anglum, Senior Vice President & Chief Financial Officer;
- John E. Nosenzo, Senior Vice President & Chief Commercial Officer;
- Anthony D’Adamio, Senior Vice President & General Counsel;
- Alessandra Pavesio, Senior Vice President & Chief Science Officer; and
- Anthony P. Bihl III, former Chief Executive Officer.

Mr. Kenneth Reali became Chief Executive Officer and a member of the Bioventus LLC board of managers, effective as of April 13, 2020, in connection with Mr. Bihl’s retirement on April 19, 2020.

2020 Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the years ended December 31, 2019 and December 31, 2020.

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Kenneth Reali Chief Executive Officer	2020	428,135		4,111,191(7)	38,631(8)	(3)	277,719(5)	4,855,676
	2019	—	—	—	—	—	—	—
Gregory O. Anglum Senior Vice President & Chief Financial Officer	2020	381,044				(3)	22,392(5)	403,436
	2019	374,019				143,479(4)	22,386(6)	539,884
John E. Nosenzo Senior Vice President & Chief Commercial Officer	2020	504,893				(3)	22,959(5)	527,852
	2019	490,219				295,322(4)	22,584(6)	808,125
Anthony D’Adamio Senior Vice President & General Counsel	2020	396,597				(3)	22,959(5)	419,556
	2019	391,106				150,016(4)	22,584(6)	563,706
Alessandra Pavesio Senior Vice President & Chief Science Officer	2020	408,657	100(2)			(3)	21,375(5)	430,132
	2019	398,165				160,693(4)	21,000(6)	579,858
Anthony P. Bihl III Former Chief Executive Officer	2020	236,750				(3)	3,639,984(5)	3,876,734
	2019	684,979				552,910(4)	23,561(6)	1,261,450

(1) Amounts reflect annual base salary earned with respect to 2019 and 2020.

Table of Contents

- (2) Amount reflects bonus paid to Ms. Pavesio in connection with a CEO determination to pay \$100 discretionary bonuses to all employees with five through nine years of service.
- (3) Bonus amounts under the Non Commercial AIP and the Commercial AIP for fiscal year 2020 (as described below under “—2020 Incentive Bonuses”) have not yet been determined. We expect the board of managers to determine the bonus amounts for fiscal year 2020 in February 2021.
- (4) Amounts reflect the annual performance-based cash incentives earned by our named executive officers in 2020 based on achievement of corporate and personal performance objectives as set forth in the 2019 Executive Annual Incentive Plan – Non Commercial or the 2019 Executive Annual Incentive Plan – Chief Commercial Officer, as applicable.
- (5) Amounts reflect (i) \$8,550, \$8,550, \$8,550, \$8,550, \$8,550, and \$8,550 in matching 401(k) contributions made by us to the 401(k) accounts of Messrs. Reali, Anglum, Nosenzo, D’Adamio, Ms. Pavesio and Mr. Bihl, respectively, (ii) additional fixed non-elective contributions of \$1,064, \$12,402, \$12,825, \$12,825, \$12,825 and \$12,825 made by us to the 401(k) accounts of Messrs. Reali, Anglum, Nosenzo, D’Adamio, Ms. Pavesio and Mr. Bihl, respectively, (iii) reimbursement of cellular telephone expenses to Messrs. Reali, Anglum, Nosenzo, and D’Adamio equal to \$1,056, \$1,440, \$1,584 and \$1,584, respectively, (iv) relocation allowance of \$250,000 and tax gross up of \$17,048 to Mr. Reali, (v) payments to Mr. Bihl of a \$4,966 benefit stipend and \$63,700 tax stipend in connection with his status as a partner and associated receipt of a guaranteed payment instead of a salary, and (vi) payments made and to be made to Mr. Bihl in connection with his retirement in an aggregate amount of \$3,549,943 to reflect the COVID-19-related decrease in the repurchase value of his equity interests.
- (6) Amounts reflect (i) \$2,561 benefit stipend to Mr. Bihl (ii) \$8,400, \$8,400, \$8,400, \$8,400 and \$8,400 in matching 401(k) contributions made by us to the 401(k) accounts of Messrs. Anglum, Nosenzo, D’Adamio, Ms. Pavesio and Mr. Bihl, respectively, (iii) additional fixed non-elective contributions of \$12,600, \$12,600, \$12,600, \$12,600 and \$12,600 made by us to the 401(k) accounts of Messrs. Anglum, Nosenzo, D’Adamio, Ms. Pavesio and Mr. Bihl, respectively, and (iv) reimbursement of cellular telephone expenses to Messrs. Anglum, Nosenzo, and D’Adamio equal to \$1,386, \$1,584 and \$1,584, respectively.
- (7) Amount reflects the aggregate grant date fair value of phantom profits interests granted to Mr. Reali during the year ended December 31, 2020 computed in accordance with FASB ASC Topic 718, Compensation—Stock Compensation. See Note 6 of the audited consolidated financial statements included elsewhere in this prospectus for a discussion of the relevant assumptions used in calculating this amount.
- (8) Amount reflects the aggregate grant date fair value of options granted to Mr. Reali during the year ended December 31, 2020 computed using a Black-Scholes calculation in accordance with FASB ASC Topic 718, Compensation—Stock Compensation.

Narrative to Summary Compensation Table

Employment Letters

The terms of employment for Messrs. Reali, Anglum, Nosenzo, D’Adamio and Ms. Pavesio in effect as of December 31, 2020 are documented in their employment letters dated March 12, 2020, August 2, 2017, November 18, 2016, July 11, 2017 and June 13, 2013, respectively, with Mr. Reali’s employment letter subsequently amended as of April 24, 2020. The terms of Mr. Bihl’s prior employment are documented in his offer letter dated November 4, 2013 as amended on October 17, 2019 to reflect his status as a partner. Pursuant to their respective employment letters, Mr. Bihl was hired to serve as the Chief Executive Officer, Mr. Reali was hired to serve as the Chief Executive Officer following Mr. Bihl’s retirement, Mr. Anglum was promoted on August 7, 2017 to serve as the Chief Financial Officer (after serving as the interim Chief Financial Officer effective May 1, 2017), Mr. Nosenzo was hired to serve as Chief Commercial Officer, Mr. D’Adamio was hired to serve as Senior Vice President and General Counsel and Ms. Pavesio was hired to serve as Chief Science Officer. Mr. Bihl also served as a member of the Bioventus LLC board of managers until his retirement on April 19, 2020 and Mr. Reali now serves as a member of the Bioventus LLC board of managers. In connection with this offering, we have entered into new employment agreements with Messrs. Reali, Anglum, Nosenzo, D’Adamio, and Ms. Pavesio (as further described below under “—Severance”).

2020 Salaries

The named executive officers were entitled to receive a base salary in 2020 to compensate them for services rendered to us. The base salary payable to each named executive officer is intended to provide a fixed component of compensation reflecting the named executive officer's skill set, experience, role and responsibilities. The annual base salaries payable to Messrs. Reali, Anglum, Nosenzo, D'Adamio and Ms. Pavesio as of December 31, 2020, were \$615,000, \$389,881, \$518,451, \$405,794 and \$419,630 respectively, which reflect merit increases which were effective March 29, 2020 for the named executive officers other than Mr. Reali. In connection with the COVID-19 pandemic, we implemented a 20% reduction in base salary for each of our employees with a base salary of \$100,000 or greater, including each of our named executive officers, effective May 31, 2020 and ending June 27, 2020, which reductions are reflected in the actual salary paid in the summary compensation table.

Effective as of the consummation of this offering, we intend to increase the salaries of Messrs. Reali, Anglum, D'Adamio and Ms. Pavesio to \$700,000, \$430,000, \$420,000 and \$430,000, respectively.

2020 Incentive Bonuses

With respect to their services in 2020, Messrs. Reali, Anglum, D'Adamio, Ms. Pavesio and Mr. Bihl are eligible to earn an annual performance-based cash bonus pursuant to the 2020 Executive Annual Incentive Plan – Non Commercial, or the Non Commercial AIP (with Mr. Bihl's bonus pro-rated for the portion of the year for which he provided service prior to his retirement date), and Mr. Nosenzo is eligible to earn an annual performance-based cash bonus pursuant to the 2020 Executive Annual Incentive Plan – Chief Commercial Officer, or the Commercial AIP. Bonuses earned by our named executive officers under both the Non Commercial AIP and Commercial AIP are based upon weighted minimum, target and maximum achievement of both business and personal performance measures. The Non Commercial AIP and the Commercial AIP objective business measures in 2020 were (1) Global Revenue, (2) Adjusted Global EBITDA and (3) multiple osteoarthritis treatment achievements, including submission of an IND application to FDA for "Biologic" placental tissue product in the third quarter of 2020, the launch of a GTP placental tissue product in the fourth quarter of 2020 and the achievement of \$100,000 in 2020 revenue with respect to such placental tissue product. The personal performance standards are based on the named executive officers' performance ratings.

Mr. Reali's and Mr. Bihl's target incentive for 2020 was 100% of their respective annual base salaries; Mr. Nosenzo's was 75% of his annual base salary; and Messrs. Anglum, D'Adamio and Ms. Pavesio's was 50% of their respective annual base salaries.

Objective business measures and personal performance will be weighted as 80% and 20%, respectively, of the annual bonuses under the Non Commercial AIP and the Commercial AIP. Payouts for the objective business measures under the Non Commercial AIP and the Commercial AIP will range from 50% for minimum achievement, 100% for target achievement, to 200% for maximum achievement, which amounts shall correspond to 95%, 100%, and 105% achievement of the applicable objective business measure target, respectively. The personal performance component of the award amount will range from 50% for minimum achievement, 100% for target achievement, to 200% for maximum achievement. The targets for future incentives for each of our named executive officers will generally remain the same pursuant to their new employment agreements.

The actual level of achievement of the performance measures and the actual bonus amounts payable to the named executive officers under the Non Commercial AIP and the Commercial AIP for fiscal year 2020 have not yet been determined. The amount of the performance-based cash incentives earned by each named executive officer with respect to fiscal year 2020 performance will be determined by the board of managers in February 2021 and paid in March 2021.

Equity-Based Compensation

We currently maintain the Bioventus LLC profits interest plan, which we call the Management Incentive Plan or the MIP, pursuant to which we granted 333,330 profits interest units of Bioventus LLC, or Profits Interest Units, to Mr. Bihl on December 2, 2013. In connection with Mr. Bihl's retirement, we redeemed or plan to redeem all of his Profits Interest Units as described below under "—Severance." On and following the date of this offering, the MIP will be terminated and no further awards will be made under the MIP.

We also currently maintain the Bioventus Phantom Profits Interest Plan, which was renamed the Bioventus Stock Plan on June 1, 2020, and which we call the Phantom Plan, pursuant to which we granted time-vesting phantom plan units, or Time Phantom Units, and performance-vesting phantom plan units, or Performance Phantom Units. The Time Phantom Units generally vest ratably over five years (20% on the first anniversary of the date of grant and 5% quarterly thereafter) and entitle the holder to a cash payment, in an amount determined by reference to the value of our Profits Interest Units, with respect to any vested Time Phantom Units upon the earlier of a termination from service or certain distribution events with respect to the Company's profits interest units. In the event of a qualifying distribution event prior to a termination, all Time Phantom Units fully vest. All Performance Phantom Units generally vest on June 1, 2021, subject to the achievement of 2020 corporate revenue goals (other than "Value Creation" Performance Phantom Units granted to Ms. Pavesio on June 1, 2015, which fully vested on June 1, 2018 based on the 2017 409A enterprise valuation, as described below in "—Outstanding Equity Awards as Fiscal Year End"), but can also become vested in whole or in part in the board of managers' discretion in the event such revenue goals are not satisfied. All Performance Phantom Units that do not so vest expire and are forfeited. In connection with this offering, we intend to terminate the Phantom Plan, effective as of the date of this offering, and settle all awards thereunder 12 months following such termination. In connection with the Phantom Plan termination, Bioventus Inc. will assume obligations of Bioventus LLC and Phantom Plan awards will be paid in the form of shares of Class A common stock (or, in the case of former employees whose employment terminated prior to the offering and who hold vested Phantom Plan awards as of 12 months following the termination of the Phantom Plan, in the form of cash). It is anticipated that the number of shares of Class A common stock received by each participant, including our named executive officers, will be determined by dividing (A) the value of the participant's vested Phantom Units (after giving effect to any accelerations in vesting in connection with this offering, as described below) as of the date of plan termination by (B) the initial public offering price of Class A common stock (with any former employees whose employment terminated prior to the offering and who hold vested Phantom Plan awards receiving the cash value of such shares determined as of the date of this offering). It is anticipated that, to the extent that a Time Phantom Unit is not otherwise vested as of the date the Phantom Plan is terminated, payment with respect to such Time Phantom Unit will be subject to the holder's continued employment with us through the applicable vesting date or the twelve month anniversary of plan termination, if earlier. It is further anticipated that, in connection with the offering, the board of managers will exercise its discretion to vest 75% of the Performance Phantom Units as of the date of this offering and payment with respect to vested Performance Phantom Units will be subject to the holder's continued employment with us through June 1, 2021. On and following the date of this offering, no further awards will be made under the Phantom Plan.

Each of our named executive officers holds Phantom Plan awards in Bioventus LLC as set forth below in "—Outstanding Equity Awards at Fiscal-Year End."

On June 25, 2020, in connection with the commencement of his employment with us, Mr. Reali was granted 417,804 Time Phantom Units. In addition, on July 30, 2020, Mr. Reali was granted an option to purchase up to 5,935 equity interests of Bioventus LLC at a per unit price of \$42.12 at any time prior to July 30, 2021 (or the termination of his service, if earlier), which we refer to as the Reali Option. Mr. Reali has forfeited the Reali Option prior to this offering. No other named executive officers received a grant of equity or phantom equity awards in 2020.

New Equity-Based Compensation

In connection with the offering, we intend to terminate the MIP and the Phantom Plan and have adopted a new equity incentive plan in order to facilitate the grant of cash and equity incentives to our non-employee directors, employees (including our named executive officers) and consultants and employees and consultants of our subsidiaries and to enable our Company and our subsidiaries to obtain and retain the services of these individuals, which is essential to our long-term success. We expect that the plan will be effective prior to this offering, subject to approval of such plan by our stockholders. In connection with this offering, we intend to grant awards with respect to shares of Class A common stock under such plan to certain of our employees, including our named executive officers. For additional information about the new equity incentive plan and the intended grants to be made under such plan in connection with this offering, please see the section titled “New incentive arrangements—2021 Equity Incentive Plan” below.

Severance

The employment letters in effect as of December 31, 2020 for each of our named executive officers provide for severance payments upon termination of employment by us at any time without cause (other than as a result of death or disability) or a termination by the named executive officer for good reason (as defined below) during the two year period following the date of a change in control (as defined in the respective employment letter). In the event of a termination by us without cause, each of our named executive officers would be entitled to receive (1) twelve months’ base salary, payable in a lump sum within 60 days following termination of employment, (2) 100% of their respective target annual cash incentive, payable in a lump sum within 60 days following termination of employment, and (3) payment of COBRA premiums for the first twelve months of coverage following termination of employment. In the event of a termination by Messrs. Anglum, Nosenzo, D’Adamio and Ms. Pavesio for good reason during the two-year period following a change in control, Messrs. Anglum, Nosenzo, D’Adamio and Ms. Pavesio would be entitled to receive the same severance payments and benefits as in the case of termination by us without cause. In the event of a termination by Mr. Reali for good reason during the two-year period following a change in control, under his employment letter Mr. Reali is entitled to receive enhanced severance equal to 18 months of each of his base salary and his target annual cash incentive, each payable in a lump sum on or about 60 days following termination of employment, as well as payment of COBRA premiums for the first 18 months of coverage following termination of employment. The severance payments are conditioned upon execution and delivery of a release and compliance with confidentiality and restrictive covenant obligations as set forth in a separate proprietary information agreement.

In connection with his retirement on April 19, 2020, Mr. Bihl was not entitled to receive any severance or other benefits under his employment letter. Subsequent to his retirement, we entered into an agreement with Mr. Bihl on June 12, 2020, pursuant to which he received a payment on June 16, 2020 of \$9.25 million, which represented a \$918,953 payment in full for amounts due to Mr. Bihl under the Phantom Plan, a \$6,328,629 payment for the redemption of 150,252 of his Profits Interest Units under the MIP, and an additional cash payment of \$2,006,796 to reflect the COVID-19-related decrease in value of his Phantom Plan award and the redeemed portion of his MIP award. Pursuant to this agreement, Mr. Bihl is further entitled to receive a payment with respect to the remainder of his MIP award on or before June 16, 2021 in an amount equal to the greater of (a) \$7,711,231 and (b) the fair market value of such remaining MIP award as of the date of payment, as well as an additional cash payment of \$1,543,147 to reflect the COVID-19-related decrease in value of the remaining portion of his MIP award. We retained the right to accelerate the redemption of such remaining MIP award and the associated June 16, 2021 payments by paying Mr. Bihl the amounts due on an earlier date, and we anticipate accelerating such payments in connection with this offering.

For purposes of the existing employment letters, “cause” is defined generally as the occurrence of any one of the following events by a named executive officer: (i) conviction (including a guilty plea or plea of nolo contendere) of any felony or any other crime involving fraud, violence or dishonesty, (ii) commission of or participation in a fraud or act of dishonesty or misrepresentation against Bioventus LLC, (iii) violation of any

[Table of Contents](#)

written and fully executed contract or agreement between the named executive officer and Bioventus LLC, including without limitation, breach of the restrictive covenants agreement, (iv) gross negligence or willful misconduct, (v) continued and substantial failure to perform applicable duties or (vi) violation of any material policies, practices or procedures of Bioventus LLC; and “good reason” is defined generally as the occurrence of any one of the following events without either express prior written consent or full cure within 30 days of written notice provided to Bioventus LLC and, within the two-year period following the date of a change in control: (i) a material diminution of duties or responsibilities, (ii) a material reduction in salary, other than for across-the-board reductions similarly affecting all senior executive officers, (iii) the relocation of the named executive officer’s principal office, or principal place of employment, to a location more than 50 miles from the location of the principal office or place of business as of the effective date of the employment letter, or (iv) a failure to pay earned compensation to the named executive officer.

In connection with this offering, we have entered into new employment agreements with each of Messrs. Reali, Anglum, Nosenzo, D’Adamio, and Ms. Pavesio that will become effective as of the date of this offering and will supersede their existing severance arrangements. Under these new employment agreements, it is anticipated that, upon a termination without cause or resignation by the named executive officer with good reason, each of our named executive officers will be entitled to (i) twelve months’ base salary (eighteen months in the case of Mr. Reali), payable in equal installments over the twelve month period (eighteen month period in the case of Mr. Reali) following such termination, (ii) 100% of target annual cash incentive (150% in the case of Mr. Reali), payable in equal installments over the twelve month period (eighteen month period in the case of Mr. Reali) following such termination, and (iii) payment of COBRA premiums for the first twelve months of coverage following termination of employment (eighteen months in the case of Mr. Reali). Additionally, upon a termination without cause or resignation by the named executive officer with good reason within the 24 month period following a change in control, each of our named executive officers will be entitled to (i) eighteen months’ base salary (twenty-four months in the case of Mr. Reali), payable in a lump sum within 60 days following such termination, (ii) 150% of target annual cash incentive (200% in the case of Mr. Reali), payable in a lump sum within 60 days following such termination, (iii) a lump sum payment equal to eighteen months (twenty-four months in the case of Mr. Reali) of COBRA premiums within 60 days following such termination, and (iv) full vesting acceleration of all equity awards. These severance payments will be conditioned upon execution and delivery of a release and compliance with the restrictive covenants described below in “—Restrictive Covenants.”

Restrictive Covenants

Our named executive officers are subject to certain post-employment restrictive covenants, including twelve-month non-competition and non-solicitation obligations, as set forth in proprietary information agreements entered into with each named executive officer. Further, the employment letters for each of our named executive officers provide for mutual non-disparagement obligations.

In connection with this offering, we have entered into new post-employment restrictive covenants with our named executive officers, effective as of the date of this offering, including twelve-month (and eighteen months in the case of Mr. Reali) non-competition and non-solicitation obligations (increased to eighteen-months (and twenty-four months in the case of Mr. Reali) in the event a named executive officer receives change in control severance, as described above) and perpetual confidentiality and non-disparagement obligations.

Retirement Plans

Bioventus LLC currently maintains a 401(k) retirement savings plan, or the 401(k) plan, in which all Bioventus LLC employees, including our named executive officers, who satisfy certain eligibility requirements may participate. The Internal Revenue Code allows eligible employees to defer a portion of their compensation, within prescribed limits, on a pre-tax basis through contributions to the 401(k) plan. Under the terms of the 401(k) plan, we currently make (a) non-discretionary matching contributions equal to 50% of the employee’s contributions, up to a maximum of 6% of the employee’s eligible compensation and (b) a non-elective

[Table of Contents](#)

contribution equal to 4.5% of the employee's compensation for the plan year. Due to the COVID-19 crisis, we suspended the 4.5% non-elective contribution effective May 3, 2020, but have reinstated such benefit effective December 26, 2020. Further, our board of managers has discretion under the 401(k) plan to provide for annual discretionary matching contributions based on eligible compensation contributed by each employee and (ii) discretionary non-elective contributions in an amount determined by the board at year end, subject to continued employment through year end. We believe that providing a vehicle for tax-deferred retirement savings through the 401(k) plan adds to the overall desirability of our executive compensation package and further incentivizes our employees, including our named executive officers, in accordance with our compensation policies. Following the consummation of this offering, we anticipate that our employees will continue to be eligible to participate in a 401(k) plan maintained by us.

Employee Benefits

All of our full-time employees and working partners, including our named executive officers, are eligible to participate in health and welfare plans maintained by Bioventus LLC, including:

- medical, dental and vision benefits;
- medical flexible spending accounts and health savings account;
- short-term and long-term disability insurance;
- basic life and accidental death & dismemberment insurance; and
- group accident, critical illness and hospital indemnity plans.

Our named executive officers participate in these plans on the same basis as other eligible employees. We do not maintain any supplemental health and welfare plans for our named executive officers. We reimburse our named executive officers for the full cost of their personal cellular phones. We believe the benefits described above are necessary and appropriate to provide a competitive compensation package to our named executive officers.

Section 280G

The employment letters for Messrs. Reali, Anglum and D'Adamio provide and the new employment agreements we have entered into with our named executive officers in connection with this offering provide that, in the case of their receipt of any payments in connection with a change in control (as defined in the employment letter), or that would otherwise be considered an "excess parachute payment" within the meaning of Section 280G of the Code, such payments will be reduced to the maximum amount that does not trigger the excise tax imposed by Section 4999 of the Code if Messrs. Reali, Anglum and D'Adamio would be better off on a net after-tax basis with such reduction.

Retention Plan

On April 13, 2020, we initiated a retention plan with Mr. Nosenzo for an aggregate amount of \$520,000 less applicable taxes. Payments of \$260,000 will be paid on each of May 4, 2021 and May 4, 2022, subject to Mr. Nosenzo's continued service through each such date; provided that if Mr. Nosenzo's employment is terminated for a reason that would qualify Mr. Nosenzo for severance benefits under his offer letter (x) before the May 4, 2021 payment date he will receive \$260,000 in a single lump sum within 60 days following termination of employment and (y) after the May 4, 2021 payment date but before the May 4, 2022 payment date he will receive \$260,000 in a lump sum within 60 days following the termination date. Any such payments are in addition to any severance benefits under Mr. Nosenzo's offer letter.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the number of option awards and profits interest units (including the number of profits interest units underlying Phantom Units) for our named executive officers as of December 31, 2020. For additional information about the outstanding equity awards granted to our named executive officers, please see the section titled “—Equity-based compensation” above.

Name	Grant Date	Option awards				Stock awards	
		Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of profits interest units (including profits interest units underlying phantom units(1)) that have not vested (2)(#)	Market Value(3) of profits interest units (including profits interest units underlying phantom units) that have not vested (\$)
Kenneth Reali	4/13/2020					417,804(4)	\$7,716,840
	7/30/2020	5,935(5)	—(5)	\$ 42.12(5)	7/30/2021(5)		
Gregory O. Anglum	4/04/2016					2,000(6)	\$ 94,300
	5/01/2017					28,500(6)	\$ 1,257,420
John E. Nosenzo	9/17/2018					20,000(6)	\$ 580,600
	2/06/2017					31,250(7)	\$ 1,378,750
Anthony D’Adamio	9/17/2018					25,000(7)	\$ 725,750
	8/14/2017					14,000(8)	\$ 617,680
Alessandra Pavesio	9/17/2018					15,000(8)	\$ 435,450
	9/17/2018					20,000(9)	\$ 580,600

- (1) The Phantom Units do not have an expiration date; provided that any Phantom Units granted on September 17, 2018 that do not vest as a result of achieving 2020 revenue targets on June 1, 2021 will expire.
- (2) This column shows the number of Phantom Units held by our other named executive officers that have not vested. Phantom Units generally represent the right to receive cash amounts from us based on the distributions that would be made to an equivalent number of profits interests with an equivalent benchmark amount. The benchmark amounts represent the cumulative distributions that must be made by us pursuant to the Bioventus LLC Agreement before a grantee is entitled to receive any distributions or payments in respect of such grantee’s units. The benchmark amount for Mr. Anglum’s 2016 grant of Phantom Units is \$472,003,000, for Messrs. Nosenzo, Anglum, and D’Adamio’s 2017 grant is \$510,000,000, for Messrs. Anglum, Nosenzo and D’Adamio’s and Ms. Pavesio’s 2018 grant of Phantom Units is \$703,691,178, and for Mr. Reali’s 2020 grant of Phantom Units on June 25, 2020 is \$840,849,878.
- (3) Market value is determined based on an independent valuation report on the fair market value of the Company.
- (4) Mr. Reali was granted 417,804 Phantom Units on June 25, 2020; 20% of such grant will vest on April 13, 2021 and 5% will vest each quarter thereafter.
- (5) Mr. Reali was granted 5,935 options to purchase equity interests of Bioventus LLC on July 30, 2020, all of which were fully vested and exercisable at the time of grant.
- (6) Mr. Anglum was granted 20,000 Phantom Units on April 4, 2016 and 95,000 Phantom Units on May 1, 2017; 20% of each grant vested on the first anniversary of the grant date and 5% vests each quarter thereafter. Mr. Anglum was also granted 20,000 Phantom Units on September 17, 2018; these units will vest on June 1, 2021 at 100% if 2020 revenue is greater than or equal to \$391.8 million and at 75% if 2020 revenue is greater than or equal to \$336.0 million.
- (7) Mr. Nosenzo was granted 125,000 Phantom Units on February 6, 2017; 20% of these Phantom Units vested on February 6, 2018 and 5% vests each quarter thereafter. Mr. Nosenzo was also granted 25,000 Phantom

[Table of Contents](#)

Units on September 17, 2018; these units will vest on June 1, 2021 at 100% if 2020 revenue is greater than or equal to \$391.8 million and at 75% if 2020 revenue is greater than or equal to \$336.0 million.

- (8) Mr. D’Adamio was granted 40,000 Phantom Units on August 14, 2017; 20% of such grant vested on the first anniversary of the grant date and 5% vests each quarter thereafter. Mr. D’Adamio was also granted 15,000 Phantom Units on September 17, 2018; these units will vest on June 1, 2021 at 100% if 2020 revenue is greater than or equal to \$391.8 million and at 75% if 2020 revenue is greater than or equal to \$336.0 million.
- (9) Ms. Pavesio was granted 20,000 Phantom Units on September 17, 2018; these units will vest on June 1, 2021 at 100% if 2020 revenue is greater than or equal to \$391.8 million and at 75% if 2020 revenue is greater than or equal to \$336.0 million. Ms. Pavesio was also granted 83,333 Phantom Units on July 22, 2013, 15,000 Phantom Units on June 1, 2015, and 11,392 Phantom Units on April 21, 2016, all of which were fully vested as of December 31, 2020.

Director Compensation

The following table sets forth information concerning the compensation of the current members of the Bioventus LLC board of managers for the year ended December 31, 2020.

<u>Name</u>	<u>Year</u>	<u>Fees Earned or Paid in Cash \$(1)</u>	<u>Total \$(2)</u>
William A. Hawkins(3)	2020	90,000	90,000
Susan M. Stalnecker(3)	2020	60,000	60,000
Guy P. Nohra	2020	—	—
Martin P. Sutter	2020	—	—
Bradley J. Cannon	2020	—	—
David J. Parker	2020	—	—
Philip G. Cowdy	2020	—	—
Guido J. Neels	2020	—	—

- (1) Mr. Hawkins received an annual retainer of \$40,000 for his service as a member of the board and an additional annual retainer fee of \$50,000 for his service as chairman of the board. Ms. Stalnecker received an annual retainer fee of \$50,000 for her service as a member of the board and an additional annual retainer fee of \$10,000 for her service on the audit committee of the board. No other members of our board received any cash compensation in 2020.
- (2) No members of our board received equity compensation awards in 2020.
- (3) As of December 31, 2020, Mr. Hawkins held 50,000 Phantom Units, 95% of which were vested and 5% of which were unvested, and Ms. Stalnecker held 50,000 Phantom Units, 40% of which were vested and 60% of which were unvested, respectively. The benchmark amount for Mr. Hawkins’s grant of Phantom Units is \$472,003,000 and the benchmark amount for Ms. Stalnecker’s grant of Phantom Units is \$703,691,178.

In connection with our December 11, 2015 offer to Mr. Hawkins to join the Bioventus LLC board of managers as its chairman, we agreed, pursuant to an offer letter, effective January 1, 2016, to (1) pay Mr. Hawkins an annual retainer fee of \$40,000 for his service as a member of the board and \$50,000 for his service as chairman of the board, each payable in quarterly instalments in arrears and pro-rated for any partial period of service and (2) award Mr. Hawkins a one-time grant of 50,000 Phantom Units under the Phantom Plan.

Effective November 28, 2018, pursuant to an offer letter with Ms. Stalnecker providing for her appointment as a member of our board and chair of the audit committee, we agreed to (1) pay Ms. Stalnecker an annual retainer fee of \$50,000 for her service as a member of the board and \$10,000 for her participation in the audit committee, each payable in quarterly installments in arrears and pro-rated for any partial period of service and (2) award Ms. Stalnecker 50,000 Phantom Units under the Phantom Plan.

In connection with this offering, we have approved and intend to implement a compensation policy that, effective upon the closing of this offering, will be applicable to all of our non-employee directors. Under this compensation policy, each such non-employee director will receive an annual cash retainer of \$55,000. In

[Table of Contents](#)

addition, (i) the Chairperson of the Board shall receive an additional annual retainer of \$50,000, (ii) the Lead Director of the Board shall receive an additional annual retainer of \$30,000, (iii) the Chairpersons of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Compliance and Culture Committee shall receive additional annual retainers of \$20,000, \$15,000, \$10,000, and \$10,000, respectively, and (iv) non-Chairperson members of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Compliance and Culture Committee shall receive additional annual retainers of \$10,000, \$7,500, \$5,000, and \$5,000, respectively. In addition, each such non-employee director will receive an annual restricted stock unit award with a grant date value of \$152,000, with all such annual restricted stock unit awards (other than those received in respect of a non-employee director's initial year of service, as described below) vesting on the first anniversary of the grant date of the award (or immediately prior to the date of the annual shareholder meeting immediately following the date of grant, if sooner), subject to such non-employee director continuing in service through such date. Restricted stock unit awards for each non-employee director's initial year of service shall vest in three equal installments, with the first installment vesting on the first anniversary of the grant date of such initial award (or immediately prior to the date of the annual shareholder meeting immediately following the date of grant, if sooner) and the second and third installments vesting on the first and second anniversaries of such first vesting date, subject to such non-employee director continuing in service through each such date (and any such non-employee director who commences service on a date other than the date of the annual shareholder meeting will receive a pro-rata restricted stock unit award for such initial year of service). In addition, in connection with any initial public offering (including this offering), each non-employee director initially elected or appointed prior to the date of this offering will receive a restricted stock unit award with a grant date value of \$152,000, with all such restricted stock unit awards vesting on the first anniversary of the grant date of the award. The vesting of all restricted stock unit awards under the policy will accelerate and vest in full upon a change in control (as defined in the 2021 Plan, described below). In addition, each non-employee director will be reimbursed for out-of-pocket expenses in connection with his or her services.

New Incentive Arrangements

2021 Incentive Award Plan

Our board of directors has adopted the 2021 Incentive Award Plan, or the 2021 Plan, subject to approval by our stockholders under which we may grant cash and equity incentive awards to eligible employees and other service providers in order to attract, motivate and retain the talent for which we compete. The material terms of the 2021 Plan, are summarized below. The 2021 Plan has been filed as an exhibit to the registration statement of which this prospectus is a part.

Eligibility and Administration. Our employees, consultants and directors, and the employees and consultants of our parents and affiliates, will be eligible to receive awards under the 2021 Plan. Following our initial public offering, the 2021 Plan will be administered by our board of directors with respect to awards to non-employee directors and by our compensation committee with respect to other participants, each of which may delegate its duties and responsibilities to committees of our directors and/or officers (referred to collectively as the "plan administrator" below), subject to certain limitations that may be imposed under the 2021 Plan, Section 16 of the Exchange Act, and/or stock exchange rules, as applicable. The plan administrator will have the authority to make all determinations and interpretations under, prescribe all forms for use with, and adopt rules for the administration of, the 2021 Plan, subject to its express terms and conditions. The plan administrator will also set the terms and conditions of all awards under the 2021 Plan, including any vesting and vesting acceleration conditions.

Limitation on Awards and Shares Available. An aggregate of 7,592,476 shares of our Class A common stock will initially be available for issuance under the 2021 Plan. The number of shares initially available for issuance will be increased by an annual increase on January 1 of each calendar year beginning in 2022 and ending in and including 2031, equal to the lesser of (A) 4.5% of the shares of our Class A common stock outstanding on the final day of the immediately preceding calendar year and (B) a smaller number of shares as determined by our board of directors. No more than 7,592,476 shares of Class A common stock may be issued under the 2021 Plan upon the exercise of incentive stock options. Shares available under the 2021 Plan may be authorized but unissued shares, shares purchased on the open market or treasury shares.

[Table of Contents](#)

If any shares subject to an award under the 2021 Plan are forfeited, expire, are converted to shares of another entity in connection with certain corporate events, are surrendered pursuant to an “exchange program” (as described below) or if such award is settled for cash, any shares subject to such award may, to the extent of such forfeiture, expiration or cash settlement, be used again for new grants under the 2021 Plan. However, the following shares may not be used again for grant under the 2021 Plan: (i) shares tendered or withheld to satisfy the exercise price or tax withholding obligations associated with an award; (ii) shares subject to a stock appreciation right, or SAR, or other stock-settled award that are not issued in connection with the stock settlement of the SAR or other stock-settled award on its exercise; and (iii) shares purchased on the open market with the cash proceeds from the exercise of options.

Awards granted under the 2021 Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by an entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, will not reduce the shares available for grant under the 2021 Plan.

The 2021 Plan will provide that the sum of any cash compensation and the aggregate grant date fair value (determined as of the date of the grant under ASC 718 or any successor thereto) of all awards granted to a non-employee director pursuant to the 2021 Plan as compensation for services as a non-employee director during any calendar year shall not exceed the amount equal to \$700,000 (with such amount increased to \$1,000,000 for the calendar year of a non-employee director’s initial service). The plan administrator may make exceptions to this limit for individual non-employee directors in extraordinary circumstances, as the plan administrator may determine in its discretion, provided that the non-employee director receiving such additional compensation may not participate in the decision to award such compensation or in other contemporaneous compensation decisions involving non-employee directors.

Awards. The 2021 Plan provides for the grant of stock options, including incentive stock options, or ISOs, and nonqualified stock options, or NSOs, restricted stock, dividend equivalents, restricted stock units, or RSUs, other stock-based awards, SARs, and cash awards. No determination has been made as to the types or amounts of awards that will be granted to specific individuals pursuant to the 2021 Plan. Certain awards under the 2021 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards. All awards under the 2021 Plan will be set forth in award agreements, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms and post-termination exercise limitations. Awards other than cash awards generally will be settled in shares of our common stock, but the plan administrator may provide for cash settlement of any award. A brief description of each award type follows.

- *Stock Options.* Stock options provide for the purchase of shares of our Class A common stock in the future at an exercise price set on the grant date. ISOs, by contrast to NSOs, may provide tax deferral beyond exercise and favorable capital gains tax treatment to their holders if certain holding period and other requirements of the Code are satisfied. The exercise price of a stock option may not be less than 100% of the fair market value of the underlying share on the date of grant (or 110% in the case of ISOs granted to certain significant stockholders), except with respect to certain substitute options granted in connection with a corporate transaction. The term of a stock option may not be longer than ten years (or five years in the case of ISOs granted to certain significant stockholders) and, unless otherwise specified in a stock option award agreement or by a stock option holder in writing, each vested and exercisable and in-the-money stock option automatically exercises on the last business day of such term. Vesting conditions determined by the plan administrator may apply to stock options and may include continued service, performance and/or other conditions.
- *SARs.* SARs entitle their holder, upon exercise, to receive from us an amount equal to the appreciation of the shares subject to the award between the grant date and the exercise date. The exercise price of a SAR may not be less than 100% of the fair market value of the underlying share on the date of grant (except with respect to certain substitute SARs granted in connection with a corporate transaction). The

term of a SAR may not be longer than ten years and, unless otherwise specified in a SAR award agreement or by a SAR holder in writing, each vested and exercisable and in-the-money SAR automatically exercises on the last business day of such term. Vesting conditions determined by the plan administrator may apply to SARs and may include continued service, performance and/or other conditions.

- *Restricted Stock and RSUs.* Restricted stock is an award of nontransferable shares of our Class A common stock that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price. RSUs are contractual promises to deliver shares of our Class A common stock in the future, which may also remain forfeitable unless and until specified conditions are met. Delivery of the shares underlying RSUs may be deferred under the terms of the award or at the election of the participant, if the plan administrator permits such a deferral. Conditions applicable to restricted stock and RSUs may be based on continuing service, the attainment of performance goals and/or such other conditions as the plan administrator may determine. Holders of restricted stock generally have all of the rights of a stockholder upon the issuance of restricted stock, but dividends paid with respect to a share of restricted stock prior to such share vesting shall be paid to the holder only to the extent such share subsequently vests. RSU holders have no rights of a stockholder with respect to shares subject to RSUs unless and until such shares are delivered in settlement of the RSUs. In the sole discretion of the plan administrator, RSUs may also be settled for an amount of cash equal to the fair market value of the shares underlying the RSU on the RSU's maturity date, or a combination of cash and shares.
- *Other Stock or Cash-Based Awards.* Other stock or cash-based awards are awards of cash, fully vested shares of our Class A common stock and other awards denominated in, linked to, or derived from shares of our Class A common stock or value metrics related to our shares. Other stock or cash-based awards may be granted to participants and may also be available as a payment form in the settlement of other awards, as standalone payments and as payment in lieu of base salary, bonus, fees or other cash compensation otherwise payable to any individual who is eligible to receive awards. Conditions applicable to other stock or cash-based awards may be based on continuing service, the attainment of performance goals and/or such other conditions as the plan administrator may determine.
- *Dividend Equivalents.* Dividend equivalents represent the right to receive the equivalent value of dividends paid on shares of our Class A common stock and may be granted alone or in tandem with awards other than stock options or SARs. Dividend equivalents are credited as of dividend record dates during the period between the date an award is granted and the date such award terminates or expires, as determined by the plan administrator. Dividend equivalents paid with respect to an award that are based on dividends paid prior to the vesting of such award shall only be paid out to the extent the vesting conditions of the award are satisfied and the award vests.
- *Performance Awards.* Performance awards include any of the foregoing awards that are granted subject to vesting and/or payment based on the attainment of specified performance goals or other criteria the plan administrator may determine, which may or may not be objectively determinable. Performance criteria upon which performance goals are established by the plan administrator may include but are not limited to: (i) net earnings or losses (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation, (D) amortization and (E) non-cash equity-based compensation expense); (ii) gross or net sales or revenue or sales or revenue growth; (iii) net income (either before or after taxes); (iv) adjusted net income; (v) operating earnings or profit (either before or after taxes); (vi) cash flow (including, but not limited to, operating cash flow and free cash flow); (vii) return on assets; (viii) return on capital (or invested capital) and cost of capital; (ix) return on stockholders' equity; (x) total stockholder return; (xi) return on sales; (xii) gross or net profit or operating margin; (xiii) costs, reductions in costs and cost control measures; (xiv) expenses; (xv) working capital; (xvi) earnings or loss per share; (xvii) adjusted earnings or loss per share; (xviii) price per share or dividends per share (or appreciation in and/or maintenance of such price or dividends); (xix) regulatory achievements or compliance (including, without limitation, regulatory body approval for commercialization of a product); (xx) implementation or completion of critical projects; (xxi) market share; (xxii) economic

[Table of Contents](#)

value; (xxiii) individual employee performance; or (xxiv) any combination of the foregoing, any of which may be measured either in absolute terms for us or any operating unit of our company or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices.

Certain Transactions and Adjustments. The plan administrator will have broad discretion to take action under the 2021 Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of certain transactions and events affecting our Class A common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations and other corporate transactions. In addition, in the event of certain non-reciprocal transactions with our stockholders known as “equity restructurings,” the plan administrator will make equitable adjustments to the 2021 Plan and outstanding awards. In the event of a “change in control” of our company (as defined in the 2021 Plan), to the extent that the surviving entity declines to continue, convert, assume or replace outstanding awards, the plan administrator may terminate any or all such awards in exchange for cash, rights or other property or may cause any or all such awards to become fully exercisable immediately prior to the transaction and all applicable forfeiture restrictions to lapse. In the case of any award so exercisable in lieu of assumption or substitution, the plan administrator shall provide notice that such awards will remain fully exercisable for fifteen (15) days after the date the plan administrator provides such notice (contingent upon the occurrence of the change in control) and that such awards shall terminate at the end of such period. In the event an outstanding award is assumed or substituted for an equivalent award in connection with a change in control and the holder of such award terminates employment without “cause” (as such term is defined in the sole discretion of the plan administrator or as set forth in the award agreement relating to such award) within the 12 months following the change in control, then such award will become fully vested and exercisable upon such termination of employment. Individual award agreements may provide for additional accelerated vesting and payment provisions. In addition, the plan administrator has discretion to institute and determine the terms and conditions of an exchange program, which is a program under which outstanding awards may be surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, under which participants have the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the plan administrator, or under which the exercise price of an outstanding award may be reduced or increased.

Foreign Participants, Claw-Back Provisions, Transferability, and Participant Payments. The plan administrator may modify award terms, establish subplans and/or adjust other terms and conditions of awards, subject to the share limits described above, in order to facilitate grants of awards subject to the laws and/or stock exchange rules of countries outside of the United States. All awards will be subject to the provisions of any claw-back policy implemented by our company to the extent set forth in such claw-back policy and/or in the applicable award agreement. With limited exceptions for estate planning, domestic relations orders, certain beneficiary designations and the laws of descent and distribution, awards under the 2021 Plan are generally non-transferable, and are exercisable only by the participant. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2021 Plan, the plan administrator may, in its discretion, accept cash or check, provide for net withholding of shares, allow shares of our Class A common stock that meet specified conditions to be repurchased, allow a “market sell order” or such other consideration as it deems suitable.

Plan Amendment and Termination. Our board of directors may amend or terminate the 2021 Plan at any time; however, except in connection with certain changes in our capital structure, stockholder approval will be required for any amendment that increases the number of shares available under the 2021 Plan. No award may be granted pursuant to the 2021 Plan after the tenth anniversary of the date on which our board of directors adopts the 2021 Plan.

New Equity Awards

In connection with this offering, we intend to grant equity awards with respect to shares of Class A common stock under the 2021 Plan to certain of our employees, including our named executive officers, or the Offering Grants. These equity awards are expected to consist of stock option awards and restricted stock unit awards, which awards are expected to vest in annual installments over a period ranging from one to four years. A form stock option agreement and form restricted stock unit agreement have been filed as exhibits to the registration statement of which this prospectus is a part.

ESPP

In connection with this offering, our board of directors has adopted the 2021 Employee Stock Purchase Plan, or ESPP, which became effective on the day the ESPP was adopted by our board of directors subject to approval by our stockholders. The material terms of the ESPP, are summarized below. The ESPP has been filed as an exhibit to the registration statement of which this prospectus is a part.

The ESPP is comprised of two distinct components in order to provide increased flexibility to grant options to purchase shares under the ESPP. Specifically, the ESPP will authorize (1) the grant of options to employees that are intended to qualify for favorable U.S. federal tax treatment under Section 423 of the Code (the “Section 423 Component”), and (2) the grant of options that are not intended to be tax-qualified under Section 423 of the Code to facilitate participation for employees who are not eligible to benefit from favorable U.S. federal tax treatment and, to the extent applicable, to provide flexibility to comply with non-U.S. laws and other considerations (the “Non-Section 423 Component”). The Non-Section 423 Component will generally be operated and administered on terms and conditions similar to the Section 423 Component, except as otherwise required by applicable law, rule or regulation.

Shares Available; Administration. A total of 542,320 shares of our Class A common stock are initially reserved for issuance under our ESPP. In addition, the number of shares available for issuance under the ESPP will be annually increased on January 1 of each calendar year beginning in 2022 and ending in 2031, by an amount equal to the lesser of: (i) 1% of the aggregate number of shares of Class A common stock outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares as is determined by our board of directors. Subject to adjustment upon certain changes in our capitalization, no more than 5,965,520 shares of our Class A common stock be available for issuance under the Section 423 Component.

The compensation committee of our board of directors will be the plan administrator of the ESPP and will have authority to interpret the terms of the ESPP and determine eligibility of participants.

Eligibility. The plan administrator may designate certain of our subsidiaries as participating “designated subsidiaries” in the ESPP and may change these designations from time to time. Employees of our company and our designated subsidiaries are eligible to participate in the ESPP if they meet the eligibility requirements under the ESPP established from time to time by the plan administrator. However, an employee may not be granted rights to purchase stock under the ESPP if such employee, immediately after the grant, would own (directly or through attribution) stock possessing 5% or more of the total combined voting power or value of all classes of our common or other class of stock.

If the grant of a purchase right under the ESPP to any eligible employee who is a citizen or resident of a foreign jurisdiction would be prohibited under the laws of such foreign jurisdiction or the grant of a purchase right to such employee in compliance with the laws of such foreign jurisdiction would cause the ESPP to violate the requirements of Section 423 of the Code, as determined by the plan administrator in its sole discretion, such employee will not be permitted to participate in the Section 423 Component.

Eligible employees become participants in the ESPP by enrolling and authorizing payroll deductions by the deadline established by the plan administrator prior to the relevant offering date. Directors who are not employees, as well as consultants, are not eligible to participate in the ESPP. Employees who choose not to participate, or are not eligible to participate at the start of an offering period but who become eligible thereafter, may enroll in any subsequent offering period.

[Table of Contents](#)

Participation in an Offering. Stock will be offered under the ESPP during offering periods. The length of offering periods under the ESPP will be determined by the plan administrator and may be up to 27 months long. Employee payroll deductions will be used to purchase shares on the last day of each offering period (or such other date as set forth in the offering document). Offering periods under the ESPP will commence when determined by the plan administrator. The plan administrator may, in its discretion, modify the terms of future offering periods. To the extent applicable, in non-U.S. jurisdictions where participation in the ESPP through payroll deductions is prohibited, the plan administrator may provide that an eligible employee may elect to participate through contributions to the participant's account under the ESPP in a form acceptable to the plan administrator in lieu of or in addition to payroll deductions.

The ESPP permits participants to purchase our Class A common stock through payroll deductions of up to 15% of their eligible compensation, which will include a participant's gross base compensation for services to us. The maximum number of shares that may be purchased by a participant during any offering period or purchase period is 2,000 shares. In addition, no employee will be permitted to accrue the right to purchase stock under the Section 423 Component at a rate in excess of \$25,000 worth of shares during any calendar year during which such a purchase right is outstanding (based on the fair market value per share of our Class A common stock as of the first day of the offering period).

On the first trading day of each offering period, each participant automatically will be granted an option to purchase shares of our common stock. The option will be exercised on the applicable purchase date(s) during the offering period, to the extent of the payroll deductions accumulated during the applicable purchase period. We expect that the purchase price of the shares, in the absence of a contrary determination by the plan administrator, will be 85% of the lower of the fair market value of our common stock on the first trading day of the offering period or on the applicable purchase date, which will be the final trading day of the applicable purchase period.

Participants may voluntarily end their participation in the ESPP at any time at least fourteen (14) days prior to the end of the applicable offering period (or such longer or shorter period specified by the plan administrator), and will be paid their accrued payroll deductions that have not yet been used to purchase shares of common stock. Participation ends automatically upon a participant's termination of employment.

Transferability. A participant may not transfer rights granted under the ESPP other than by will, the laws of descent and distribution or as otherwise provided in the ESPP.

Certain Transactions. In the event of certain transactions or events affecting our common stock, such as any stock dividend or other distribution, change in control, reorganization, merger, consolidation or other corporate transaction, the plan administrator will make equitable adjustments to the ESPP and outstanding rights. In addition, in the event of the foregoing transactions or events or certain significant transactions, including a change in control, the plan administrator may provide for (i) either the replacement of outstanding rights with other rights or property or termination of outstanding rights in exchange for cash, (ii) the assumption or substitution of outstanding rights by the successor or survivor corporation or parent or subsidiary thereof, (iii) the adjustment in the number and type of shares of stock subject to outstanding rights, (iv) the use of participants' accumulated payroll deductions to purchase stock on a new purchase date prior to the next scheduled purchase date and termination of any rights under ongoing offering periods or (v) the termination of all outstanding rights.

Plan Amendment; Termination. The plan administrator may amend, suspend or terminate the ESPP at any time. However, stockholder approval of any amendment to the ESPP must be obtained for any amendment which increases the aggregate number or changes the type of shares that may be sold pursuant to rights under the ESPP or changes the corporations or classes of corporations whose employees are eligible to participate in the ESPP.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2018 to which we have been a party in which the amount involved exceeds \$120,000 and in which any of our directors, executive officers or beneficial holders of more than 5% of our Class A common stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest.

Each agreement described below is filed as an exhibit to the registration statement of which this prospectus forms a part, and the following descriptions are qualified by reference to such agreements.

Compensation arrangements for our directors and named executive officers are described in this prospectus under the section entitled “Executive compensation.”

We also describe below certain other transactions and relationships with our directors, executive officers and stockholders.

Limitation of Liability and Indemnification

Our amended and restated certificate of incorporation and our amended and restated bylaws, each of which will be effective upon the closing of this offering, will provide that we will indemnify our directors and officers to the fullest extent permitted under Delaware law, which prohibits our amended and restated certificate of incorporation from limiting the liability of our directors for the following:

- any breach of the director’s duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation and our amended and restated bylaws will also provide that if Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation and our amended and restated bylaws will also provide that we shall have the power to indemnify our employees and agents to the fullest extent permitted by law. Our amended and restated bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in this capacity, regardless of whether we would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware. We have obtained directors’ and officers’ liability insurance.

In connection with this offering, we intend to enter into separate indemnification agreements with our directors and executive officers, in addition to indemnification provided for in our amended and restated certificate of incorporation and amended and restated bylaws. These agreements, among other things, provide for indemnification of our directors and executive officers for expenses, judgments, fines and settlement amounts incurred by this person in any action or proceeding arising out of this person’s services as a director or executive officer or at our request. We believe that these provisions in our amended and restated certificate of incorporation and amended and restated bylaws and indemnification agreements are necessary to attract and retain qualified persons as directors and executive officers.

The above description of the indemnification provisions of our amended and restated certificate of incorporation, our amended and restated bylaws and our indemnification agreements is not complete and is qualified in its entirety by reference to these documents, each of which is filed as an exhibit to this registration statement to which this prospectus forms a part.

[Table of Contents](#)

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, 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. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

Tax Receivable Agreement

We expect to obtain an increase in our share of the tax basis of the assets of Bioventus LLC when (as described below under “—Bioventus LLC Agreement—LLC Interest Redemption Right”) the Continuing LLC Owner receives shares of our Class A common stock or, if we and the Continuing LLC Owner agree, cash in connection with an exercise of the Continuing LLC Owner's right to have its LLC Interests redeemed by Bioventus LLC or, at the election of Bioventus Inc., directly exchanged (such basis increases, together with the basis increases resulting from certain distributions (or deemed distributions) from Bioventus LLC, “the Basis Adjustments.” We intend to treat such redemptions or exchanges of LLC Interests as the direct purchase of LLC Interests by Bioventus Inc. from the Continuing LLC Owner for U.S. federal income and other applicable tax purposes, regardless of whether such LLC Interests are surrendered by the Continuing LLC Owner to Bioventus LLC for redemption or sold to Bioventus Inc. upon the exercise of our election to acquire such LLC Interests directly. A Basis Adjustment may have the effect of reducing the amounts that we would otherwise pay in the future to various tax authorities. The Basis Adjustments may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

In connection with the transactions described above, we will enter into the Tax Receivable Agreement with the Continuing LLC Owner. The Tax Receivable Agreement will provide for our payment to the Continuing LLC Owner of 85% of the amount of tax benefits, if any, that we actually realize, or in some circumstances are deemed to realize, as a result of any Basis Adjustments and certain other tax benefits arising from payments under the Tax Receivable Agreement. Bioventus LLC will have in effect an election under Section 754 of the Code effective for each taxable year in which a redemption or exchange (including deemed exchange) of LLC Interests for shares of our Class A common stock or cash occurs. These Tax Receivable Agreement payments are not conditioned upon any continued ownership interest in either Bioventus LLC or us by the Continuing LLC Owner. The rights of the Continuing LLC Owner under the Tax Receivable Agreement are assignable to transferees of its LLC Interests (other than Bioventus Inc. as transferee pursuant to subsequent redemptions (or exchanges) of the transferred LLC Interests). We expect to benefit from the remaining 15% of tax benefits, if any, that we may actually realize.

The actual Basis Adjustments, as well as any amounts paid to the Continuing LLC Owner under the Tax Receivable Agreement, will vary depending on a number of factors, including:

- *the timing of any subsequent redemptions or exchanges*—for instance, the increase in any tax deductions will vary depending on the fair value, which may fluctuate over time, of the depreciable or amortizable assets of Bioventus LLC at the time of each redemption or exchange;
- *the price of shares of our Class A common stock at the time of redemptions or exchanges*—the Basis Adjustments, as well as any related increase in any tax deductions, is directly related to the price of shares of our Class A common stock at the time of each redemption or exchange;
- *the extent to which such redemptions or exchanges are taxable*—if a redemption or exchange is not taxable for any reason, increased tax deductions will not be available; and

[Table of Contents](#)

- *the amount and timing of our income*—the Tax Receivable Agreement generally will require Bioventus Inc. to pay 85% of the tax benefits as and when those benefits are treated as realized under the terms of the Tax Receivable Agreement. Except as discussed below in cases of (i) a material breach of a material obligation under the Tax Receivable Agreement, (ii) a change of control or (iii) an early termination of the Tax Receivable Agreement, if Bioventus Inc. does not have taxable income, it will generally not be required to make payments under the Tax Receivable Agreement for that taxable year because no tax benefits will have been realized. However, any tax benefits that do not result in realized tax benefits in a given taxable year may generate tax attributes that may be utilized to generate tax benefits in future taxable years. The utilization of any such tax attributes will result in payments under the Tax Receivable Agreement.

For purposes of the Tax Receivable Agreement, cash savings in income tax will be computed by comparing Bioventus Inc.'s actual income tax liability to the amount of such taxes that it would have been required to pay had there been no Basis Adjustments and had the Tax Receivable Agreement not been entered into. The Tax Receivable Agreement will generally apply to each of our taxable years, beginning with the first taxable year ending after the consummation of the offering. There is no maximum term for the Tax Receivable Agreement; however, the Tax Receivable Agreement may be terminated by us pursuant to an early termination procedure that requires us to pay the Continuing LLC Owner an agreed upon amount equal to the estimated present value of the remaining payments to be made under the agreement (calculated based on certain assumptions, including regarding tax rates and utilization of the Basis Adjustments).

The payment obligations under the Tax Receivable Agreement are obligations of Bioventus Inc. and not of Bioventus LLC. Although the actual timing and amount of any payments that may be made under the Tax Receivable Agreement will vary, we expect that the payments that we may be required to make to the Continuing LLC Owner could be significant. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize all potential tax benefits that are subject to the Tax Receivable Agreement, we expect that the tax savings associated with the purchase of LLC Interests in connection with this offering, together with future redemptions or exchanges of all remaining LLC Interests owned by the Continuing LLC Owner pursuant to the Bioventus LLC Agreement as described above, would aggregate to approximately \$101.0 million over 20 years from the date of this offering based on the assumed initial public offering price of \$17.00 per share of our Class A common stock, which is the midpoint of the range set forth on the cover page of this prospectus, and assuming all future redemptions or exchanges would occur one year after this offering. Under such scenario, assuming future payments are made on the date each relevant tax return is due, without extensions, we would be required to pay approximately 85% of such amount, or approximately \$85.8 million, over the 20-year period from the date of this offering. The actual amounts we will be required to pay under the Tax Receivable Agreement will depend on, among other things, the timing of subsequent redemptions or exchanges of LLC Interests by the Continuing LLC Owner, the price of our shares of Class A common stock at the time of each such redemption or exchange, and the amounts and timing of our future taxable income, and may be significantly different from the amounts described in the preceding sentence. Any payments made by us to the Continuing LLC Owner under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to us or to Bioventus LLC and, to the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid by us. Decisions made by us in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes in control, may influence the timing and amount of payments that are received by the Continuing LLC Owner under the Tax Receivable Agreement. For example, the earlier disposition of assets following a transaction that results in a Basis Adjustment will generally accelerate payments under the Tax Receivable Agreement and increase the present value of such payments. We anticipate funding ordinary course payments under the Tax Receivable Agreement from distributions from Bioventus LLC out of distributable cash, to the extent permitted by our agreements governing our indebtedness. See “Certain relationships and related party transactions—Bioventus LLC Agreement.”

[Table of Contents](#)

The Tax Receivable Agreement provides that if (i) we materially breach any of our material obligations under the Tax Receivable Agreement, (ii) certain mergers, asset sales, other forms of business combination, or other changes of control were to occur, on or before December 31, 2021 or (iii) we elect an early termination of the Tax Receivable Agreement, then our obligations, or our successor's obligations, under the Tax Receivable Agreement would be based on certain assumptions, including an assumption that we would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the Tax Receivable Agreement. The Tax Receivable Agreement also provides that in the case of certain mergers, asset sales, other forms of business combination or other changes of control occurring on or after December 31, 2021, payments under the Tax Receivable Agreement would be based on certain assumptions, including an assumption that in each taxable year ending on or after the change of control, we would have taxable income equal to the greater of (A) actual taxable income for such taxable year and (B) the product of (x) four and (y) the highest taxable income in any of the four fiscal quarters ended prior to the change in control (increased by 10% for each taxable year beginning with the second taxable year following the change in control), in each case, as adjusted to take into account our actual percentage ownership in Bioventus LLC for the taxable year for which the tax benefit payment is being determined.

As a result of the foregoing, (i) we could be required to make cash payments to the Continuing LLC Owner that are greater than the specified percentage of the actual benefits we ultimately realize in respect of the tax benefits that are subject to the Tax Receivable Agreement, and (ii) if we materially breach any of our material obligations under the Tax Receivable Agreement or if we elect to terminate the Tax Receivable Agreement early, we would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, our obligations under the Tax Receivable Agreement could have a material adverse effect on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combination, or other changes of control. For example, should we elect to terminate the Tax Receivable Agreement immediately following this offering, assuming no material changes in the relevant tax laws or tax rates and that we earn sufficient taxable income to realize all potential tax benefits that are subject to the Tax Receivable Agreement, we estimate that the aggregate of termination payments would be approximately \$74.3 million, based on the assumed initial public offering price of \$17.00 per share of our Class A common stock, which is the midpoint of the range set forth on the cover page of this prospectus and assuming LIBOR were to be 0.36%. There can be no assurance that we will be able to finance our obligations under the Tax Receivable Agreement. We may elect to completely terminate the Tax Receivable Agreement early only with the written approval of a majority of our directors other than any directors that have been appointed or designated by the Continuing LLC Owner or any of such person's affiliates. See "Risk Factors—Risks related to our organizational structure and the Tax Receivable Agreement—In certain cases, payments under the Tax Receivable Agreement to the Continuing LLC Owner may be accelerated or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the Tax Receivable Agreement."

Payments under the Tax Receivable Agreement will be based on the tax reporting positions that we determine. Pursuant to the Tax Receivable Agreement, the Continuing LLC Member is required to reimburse us for cash payments previously made to it pursuant to the Tax Receivable Agreement if any tax benefits actually realized by us are subsequently challenged by a taxing authority and ultimately disallowed. In addition, but without duplication of any amounts previously reimbursed by the Continuing LLC Owner, any excess cash payments made by us to the Continuing LLC Owner will be netted against any future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement. However, a challenge to any tax benefits actually realized by us may not arise for a number of years following the initial time of such payment and we might not determine that we have effectively made an excess cash payment to the Continuing LLC Owner for a number of years following the initial time of such payment. Moreover, there can be no assurance that any excess cash payments for which the Continuing LLC Owner has a reimbursement obligation under the Tax Receivable Agreement will be repaid to us. As a result, it is possible that we could make cash payments under the Tax Receivable Agreement that are substantially greater than our actual cash tax savings. The applicable U.S. federal income tax rules are complex and factual in nature, and we cannot assure you that the

[Table of Contents](#)

IRS or a court will not disagree with our tax reporting positions. We will have full responsibility for, and sole discretion over, all Bioventus' and Bioventus LLC's tax matters, including the filing and amendment of all tax returns and claims for refund and defense of all tax contests, subject to certain participation and approval rights held by the Continuing LLC Owner.

Payments are generally due under the Tax Receivable Agreement within a specified period of time following the filing of our tax return for the taxable year with respect to which the payment obligation arises, although interest on such payments will begin to accrue at a rate of LIBOR plus 100 basis points from the due date (without extensions) of such tax return and ending on the date that such payments are required to be made under the terms of the Tax Receivable Agreement. Any late payments that may be made under the Tax Receivable Agreement will continue to accrue interest at LIBOR plus 500 basis points from the due date of such payments under the Tax Receivable Agreement until such payments are made, including any late payments that we may subsequently make because we did not have enough available cash to satisfy our payment obligations at the time at which they originally arose, including as a result of restrictions on payments to our equity owners in the agreements governing our indebtedness.

Bioventus LLC Agreement

We will operate our business through Bioventus LLC and its subsidiaries. In connection with the completion of this offering, we and the Continuing LLC Owner will enter into Bioventus LLC's second amended and restated limited liability company agreement, which we refer to as the "Bioventus LLC Agreement." The operations of Bioventus LLC, and the rights and obligations of the holders of LLC Interests, will be set forth in the Bioventus LLC Agreement.

Appointment as Manager

Under the Bioventus LLC Agreement, we will become a member and the sole manager of Bioventus LLC. As the sole manager, we will be able to control all of the day-to-day business affairs and decision-making of Bioventus LLC. As such, we, through our officers and directors, will be responsible for all operational and administrative decisions of Bioventus LLC and the day-to-day management of Bioventus LLC's business. Pursuant to the terms of the Bioventus LLC Agreement, we cannot, under any circumstances, be removed as the sole manager of Bioventus LLC except by our election.

Compensation

We will not be entitled to compensation for our services as manager. We will be entitled to reimbursement or capital contribution credit by Bioventus LLC for fees and expenses incurred on behalf of Bioventus LLC, including all expenses associated with this offering and maintaining our corporate existence.

Distributions

The Bioventus LLC Agreement will require "tax distributions" to be made by Bioventus LLC to its members, as that term is defined in the agreement. Tax distributions will be made to members on a pro rata basis, including us, in an amount sufficient to allow the members, including us, to pay taxes owed in respect of income allocated by Bioventus LLC and to allow us to meet our obligations under the Tax Receivable Agreement (as described above under "—Tax Receivable Agreement"). The Bioventus LLC Agreement will also allow for distributions to be made by Bioventus LLC to its members on a pro rata basis out of "distributable cash," as that term is defined in the agreement. We expect Bioventus LLC may make distributions out of distributable cash periodically to the extent permitted by our agreements governing our indebtedness and necessary to enable us to cover our operating expenses and other obligations, including our tax liability and obligations under the Tax Receivable Agreement, as well as to make dividend payments, if any, to the holders of our Class A common stock.

LLC Interest Redemption Right

The Bioventus LLC Agreement will provide a redemption right to the Continuing LLC Owner which will entitle it to have its LLC Interests redeemed, at its election, for newly-issued shares of our Class A common stock on a one-for-one basis or a cash payment equal to a volume weighted average market price of one share of Class A common stock for each LLC Interest redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications). If the Continuing LLC Owner elects to receive a cash payment, we may elect to settle such redemption with Class A common stock in lieu of a cash payment, provided that if we elect to do so, the Continuing LLC Owner has the option to rescind its redemption request within a specified time period. Upon the exercise of the redemption right, the redeeming member will surrender its LLC Interests to Bioventus LLC for cancellation. The Bioventus LLC Agreement will require that we contribute cash or shares of our Class A common stock to Bioventus LLC in exchange for an amount of newly-issued LLC Interests in Bioventus LLC that will be issued to us equal to the number of LLC Interests redeemed from the Continuing LLC Owner. Bioventus LLC will then distribute the cash or shares of our Class A common stock to the Continuing LLC Owner to complete the redemption. In the event of such a redemption election by the Continuing LLC Owner, Bioventus Inc. may effect a direct exchange of cash or Class A common stock for such LLC Interests in lieu of such a redemption. Whether by redemption or exchange, we will be obligated to ensure that at all times the number of LLC Interests that we own equals the number of shares of Class A common stock issued by us (subject to certain exceptions for treasury shares and shares underlying certain convertible or exchangeable securities).

Indemnification

The Bioventus LLC Agreement will provide for indemnification of the manager, members and officers of Bioventus LLC and their respective subsidiaries or affiliates.

Stockholders Agreement

Substantially concurrent with the closing of this offering, the Voting Group, which will hold Class A common stock or Class B common stock representing approximately 86.5% of the combined voting power of our Class A and Class B common stock, intends to enter into the Stockholders Agreement.

Voting Agreement

Pursuant to the terms of the Stockholders Agreement, EW Healthcare Partners, Spindletop Healthcare Capital, Pantheon Global, Ampersand Capital, Alta Partners and their respective affiliates, as members of the Voting Group, whom we refer to as the Essex Members, collectively will have the right to designate up to three individuals to be included in the slate of nominees recommended by our board of directors. Pursuant to the terms of the Stockholders Agreement, Smith & Nephew, Inc. and Smith & Nephew (Europe) B.V., as the other members of the Voting Group, will have the right to designate up to two individuals to be included in the slate of nominees recommended by our board of directors. Pursuant to the terms of the Stockholders Agreement, the number of individuals that the Essex Members, Smith & Nephew, Inc. and Smith & Nephew (Europe) B.V. may designate will decrease if they dispose of certain percentages of the shares of our Class A common stock or Class B common stock, as applicable, that they own on the date this offering is consummated. At such time as the Essex Members or Smith & Nephew, Inc. and Smith & Nephew (Europe) B.V. own less than 10% of the shares of Class A common stock and Class B common stock that they owned on the date this offering is consummated, the Essex Members or Smith & Nephew, Inc. and Smith & Nephew (Europe) B.V., as the case may be, will no longer have designation rights under the Stockholders Agreement. Until such time, or if the Stockholders Agreement is otherwise terminated in accordance with its terms, the parties to the Stockholders Agreement will agree to vote their shares of Class A common stock and Class B common stock in favor of the election of the nominees of the Essex Members, Smith & Nephew, Inc. and Smith & Nephew (Europe) B.V. to our board of directors upon their nomination by the nominating and corporate governance committee of our board of directors.

Voting Group Approvals

Under the Stockholders Agreement, any increase or decrease in the size of our board of directors or any committee, and any amendment to our organizational documents, will in each case require the approval of the

[Table of Contents](#)

Essex Members, for so long as the Essex Members collectively own at least 10% of the total shares of our Class A common stock owned by them as of the date this offering is consummated, and will also require the approval of Smith & Nephew, Inc. and Smith & Nephew (Europe) B.V. and their affiliates, for so long as Smith & Nephew, Inc. and Smith & Nephew (Europe) B.V. and their affiliates own at least 10% of the total shares of our Class A common stock and Class B common stock owned by them as of the date this offering is consummated.

Registration Rights Agreement

We intend to enter into the Registration Rights Agreement with the Original LLC Owners in connection with this offering. The Registration Rights Agreement will provide the Original LLC Owners certain registration rights whereby, at any time following our initial public offering and the expiration of any related lock-up period, the Continuing LLC Owner can require us to register under the Securities Act shares of Class A common stock issuable to it upon, at our election, redemption or exchange of its LLC Interests, and the Former LLC Owners can require us to register under the Securities Act the shares of Class A common stock issued to them in connection with the Transactions. The Registration Rights Agreement will also provide for piggyback registration rights for the Original LLC Owners.

Kenneth M. Reali Option Agreement

In July 2020, we entered into an agreement with our CEO, Ken Reali, providing him an option to acquire 5,935 units in Bioventus LLC at a price of \$42.12 per unit. Upon joining and accepting the role of CEO, Mr. Reali expressed his desire to make a personal investment in our company. The terms of Mr. Reali's agreement provide for an option period of 12 months and is priced at the Bioventus LLC's 409A valuation from April 2020. This agreement was reviewed and approved by the Compensation Committee and ratified by our entire board of managers.

Policies and Procedures for Related Party Transactions

Our board of directors will adopt a written related person transaction policy, to be effective upon the closing of this offering, setting forth the policies and procedures for the review and approval or ratification of related person transactions. This policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we were or are to be a participant, where the amount involved exceeds \$120,000 in any fiscal year and a related person had, has or will have a direct or indirect material interest, including without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person.

In reviewing and approving any such transactions, our audit committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction and the extent of the related person's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy. In connection with the review and approval or ratification of a related person transaction, management must disclose to the audit committee or disinterested directors, as applicable, the name of the related person and the basis on which the person is a related person, the material terms of the related person transaction, including the approximate dollar value of the amount involved in the transaction, and all the material facts as to the related person's direct or indirect interest in, or relationship to, the related person transaction. Management must advise the audit committee or disinterested directors, as applicable, as to whether the related person transaction complies with the terms of our agreements governing our material outstanding indebtedness that limit or restrict our ability to enter into a related person transaction, and whether the related person transaction will be required to be disclosed in our applicable filings under the Securities Act or the Exchange Act, and related rules, and, to the extent required to be disclosed, management must ensure that the related person transaction is disclosed in accordance with such Acts and related rules. Management must advise the committee or disinterested directors, as applicable, as to whether the related person transaction constitutes a "personal loan" for purposes of Section 402 of the Sarbanes-Oxley Act.

PRINCIPAL STOCKHOLDERS

The following table presents information as to the beneficial ownership of our Class A common stock and Class B common stock, after the consummation of the Transactions, including this offering, for:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our Class A common stock or our Class B common stock;
- each named executive officer;
- each of our directors; and
- all executive officers and directors as a group.

As described in “Transactions” and “Certain relationships and related party transactions,” the Continuing LLC Owner will be entitled to have its LLC Interests redeemed for Class A common stock on a one-for-one basis, or, if Bioventus Inc. and the Continuing LLC Owner agree, cash equal to the market value of the applicable number of our shares of Class A common stock. In addition, at Bioventus’ election, Bioventus may effect a direct exchange of such Class A common stock or such cash (if mutually agreed) for such LLC Interests in lieu of such a redemption. In connection with this offering, we will issue to the Continuing LLC Owner one share of Class B common stock for each LLC Interest it owns. As a result, the number of shares of Class B common stock listed in the table below correlates to the number of LLC Interests the Continuing LLC Owner will own immediately prior to and after this offering (but after giving effect to the Transactions other than this offering). See “Transactions.”

The number of shares beneficially owned by each stockholder as described in this prospectus is determined under rules issued by the SEC and includes voting or investment power with respect to securities. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power. In computing the number of shares beneficially owned by an individual or entity and the percentage ownership of that person, shares of common stock subject to options, or other rights, including the redemption right described above, held by such person that are currently exercisable or will become exercisable within 60 days of February 4, 2021, are considered outstanding, although these shares are not considered outstanding for purposes of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each of the individuals and entities named below is c/o Bioventus Inc., 4721 Emperor Boulevard, Suite 100, Durham, NC 27703. Each of the stockholders listed has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise, subject to community property laws where applicable.

[Table of Contents](#)

Name of Beneficial Owner	Shares of Class A Common Stock Beneficially Owned				Shares of Class B Common Stock Beneficially Owned				Total Common Stock Beneficially Owned	
	After Giving Effect to the Transactions and Before the Offering		After Giving Effect to the Transactions and After the Offering		After Giving Effect to the Transactions and Before the Offering		After Giving Effect to the Transactions and After the Offering		After Giving Effect to the Transactions and Before the Offering	After Giving Effect to the Transactions and After the Offering
	Number	%	Number	%	Number	%	Number	%	%	%
5% Stockholders										
EW Healthcare Partners ⁽¹⁾	12,670,415	41.8%	12,670,415	33.6%	—	*	—	*	27.0%	23.4%
Smith & Nephew ⁽²⁾	5,428,680	17.9%	5,428,680	14.4%	16,534,814	100%	16,534,814	100%	46.8%	40.5%
Spindletop Healthcare Capital L.P. ⁽³⁾	3,801,123	12.5%	3,801,123	10.1%	—	*	—	*	8.1%	7.0%
Pantheon Global Co-Investment										
Opportunities Fund L.P. ⁽⁴⁾	2,745,253	9.0%	2,745,253	7.3%	—	*	—	*	5.9%	5.1%
Ampersand Capital ⁽⁵⁾	3,167,605	10.4%	3,167,605	8.4%	—	*	—	*	6.8%	5.8%
Alta Partners VIII, L.P. ⁽⁶⁾	2,534,082	8.4%	2,534,082	6.7%	—	*	—	*	5.4%	4.7%
Named Executive Officers and Directors										
Kenneth M. Reali	—	*	—	*	—	*	—	*	—	—
Gregory O. Anglum	—	*	—	*	—	*	—	*	—	—
John E. Nosenzo	—	*	—	*	—	*	—	*	—	—
William A. Hawkins	—	*	—	*	—	*	—	*	—	—
Philip G. Cowdy	—	*	—	*	—	*	—	*	—	—
Guido J. Neels	—	*	—	*	—	*	—	*	—	—
Guy P. Nohra	—	*	—	*	—	*	—	*	—	—
David J. Parker	—	*	—	*	—	*	—	*	—	—
Martin P. Sutter	—	*	—	*	—	*	—	*	—	—
Susan M. Stalneckner	—	*	—	*	—	*	—	*	—	—
All directors and executive officers as a group (13 persons)	—	*	—	*	—	*	—	*	—	—

* Represents beneficial ownership of less than 1%.

- (1) Represents 11,766,582 shares held by EW Healthcare Partners Acquisition Fund, L.P., which we refer to as the “Essex Stockholder,” and 903,833 shares held by White Pine Medical, LLC, a subsidiary of the Essex Stockholder, which we refer to as “White Pine.” EW Healthcare Partners Acquisition Fund GP, L.P., a Delaware limited partnership, is the general partner of the Essex Stockholder and is referred to as the “Partnership,” and EW Healthcare Partners Acquisition Fund UGP, LLC, a Delaware limited liability company, is the general partner of the Partnership and is referred to as the “General Partner.” Martin P. Sutter, Petri Vainio, Ronald W. Eastman, and Scott Barry are the managers of the General Partner, and each is referred to as a “Manager” and collectively as the “Managers.” The Partnership is deemed to have sole voting and dispositive power with respect to the shares held by the Essex Stockholder and White Pine. The Managers are deemed to have shared voting and dispositive power with respect to the shares held by the Essex Stockholder and White Pine by unanimous consent and through the Partnership. Each Manager disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. The address of the Essex Stockholder and White Pine is 21 Waterway Avenue, Suite 225, The Woodlands, Texas 77380.
- (2) Represents the shares of Class A common stock held by Smith & Nephew (Europe) B.V., a wholly owned indirect Dutch subsidiary of Smith & Nephew plc, and the shares of Class B common stock held by Smith & Nephew, Inc., a wholly owned

Table of Contents

- indirect U.S. subsidiary of Smith & Nephew plc. The address of Smith & Nephew (Europe) B.V. is Bloemlaan 2, 2132 NP Hoofddorp, Netherlands. The address of Smith & Nephew, Inc. is 7135 Goodlett Farms, Cordova, Tennessee 38106.
- (3) Represents shares held by Spindletop Healthcare Capital L.P. Evan Melrose, MD is the Manager of the General Partner of the General Partner of Spindletop Healthcare Capital L.P. and may be deemed to have shared voting and dispositive power with respect to the shares held by Spindletop Healthcare Capital L.P. The address of Spindletop Healthcare Capital L.P. is 3571 Far West Blvd., PMB #108, Austin, Texas 78731.
- (4) Represents shares held by Pantheon Global Co-Investment Opportunities Fund L.P. David Braman, Susan Long McAndrews and Lily Wong are directors of Pantheon Global Co-Investment Opportunities GP Limited, the general partner of Pantheon Global Co-Investment Opportunities Fund, L.P. and make the investment and voting decisions with respect to shares held by of Pantheon Global Co-Investment Opportunities Fund, L.P. The address of Pantheon Global Co-Investment Opportunities Fund L.P. is 600 Montgomery Street, 23rd Floor, San Francisco, CA 94111.
- (5) Represents shares held by AMP-CF Holdings, LLC, which we refer to as the “Ampersand Capital Stockholder.” Herbert H. Hooper, the Managing Member of the General Partner of the General Partner of each of the members and managers of the Ampersand Capital Stockholder, may be deemed to have voting and dispositive power with respect to shares held by the Ampersand Capital Stockholder. The address of the Ampersand Capital Stockholder is in care of Ampersand Capital Partners, 55 William Street, Suite 240, Wellesley, Massachusetts 02481.
- (6) Represents shares held by Alta Partners VIII, L.P. Alta Partners Management VIII, LLC is the general partner of Alta Partners VIII, L.P. Guy Nohra, Daniel Janney and Farah Champsy are managing directors of Alta Partners Management VIII, LLC and exercise shared voting and investment powers with respect to the shares owned by Alta Partners VIII, L.P. Each of the reporting persons disclaims beneficial ownership of such shares, except to the extent of their proportionate pecuniary interest therein, if any. The principal business address of Alta Partners VIII, L.P. is One Embarcadero Center, 37th Floor San Francisco, CA 94111.

DESCRIPTION OF CAPITAL STOCK

The following descriptions of our capital stock and provisions of our amended and restated certificate of incorporation, and our bylaws, each of which will be in effect prior to the completion of this offering, are summaries and are qualified by reference to the amended and restated certificate of incorporation and the bylaws, which are filed as exhibits to the registration statement of which this prospectus forms a part.

Our current authorized capital stock consists of 100 shares of Common Stock, par value \$0.001 per share. As of the consummation of this offering, our authorized capital stock will consist of 250,000,000 shares of Class A common stock, par value \$0.001, 50,000,000 shares of Class B common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock.

Common Stock

As of the consummation of this offering, there will be 37,697,158 shares of our Class A common stock issued and outstanding, and 16,534,814 shares of our Class B common stock issued and outstanding.

Class A Common Stock

Voting Rights

Holders of our Class A common stock will be entitled to cast one vote per share. Holders of our Class A common stock will not be entitled to cumulate their votes in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all holders of Class A common stock and Class B common stock present in person or represented by proxy, voting together as a single class. Except as otherwise provided by law, amendments to the amended and restated certificate of incorporation must be approved by a majority or, in some cases, a super-majority of the combined voting power of all shares of Class A common stock and Class B common stock, voting together as a single class.

Dividend Rights

Holders of Class A common stock will share ratably (based on the number of shares of Class A common stock held) if and when any dividend is declared by the board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock.

Liquidation Rights

On our liquidation, dissolution or winding up, each holder of Class A common stock will be entitled to a pro rata distribution of any assets available for distribution to common stockholders.

Other Matters

No shares of Class A common stock will be subject to redemption or have preemptive rights to purchase additional shares of Class A common stock. Holders of shares of our Class A common stock do not have subscription, redemption or conversion rights. There will be no redemption or sinking fund provisions applicable to the Class A common stock. Upon consummation of this offering, all the outstanding shares of Class A common stock will be validly issued, fully paid and non-assessable.

Class B Common Stock

Issuance of Class B Common Stock with LLC Interests

Shares of Class B common stock will only be issued in the future to the extent necessary to maintain a one-to-one ratio between the number of LLC Interests held by the Continuing LLC Owner and the number of shares of Class B common stock issued to the Continuing LLC Owner. Shares of Class B common stock are transferable only together with an equal number of LLC Interests. Shares of Class B common stock will be cancelled on a one-for-one basis if we, at the election of the Continuing LLC Owner, redeem or exchange its LLC Interests pursuant to the terms of the Bioventus LLC Agreement.

Voting Rights

Holders of Class B common stock will be entitled to cast one vote per share, with the number of shares of Class B common stock held by the Continuing LLC Owner being equivalent to the number of LLC Interests held by such Continuing LLC Owner. Holders of our Class B common stock will not be entitled to cumulate their votes in the election of directors.

Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all Class A and Class B stockholders present in person or represented by proxy, voting together as a single class. Except as otherwise provided by law, amendments to the amended and restated certificate of incorporation must be approved by a majority or, in some cases, a super-majority of the combined voting power of all shares of Class A common stock and Class B common stock, voting together as a single class.

Dividend Rights

Holders of our Class B common stock will not participate in any dividend declared by the board of directors.

Liquidation Rights

On our liquidation, dissolution or winding up, holders of Class B common stock will not be entitled to receive any distribution of our assets.

Transfers

Pursuant to the Bioventus LLC Agreement, each holder of Class B common stock agrees that:

- the holder will not transfer any shares of Class B common stock to any person unless the holder transfers an equal number of LLC Interests to the same person; and
- in the event the holder transfers any LLC Interests to any person, the holder will transfer an equal number of shares of Class B common stock to the same person.

Other Matters

No shares of Class B common stock will have preemptive rights to purchase additional shares of Class B common stock. Holders of shares of our Class B common stock do not have subscription, redemption or conversion rights. There will be no redemption or sinking fund provisions applicable to the Class B common stock. Upon consummation of this offering, all outstanding shares of Class B common stock will be validly issued, fully paid and nonassessable.

Preferred Stock

Our amended and restated certificate of incorporation will provide that our board of directors has the authority, without action by the stockholders, to designate and issue up to 10,000,000 shares of preferred stock in one or more classes or series and to fix the powers, rights, preferences, privileges and restrictions of each class or series of preferred stock, including dividend rights, conversion rights, voting rights, redemption privileges, liquidation preferences and the number of shares constituting any class or series, which may be greater than the rights of the holders of the common stock. There will be no shares of preferred stock outstanding immediately after this offering.

The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third-party to acquire, or could discourage a third-party from seeking to acquire, a majority of our outstanding voting stock. Additionally, the issuance of preferred stock may adversely affect the holders of our Class A common stock by restricting dividends on the Class A common stock, diluting the voting power of the Class A common stock or subordinating the liquidation rights of the Class A common stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our Class A common stock.

Exclusive Venue

Our amended and restated certificate of incorporation, as it will be in effect upon the closing of this offering, will provide that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware, to the fullest extent permitted by applicable law, be the sole and exclusive forum for: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees or stockholders to us or our stockholders; (3) any action asserting a claim against us arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws, or as to which the DGCL confers exclusive jurisdiction on the Court of Chancery; or (4) any action asserting a claim against us, any director or our officers or employees that is governed by the internal affairs doctrine; officers; provided that the exclusive forum provisions will not apply to suits brought to enforce any liability or duty created by the Exchange Act, or to any claim for which the federal courts have exclusive jurisdiction. Unless we consent in writing to the selections of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision.

Anti-Takeover Effects of Provisions of our Amended and Restated Certificate of Incorporation, our Bylaws and Delaware Law

Our amended and restated certificate of incorporation and amended and restated bylaws, as they will be in effect upon completion of this offering, also contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or 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, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give our board of directors the power to discourage acquisitions that some stockholders may favor.

Classified Board of Directors

Our amended and restated certificate of incorporation will provide that our board of directors will be divided into three classes, with the classes as nearly equal in number as possible and each class serving three-year

[Table of Contents](#)

staggered terms. In addition, our amended and restated certificate of incorporation will provide that directors may only be removed from our board of directors with cause. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control of us or our management.

Authorized but Unissued Shares

The authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of Nasdaq. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Requirements for Advance Notification of Stockholder Meetings, Nominations and Proposals

Our amended and restated certificate of incorporation will provide that stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a qualified stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary of the stockholder's intention to bring such business before the meeting. Our amended and restated certificate of incorporation will provide that, subject to applicable law, special meetings of the stockholders may be called only by a resolution adopted by the affirmative vote of the majority of the directors then in office. Our bylaws will prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. In addition, any stockholder who wishes to bring business before an annual meeting or nominate directors must comply with the advance notice and duration of ownership requirements set forth in our bylaws and provide us with certain information. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers or changes in control of us or our management.

Stockholder Action by Written Consent

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation will provide that stockholder action by written consent will be permitted only if the action to be effected by such written consent and the taking of such action by such written consent have been previously approved by the board of directors.

Amendment of Amended and Restated Certificate of Incorporation or Bylaws

The DGCL provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Upon completion of this offering, our bylaws may be amended or repealed by a majority vote of our board of directors or by the affirmative vote of the holders of at least 66- 2/3% of the votes which all our stockholders would be entitled to cast in any annual election of directors. In addition, the affirmative vote of the holders of at least 66- 2/3% of the votes which all our stockholders would be entitled to cast in any election of directors will be required to amend or repeal or to adopt any provisions inconsistent with any of the provisions of our certificate described above.

The foregoing provisions of our amended and restated certificate of incorporation and bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are

[Table of Contents](#)

intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares of Class A common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management or delaying or preventing a transaction that might benefit you or other minority stockholders.

In addition, we are subject to Section 203 of the DGCL. Subject to certain exceptions, Section 203 prevents a publicly held Delaware corporation from engaging in a “business combination” with any “interested stockholder” for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors or unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger or consolidation involving us and the “interested stockholder” and the sale of more than 10% of our assets. In general, an “interested stockholder” is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Because we have “opted out” of Section 203 of the DGCL in our amended and restated certificate of incorporation, the statute will not apply to business combinations involving us.

Limitations on Liability and Indemnification of Officers and Directors

Our amended and restated certificate of incorporation and bylaws provide indemnification for our directors and officers to the fullest extent permitted by the DGCL. Prior to the completion of this offering, we intend to enter into indemnification agreements with each of our directors that may, in some cases, be broader than the specific indemnification provisions contained under Delaware law. In addition, as permitted by Delaware law, our amended and restated certificate of incorporation includes provisions that eliminate the personal liability of our directors for monetary damages resulting from breaches of certain fiduciary duties as a director. The effect of this provision is to restrict our rights and the rights of our stockholders in derivative suits to recover monetary damages against a director for breach of fiduciary duties as a director, except that a director will be personally liable for:

- any breach of his duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- any transaction from which the director derived an improper personal benefit; or
- improper distributions to stockholders.

These provisions may be held not to be enforceable for violations of the federal securities laws of the United States.

Corporate Opportunities

In recognition that partners, principals, directors, officers, members, managers and/or employees of the Original LLC Owners and their affiliates and investment funds, which we refer to as the Corporate Opportunity Entities, may serve as our directors and/or officers, and that the Corporate Opportunity Entities may engage in activities or lines of business similar to those in which we engage, our amended and restated certificate of incorporation provides for the allocation of certain corporate opportunities between us and the Corporate

[Table of Contents](#)

Opportunity Entities. Specifically, none of the Corporate Opportunity Entities has any duty to refrain from engaging, directly or indirectly, in the same or similar business activities or lines of business that we do. In the event that any Corporate Opportunity Entity, through its partner, principal, director, officer, member, manager or employee or otherwise, acquires knowledge of a potential transaction or matter which may be a corporate opportunity for itself and us, we will not have any expectancy in such corporate opportunity, and the Corporate Opportunity Entity will not have any duty to communicate or offer such corporate opportunity to us and may pursue or acquire such corporate opportunity for itself or direct such opportunity to another person. In addition, if a director of our Company who is also a partner, principal, director, officer, member, manager or employee of any Corporate Opportunity Entity acquires knowledge of a potential transaction or matter which may be a corporate opportunity for us and a Corporate Opportunity Entity, we will not have any expectancy in such corporate opportunity. Messrs. Philip G. Cowdy, Guido J. Neels, Guy P. Nohra, David J. Parker and Martin P. Sutter, who will serve as directors on our Board of Directors, are or are affiliated with Original LLC Owners. In the event that any other director of ours acquires knowledge of a potential transaction or matter which may be a corporate opportunity for us we will not have any expectancy in such corporate opportunity unless such potential transaction or matter was presented to such director expressly in his or her capacity as such.

By becoming a stockholder in our Company, you will be deemed to have notice of and consented to these provisions of our amended and restated certificate of incorporation. Any amendment to the foregoing provisions of our amended and restated certificate of incorporation requires the affirmative vote of at least two-thirds of the voting power of all shares of our common stock then outstanding.

Dissenters' Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, our stockholders will have appraisal rights in connection with a merger or consolidation. Pursuant to Section 262 of the DGCL, stockholders who properly demand and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Stockholders' Derivative Actions

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law and such suit is brought in the Court of Chancery in the State of Delaware.

Listing

Our Class A common stock will be listed on Nasdaq under the trading symbol "BVS".

Transfer Agent and Registrar

Upon the closing of this offering, the transfer agent and registrar for our Class A common stock will be American Stock Transfer & Trust Company, LLC.

Stockholders Agreement

In connection with this offering, we will enter into the Stockholders Agreement with the Voting Group pursuant to which the Voting Group will have specified board representation rights, governance rights and other rights. See "Certain relationships and related party transactions—Stockholders Agreement."

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for our Class A common stock. Future sales of substantial amounts of Class A common stock in the public market (including shares of Class A common stock issuable upon redemption or exchange of LLC Interests), or the perception that such sales may occur, could adversely affect the market price of our Class A common stock. Although we have applied to have our Class A common stock listed on Nasdaq, we cannot assure you that there will be an active public market for our Class A common stock.

Upon the closing of this offering, we will have outstanding an aggregate of 37,697,158 shares of Class A common stock, assuming the issuance of 7,350,000 shares of Class A common stock offered by us in this offering and the issuance of 30,347,158 shares of Class A common stock to the Former LLC Owners. In addition, 16,534,814 LLC Interests, following this offering, will be redeemable, at the Continuing LLC Owner's election, for newly-issued shares of Class A common stock on a one-for-one basis or, if Bioventus Inc. and the Continuing LLC Owner agree, a cash payment equal to a volume weighted average market price of one share of Class A common stock for each LLC Interest redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the Bioventus LLC Agreement; provided that, at Bioventus Inc.'s election, Bioventus Inc. may effect a direct exchange of such Class A common stock or such cash (if mutually agreed) for such LLC Interests. In addition, upon the closing of this offering, the Phantom Plan will be terminated and Phantom Plan Participants who are employed as of the date of this offering will hold rights to receive 1,351,834 shares of Class A common stock upon settlement of their awards between twelve and 24 months following the termination of the Phantom Plan (as more fully described above under "Executive compensation—Narrative to summary compensation table—Equity-based compensation"). In connection with the offering, each profits interest unit awarded under the MIP will be exchanged for LLC Interests which may then be exchanged for shares of Class A common stock (upon redemption or cancellation of the same number of their shares of our Class B common stock) or a cash payment (subject to certain conditions). Of these shares, all shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act, whose sales would be subject to the Rule 144 resale restrictions described below, other than the holding period requirement. The remaining outstanding shares of our common stock will be "restricted securities" as that term is defined under Rule 144 of the Securities Act.

Subject to the lock-up agreements described below and the provisions of Rules 144 and 701 under the Securities Act, these restricted securities (including shares of Class A common stock issuable upon redemption or exchange of LLC Interests) will be available for sale in the public market as follows:

- no shares will be available for sale until 180 days after the date of this prospectus, subject to certain limited exceptions provided for in the lock-up agreements; and
- 30,347,158 shares of Class A common stock (without giving effect to any redemptions or exchanges of LLC Interests for shares of Class A common stock), plus any shares purchased by our affiliates in this offering, will be eligible for sale beginning more than 180 days after the date of this prospectus, subject, in the case of shares held by our affiliates, to the volume limitations under Rule 144.

Lock-up Agreements

In connection with this offering, our officers and directors, and certain of our stockholders, have each entered into a lock-up agreement with the underwriters of this offering that restricts the sale of shares of our common stock by those parties for a period of 180 days after the date of this prospectus without the prior written consent of the representatives. However, the representatives, on behalf of the underwriters, may, in their discretion, choose to release any or all of the shares of our common stock subject to these lock-up agreements at any time prior to the expiration of the lock-up period without notice. For more information, see "Underwriting." Upon the expiration of the lock-up period, substantially all of the shares subject to such lock-up restrictions will become eligible for sale, subject to the limitations discussed above.

Rule 144

Affiliate Resales of Restricted Securities

In general, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is an affiliate of ours, or who was an affiliate at any time during the 90 days before a sale, who has beneficially owned shares of our Class A common stock for at least 180 days would be entitled to sell in “broker’s transactions” or certain “riskless principal transactions” or to market makers, a number of shares within any three-month period that does not exceed the greater of:

- 1% of the number of shares of our Class A common stock then outstanding; and
- the average weekly trading volume in our Class A common stock on Nasdaq during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Affiliate resales under Rule 144 are also subject to the availability of current public information about us. In addition, if the number of shares being sold under Rule 144 by an affiliate during any three-month period exceeds 5,000 shares or has an aggregate sale price in excess of \$50,000, the seller must file a notice on Form 144 with the SEC and Nasdaq concurrently with either the placing of a sale order with the broker or the execution directly with a market maker.

Non-Affiliate Resales of Restricted Securities

In general, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is not an affiliate of ours at the time of sale, and has not been an affiliate at any time during the 90 days preceding a sale, and who has beneficially owned shares of our Class A common stock for at least six months but less than a year, is entitled to sell such shares subject only to the availability of current public information about us. If such person has held our shares for at least one year, such person can resell under Rule 144(b)(1) without regard to any Rule 144 restrictions, including the 90-day public company requirement and the current public information requirement.

Non-affiliate resales are not subject to the manner of sale, volume limitation or notice filing provisions of Rule 144.

Rule 701

In general, under Rule 701, any of an issuer’s employees, directors, officers, consultants or advisors who purchases shares from the issuer in connection with a compensatory stock or option plan or other written agreement before the effective date of a registration statement under the Securities Act is entitled to sell such shares 90 days after such effective date in reliance on Rule 144. An affiliate of the issuer can resell shares in reliance on Rule 144 without having to comply with the holding period requirement, and non-affiliates of the issuer can resell shares in reliance on Rule 144 without having to comply with the current public information and holding period requirements.

The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options, including exercises after an issuer becomes subject to the reporting requirements of the Exchange Act.

Equity Plans

We intend to file one or more registration statements on Form S-8 under the Securities Act to register the offer and sale of all shares of Class A common stock (i) issuable under our stock plans and (ii) issuable to the Stock Plan Participants under the Phantom Plan. We expect to file the registration statement covering shares

[Table of Contents](#)

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.

Registration Rights

Upon the closing of this offering, the holders of 46,881,972 shares of Class A common stock (including the holders of LLC Interests redeemable or exchangeable for shares of Class A common stock) or their transferees will be entitled to various rights with respect to the registration of these shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. See “Certain relationships and related party transactions—Registration Rights Agreement” for additional information. Shares covered by a registration statement will be eligible for sale in the public market upon the expiration or release from the terms of the lock-up agreement described in “—Lock-up agreements.”

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our Class A common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder of our Class A common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our Class A common stock.

This discussion is limited to Non-U.S. Holders that hold our Class A common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder’s particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our Class A common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities;
- “controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our Class A common stock under the constructive sale provisions of the Code;
- persons who hold or receive our Class A common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- tax-qualified retirement plans;
- “qualified foreign pension funds” as defined in Section 897(I)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds; and
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the stock being taken into account in an applicable financial statement.

If an entity treated as a partnership for U.S. federal income tax purposes holds our Class A common stock, the tax treatment of an owner in such an entity will depend on the status of the partner, the activities of such entity and certain determinations made at the owner level. Accordingly, entities treated as partnerships holding our Class A common stock and the owners in such entities should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR CLASS A COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-U.S. Holder

For purposes of this discussion, a “Non-U.S. Holder” is any beneficial owner of our Class A common stock that is neither a “U.S. person” nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described in the section entitled “Dividend policy,” we do not anticipate declaring or paying dividends to holders of our Class A common stock in the foreseeable future. However, if we do make distributions of cash or property on our Class A common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder’s adjusted tax basis in its Class A common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under “—Sale or other taxable disposition.”

Subject to the discussion below on effectively connected income, dividends paid to a Non-U.S. Holder of our Class A common stock will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States.

[Table of Contents](#)

Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

Subject to the discussion below under “Information reporting and backup withholding” and “Additional withholding tax on payments made to foreign accounts,” a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our Class A common stock unless:

- the gain is effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable);
- the Non-U.S. Holder is a non-resident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our Class A common stock constitutes a U.S. real property interest, or USRPI, by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of our Class A common stock will not be subject to U.S. federal income tax if our Class A common stock is “regularly traded,” as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually or constructively, 5% or less of our Class A common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder’s holding period.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on our Class A common stock will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any distributions on our Class A common stock paid to the Non-U.S. Holder, regardless of whether such distributions constitute dividends or whether any tax was actually withheld. In

[Table of Contents](#)

addition, proceeds of the sale or other taxable disposition of our Class A common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of our Class A common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or FATCA) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our Class A common stock, in each case, paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations (including providing sufficient documentation evidencing its compliance (or deemed compliance) with FATCA), (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our Class A common stock. While withholding under FATCA would have applied to payments of gross proceeds from the sale or other disposition of such stock on or after January 1, 2019, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our Class A common stock.

UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC and Goldman Sachs & Co. LLC are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares of Class A common stock indicated below:

<u>Name</u>	<u>Number of Shares</u>
Morgan Stanley & Co. LLC	
J.P. Morgan Securities LLC	
Goldman Sachs & Co. LLC	
Canaccord Genuity LLC	
Total:	<u> </u>

The underwriters and the representatives are collectively referred to as the “underwriters” and the “representatives,” respectively. The underwriters are offering the shares of Class A common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of Class A 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 the shares of Class A 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.

The underwriters initially propose to offer part of the shares of Class A common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of \$ per share under the public offering price. After the initial offering of the shares of Class A common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 1,102,500 additional shares of Class A 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 Class A 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 Class A common stock as the number listed next to the underwriter’s name in the preceding table bears to the total number of shares of Class A common stock listed next to the names of all underwriters in the preceding table.

At our request, the underwriters have reserved for sale, at the initial public offering price, up to 5% of the shares offered by this prospectus for sale to some of our officers, employees and consultants. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase up to an additional 1,102,500 shares of Class A common stock.

[Table of Contents](#)

	Per Share	Total	
		No Exercise	Full Exercise
Public offering price	\$	\$	\$
Underwriting discounts and commissions to be paid by us	\$	\$	\$
Proceeds, before expenses to us	\$	\$	\$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately \$3.8 million. We have agreed to reimburse the underwriters for certain expenses relating to this offering up to \$35,000.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of Class A common stock offered by them.

We have applied to list our Class A common stock for quotation on Nasdaq under the trading symbol “BVS.”

We and all directors and officers and the holders of substantially all of our LLC Interests prior to the Transactions (each, a “lock-up party” and collectively, the “lock-up parties”) have agreed that, without the prior written consent of the representatives, on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus (the “restricted period”):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock (including without limitation, options or warrants to purchase common stock and LLC Interests or such other securities which may be deemed to be beneficially owned by the lock-up party in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant (any such securities, the “Restricted Securities”));
- enter into any hedging, swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Restricted Securities;
- make any demand for or exercise any right with respect to the registration of any Restricted Securities; or
- publicly disclose the intention to do any of the foregoing,

whether any such transaction described above is to be settled by delivery of Restricted Securities, in cash or otherwise. The lock-up parties have also acknowledged and agreed that the foregoing precludes them from engaging in any hedging or other transactions designed or intended, or which could reasonably be expected to lead to or result in, a sale or disposition of any Restricted Securities, or securities convertible into or exercisable or exchangeable for Restricted Securities, even if any such sale or disposition transaction or transactions would be made or executed by or on behalf of someone other than the lock-up party.

The representatives, in their sole discretion, may release Restricted Securities subject to the lock-up agreements described above in whole or in part at any time.

In order to facilitate the offering of the Class A common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Class A common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale

[Table of Contents](#)

by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. 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 the Class A common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of Class A common stock in the open market to stabilize the price of the Class A common stock. These activities may raise or maintain the market price of the Class A common stock above independent market levels or prevent or retard a decline in the market price of the Class A common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters participating in this offering. The representatives may agree to allocate a number of shares of Class A common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

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 respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In addition, 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 may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. 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.

Pricing of the Offering

Prior to this offering, there has been no public market for our Class A common stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), an offer to the public of any shares of Class A common stock may not be made in that Relevant Member State,

[Table of Contents](#)

except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a “qualified investor” as defined under the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than “qualified investors” as defined under the Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares of Class A common stock shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplemental prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any shares of Class A common stock or to whom any offer is made will be deemed to have represented, warranted and agreed to and with each of the underwriters and us that it is a qualified investor within the meaning of Article 2(e) of the Prospectus Regulation.

In the case of any shares of Class A common stock being offered to a financial intermediary as that term is used in Article 1(4) of the Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted and agreed that the shares of Class A common stock acquired by it in this offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares of Class A common stock to the public, other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

We, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, warranties and agreements. Notwithstanding the above, a person who is not a “qualified investor” and who has notified the underwriters of such fact in writing may, with the prior consent of the underwriters, be permitted to acquire shares of Class A common stock in this offering.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of Class A common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of Class A common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of Class A common stock, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

United Kingdom

An offer to the public of any shares of Class A common stock may not be made in the United Kingdom, except that an offer to the public in the United Kingdom of any shares of Class A common stock may be made at any time under the following exemptions under the UK Prospectus Regulation:

- (a) to any legal entity which is a “qualified investor” as defined under the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than “qualified investors” as defined under the UK Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (as amended, “FSMA”),

provided that no such offer of shares of Class A common stock shall result in a requirement for the Issuer or any underwriter to publish a prospectus pursuant to section 85 of the FSMA or a supplemental prospectus pursuant to Article 23 of the UK Prospectus Regulation and each person who initially acquires any shares of

[Table of Contents](#)

Class A common stock or to whom any offer is made will be deemed to have represented, warranted and agreed to and with each of the underwriters and the Issuer that it is a qualified investor within the meaning of Article 2 of the UK Prospectus Regulation.

In the case of any shares of Class A common stock being offered to a financial intermediary as that term is used in Article 1(4) of the UK Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted and agreed that the shares of Class A common stock acquired by it in this offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares of Class A common stock to the public, other than their offer or resale in the United Kingdom to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

We, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, warranties and agreements. Notwithstanding the above, a person who is not a “qualified investor” and who has notified the underwriters of such fact in writing may, with the prior consent of the underwriters, be permitted to acquire shares of Class A common stock in this offering.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of Class A common stock in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of Class A common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of Class A common stock, and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

In the United Kingdom, this prospectus and any other material in relation to the shares of Class A common stock are being distributed only to, and are directed only at, persons who are “qualified investors” (as defined in the UK Prospectus Regulation) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute them, all such persons together being referred to as “Relevant Persons”. In the United Kingdom, the Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, Relevant Persons. This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this prospectus or its contents.

LEGAL MATTERS

The validity of the issuance of our Class A common stock offered in this prospectus will be passed upon for us by Latham & Watkins LLP. The validity of the issuance of our Class A common stock offered in this prospectus will be passed upon for the underwriters in connection with this offering by Simpson Thacher & Bartlett LLP, New York, New York.

EXPERTS

The audited financial statements as of and for the year ended December 31, 2019 of Bioventus LLC included in this prospectus and elsewhere in the registration statement have been so included in reliance on the report of Grant Thornton LLP, or GT, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing.

The financial statements for the year end December 31, 2018 included in this prospectus have been so included in reliance on the report (which contains an emphasis of matter paragraph relating to the Company's identification of noncompliance with certain U.S. Federal statutes and regulations to which the Company is subject and the Company's voluntary self-disclosure to the U.S. Department of Health and Human Services Office of Inspector General. As a result of the noncompliance, the Company may be subject to civil monetary penalties, as well as repayment obligations related to previously reimbursed claims and fines as described in Notes 2 and 13 to the financial statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

CHANGE IN REGISTERED PUBLIC ACCOUNTANT

We dismissed PricewaterhouseCoopers LLP, or PwC, as our independent auditor on November 1, 2019. Our Audit, Compliance and Quality Committee participated in and approved our change in independent registered public accounting firm. On November 20, 2019, we engaged GT as our independent registered public accounting firm for the year ended December 31, 2019. Concurrent with GT's appointment, we engaged GT to audit our consolidated financial statements as of and for the year ended December 31, 2019.

The report of PwC on the financial statements of Bioventus LLC as of and for the year ended December 31, 2018 did not contain any adverse opinions or disclaimer of opinion and was not qualified as to uncertainty, audit scope or accounting principles; however, it does include an emphasis of matter paragraph relating to the Company's identification of noncompliance with certain U.S. Federal statutes and regulations to which the Company is subject and the Company's voluntary self-disclosure to the OIG. As a result of the noncompliance, the Company may be subject to civil monetary penalties, as well as repayment obligations related to previously reimbursed claims and fines as described in Notes 2 and 13 to the financial statements.

During the audit of the year ended December 31, 2018 and subsequent interim period through November 1, 2019, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure that, if not resolved to PwC's satisfaction, would have caused PwC to make reference to the subject matter of the disagreement in connection with its report and (ii) no "reportable events" (as defined in Item 304(a)(1)(v) of Regulation S-K), except for the material weaknesses in our internal control over financial reporting related to (a) an ineffective design of internal controls to review reimbursement claims in order to identify non-compliance with regulations and contract terms and (b) an effective design of internal controls to establish and review a reimbursement claim reserve for errors related to the determination of medical necessity from such non-compliance.

We requested that PwC provide us with a letter addressed to the SEC stating whether or not it agrees with the above disclosure. A copy of PwC's letter, dated January 19, 2021, is attached as Exhibit 16.1 to the registration statement of which this prospectus is a part.

[Table of Contents](#)

During the year ended December 31, 2018 and the subsequent interim period through November 20, 2019, neither we, nor any person on our behalf, consulted GT with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that may be rendered on our financial statements, and no written report or oral advice was provided to us by GT that GT concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue or (ii) any matter that was either the subject of a disagreement, as that term is described in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K, or a reportable event, as that term is described in Item 304(a)(1)(v) of Regulation S-K.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of Class A common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith, certain portions of which are omitted as permitted by the rules and regulations of the SEC. For further information with respect to Bioventus Inc. and the shares of Class A common stock offered hereby, reference is made to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will be required to file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference room and the website of the SEC referred to above. We also maintain a website at www.bioventus.com, through 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 a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

BIOVENTUS LLC

Years ended December 31, 2019 and 2018

Reports of Independent Registered Public Accounting Firm	F-2
Consolidated statements of operations and comprehensive income (loss)	F-4
Consolidated balance sheets	F-5
Consolidated statements of changes in members' equity	F-6
Consolidated statements of cash flows	F-7
Notes to consolidated financial statements	F-8

Nine months ended September 26, 2020 and September 28, 2019 (unaudited)

Consolidated condensed statements of operations and comprehensive income	F-43
Consolidated condensed balance sheets	F-44
Consolidated condensed statements of changes in members' equity	F-45
Consolidated condensed statements of cash flows	F-46
Notes to consolidated condensed financial statements	F-47

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Managers
Bioventus LLC

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Bioventus LLC (a Delaware Limited Liability Company) and subsidiaries (the “Company”) as of December 31, 2019, the related consolidated statements of operations and comprehensive income (loss), changes in members’ equity, and cash flows for the year ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Change in accounting principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of FASB Accounting Standards Codification (Topic 842), Leases.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting 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.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2019.

Raleigh, North Carolina
October 6, 2020

Report of Independent Registered Public Accounting Firm

To the Board of Managers and Members of Bioventus LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Bioventus LLC and its subsidiaries (the “Company”) as of December 31, 2018, and the related consolidated statements of operations and comprehensive income (loss), of changes in members’ equity and of cash flows for the year then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Emphasis of Matter

As discussed in Notes 2 and 13 to the consolidated financial statements, the Company has identified noncompliance with certain U.S. Federal statutes and regulations to which the Company is subject and made a voluntary self-disclosure to the U.S. Department of Health and Human Services Office of Inspector General. As a result of the noncompliance, the Company may be subject to civil monetary penalties, as well as repayment obligations related to previously reimbursed claims and fines. Management’s evaluation of the impact of these material contingencies is also discussed in Note 13.

/s/ PricewaterhouseCoopers LLP

Raleigh, North Carolina

August 16, 2019, except for the effects of disclosing net loss per unit information discussed in Note 14 and the effects of discontinued operations discussed in Note 17 to the consolidated financial statements, as to which the date is October 6, 2020

We served as the Company’s auditor from 2012 to 2019.

BIOVENTUS LLC

Consolidated statements of operations and comprehensive income (loss)
Years ended December 31, 2019 and 2018
(Dollars in thousands, except per unit and per share data)

	2019	2018
Net sales	\$ 340,141	\$ 319,177
Cost of sales (including depreciation and amortization of \$22,399 and \$20,614, respectively)	90,935	84,168
Gross profit	249,206	235,009
Selling, general and administrative expense	198,475	191,672
Research and development expense	11,055	8,095
Change in fair value of contingent consideration	—	(739)
Restructuring costs	575	1,373
Depreciation and amortization	7,908	8,615
Loss on impairment of intangible assets	—	489
Operating income	31,193	25,504
Interest expense	21,579	19,171
Other (income) expense	(75)	226
Other expense	21,504	19,397
Income from continuing operations before income taxes	9,689	6,107
Income tax expense	1,576	1,664
Net income from continuing operations	8,113	4,443
Loss from discontinued operations, net of tax	1,815	16,650
Net income (loss)	6,298	(12,207)
Loss attributable to noncontrolling interest	553	—
Net income (loss) attributable to unit holders	6,851	(12,207)
Other comprehensive income (loss), net of tax		
Change in prior service cost and unrecognized (loss) gain for defined benefit plan adjustment	(78)	131
Change in foreign currency translation adjustments	(322)	(334)
Other comprehensive loss	(400)	(203)
Comprehensive income (loss)	\$ 6,451	\$ (12,410)
Net income from continuing operations attributable to unit holders	\$ 8,666	\$ 4,443
Accumulated and unpaid preferred distributions	(5,955)	(5,781)
Net income allocated to participating shareholders	(1,555)	—
Net income (loss) from continuing operations attributable to common unit holders	1,156	(1,338)
Loss from discontinued operations, net of tax	1,815	16,650
Net loss attributable to common unit holders	\$ (659)	\$ (17,988)
Net loss per unit attributable to common unit holders—basic and diluted (Note 14)		
Net income (loss) from continuing operations	\$ 0.24	\$ (0.27)
Loss from discontinued operations, net of tax	0.37	3.40
Net loss attributable to common unit holders	\$ (0.13)	\$ (3.67)
Weighted average common units outstanding, basic and diluted	4,900	4,900

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

BIOVENTUS LLC

Consolidated balance sheets
December 31, 2019 and 2018
(Dollars in thousands)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 64,520	\$ 42,774
Accounts receivable, net	85,128	72,569
Inventory	27,326	27,396
Prepaid and other current assets	6,059	5,615
Total current assets	183,033	148,354
Property and equipment, net	4,489	4,759
Goodwill	49,800	49,800
Intangible assets, net	216,510	237,029
Operating lease assets	15,267	—
Investments and other assets	3,308	2,781
Total assets	<u>\$ 472,407</u>	<u>\$ 442,723</u>
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	\$ 6,440	\$ 8,207
Accrued liabilities	52,827	50,984
Accrued equity-based compensation	15,547	—
Long-term debt	10,000	5,250
Other current liabilities	4,201	987
Total current liabilities	89,015	65,428
Long-term debt, less current portion	187,965	189,578
Accrued equity-based compensation, less current portion	25,255	33,063
Deferred tax liability	3,874	3,955
Other long-term liabilities	20,681	5,432
Total liabilities	<u>326,790</u>	<u>297,456</u>
Commitments and contingencies (Note 13)		
Members' equity (preferred unit liquidation preference of \$204,443 and \$198,488 at December 31, 2019 and 2018, respectively)	285,147	285,153
Accumulated other comprehensive loss	(465)	(65)
Accumulated deficit	(141,700)	(139,821)
Equity attributable to unit holders	142,982	145,267
Noncontrolling interest	2,635	—
Total members' equity	<u>145,617</u>	<u>145,267</u>
Total liabilities and members' equity	<u>\$ 472,407</u>	<u>\$ 442,723</u>

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

BIOVENTUS LLC

Consolidated statements of changes in members' equity
Years ended December 31, 2019 and 2018
(Dollars in thousands)

	Members' Equity	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interest	Total Members' Equity
Balance at December 31, 2017	\$ 285,114	\$ 138	\$ (119,795)	\$ —	\$ 165,457
Profits interest compensation	39	—	—	—	39
Distribution to members	—	—	(7,819)	—	(7,819)
Net loss attributable to unit holders	—	—	(12,207)	—	(12,207)
Defined benefit plan adjustment	—	131	—	—	131
Translation adjustment	—	(334)	—	—	(334)
Balance at December 31, 2018	285,153	(65)	(139,821)	—	145,267
Profits interest forfeitures	(6)	—	—	—	(6)
Distribution to members	—	—	(8,730)	—	(8,730)
Acquisition of noncontrolling interest	—	—	—	3,188	3,188
Net income (loss) attributable to unit holders	—	—	6,851	(553)	6,298
Defined benefit plan adjustment	—	(78)	—	—	(78)
Translation adjustment	—	(322)	—	—	(322)
Balance at December 31, 2019	<u>\$ 285,147</u>	<u>\$ (465)</u>	<u>\$ (141,700)</u>	<u>\$ 2,635</u>	<u>\$ 145,617</u>

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

BIOVENTUS LLC

Consolidated statements of cash flows
Years ended December 31, 2019 and 2018
(Dollars in thousands)

	2019	2018
Operating activities:		
Net income (loss):	\$ 6,298	\$ (12,207)
Less: Net loss from discontinued operations	1,815	16,650
Net income from continuing operations	8,113	4,443
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Depreciation and amortization	30,316	29,238
Loss on impairment of intangible assets	—	489
Change in fair value of contingent consideration	—	(739)
Payment of contingent consideration in excess of amount established in purchase accounting	(945)	(3,558)
Provision for doubtful accounts	2,242	2,538
Profit interest, management incentive plan and liability-classified awards compensation	10,844	14,325
Change in fair value of Equity Participation Rights unit	565	1,009
Deferred income taxes	(348)	(79)
Unrealized foreign currency transaction losses and other	395	106
Amortization of debt discount and capitalized loan fees, net	1,583	1,686
Loss on debt retirement and modification	3,352	—
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(14,909)	(12,130)
Inventories	(1,427)	3,256
Accounts payable and accrued expenses	6,646	12,148
Other current assets and liabilities	(3,882)	(422)
Net cash provided by operating activities from continuing operations	42,545	52,310
Net cash used in operating activities of discontinued operations	(1,832)	(7,123)
Net cash provided by operating activities	40,713	45,187
Investing activities:		
Investment and acquisition of distribution rights	(6,000)	(3,500)
Acquisition of VIE	430	—
Purchase of property and equipment and other	(2,342)	(2,561)
Net cash used in investing activities from continuing operations	(7,912)	(6,061)
Net cash used in investing activities of discontinued operations	—	(40)
Net cash used in investing activities	(7,912)	(6,101)
Financing activities:		
Proceeds from the issuance of long-term debt, net of issuance costs	198,134	—
Payments on long-term debt	(199,500)	(5,250)
Long-term refinancing costs	(367)	—
Principal payments toward finance lease obligations and notes payable	(81)	(160)
Distribution to members	(9,137)	(7,846)
Net cash used in financing activities	(10,951)	(13,256)
Effect of exchange rate changes on cash	(104)	(160)
Net change in cash and cash equivalents	21,746	25,670
Cash and cash equivalents at the beginning of the period	42,774	17,104
Cash and cash equivalents at the end of the period	<u>\$ 64,520</u>	<u>\$ 42,774</u>
Supplemental disclosure of cash flow information		
Cash paid for income taxes	<u>\$ 1,577</u>	<u>\$ 1,944</u>
Cash paid for interest	<u>\$ 15,450</u>	<u>\$ 17,273</u>
Supplemental disclosure of noncash investing and financing activities		
Accrued acquisition of distribution rights	<u>\$ —</u>	<u>\$ 6,000</u>
Accounts payable for purchase of property and equipment	<u>\$ 34</u>	<u>\$ 184</u>
Accrued member distribution	<u>\$ 499</u>	<u>\$ 906</u>

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

BIOVENTUS LLC

Notes to consolidated financial statements (Dollars in thousands, except per unit and per share data)

1. Organization and basis of presentation of financial information

The Company

Bioventus LLC, Bioventus or the Company, is a limited liability company formed under the laws of the state of Delaware on November 23, 2011 and operates as a partnership. Bioventus is a global medical device company, conducting business in various countries, primarily in North America and Europe, with approximately 690 employees. The Company is focused on developing and commercializing clinically differentiated, cost efficient and minimally invasive treatments that engage and enhance the body's natural healing processes.

On November 23, 2011, Smith & Nephew plc filed a certificate of formation for the Company. On January 3, 2012, a series of agreements were executed with investment vehicles sponsored and managed by Essex Woodlands, or Essex, a healthcare growth equity firm, in order to effect a spin-off of affiliates of Smith & Nephew plc biologic and clinical therapies segment (the Business) into Bioventus.

On May 4, 2012 the Spin-off occurred and affiliates of Smith & Nephew plc sold certain assets related to the Business' worldwide operations to Essex and the assets were subsequently contributed by Essex to Bioventus in addition to \$20,000 cash in exchange for 5,100 preferred units, representing a 51% ownership interest. As part of the Spin-off, affiliates of Smith & Nephew plc then contributed certain other assets, primarily related to the Business' remaining worldwide operations, to Bioventus for 4,900 common units, representing a 49% ownership interest. As a result, the Company commenced operations in Durham, North Carolina, USA, which is its headquarters.

Principles of consolidation

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles, or U.S. GAAP. The consolidated financial statements include the Company, its subsidiaries and investments in which the Company has control. Amounts pertaining to the non-controlling ownership interests held by third parties in the operating results and financial position of the Company's controlled subsidiaries are reported as non-controlling interests. All intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These changes had no effect on previously reported total revenues, net income (loss), comprehensive income (loss), members' equity or cash flows. Unless otherwise noted, all financial information in the consolidated financial statement footnotes reflect the Company's results from continuing operations. Discontinued operation is discussed further in Note 17.

Segment reporting

The Company identifies a business as an operating segment if: (i) it engages in business activities from which it may earn revenues and incur expenses; (ii) its operating results are regularly reviewed by the Chief Operating Decision Maker, or CODM, to make decisions about resources to be allocated to the segment and assess its performance; and (iii) it has available discrete financial information. The Company's CODM is its Chief Executive Officer. The CODM reviews financial information at the operating segment level to allocate resources and to assess the operating results and financial performance for each operating segment.

[Table of Contents](#)

The Company's two reportable segments are U.S. and International (discussed further in Note 15 and 16). U.S. and International products are primarily sold to physicians spanning the orthopedic continuum, including sports medicine, total joint reconstruction, hand and upper extremities, foot and ankle, podiatric surgery, trauma spine and neurosurgery, as well as directly to their patients.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenues and expenses during the period. On an ongoing basis, management evaluates these estimates, including those related to contractual allowances and sales incentives, allowances for doubtful accounts, inventory reserves, goodwill and intangible assets impairment, useful lives of long lived assets, noncontrolling interest, fair value measurements, litigation and contingent liabilities, income taxes, and equity-based compensation. Management bases its estimates on historical experience, future expectations and other relevant assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

2. Summary of significant accounting policies

Recent accounting pronouncements

Leases

In February 2016, the Financial Accounting Standards Board, or FASB, issued guidance that requires lessees to recognize the rights and obligations resulting from leases as assets and liabilities. It also modifies the classification criteria and the accounting for sales-type and direct financing leases for the lessor.

The Company adopted this guidance January 1, 2019, using the cumulative-effect adjustment transition method, which applies the new guidance at the effective date with no restatement of prior periods. In addition, the Company elected the transition package of practical expedients permitted within the new lease guidance, which among other things allowed the Company to carry forward the historical lease classification of existing leases at the time of adoption. The Company also elected not to separate lease components from non-lease components and to exclude short-term leases from its consolidated balance sheet. The adoption of the new guidance resulted in recognizing net lease assets of \$12,003 and lease liabilities of \$12,827 to the consolidated balance sheet as of January 1, 2019 and reclassifying deferred rent and lease incentive liabilities required under the previous lease guidance to lease assets. There was no impact to the consolidated statement of operations or statements of cash flows. There was also no impact to liquidity or debt covenant compliance under the Company's agreements.

The Company determines if an arrangement is a lease at inception. Operating leases are separately stated on the consolidated balance sheets as operating lease assets, and current and noncurrent operating lease obligations. Finance leases are included in property and equipment, and separately stated as current and noncurrent finance lease obligations on the consolidated balance sheets. Operating lease costs are recognized on a straight-line basis over the lease term and are included in selling, general and administrative expense. Finance lease amortization and interest are included in depreciation and amortization expense and interest expense, respectively.

Operating lease assets represent the Company's right to use an underlying asset for the lease term and lease liability obligations represent the Company's obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at commencement date based on the present value of fixed lease payments over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company estimates its

[Table of Contents](#)

incremental borrowing rate based on the information available at commencement date in determining the present value of its lease payments, as the implicit rate in its leases is not readily determinable. In addition, the Company uses a portfolio approach to determine its incremental borrowing rate. The operating lease asset also includes any advance lease payments made and excludes any lease incentives and lease direct costs (discussed further in Note 13).

Other

In June 2016, the FASB issued new accounting guidance that significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance is effective for annual and interim periods beginning after December 15, 2019. The Company has adopted the guidance on January 1, 2020. Based on the Company's preliminary evaluation, this guidance is expected to primarily impact its trade accounts receivables; however, it does not expect a material impact to its consolidated financial statements.

In August 2017, the FASB issued new guidance amending the hedge accounting model to enable entities to better portray risk management activities in the financial statements. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same statement of operations line as the hedged item. The Company adopted this guidance January 1, 2019 and there was no material impact on its consolidated financial statements.

In August 2018, the FASB issued new guidance addressing a customer's accounting for implementation costs incurred in a cloud computing arrangement, or CCA, that is considered a service contract. Under the new guidance, implementation costs for a CCA should be evaluated for capitalization using the same approach as implementation costs associated with internal-use software. The capitalized implementation costs should be expensed over the term of the hosting arrangement, which includes any reasonably certain renewal periods. Capitalized implementation costs should be assessed for impairment like long-lived assets. The Company will adopt this guidance on January 1, 2020. The Company does not believe the new guidance will have a material impact on its consolidated financial statements.

In August 2018, the FASB issued new guidance modifying the disclosure requirements on fair value measurements. The guidance eliminates the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. The guidance modifies certain disclosures related to investments measured at net asset value and clarifies that companies are to disclose uncertainties in measurements as of the reporting date. The guidance requires additional disclosure related to changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements as well as the range and weighted average, or other quantitative information would be a more reasonable and rational method, of significant unobservable inputs used to develop Level 3 fair value measurements. The guidance is effective for annual reporting periods beginning after December 31, 2019. Early adoption is permitted upon issuance. The additional disclosures and description of any measurement uncertainty amendments should be applied prospectively for the most recent interim or annual period in the initial year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Company will adopt this guidance on January 1, 2020. The Company does not believe the new guidance will have a material impact on its consolidated financial statements.

In December 2019, the FASB issued new guidance amending the accounting for income taxes. The guidance eliminates certain exceptions to the guidance in ASC 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences as well as simplifying aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance also clarifies that single-member limited liability companies and similar

[Table of Contents](#)

disregarded entities that are not subject to income tax are not required to recognize an allocation of consolidated income tax expense in their separate financial statements, but they could elect to do so. The guidance is effective for annual and interim periods beginning after December 15, 2020. Early adoption is permitted in interim or annual periods for which financial statements have not been made available for issuance. Entities that elect to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Certain amendments are to be applied prospectively while others are retrospective. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Variable Interest Entity

The Company reviews each investment and collaboration agreement to determine if it has a variable interest in the entity. In assessing whether the Company has a variable interest in the entity as a whole, the Company considers and makes judgments regarding the purpose and design of entity, the value of the licensed assets to the entity, the value of the entity's total assets and the significant activities of the entity. If the Company has a variable interest in the entity as a whole, the Company assesses whether or not the Company is a primary beneficiary of that variable interest entity, or VIE, based on a number of factors, including: (i) which party has the power to direct the activities that most significantly affect the VIE's economic performance, (ii) the parties' contractual rights and responsibilities pursuant to the collaboration agreement, and (iii) which party has the obligation to absorb losses of or the right to receive benefits from the VIE that could be significant to the VIE. If the Company determines that it is the primary beneficiary of a VIE at the onset of the collaboration, the collaboration is treated as a business combination and the Company consolidates the financial statement of the VIE into the Company's consolidated financial statements. On a quarterly basis, the Company evaluates whether it continues to be the primary beneficiary of the consolidated VIE. If the Company determines that it is no longer the primary beneficiary of a consolidated VIE, it deconsolidates the VIE in the period the determination is made.

Assets and liabilities recorded as a result of consolidating VIEs' financial results into the Company's consolidated balance sheet do not represent additional assets that could be used to satisfy claims against the Company's general assets or liabilities for which creditors have recourse to the Company's general assets.

Noncontrolling Interest

The Company records noncontrolling interest related to the consolidated VIEs on its consolidated balance sheet. The Company records loss attributable to noncontrolling interest on its consolidated statements of operations, which reflects the VIE's net loss for the reporting period, adjusted for changes in the noncontrolling interest holders claim to net assets, including contingent milestone and royalty payments, which are evaluated each reporting period.

Deconsolidation and discontinued operations

Upon the occurrence of certain events and on a regular basis, the Company evaluates whether it no longer has a controlling interest in its subsidiaries, including consolidated VIEs. If the Company determines it no longer has a controlling interest, the subsidiary is deconsolidated. The Company records a gain or loss on deconsolidation based on the difference on the deconsolidation date between (i) the aggregate of (a) the fair value of any consideration received, (b) the fair value of any retained noncontrolling investment in the former subsidiary and (c) the carrying amount of any noncontrolling interest in the subsidiary being deconsolidated, less (ii) the carrying amount of the former subsidiary's assets and liabilities.

The Company assesses whether a deconsolidation is required to be presented as discontinued operations in its consolidated financial statements on the deconsolidation date. This assessment is based on if the deconsolidation represents a strategic shift that has or will have a major effect on the Company's operations or financial results. If the Company determines that a deconsolidation requires presentation as a discontinued

[Table of Contents](#)

operation on the deconsolidation date, or at any point during the one-year period following such date, it will present the former subsidiary as a discontinued operation in current and comparative period financial statements.

Effect of foreign currency

The assets and liabilities of foreign subsidiaries whose functional currency is the local currency are translated into U.S. dollars at rates of exchange in effect at the close of their month end. Equity accounts are translated at their historical rates. Revenues and expenses are translated at the exchange rate on the transaction date. Translation gains and losses are accumulated within accumulated other comprehensive loss as a separate component of members' equity.

Foreign currency transaction gains and losses are included in other expense on the consolidated statements of operations and comprehensive income (loss). There were nominal losses for the year ended December 31, 2019 and losses of \$234 for the year ended December 31, 2018.

Other comprehensive income (loss)

Comprehensive income (loss) consists of two components: net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to gains and losses that under U.S. GAAP are recorded as an element of members' equity and are excluded from net income (loss). The Company's other comprehensive income (loss) consists of a defined benefit plan adjustment and foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency.

Cash and cash equivalents

Cash equivalents consist of highly liquid investments with an original maturity of three months or less at date of purchase. The Company's cash is primarily held in financial institutions in the United States and the Netherlands. The Company maintains cash balances in the United States in excess of the federally insured limits. The Company did not have restricted cash as of December 31, 2019 and 2018.

Derivatives

The Company uses derivative instruments to manage exposures to interest rates. Derivatives are recorded on the balance sheet at fair value at each balance sheet date and the Company does not designate whether the derivative instrument is an effective hedge. Changes in the fair values of derivative instruments are recognized in the consolidated statements of operations and comprehensive income (loss). The Company has entered, and may in the future enter, into derivative contracts related to its debt.

Fair value

The Company records certain assets and liabilities at fair value (discussed further in Note 8). Fair value is defined as the price that would be received from 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 at the measurement date. A three-level fair value hierarchy that prioritizes the inputs used to measure fair value is described below. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities are categorized based on the lowest level that is significant to the valuation.

The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities;

[Table of Contents](#)

- Level 2—Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and
- Level 3—Unobservable inputs that are supported by little or no market data. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Revenue recognition

Sale of Products

The Company derives revenue primarily from the sale of its osteoarthritic, or OA, joint pain treatment and joint preservation products, which are hyaluronic acid, or HA, viscosupplementation therapies, BGS products and a Minimally Invasive Fracture Treatment product. The Company sells product directly to healthcare institutions, patients, distributors and dealers. The Company also enters arrangements with pharmacy and health benefit managers that provide for negotiated rebates, chargebacks and discounts with respect to the purchase of the Company's products.

The Company recognizes revenue at a point in time upon transfer of control of the promised product to customers in an amount that reflects the consideration it expects to receive in exchange for those products. The Company excludes from revenues taxes collected from customers and remitted to governmental authorities.

Revenues are recorded at the transaction price, which is determined as the contracted price net of estimates of variable consideration resulting from discounts, rebates, returns, chargebacks, contractual allowances, estimated third-party payer settlements, and certain distribution and administration fees offered in our customer contracts and other indirect customer contracts relating to the sale of our products. The Company establishes reserves for the estimated variable consideration based on the amounts earned or eligible to be claimed on the related sales. Where appropriate, these estimates take into consideration a range of possible outcomes, which are probability-weighted for relevant factors such as the Company's historical experience, current contractual requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. The amount of variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. The Company regularly reviews all reserves and update them at the end of each reporting period as needed. There were no adjustments arising from the change in estimates of variable consideration that were significant for the years ended December 31, 2019 and 2018.

OA Joint Pain Treatment and Joint Preservation

Revenue from customers, such as healthcare providers, distribution centers or specialty pharmacies is recognized at the point in time when control is transferred to the customer, typically upon shipment.

Distributor chargebacks

The Company has preexisting contracts with established rates with many of the distributors' customers who require the distributors to sell our product at their established rate. The Company offers chargebacks to distributors who supply these customers with our products. The Company reduces revenue at the time of sale for the estimated future chargebacks. The Company records chargeback reserves as a reduction of accounts receivable and base the reserves on the expected value by using probability-weighted estimates of volume of purchases, inventory holdings and historical chargebacks requested for each distributor.

[Table of Contents](#)

Discounts and gross-to-net deductions

The Company offers retrospective discounts and gross-to-net deductions linked to the volume of purchases which may increase at negotiated thresholds within a contract-buying period. The Company reduces revenue and records the reserve as a reduction to accounts receivable for the estimated discount and rebate at the most likely amount the customer will earn, based on historical buying trends and forecasted purchases.

Minimally Invasive Fracture Treatment

The Company recognizes revenue from third-party payers, such as governmental agencies, insurance companies or managed care providers, when the Company transfers control to the patient, typically when the patient has accepted the product or upon delivery. The Company records this revenue at the contracted rate, net of contractual allowances and estimated third-party payer settlements at the time of sale, or an estimated price based on historical data and other available information for non-contracted payers. The Company estimates the contractual allowances using the portfolio approach and based on probability weighting historical data and collections history within those portfolios. The portfolios determined using the portfolio approach consist of the following customer groups: government payers, commercial payers, and patients. The Company recognizes revenue from patients (self-pay and insured patients with coinsurance and deductible responsibilities) based on billed amounts giving effect to any discounts and implicit price concessions. Implicit price concessions represent differences between amounts billed and the amounts the Company expects to collect from patients, which considers historical collection experience and current market conditions.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. The Company is not aware of any claims, disputes or unsettled matters with any payer that would materially affect revenues for which the Company has not adequately provided for or disclosed in the accompanying consolidated financial statements (discussed further in Note 13).

Product returns

The Company estimates the amount of returns and reduces revenue in the period the related product revenue is recognized. The Company records a liability for expected returns based on probability-weighted historical data.

Bone Graft Substitute

Most of the Company's BGS product sales are through consignment inventory with hospitals, where ownership remains with the Company until the hospital or ambulatory surgical center, or ASC, performs a surgery and consumes the consigned inventory. The Company recognizes revenue when the surgery has been performed. The customer does not have control of the product until the customer consumes it, as the Company is able to require the return or transfer of the product to a third-party. An unconditional obligation to pay for the product does not exist until the customer consumes it.

Accounts receivable, net

Accounts receivable, net are amounts billed and currently due from customers. The Company records the amounts due net of allowance for doubtful accounts. The Company maintains an estimated allowance for

[Table of Contents](#)

doubtful accounts to provide for receivables the Company does not expect to collect. The Company bases the allowance on an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables and other information as applicable. Collection of the consideration that the Company expects to receive typically occurs within 30 to 90 days of billing. The Company applies the practical expedient for contracts with payment terms of one year or less which does not consider the effects of the time value of money. Occasionally, the Company enters into payment agreements with patients that allow payment terms beyond one year. In those cases, the financing component is not deemed significant to the contract.

Contract assets

Contract assets consist of unbilled amounts resulting from estimated future royalties from an international distributor that exceeds the amount billed. Contract assets totaling \$261 and \$472 as of December 31, 2019 and 2018, are included in prepaid and other current assets on the consolidated balance sheets, respectively.

Contract liabilities

Contract liabilities consist of customer advance payments and deferred revenue. Occasionally for certain international customers, the Company requires payments in advance of shipping product and recognizing revenue resulting in contract liabilities. Contract liabilities were nominal as of December 31, 2019 and 2018 and are included in accrued liabilities on the consolidated balance sheets.

Shipping and handling

The Company classifies amounts billed for shipping and handling as a component of net sales. The related shipping and handling fees and costs as well as other distribution costs are included in cost of sales. The Company has elected to recognize shipping and handling activities that occur after control of the related product transfers to the customer as fulfillment costs and are included in cost of sales.

Contract costs

The Company applies the practical expedient of recognizing the incremental costs of obtaining contracts as an expense when incurred as the amortization period of the assets that the Company otherwise would have recognized is one year or less. These incremental costs include the Company's sales incentive programs for the internal sales force and third-party sales agents as the compensation is commensurate with annual sales activities. These costs are included in selling, general and administrative expense on the consolidated statements of operations and comprehensive income (loss).

Inventory

The Company values its inventory at the lower of cost or net realizable value and adjusts for the value of inventory that is estimated to be excess, obsolete or otherwise unmarketable. Cost is determined using the first-in, first-out (FIFO) method. Elements of cost in inventory include raw materials, direct labor, manufacturing overhead and inbound freight. The Company records allowances for excess and obsolete inventory based on historical and estimated future demand and market conditions.

Business combinations

Accounting for acquisitions requires the Company to recognize separately from goodwill assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While best estimates and assumptions are used to accurately value assets acquired and

[Table of Contents](#)

liabilities assumed at the acquisition date, as well as contingent consideration where applicable, estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations and comprehensive income (loss). Subsequent changes in the estimated fair value of contingent consideration are recognized in earnings in the period of change.

Long-lived assets

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expense are recognized using the straight-line method over the estimated useful life of each asset, or the shorter of the lease term or useful life if related to leasehold improvements. The useful lives are as follows (in years):

Computer software and hardware	3-5
Leasehold improvements	7
Machinery and equipment	7
Furniture and fixtures	7

Goodwill and intangible assets

Finite-lived intangible assets were initially recorded at fair value upon acquisition and are amortized using the straight-line method over their estimated useful lives as follows (in years):

	Weighted Average Useful Life
Intellectual property	17.1
Distribution rights	12.1
Customer relationships	10.0
Developed technology	5.0

Goodwill is not amortized but is evaluated for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The Company reviews goodwill for impairment by applying a quantitative impairment analysis where the fair value of the reporting unit is compared with the carrying value (including goodwill). The Company determines the fair value of each reporting unit based on an income approach. The value of each reporting unit is determined on a stand-alone basis from the perspective of a market participant and represents the price estimated to be received in a sale of the reporting unit in an orderly transaction between market participants at the measurement date. The Company performs its annual goodwill impairment test on October 31st. If the fair value of the reporting unit is less than its carrying value, the Company will recognize the difference as an impairment loss, which is limited to the amount of goodwill allocated to the reporting units. There were no impairment charges for the years ended December 31, 2019 and 2018.

Software development costs

The Company capitalizes internal and external costs incurred to develop internal-use software during the application development stage for software design, configuration, coding and testing upon placing the asset in service and then amortizes these costs on a straight-line basis over the estimated useful life of the product, not to exceed three years. The Company does not capitalize costs that are precluded from capitalization in authoritative

[Table of Contents](#)

guidance, such as preliminary project phase costs, training costs or data conversion costs. Capitalized software costs totaled \$14,119 and \$13,027 as of December 31, 2019 and 2018 and the related accumulated amortization totaled \$12,184 and \$11,301 as of December 31, 2019 and 2018, respectively. Depreciation expense was \$1,138 and \$1,204 for the years ended December 31, 2019 and 2018, respectively.

The carrying values of property, equipment, intangible assets as well as other long-lived and indefinite lived assets are reviewed for recoverability if the facts and circumstances suggest that a potential impairment may have occurred. If this review indicates that carrying values may not be recoverable the Company will perform an assessment to determine if an impairment charge is required to reduce carrying values to estimated fair value. If quoted market prices are not available, the Company estimates fair value using an undiscounted value of estimated future cash flows. During 2018, the Company determined that it would no longer sell a specific BGS product and as a result, an intangible asset related to this product was fully written off and the Company recognized impairment charges of \$489 for the year ended December 31, 2018, which is included on the consolidated statements of operations and comprehensive income (loss). Upon retirement or sale of property and equipment, the cost of assets disposed of and the related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is included in income from operations.

Other than in-process research and development, or IPR&D, described below, there were no events, facts or circumstances for the December 31, 2019 that resulted in any other impairment charges to the Company's property, equipment, intangible or other long-lived assets.

Acquired in-process research and development

The fair value of IPR&D assets acquired in a business combination are capitalized and accounted for as indefinite-lived intangible assets and are not amortized until development is completed and the product is available for sale. Once the product is available for sale, the asset is transferred to developed technology and amortized over its estimated useful life. Impairment tests for IPR&D assets occur at least annually in December, or more frequently if events or changes in circumstances indicate that the asset might be impaired. If the fair value of the intangible assets is less than the carrying amount, an impairment loss is recognized for the difference. There were no events, facts or circumstances for the years ended December 31, 2019 and 2018 that resulted in any impairment charges to the Company's IPR&D.

Deferred Offering Costs

Deferred offering costs, consisting of legal, accounting, filing and other fees related to the initial public offering, are capitalized. The deferred offering costs will be offset against proceeds from the initial public offering upon the effectiveness of the initial public offering. In the event the initial public offering is terminated, all capitalized deferred offering costs would be expensed. As of December 31, 2019 and 2018, there were no deferred offering costs capitalized.

Concentration of risk

The Company provides credit, in the normal course of business, to its customers. The Company does not require collateral or other securities to support customer receivables. Credit losses are provided for through allowances and have historically been materially within management's estimates.

Certain suppliers provide the Company with product that results in a significant percentage of total sales for the years ended December 31 as follows:

	<u>2019</u>	<u>2018</u>
Supplier A	20%	12%
Supplier B	19%	17%
Supplier C	15%	20%

[Table of Contents](#)

Accounts payable to these significant suppliers at December 31 were as follows:

	<u>2019</u>	<u>2018</u>
Supplier A	\$ 3,586	\$ 426
Supplier B	\$ 697	\$ 457
Supplier C	\$ 360	\$ 1,605

Certain products provide the Company with a significant percentage of total sales for the years ended December 31 as follows:

	<u>2019</u>	<u>2018</u>
Product A	30%	38%
Product B	20%	12%
Product C	19%	17%
Product D	15%	20%

Restructuring costs

The Company has restructured portions of its operations and future restructuring activities are possible. Identifying and calculating the cost to exit these operations requires certain assumptions to be made, the most significant of which are anticipated future liabilities. Although estimates have been reasonably accurate in the past, significant judgment is required, and these estimates and assumptions may change as additional information becomes available and facts or circumstances change. Restructuring costs are recorded at estimated fair value. Key assumptions in determining the restructuring costs include negotiated terms and payments to terminate contractual obligations.

Profits interest compensation

The Company measures profits interest compensation cost at the grant date based on the fair value of the award and recognizes this cost as compensation expense over the required or estimated service period for awards expected to vest. Certain awards are liability-classified, which require they be remeasured at each reporting date. Compensation expense is included in Selling, general and administrative expense and Research and development expense on the consolidated statement of operations and comprehensive income (loss) based upon the classification of the employees who were granted the awards.

The Company uses the Monte Carlo option model to determine the fair value to the granted profits interest awards and other equity instruments. Expected stock price volatility is based on an average of several peer public companies due to the Company's limited operating history. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the award. The dividend yield percentage is zero because the Company neither currently pays dividends nor intends to do so during the expected term. The expected term of awards represents the time the awards are expected to be outstanding. The expected term is based on the estimated time until a liquidity or Distribution Event as defined in the amended and restated limited liability company agreement of Bioventus LLC, or LLC Agreement, discussed further in Note 10.

Advertising costs

Advertising costs include costs incurred to promote the Company's business and are expensed as incurred. Advertising costs were \$2,351 and \$2,916 for the years ended December 31, 2019 and 2018, respectively.

Research and development expense

Research and development expense consist primarily of employee compensation and related expenses as well as contract research organization services. Internal research and development costs are expensed as incurred. Research and development costs incurred by third parties are expensed as the contracted work is performed.

[Table of Contents](#)

Net income (loss) per unit

Basic income (loss) per common unit is determined by dividing the net income (loss) allocable to common unit holders by the weighted average number of common units outstanding during the periods presented. Diluted loss per common unit is computed by dividing the net income (loss) allocable to common unit holders on an “if converted” basis by the weighted average number of actual common units outstanding and, when dilutive, the unit equivalents that would arise from the assumed conversion of convertible instruments.

Contingencies

The Company records a liability in the consolidated financial statements on an undiscounted basis for loss contingencies when a loss is known or considered probable and the amount may be reasonably estimated. If the reasonable estimate of known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss is reasonably possible but not known or probable, and may be reasonably estimated, the estimated loss or range of loss is disclosed. Legal fees expected to be incurred in connection with a loss contingency are not included in the estimated loss contingency. The Company accrues for any legal costs as they are incurred.

Income taxes

Bioventus is treated as a partnership for U.S. tax purposes. Accordingly, the profits and losses are passed through to the members and included in their income tax returns. The Company has been required to make tax distributions to its members in an amount equal to 40% of the members’ taxable income attributable to their ownership. The tax rate applied for purposes of this distribution may be changed only by approval of the Company’s Board of Managers.

Certain wholly owned subsidiaries of Bioventus are taxable entities for U.S. or foreign tax purposes and file tax returns in their local jurisdictions. Income tax expense includes U.S. federal, state and international income taxes. Certain items of income and expense are not reported in income tax returns and financial statements in the same year. The income tax effects of these differences are reported as deferred income taxes. Valuation allowances are provided to reduce the related deferred tax assets to an amount which will, more likely than not, be realized.

The Company recognizes a tax benefit from any uncertain tax positions only if they are more likely than not to be sustained upon examination based on the technical merits of the position. The amount of the accrual for which an exposure exists is measured as the largest amount of benefit determined on a cumulative probability basis that the Company believes is more likely than not to be realized upon ultimate settlement of the position. Components of the reserve, if relevant, are classified as a current or noncurrent liability in the consolidated balance sheet based on when the Company expects each of the items to be settled. Interest and penalties related to unrecognized tax benefits are recognized as a component of income tax expense.

Subsequent Events

The Company has considered the effects of subsequent events through October 6, 2020, the date the Company’s consolidated financial statements were issued.

[Table of Contents](#)**3. Balance sheet information****Accounts receivable, net**

Accounts receivable, net of allowances, consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 89,274	\$ 77,066
Less:		
Allowances for doubtful accounts	(4,146)	(4,497)
	<u>\$ 85,128</u>	<u>\$ 72,569</u>

Changes in the allowances for doubtful accounts were as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Balance, beginning of period	\$ (4,497)	\$ (3,795)
Provision for losses	(2,242)	(2,538)
Write-offs, net of recoveries	2,593	1,836
	<u>\$ (4,146)</u>	<u>\$ (4,497)</u>

Inventory

Inventory consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Raw materials and supplies	\$ 3,349	\$ 3,998
Finished goods	24,509	23,968
Gross	27,858	27,966
Excess and obsolete reserves	(532)	(570)
	<u>\$ 27,326</u>	<u>\$ 27,396</u>

Changes in excess and obsolete reserves for inventory were as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Balance, beginning of period	\$ (570)	\$ (485)
Provision for losses	(870)	(1,059)
Write-offs	908	974
	<u>\$ (532)</u>	<u>\$ (570)</u>

Property and equipment, net

Property and equipment consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Computer equipment and software	\$ 16,854	\$ 18,371
Leasehold improvements	2,918	2,461
Furniture and fixtures	1,451	1,431
Machinery and equipment	1,138	1,052
Assets not yet placed in service	370	200
	22,731	23,515
Less accumulated depreciation	(18,242)	(18,756)
	<u>\$ 4,489</u>	<u>\$ 4,759</u>

[Table of Contents](#)

Depreciation expense was \$2,579 and \$3,439 for the years ended December 31, 2019 and 2018, respectively.

Goodwill and intangible assets, net

There were no changes to goodwill during the years ended December 31, 2019 and 2018. Following is a summary of goodwill by reportable segment:

	<u>U.S.</u>	<u>International</u>	<u>Consolidated</u>
Balance at December 31, 2018 and 2019	\$ 41,040	\$ 8,760	\$ 49,800

Intangible assets consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Intellectual property	\$ 263,422	\$ 258,588
Distribution rights	59,700	59,700
Customer relationships	57,700	57,700
IPR&D	11,095	9,650
Developed technology and other	4,649	4,648
Total carrying amount	<u>396,566</u>	<u>390,286</u>
Less accumulated amortization:		
Intellectual property	(100,982)	(84,900)
Distribution rights	(28,716)	(23,670)
Customer relationships	(46,407)	(41,567)
Developed technology and other	(3,404)	(3,120)
Total accumulated amortization	<u>(179,509)</u>	<u>(153,257)</u>
Intangible assets, net before currency translation	217,057	237,029
Currency translation	(547)	—
	<u>\$ 216,510</u>	<u>\$ 237,029</u>

In August 2019, the Company invested in Harbor Medtech Inc., or Harbor, and consolidated its financial statements with the Company's (discussed further in Note 4). As a result of this consolidation, \$4,834 of intellectual property and \$1,445 of IPR&D was added to intangible assets. The remaining \$9,650 of IPR&D consists of research and development progress toward the next-generation of a BGS product for which the Company filed a 510(k) in 2019 and intends to begin commercialization in 2020.

Amortization expense related to intangible assets was \$26,252 and \$26,622 for the years ended December 31, 2019 and 2018 of which \$6,416 and \$7,766 are included in ending inventory at December 31, 2019 and 2018, respectively. Estimated amortization expense for the years ended December 31, 2020 through 2024 is expected to be \$27,106, \$27,106, \$22,754, \$21,141 and \$20,103, respectively.

Investments

VIE

On August 23, 2019, the Company purchased 285,714 shares of Harbor's Series C Preferred Stock or 3.1% of fully diluted shares for \$1,000 in cash. In addition, the Company and Harbor entered into an exclusive license and development collaboration agreement, or Collaboration Agreement, for purposes of developing a product for orthopedic uses to be commercialized by the Company and supplied by Harbor (discussed further in Note 13). As a result of these transactions, the Company determined that it had a variable interest in Harbor. The Company

[Table of Contents](#)

also concluded that it was the primary beneficiary since it controls the significant activities of Harbor through the Collaboration Agreement. Accordingly, the Company accounted for the \$1,000 investment in Harbor as a business combination and consolidated Harbor in its consolidated financial statements with a noncontrolling interest for the remaining 96.9% (discussed further in Note 4).

Harbor assets that can only be used to settle Harbor obligations and Harbor liabilities for which creditors do not have recourse to the general credit of the Company are as follows as of December 31, 2019:

Cash and cash equivalents	\$ 1,127
Property and equipment, net	60
Intangible assets, net	6,122
Operating lease assets	231
Other assets	59
	<u>\$ 7,599</u>
Accounts payable and accrued liabilities	\$ 458
Other current liabilities	2,395
Deferred income tax	215
Other long-term liabilities	872
	<u>\$ 3,940</u>

Other

On January 30, 2018, the Company purchased 337,397 shares of CartiHeal (2009) Ltd., or CartiHeal, a privately held entity, Series F Convertible Preferred Stock or 2.8% of fully diluted shares for \$2,500 in cash. The investment does not have a readily determinable fair value. Under the measurement alternative, the investment is recorded at cost, less any impairment, plus or minus any changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. There have not been any impairments or adjustments to the investment. This investment is included in investment and other assets on the consolidated balance sheet.

Accrued liabilities

Accrued liabilities consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Gross-to-net deductions	\$ 14,622	\$ 4,238
Bonus and commission	14,200	12,255
Reserve for estimated overpayments from third-party payers	6,801	12,468
Compensation and benefits	3,231	3,139
Income and other taxes	2,555	2,032
Distribution rights	—	6,000
Other liabilities	11,418	10,852
	<u>\$ 52,827</u>	<u>\$ 50,984</u>

4. Business combination

As discussed in Note 3, on August 23, 2019, the Company invested \$1,000 in Harbor. Harbor is a corporation formed under the laws of the state of Delaware on October 12, 2010. The Company accounted for the Harbor investment as a business combination using the acquisition method of accounting whereby the total

[Table of Contents](#)

purchase price was preliminarily allocated to tangible and intangible assets acquired and liabilities assumed based on respective fair values. The total cash purchase price was \$1,000.

The fair value of the Harbor intellectual property and IPR&D was determined using the income approach through an excess earnings analysis, with projected earnings discounted at a rate of 16.5%. The \$1,445 of IPR&D consists of research and development progress toward developing a product for orthopedic uses. The fair value of the noncontrolling interest was calculated as estimated fair value of net assets acquired less the Bioventus' purchase price.

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

Cash and cash equivalents	\$ 1,430
Intellectual property (10-year useful life)	4,834
IPR&D	1,445
Other assets	70
Accounts payable and accrued liabilities	(932)
Other current liabilities	(1,696)
Other long-term liabilities	(697)
Deferred income tax	(266)
Estimated fair value of net assets acquired	4,188
Bioventus purchase price	1,000
Fair value of Harbor's noncontrolling interest	3,188
	<u>\$ —</u>

The results of Harbor operations have been included in the accompanying consolidated financial statements subsequent to acquisition date. The Company has not disclosed post-acquisition or pro-forma losses attributable to Harbor as they did not have a material effect on the Company's consolidated statements of operations and comprehensive income (loss).

Nearly all the liabilities assumed are payable to Harbor shareholders. The notes payable primarily consists of \$1,196 in promissory notes to various Harbor shareholders that mature August 31, 2020 and have an interest rate of 8%. Payments are due monthly. The remaining \$500 of notes payable are two convertible promissory notes, or Convertible Notes, to Harbor shareholders that was entered on August 22, 2019 and were scheduled to mature on November 18, 2019. On March 27, 2020, the Convertible Notes were converted to 142,858 of Harbor Series C Preferred Stock and warrants for 428,572 shares of the Harbor common stock exercisable at a price of \$1.167 per share with a 5-year exercise period expiring March 27, 2025.

5. Debt

2016 credit agreement

On November 15, 2016, the Company entered into a \$250,000 credit agreement, or 2016 Credit Agreement, with JPMorgan Chase Bank, N.A., as well as a syndicate of other entities. The 2016 Credit Agreement was comprised of a \$210,000 term loan, or 2016 Term Loan, with an original issue discount, or OID, of \$4,200, and a \$40,000 revolving facility, or 2016 Revolver. All obligations under the 2016 Credit Agreement were guaranteed by the Company and certain of the Company's wholly owned subsidiaries. The obligations under the 2016 Credit Agreement were collateralized by substantially all the assets of the Company. The 2016 Term Loan and 2016 Revolver were to mature on November 15, 2021. As of December 31, 2018, \$194,828 was outstanding on the 2016 Term Loan, net of the OID of \$2,705 and deferred financing costs of \$1,967. As of December 31, 2018, there was no outstanding balance on the 2016 Revolver and one nominal letter of credit, or LOC, outstanding.

[Table of Contents](#)

leaving approximately \$39,917 available. On December 6, 2019, all outstanding balances under the 2016 Credit Agreement were paid in full. As a result, \$1,728 of OID and \$1,257 of deferred financing costs were written off and recorded in interest expense.

As of December 31, 2018, the 2016 Term Loan interest rate including a margin of 6.25% was 8.77%. The 2016 Revolver included a commitment fee at 0.40% of the average daily amount of the available revolving commitment, assuming any swingline loans outstanding were \$0. There were no swingline loans outstanding as of December 31, 2018. The fee was payable quarterly in arrears on the last day of the calendar quarters.

During November 2016, the Company entered into an interest rate swap agreement totaling \$52,500 with a term of three years as required by the 2016 Credit Agreement (discussed further in Note 6). As of December 31, 2018, the effective interest rate, including the applicable lending margin, on 26.3% or \$52,500, of the outstanding principal of the Company's 2016 Term Loan was fixed at 7.90% using the interest rate swap. The Company's effective weighted average interest rate on all outstanding debt, including the commitment fee and interest rate swap, was 8.74% as of December 31, 2018.

2019 Credit Agreement

On December 6, 2019, the Company entered into a \$250,000 credit and guaranty agreement, or 2019 Credit Agreement, with Wells Fargo Bank National Association, or Wells, as well as a syndicate of other banks, or Lenders. The 2019 Credit Agreement is comprised of a \$200,000 term loan, or Term Loan, with an OID of \$666, and a \$50,000 revolving facility, or Revolver. All obligations under the 2019 Credit Agreement are guaranteed by the Company and certain of the Company's wholly owned subsidiaries. Substantially all the assets of the Company collateralize the obligations under the 2019 Credit Agreement. The Term Loan and Revolver mature on December 6, 2024, or Maturity.

Term Loan

As of December 31, 2019, \$197,965 was outstanding on the Term Loan, net of original issue discount of \$657 and deferred financing costs of \$1,378. As of December 31, 2019, the Term Loan interest rate including a margin of 2.25% was 3.96%. Scheduled quarterly principal payments are as follows with the final payment of \$125,000 at Maturity:

	Quarterly payment
2020	\$ 2,500
2021 and 2022	\$ 3,750
2023 and 2024	\$ 5,000

The Company may voluntarily prepay the Term Loan without premium or penalty upon prior notice. The Company may be required to make additional principal payments on the Term Loan dependent upon the generation of certain cash flow events as defined in the 2019 Credit Agreement. These additional prepayments will be applied to the scheduled installments of principal in direct order of maturity of the Base Rate, or BR portions of the Term Loan first and then the Eurodollar portions of the Term Loan.

Revolver

The Revolver is a five-year revolving credit facility of \$50,000 which includes revolving and swingline loans as well as LOCs and, inclusive of all, cannot exceed \$50,000 at any one time. LOCs are available in an amount not to exceed \$7,500. Revolving loans are due at the earlier of termination or Maturity. Swingline loans are available as BR interest rate option loans only and must be outstanding for at least five days. Swingline loans are due the fifteenth or last day of a calendar month or Maturity whichever is earlier. As of December 31, 2019, there was no outstanding balance on the Revolver and one nominal LOC outstanding, leaving approximately \$49,917 available.

Interest

The Term Loan and Revolver permits at the Company's election either Eurodollar or BR interest rate options for the entire amount or certain portions of the loans and have interest rates equal to a formula driven base interest rate plus a margin, tied to a leverage ratio. The leverage ratio is the ratio of debt to consolidated EBITDA as defined in the 2019 Credit Agreement, or Bank EBITDA, for four consecutive quarters at the end of each period.

BR portions of the Term Loan have interest due the last day of each calendar quarter-end. Eurodollar portions of the Term Loan have one, two, three or six-month interest reset periods and interest is due on the last day of each three-month period or the last day of the loan term if less than three months. In advance of the last day of the current Eurodollar Loan, the Company may select a new loan type so long as it does not extend beyond Maturity. The outstanding Term Loan has been a Eurodollar Loan since inception and is an auto-renewing one-month loan for setting an interest rate. In addition, the Term Loan has an interest due date concurrent with any scheduled principal repayment or prepayment.

Interest is calculated based on a 360-day year except for BR loans where the base interest is the Wells Prime Rate, in which case it is calculated based on a calendar-day year. The base interest rate for all BR loans is equal to the highest of (a) the Wells Prime Rate, (b) the greater of the Federal Funds Effective Rate or Overnight Bank Funding Rate plus 1/2% and (c) the Eurodollar Rate for a USD deposit with a maturity of one month plus 1.0%. The base interest rate for all Eurodollar Loans is equal to the rate determined for such day in accordance with the following formula with the Term Loan having a floor of 0%:

LIBOR
1—Eurocurrency Reserve Requirements

Pricing grids are used to determine the loan margins based on the type of loan and the leverage ratio. The initial Eurodollar and BR loans have a margin of 2.25% and 1.25%, respectively. Loan margin is adjusted after the quarterly financial statements are delivered to the lenders in accordance with the pricing grid below:

<u>Leverage ratio</u>	<u>Eurodollar</u>	<u>BR</u>
> 2.50 to 1.00	2.50%	1.50%
>1.50 to 1.00 and < 2.50 to 1.00	2.25%	1.25%
> 1.25 to 1.00 and <1.50 to 1.00	1.75%	0.75%
> 0.75 to 1.00 and <1.25 to 1.00	1.50%	0.50%
< 0.75 to 1.00	1.25%	0.25%

The Revolver includes a commitment fee at 0.25% of the average daily amount of the available revolving commitment, assuming any swingline loans outstanding are \$0. There were no swingline loans outstanding as of December 31, 2019. The fee is payable quarterly in arrears on the last day of the calendar quarters and at Maturity. The commitment fee rate is adjusted after the quarterly financial statements are delivered to lenders based on the pricing grid below:

<u>Leverage ratio</u>	<u>Commitment fee rate</u>
> 2.50 to 1.00	0.30%
>1.50 to 1.00 and < 2.50 to 1.00	0.25%
> 1.25 to 1.00 and <1.50 to 1.00	0.20%
> 0.75 to 1.00 and <1.25 to 1.00	0.15%
< 0.75 to 1.00	0.10%

Fees are charged on all outstanding LOCs at an annual rate equal to the margin in effect on Eurodollar revolving loans. A fronting fee of 0.125% per year on the undrawn and unexpired amount of each LOC is payable as well. The fees are payable quarterly in arrears on the last day of the calendar quarters.

[Table of Contents](#)

As of December 31, 2019, the Company's effective weighted average interest rate on all outstanding debt, including the commitment fee and interest rate swap, was 3.27%.

Other

The 2019 Credit Agreement contains customary affirmative and negative covenants, including those related to financial reporting and notification, restrictions on the declaration or payment of certain distributions on or in respect of the Company's equity interests, restrictions on acquisitions, investments and certain other payments, limitations on the incurrence of new indebtedness, limitations on transfers, sales and other dispositions of Company assets, as well as limitations on making changes to the Company's business and organizational documents. Financial covenant requirements include a maximum debt leverage ratio as well as an interest coverage ratio not less than 3.00 to 1.00 as defined in the 2019 Credit Agreement. As of December 31, 2019, the Company complied with the financial covenants in the 2019 Credit Agreement.

Each Lender may provide an additional Term or Revolving Loan by executing and delivering notice specifying the terms, if doing so would not cause certain undesired events to occur as defined in the 2019 Credit Agreement or extend repayment beyond Maturity. The aggregate amount of all additional borrowings may not exceed the greater of \$100,000 and the trailing four quarters Bank EBITDA without the consent of the Lenders holding more than 50% of the total outstanding debt under the 2019 Credit Agreement.

Financing costs

During December 2019, the Company paid financing costs totaling \$2,117 in order to refinance the 2016 Credit Agreement. The Company recorded \$269 directly to selling, general and administrative expense and the remaining \$1,848 was capitalized to the consolidated balance sheet. One lender participating in the 2016 Credit Agreement became a lender in the 2019 Credit Agreement and, as a result, \$2,985 related to 2016 Term Loan was written off and recorded as interest expense. The \$269 recorded in selling, general and administrative expense and the \$2,985 recorded in interest expense total the \$3,252 of loss on debt retirement and modification.

Total capitalized deferred fees for the Term Loan of \$1,398 and Revolver of \$653 are being amortized to interest expense on a straight-line basis over each of the respective lives, which approximates the effective interest method. The Company recorded \$711 and \$745 in interest expense associated with these deferred costs for the years ended December 31, 2019 and 2018, respectively.

Contractual maturities of long-term debt as of December 31, 2019, were as follows:

2020	\$ 10,000
2021	15,000
2022	15,000
2023	20,000
2024	140,000
Deferred finance costs	(1,378)
Original issue discount	(657)
Total long-term debt	197,965
Less current portion	(10,000)
Total	<u>\$187,965</u>

6. Derivatives

The Company does not use derivative financial instruments for speculative or trading purposes. In November 2016, the Company entered an interest rate swap effective November 30, 2016 to limit its exposure to

[Table of Contents](#)

changes in the variable interest rate on its 2016 Term Loan (as discussed in Note 5). The interest rate swap was not designated as a hedge. Effective November 30, 2019 the interest rate swap expired leaving no balance as of December 31, 2019. The fair value of the Company's derivative was recorded in the Company's consolidated balance sheets as other current asset totaling \$430 as of December 31, 2018. The effect of the Company's derivatives on interest expense (income) in the consolidated statements of operations and comprehensive income (loss) totaled \$96 and (\$334) for the years ended December 31, 2019 and 2018, respectively.

7. Members' equity

Members' equity consisted of the following at December 31:

	2019	2018
Preferred	\$ 168,000	\$ 168,000
Common	113,373	113,373
Profits interest (discussed further in Note 10)	3,774	3,780
	<u>\$ 285,147</u>	<u>\$ 285,153</u>

The authorized number of common and preferred units is unlimited. On May 4, 2012, 4,900 common units and 5,100 preferred units, or 2012 Preferred Units, were issued. During November 2015, the Company obtained a \$50,000 capital contribution from its existing members and 1,490 in preferred units were issued, or 2015 Preferred Units. The common and preferred members have stated rights and privileges, which include, but are not limited to: (1) voting and Company governance, (2) the transfer of membership interests and (3) dissolutions and liquidation of the Company.

Each preferred unit carries a priority payout (the Liquidation Preference as defined in the LLC agreement) upon certain events, including but not limited to a qualified initial public offering, sale of the Company or a liquidation or dissolution of the Company. The initial Liquidation Preference for the 2012 and 2015 Preferred Units are \$23.14 and \$33.57, respectively. Until preferred units are converted to common units, the preferred units will also accrue a distribution right, or Preferred Distribution, at a rate of 3% per annum and if it is unpaid, such Preferred Distribution shall be added annually to the Liquidation Preference.

In addition to other units, one member owns the only Equity Participation Right Unit, or EPR Unit. The EPR Unit is junior to the common units and its only entitlement is 0.55% of available distributions arising from a Distribution Event (discussed further in note 8). Upon the conclusion of a Distribution Event, the EPR Unit will cease to exist and all entitlements will end.

8. Fair value measurements

Recurring fair value measurements

As of December 31, 2019, there were no assets or liabilities measured at fair value using Level 1 or Level 2 inputs. The following table provides information, by level, for liabilities that were measured at fair value on a recurring basis using Level 3 inputs:

Liability	Balance Sheet Caption	Level 3
Management incentive plan awards	Accrued equity-based compensation	\$ 15,547
Liability-classified awards	Accrued equity-based compensation, less current portion	25,255
EPR	Other long-term liabilities	5,457
		<u>\$ 46,259</u>

Table of Contents

As of December 31, 2018, there were no assets or liabilities measured at fair value using Level 1 inputs. The following table provides information for assets and liabilities that are measured at fair value on a recurring basis using Level 2 and Level 3 inputs:

	Total	Level 2	Level 3
Assets:			
Interest rate swaps	\$ 430	\$ 430	\$ —
Liabilities:			
Contingent consideration	\$ 945	\$ —	\$ 945
Management incentive plan and liability-classified awards	33,063	—	33,063
EPR liability	4,892	—	4,892
Total liabilities	\$ 38,900	\$ —	\$ 38,900

Below is a summary of the valuation techniques used in determining fair value:

Contingent consideration—The Company initially valued contingent consideration related to business combinations using a probability-weighted calculation of potential payment scenarios discounted at rates reflective of the risks associated with the expected future cash flows. Key assumptions used to estimate the fair value of contingent consideration include revenue, net new business and operating forecasts and the probability of achieving the specific targets. After the initial valuation, the Company's best estimate is assigned 100% probability.

Interest rate swaps—The Company values interest rate swaps by discounting cash flows of the swap. Forward curves and volatility levels are used to estimate future cash flows that are not certain. These are determined using observable market inputs when available and based on estimates when not available.

MIP and liability-classified awards—The Company values these awards using the Monte Carlo option model to allocate fair value. Key assumptions used to estimate the fair value include expected stock price volatility, risk-free interest rate, dividend yield and the average time the award is expected to be outstanding.

EPR—The Company values the EPR Unit using a probability-weighted calculation of potential payment scenarios discounted at rates reflective of the risks associated with the expected future cash flows. Key assumptions used to estimate the fair value of the EPR Unit include the timing and amount available from a Distribution Event. In October 2014, the percentage that will be applied to distributions resulting from a Distribution Event became fixed at 0.55%. The revaluation for the EPR liability is recognized in interest expense on the consolidated statements of operations and comprehensive income (loss).

The following table summarize the changes in the Level 3 liabilities measured on a recurring basis for the years ended December 31:

	Contingent consideration		MIP and liability-classified awards		EPR liability	
	2019	2018	2019	2018	2019	2018
Beginning balance	\$ 945	\$ 5,242	\$33,063	\$18,382	\$ 4,892	\$ 3,883
Initial estimate	—	—	5,464	4,253	—	—
Forfeitures	—	—	(1,013)	(391)	—	—
Change in fair value	—	(739)	6,290	10,914	565	1,009
Payment	(945)	(3,558)	(3,002)	(95)	—	—
Ending balance	<u>\$ —</u>	<u>\$ 945</u>	<u>\$40,802</u>	<u>\$33,063</u>	<u>\$ 5,457</u>	<u>\$ 4,892</u>

[Table of Contents](#)

The contingent consideration change in fair value of (\$739) for the year ended December 31, 2018 was primarily driven by lower forecasted sales in subsequent years as well as 2018 sales being lower than those estimated at December 31, 2017 partially offset by interest on discounted cash flows.

Non-recurring fair value measurements and fair value disclosures

The carrying value of the 2016 and 2019 Credit Agreement and other indebtedness was not materially different from fair value at December 31, 2019 and 2018, respectively. The fair value of these obligations was determined based on discounted cash flows using estimated incremental borrowing rates for obligations with similar characteristics.

9. Restructuring costs

Restructuring costs are not allocated to the Company's reportable segments as they are not part of the segment performance measures regularly reviewed by management. These charges are included in restructuring expenses in the consolidated statement of operations and comprehensive income (loss).

In the fourth quarter of 2018, the Company adopted a restructuring plan to improve the performance of International operations, principally through headcount reduction and closing offices in certain countries as the Company shifts to an indirect distribution model in these countries. The plan was completed in 2019 and for the years ended December 31, 2019 and 2018, the Company recorded total pre-tax charges of \$575 and \$1,373, respectively, primarily related to severance. The Company's costs totaled \$1,948, consulting and compensation for departing employees that remained through the transition totaled \$1,569 and other associated costs totaled \$379.

During the years ended December 31, 2019 and 2018 the Company made payments and provision adjustments for the plan as presented below:

	Employee severance and temporary labor costs	Other charges	Total
Balance at December 31, 2017	\$ 723	\$ —	\$ 723
Expenses incurred	1,078	295	1,373
Payments made	(804)	(89)	(893)
Balance at December 31, 2018	997	206	1,203
Expenses incurred	491	84	575
Payments made	(1,488)	(290)	(1,778)
Balance at December 31, 2019	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

10. Benefit plans

Equity-based compensation plans

The Company operates two equity-based compensation plans, or the Plans, the MIP and the Phantom Plan. The awards granted under both plans represent a non-managing, non-voting interest in the Company designed for grantees to share in the future appreciation of the value of the Company. Awards granted under the MIP Plan and the 2015 Phantom Units are liability-classified and the 2012 Phantom Units are equity-classified. At December 31, 2019, 2,437,192 units are authorized to be awarded and 307,092 units were available for award. Profits interest compensation of \$10,844 and \$14,325 was recognized for the years ended December 31, 2019 and 2018, respectively. The expense is included in selling, general and administrative expense and research and development expense on the consolidated statement of operations and comprehensive income (loss) based upon

[Table of Contents](#)

the classification of the employee. Profits interest (forfeiture) compensation of (\$111) and \$490 were recognized in loss from discontinued operations for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, there was approximately \$7,162 of unrecognized compensation expense to be recognized over a weighted-average period of 1.1 years.

MIP liability-classified

The awards granted under MIP vested 25% upon the first anniversary of the grant date, 6.25% per quarter thereafter and were fully vested at December 2, 2017. Receipt of value will be realized upon sale of the Company or a liquidation or dissolution of the Company as defined in the LLC Agreement, or MIP Distribution Event, and will be based on the grantees vested ownership of their award in proportion to the Company's equity, including vested interests under both the MIP and Phantom Plan, after all debt and equity holders have been repaid. There are cumulative distributions that must be made to the members before distributions are made, or Benchmark Amount. The Benchmark Amount is \$281,372 for MIP awards. The MIP award allows the grantee to force a cash settlement after December 2, 2018 if the grantee retires. The grantee announced his intention to retire in 2020. The proceeds received by the MIP grantee upon a forced cash settlement will be calculated on the same basis as if a MIP Distribution Event occurred. The value to be allocated to the MIP grantee will be calculated as the greater of fair value in an arms-length transaction or the earnings before interest, tax, depreciation and amortization, or EBITDA, multiple of the Spin-out times the annualized most recent 6-month EBITDA. The MIP awards are re-measured to fair value at each reporting date and are included in other long-term liabilities on the consolidated balance sheet (as discussed in Note 8). As of December 31, 2019, \$15,547 was recorded as current accrued equity-based compensation on the consolidated balance sheet.

2012 Phantom Units equity-classified

Awards granted under the Phantom Plan in 2012 generally vested over a five-year period. Receipt of value will be realized upon the closing of a sale of units representing a percentage interest of more than 66.66%, or the sale of all or substantially all of the assets of the Company, provided such event constitutes a change of control, or Phantom Plan Distribution Event, and will be based on the grantees vested ownership of their award in proportion to the Company's equity, including vested interests under both the MIP and Phantom Plan, after all debt and equity holders have been repaid. Payment amount for vested awards shall be equal to an amount that would be payable with respect to the equivalent number of Phantom Units with an equivalent Benchmark Amount that was pursuant to the LLC Agreement, which was \$281,372, subject to change as defined in the Phantom Plan.

2015 "value creation" Phantom Units liability-classified

"Value Creation" Phantom Plan awards were granted in 2015 with a three-year cliff vesting related to the 2017 enterprise value, which, exceeded the required value of \$740,000. As a result, 100.0% vesting was achieved in 2018 on the third anniversary of the award. Receipt of value will be realized upon a Phantom Plan Distribution Event or termination that was not for cause, whichever comes first. The payment amount for vested awards shall be an amount that would be allocated to an equivalent number of Phantom Units with an equivalent Benchmark Amount, or \$394,899, upon a Phantom Plan Distribution Event or upon termination as if the Company were liquidated on the termination date at fair market value. Payment will be based on the grantees vested ownership of their award in proportion to the Company's equity, including vested interests under both the MIP and Phantom Plan, after all debt and equity holders have been repaid. The 2015 Phantom Plan awards are re-measured to fair value at each reporting date and are included in accrued equity-based compensation, less current portion on the consolidated balance sheet (as discussed in Note 8).

2015 Phantom Units liability-classified

Phantom Plan Awards granted in 2015 generally vest over a five-year period. Most of the awards vest 20% on each of the first five anniversaries from the grant date. Certain awards vest 20% upon the first anniversary of

[Table of Contents](#)

the grant date and 5% per quarter thereafter. Receipt of value will be realized upon a Phantom Plan Distribution Event or termination, that was not for cause, whichever comes first. The payment amount for vested awards shall be an amount that would be allocated to an equivalent number of Phantom Units with an equivalent Benchmark Amount, upon a Phantom Plan Distribution Event or upon termination as if the Company were liquidated on the termination date at fair market value. Payment will be based on the grantees vested ownership of their award in proportion to the Company's equity, including vested interests under both the MIP and Phantom Plan, after all debt and equity holders have been repaid. The 2015 Phantom Plan awards are re-measured to fair value at each reporting date and are included in accrued equity-based compensation, less current portion on the consolidated balance sheet (as discussed in Note 8).

2018 "value creation" Phantom Units liability-classified

"Value Creation" Phantom Plan awards were granted in 2018 with a three-year cliff vesting related to the annual 2020 net sales.

<u>2020 net sales</u>	<u><\$350,600</u>	<u>>\$350,600 but <\$370,800</u>	<u>>\$370,800 but <\$391,800</u>	<u>>\$391,800</u>
Percent vested	0.0%	50.0%	75.0%	100.0%

Receipt of value will be realized upon a Phantom Plan Distribution Event or termination that was not for cause, whichever comes first. The payment amount for vested awards shall be an amount that would be allocated to an equivalent number of Phantom Units with an equivalent Benchmark Amount, or \$703,691, upon a Phantom Plan Distribution Event or upon termination as if the Company were liquidated on the termination date at fair market value. Payment will be based on the grantees vested ownership of their award in proportion to the Company's equity, including vested interests under both the MIP and Phantom Plan, after all debt and equity holders have been repaid. The 2018 "Value Creation" Phantom Plan awards are re-measured to fair value at each reporting date and are included in accrued equity-based compensation, less current portion on the consolidated balance sheet (as discussed in Note 8).

The assumptions utilized to determine the fair value of the awards for the years ended December 31 are indicated in the following table:

	<u>2019</u>	<u>2018</u>
Expected dividend yield	0.0%	0.0%
Expected volatility	35.0%	30.0%
Risk-free interest rate	1.5%	2.7%
Time to exit event (in years)	1.5	1.0

A summary of the award activity of the Plans is as follows (number of awards in thousands):

	<u>MIP and 2012 Phantom Units</u>		<u>Other Phantom Units</u>	
	<u>Number of awards</u>	<u>Weighted average grant-date fair value</u>	<u>Number of awards</u>	<u>Weighted average grant-date fair value</u>
Outstanding at December 31, 2018	993	\$ 5.46	1,150	\$ 9.12
Granted	—	\$ —	160	\$ 15.31
Converted to cash	—	\$ —	(93)	\$ 4.84
Forfeited	(2)	\$ 9.70	(78)	\$ 10.61
Outstanding at December 31, 2019	<u>991</u>	<u>\$ 5.44</u>	<u>1,139</u>	<u>\$ 10.24</u>
Awards vested at December 31, 2019	<u>989</u>	<u>\$ 5.43</u>	<u>471</u>	<u>\$ 6.76</u>

[Table of Contents](#)

There were no 2012 Phantom Unit awards granted in 2018. The weighted average grant date fair value per Other Phantom Unit awards granted in the year ended December 31, 2018 was \$14.93.

	MIP and 2012 Phantom Units		Other Phantom Units	
	Number of awards	Weighted average grant-date fair value	Number of awards	Weighted average grant-date fair value
Nonvested at December 31, 2018	12	\$ 9.65	719	\$ 11.09
Vested during 2019	8	\$ 9.56	134	\$ 8.33
Nonvested at December 31, 2019	2	\$ 10.01	667	\$ 12.71

The total fair value of MIP and 2012 Phantom Units vested in the years ended December 31, 2019 and 2018 was \$80 and \$184, respectively. The total fair value of 2015 Phantom Units vested in the years ended December 31, 2019 and 2018 was \$3,696 and \$6,130, respectively.

Defined contribution plans

The Company has various defined contribution plans or plans that share profit which are offered in Canada, Germany, the Netherlands and the United Kingdom. In some cases, these plans are required by local laws or regulations. Contributions are primarily discretionary, except in some countries where contributions are contractually required. These plans cover substantially all eligible employees in the countries where the plans are offered either voluntarily or statutorily.

In the U.S., the Company provides a 401(k) defined contribution plan (U.S. Plan) that covers substantially all U.S. employees that meet minimum age requirements. The Company matches 50% of the employees' contribution up to 6% of the employees' wages. In addition, the Company contributes 4.5% of the employees' wages to the U.S. Plan.

For the years ended December 31, 2019 and 2018 Company contributions totaled \$5,401 and \$5,462, respectively, for all global plans. The expense is included in cost of sales, selling, general and administrative expense and research and development expense on the consolidated statement of operations and comprehensive income (loss) based upon the classification of the employee.

11. Income taxes

On December 22, 2017, the Tax Cuts and Jobs Act, or Tax Act, was enacted. The Tax Act significantly revised U.S. corporate income tax law by reducing the U.S. statutory federal corporate income tax rate to 21% effective January 1, 2018. The Company completed its accounting for the tax effects of the Tax Act as of December 31, 2018 recognizing a nominal adjustment to the provisional amounts recorded at December 31, 2017.

The Tax Act also subjects companies to tax on Global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. FASB guidance states that the Company can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. Due to Bioventus LLC's pass-through structure for U.S. income tax purposes, related deferred taxes are not recognized on the consolidated balance sheet. The Company has included an estimate for GILTI related to operations in the effective income tax rate. The impact of GILTI was nominal for the years ended December 31, 2019 and 2018.

[Table of Contents](#)

The components of income (loss) from continuing operations before income taxes for the years ended December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Taxable subsidiaries:		
Domestic	\$ 2,679	\$ 2,925
Foreign	2,967	(1,393)
	5,646	1,532
Other domestic subsidiaries	4,043	4,575
Income from continuing operations before income taxes	<u>\$ 9,689</u>	<u>\$ 6,107</u>
	<u>2019</u>	<u>2018</u>
Federal income taxes:		
Current	\$ 932	\$ 891
Deferred	(345)	(294)
Foreign income taxes:		
Current	815	472
Deferred	—	180
State income taxes:		
Current	177	380
Deferred	(3)	(1)
Change in tax rates—deferred	—	36
Income tax expense	<u>\$ 1,576</u>	<u>\$ 1,664</u>

The differences between the effective income tax rate and the federal statutory income tax rates for the years ended December 31 by taxable and other subsidiaries are as follows:

	<u>2019</u>	<u>2018</u>
U.S. statutory federal corporate income tax rate	21.0%	21.0%
LLC flow-through structure	(8.8)	(15.7)
State and local income taxes, net of federal benefit	2.4	7.3
Foreign rate differential	1.7	11.5
Provision to return adjustment	—	3.1
Effective income tax rate	<u>16.3%</u>	<u>27.2%</u>

The Company's effective tax rate differs from statutory rates primarily due to Bioventus LLC's pass-through structure for U.S. income tax purposes while being treated as taxable in certain states and various foreign jurisdictions as well as for certain subsidiaries. In addition, certain states assess income taxes on pass-through structures.

[Table of Contents](#)

Deferred tax assets and liabilities are determined based on the difference between financial statement and tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse. The components of the deferred taxes were as follows:

	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Net operating losses	\$ 3,530	\$ —
Tax credit carryforwards and other	390	—
Gross deferred tax assets	3,920	—
Valuation allowance	(2,423)	—
Total deferred tax assets	1,497	—
Deferred tax liability:		
Acquired intangible	(5,371)	(3,955)
Net deferred tax liability	<u>\$(3,874)</u>	<u>\$(3,955)</u>

At December 31, 2019, the Company had federal and state net operating loss carryforwards related to Harbor of \$24,349 expiring at various dates from 2020 through 2037 and approximately \$900 with no expiration date.

Under current tax law, the utilization of tax attributes will be restricted if an ownership change, as defined, were to occur. Section 382 of the U.S. Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, provides, in general, that if an “ownership change” occurs with respect to a corporation with net operating and other loss carryforwards, such carryforwards will be available to offset taxable income in each taxable year after the ownership change only up to the “Section 382 Limitation” for each year. The Company’s ability to use its loss carryforwards will be limited in the event of an ownership change.

During the year ended December 31, 2018, Dutch income taxes were imposed on a negotiated percentage of sales. The Company has an agreement with the Dutch taxing authorities where the Company’s Netherland subsidiary will incur but not have to pay income taxes in years when the subsidiary is operating at a loss.

Minimal interest and penalties were incurred for the years ended December 31, 2019 and 2018. The Company is subject to audit by various taxing jurisdictions for the years 2015 through 2019.

12. Related-party transactions

The Company made cash tax distributions of \$9,137 and \$7,846 to its members in an amount equal to approximately 40% of the members’ estimated taxable income for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, there were tax distributions payable to tax authorities on the members behalf totaling \$473 and \$572 as well as tax distributions payable to the members totaling \$26 and \$334, respectively.

13. Commitments and contingencies

Leases

The Company leases its office facilities as well as other property, vehicles and equipment under operating leases. The Company also leases certain office equipment under finance leases. The remaining lease terms range from 1 month to 9 years.

Table of Contents

The components of lease cost were as follows:

	<u>2019</u>
Operating lease cost	\$ 2,529
Short-term lease cost*	358
Financing lease cost:	
Amortization of finance lease assets	48
Interest on lease liabilities	3
Total lease cost	<u>\$ 2,938</u>

* Includes variable lease cost and sublease income, which are immaterial.

Supplemental cash flow information and non-cash activity related to leases were as follow:

	<u>2019</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$2,343
Operating cash flows from finance leases	\$ 3
Finance cash flows from finance leases	\$ 43
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$5,016
Finance leases	\$ —

Current and noncurrent operating and finance lease liabilities are included in other current liabilities and other long-term liabilities, respectively, on the consolidated balance sheet. Other balance sheet information related to leases are as follows:

	<u>2019</u>
Operating leases	
Operating lease assets	<u>\$ 15,267</u>
Operating lease liabilities—current	\$ 1,814
Operating lease liabilities—noncurrent	14,513
Total operating lease liabilities	<u>\$ 16,327</u>

Finance leases	
Finance lease assets	<u>\$ 20</u>
Finance lease liabilities—current	\$ 41
Finance lease liabilities—noncurrent	13
Total finance lease liabilities	<u>\$ 54</u>

	<u>2019</u>
Weighted average remaining lease term (years):	
Operating leases	8.0
Finance leases	1.8
Weighted average discount rate:	
Operating leases	5.0%
Finance leases	4.1%

[Table of Contents](#)

Maturities of lease liabilities as of December 31, 2019 were as follows:

	Operating leases	Finance leases
2020	\$ 2,572	\$ 42
2021	2,452	7
2022	2,397	7
2023	2,230	—
2024	2,246	—
Thereafter	7,991	—
Total future lease payments	19,888	56
Less amounts representing interest	(3,561)	(2)
Present value of future lease payments	<u>\$ 16,327</u>	<u>\$ 54</u>

As disclosed under the previous lease accounting standard, future minimum lease payments for finance leases and non-cancelable operating leases as of December 31, 2018 were as follows:

	Operating leases	Capital leases
2019	\$ 2,672	\$ 45
2020	2,093	40
2021	1,569	7
2022	1,516	7
2023	1,388	—
2024 and thereafter	7,015	—
Total minimum payments	<u>\$ 16,253</u>	99
Less amounts representing interest		(2)
Present value of capital lease obligations		97
Less current maturities		(42)
Capital lease obligations, less current maturities		<u>\$ 55</u>

The gross value of assets under capital leases as of December 31, 2018 was approximately \$2,806 with accumulated depreciation of \$2,738. These assets mainly consist of computer and office equipment, which are included in property and equipment. Depreciation of capital lease assets is included in depreciation and amortization expense as well as cost of sales in the consolidated statements of operations and comprehensive income (loss). Rent expense was \$2,858 for the year ended December 31, 2018. Certain facility leases provide for reduced rent periods. As of December 31, 2018, these rent concessions totaling \$696 have been reflected in accrued liabilities and other long-term liabilities in the consolidated balance sheets.

OIG's Provider Self-Disclosure

The Company identified non-compliance with certain U.S. federal statutes and requirements governing the Medicare program in 2018 related to improper completion of Certificate for Medical Necessity, or CMN, forms and in November 2018 made a voluntary self-disclosure to the Office of Inspector General of the U.S. Department of Health and Human Services, or the OIG, pursuant to the OIG's Provider Self-Disclosure Protocol related to this matter. This non-compliance is subject to statutory Civil Monetary Penalties, or CMP, on a per claim basis that ranges from nothing to \$1 per instance of non-compliance. The Company has estimated the number of impacted claims with improperly completed CMN forms based on the extrapolation of an occurrence rate found in a statistical sample of CMN forms and calculated the potential fine for all impacted claims based on the range above as nothing to \$10,800 in aggregate. Although the statutory CMP are reasonably possible, the Company does not believe it is probable that they will be incurred. Additionally, the OIG could require

[Table of Contents](#)

repayment of the total dollar amount of the impacted claims or \$30,060 as well as assessing an additional fine equivalent to half the dollar amount of impacted claims or \$15,030 for an aggregate potential impact of \$55,890. The Company does not believe the requirement to repay the claims and associated fines is probable. Accordingly, no accrual has been recorded for these potential repayment obligations related to improper completion of CMN forms and potential fines at this time. While these matters are not considered probable, the ultimate outcome of these matters is uncertain. In the event of an unfavorable outcome to the Company, these contingencies could have a material adverse effect on the Company's financial position, results of operations, liquidity and cash flows.

Reserve for estimated overpayments from all third-party payers

The Company maintains a reserve for reimbursement claims related to its Bone Growth Stimulator Products that may have been processed for payment by the Company without adequate medical records support. The Company held a reserve of \$6,801 and \$12,468 at December 31, 2019 and 2018, respectively for these amounts. The Company refunded Medicare \$7,458 related to known and estimated overpayments for medical necessity included in this reserve for periods through December 31, 2018. Certain of these overpayments were identified as potential overpayments in the Company's OIG self-disclosure in November 2018. The OIG is currently reviewing the Company's self-disclosure. The Company's reserve was estimated using extrapolation of an error rate from a statistical sample, which represents the Company's best estimate as of the date of the financial statements, but because of the uncertainty inherent in such estimates, the ultimate resolution may be materially different.

Other matters

As discussed in Note 3, on August 23, 2019, the Company and Harbor entered into an exclusive Collaboration Agreement for purposes of developing a product for orthopedic uses to be commercialized by the Company and supplied by Harbor. Upon execution of the Collaboration Agreement, the Company paid a nominal license fee for certain technology and intellectual property licenses owned by Harbor and for the assignment of a third-party license used in the product development. The third-party license assigned to the Company is subject to 3% royalty on commercial sales of product developed with the licensed patent(s), or a minimum of \$25 per quarter beginning 2023, regardless of commercial sales and will remain in effect until earlier of expiration of the licensed patent, or terminated by the Company and ceased selling of the licensed product. The Company will also make two one-time payments totaling \$6,000 contingent upon the successful completion of the following milestones: \$1,000 upon receiving regulatory approval, or Regulatory Milestone, and \$5,000 upon achieving a pre-established net sales target, or Net Sales Milestone. Unless earlier terminated, the Collaboration Agreement will remain in effect until the earlier of 8 years or payment of the Net Sales Milestone. In addition, contingent on Harbor obtaining certain debt or equity financing and the achievement of certain milestones, the Company has agreed to purchase additional shares of Harbor's Series C Preferred Stock for \$1,000.

On May 29, 2019, the Company and Musculoskeletal Transplant Foundation, Inc. d/b/a MTF Biologics, or MTF, entered into a collaboration and development agreement, or Development Agreement, whereby both parties will undertake a collaborative program to develop one or more products for orthopedic application to be commercialized by the Company and supplied by MTF. The development will be performed over several phases. The Company is obligated to pay \$4,250 for the third phase as well as \$444 upon the receipt of samples, and another \$444 upon initiation of the first clinical trial conducted under an Investigational New Drug Application. The Company paid cash of \$1,250 in June 2019, of which \$1,146 is included in research and development expense on the consolidated statement of operations and comprehensive income (loss) and the remaining \$104 is included in prepaid and other current assets on the consolidated balance sheet. Additional fees for the subsequent phases will be determined as the development work progresses. The Development Agreement continues until the date when the parties execute a supply agreement for the commercial products.

[Table of Contents](#)

On December 9, 2016, the Company entered into an amended and restated license agreement for the exclusive U.S. distribution and commercialization rights of a single injection, OA product with the supplier of the Company's single injection OA product for the non-U.S. market. In November 2018, the Company was notified and a unique reimbursement code became effective for the product on January 1, 2019 resulting in the Company making an additional \$4,000 cash payment in January 2019 which was recognized as a liability as of December 31, 2018 and included in accrued liabilities on the consolidated balance sheet as well as an intangible asset. The Company began selling the product in the U.S. in 2018 and as of January 1, 2019 became subject to minimum purchase requirements. The agreement requires the Company to pay royalties on net sales. Royalties related to this agreement totaled \$7,622 and \$3,082 for the years ended December 31, 2019 and 2018, respectively, and are included in cost of sales on the consolidated statement of operations and comprehensive income (loss).

On June 30, 2016, the Company entered into an amended and restated distribution agreement with the sole supplier of the Company's five injection OA product. This agreement provided non-exclusive U.S. market distribution rights until May 4, 2019. No additional payments were required to amend and restate the distribution agreement. In February 2018, the Company entered into an amended and restated distribution agreement effective May 2018, which provides exclusive U.S. market distribution rights until May 2028. The Company paid \$2,000 and \$1,000 in cash to the supplier in May 2019 and 2018, respectively, which was capitalized as an intangible asset. The additional \$2,000 paid in May 2019, was recorded as liability as of December 31, 2018 and included in accrued liabilities on the consolidated balance sheet.

As part of a supply agreement entered on February 9, 2016 for the Company's three injection OA product, the Company is subject to annual minimum purchase requirements for ten years. After the initial ten years, the agreement will automatically renew for an additional five years unless terminated by the Company or the seller in accordance with the agreement.

The Company has an exclusive license and supply agreement for the use of bioactive glass in certain of its BGS products. The Company has a world-wide, royalty bearing license, as well as the right to sublicense, for the use of certain developed technologies related to spine repair. The Company was required to pay a royalty on all commercial sales revenue from the licensed products. The agreement expired in April 2019. The Company has an exclusive license agreement for bioactive bone graft putty. The Company is required to pay a royalty on all commercial sales revenue from the license products with a minimum annual royalty payment through 2023, the date the agreement will expire, upon the expiration of the patent held by the licensor. These royalties are included in cost of sales on the consolidated statement of operations and comprehensive income (loss).

On October 3, 2014, the Company purchased certain BGS assets and the resulting BGS business from a biologics company. The purchase price included contingent consideration which consists of up to \$12,000 for various cash earn-out payments upon the achievement of certain net sales targets through December 31, 2019, a royalty on future net sales of certain BGS products beginning January 1, 2019 through December 31, 2023 and a supply agreement with the previous owner ending in October 2018. Under the terms of the supply agreement, the Company purchased the BGS products at prices above the market rate. In May 2017, the Company entered into an agreement with the previous owners to end exclusivity for certain BGS products and to extend the supply agreement for the other BGS products for an additional six months to April 2019. In addition, the duration for achieving sales targets to trigger certain earn-out payments was extended through June 30, 2020. There are no estimated contingent consideration payments remaining as of December 31, 2019.

From time to time, the Company causes LOCs to be issued to provide credit support for guarantees, contractual commitments and insurance policies. The fair values of the LOCs reflect the amount of the underlying obligation and are subject to fees payable to the issuers, competitively determined in the marketplace. As of December 31, 2019 and 2018, the Company had a LOCs for \$83 and \$84, respectively, outstanding with one of the Company's banking institutions.

[Table of Contents](#)

The Company currently maintains insurance for risks associated with the operation of its business, provision of professional services and ownership of property. These policies provide coverage for a variety of potential losses, including loss or damage to property, bodily injury, general commercial liability, professional errors and omissions and medical malpractice. The Company is self-insured for health insurance covering most of its employees located in the United States. The Company maintains stop-loss insurance on a “claims made” basis for expenses in excess of \$150 per member per year.

In the normal course of business, the Company periodically becomes involved in various claims and lawsuits, and governmental proceedings and investigations that are incidental to the business. With respect to governmental proceedings and investigations, like other companies in our industry, the Company is subject to extensive regulation by national, state and local governmental agencies in the U.S. and in other jurisdictions in which the Company and its affiliates operate. As a result, interaction with governmental agencies is ongoing. The Company’s standard practice is to cooperate with regulators and investigators in responding to inquiries. The outcomes of legal actions are not within the Company’s complete control and may not be known for extended periods of time. Other than the matters discussed above, management of the Company, after consultation with legal counsel, does not believe there are any unrecorded matters that will have a material adverse effect upon the Company’s financial statements.

14. Net loss per unit

The following table presents the computation of basic and diluted net loss per unit for the years ended December 31 as follows:

	<u>2019</u>	<u>2018</u>
Net income from continuing operations attributable to unit holders	\$ 8,666	\$ 4,443
Accumulated and unpaid preferred distributions	(5,955)	(5,781)
Net income allocated to participating shareholders	<u>(1,555)</u>	<u>—</u>
Net income (loss) from continuing operations attributable to common unit holders	1,156	(1,338)
Loss from discontinued operations, net of tax	<u>1,815</u>	<u>16,650</u>
Net loss attributable to common unit holders	<u>\$ (659)</u>	<u>\$ (17,988)</u>
Net loss per unit attributable to common unit holders—basic and diluted		
Net income (loss) from continuing operations	\$ 0.24	\$ (0.27)
Loss from discontinued operations, net of tax	<u>0.37</u>	<u>3.40</u>
Net loss attributable to common unit holders	<u>\$ (0.13)</u>	<u>\$ (3.67)</u>
Weighted average units used in computing basic and diluted net loss per common unit	4,900	4,900

The computation of diluted earnings per unit for the year ended December 31, 2019 and 2018 excludes the effect of potential common units that would be issued upon the conversion of preferred units. The effect of these 6,590 units would be antidilutive due to the Company being in a net loss position and these units only convert upon completion of a Distribution Event.

[Table of Contents](#)

15. Net Sales

The Company attributes net sales to external customers to the U.S. and to all foreign countries based on the location from which the sale originated. The following table presents our net sales by segment disaggregated by geographic markets and major products for the years ended December 31 as follows:

	2019	2018
Primary geographic markets:		
U.S.	\$ 305,072	\$ 282,895
International	35,069	36,282
Total net sales	<u>\$ 340,141</u>	<u>\$ 319,177</u>
Major product lines:		
OA joint pain treatment and joint preservation	\$ 182,082	\$ 155,576
Minimally invasive fracture treatment	103,504	121,032
Bone graft substitutes	54,555	42,569
Total net sales	<u>\$ 340,141</u>	<u>\$ 319,177</u>

16. Segments

Segment information by asset is not disclosed as it is not reviewed by the CODM or used to allocate resources or to assess the operating results and financial performance. We believe EBITDA, adjusted for additional non-operational factors disclosed in the table below, or Adjusted EBITDA, is a key measure for internal reporting. Adjusted EBITDA should not be considered in isolation or as a substitute for consolidated net income (loss) attributable to the Company, the most closely analogous U.S. GAAP measure. Adjusted EBITDA is not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies unless the definition is the same. The following table presents segment adjusted EBITDA reconciled to income from continuing operations before income taxes for the years ended December 31 as follows:

	2019	2018
Segment adjusted EBITDA		
U.S.	\$ 71,673	\$ 67,480
International	7,515	4,691
Depreciation and amortization	(30,316)	(29,238)
Interest expense	(21,579)	(19,171)
Loss on impairment of intangible assets	—	(489)
Equity compensation	(10,844)	(14,325)
Loss on debt retirement and modification	(367)	—
Change in fair value of contingent consideration	—	739
Restructuring costs	(575)	(1,373)
Realized and unrealized foreign currency loss	(8)	(234)
Other non-recurring costs	(5,810)	(1,973)
Income from continuing operations before income taxes	<u>\$ 9,689</u>	<u>\$ 6,107</u>

17. Discontinued operations

In December 2018, the Company, under the direction and authority of the Company's Board of Managers, committed to shut down the bone morphogenetic protein, or BMP, research and development program which had been reported as its own segment in previous years. Substantially all operations, including project close documentation, contract termination, vacating the facility and ultimately the termination of the employees,

[Table of Contents](#)

ceased by March 2019 and as a result the BMP research and development program met the criteria for discontinued operations. Included in prepaid and other current assets on the consolidated balance sheet is net property and equipment classified as current assets held for sale totaling \$172 and \$224 as of December 31, 2019 and 2018, respectively. The following table summarizes the statement of operations information from discontinued operations for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Research and development expense	\$ 1,773	\$ 7,127
Loss on disposal	52	9,638
Income tax benefit	(10)	(115)
Loss from discontinued operations, net of tax	<u>\$ 1,815</u>	<u>\$16,650</u>

18. Subsequent events

COVID-19 pandemic impact

In December 2019, an outbreak of the Coronavirus Disease 2019, or COVID-19, originated in China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There have been moderate disruptions and restrictions on our employees' ability to work. Future potential impacts may include significant disruptions or restrictions on our employees' ability to work, loss of revenue and diminished future cash flows among others. An estimate of the financial statement effect cannot be made at this time other than those described below. Continued volatility could impact the carrying value of goodwill, intangible assets, long-lived assets, right of use assets, and investment securities as well as the valuation of equity-based compensation plans.

On March 24, 2020, the Company increased its cash position by borrowing \$49,000 on its Revolver as a precautionary measure to preserve financial flexibility in view of the uncertainty resulting from the COVID-19 pandemic. The \$49,000 was repaid on September 24, 2020.

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief and Economic Security Act, or CARES Act. The CARES Act is an emergency economic stimulus package that includes spending and tax breaks to strengthen the U.S. economy and fund a nationwide effort to curtail the effect of COVID-19. While the CARES Act provides sweeping tax changes in response to the COVID-19 pandemic, some of the more significant provisions which are expected to impact the Company's financial statements include removal of certain limitations on utilization of net operating losses and increasing the ability to deduct interest expense, as well as amending certain provisions of the previously enacted Tax Act. The Company continues to quantify the impact, if any, that the CARES Act will have on its financial position, results of operations or cash flows.

As a result of the CARES Act, on May 15, 2020, the Company began deferring employer social security payroll tax payments through the remainder of the 2020 calendar year of which, 50% is deferred until December 31, 2021, with the remaining 50% deferred until December 31, 2022, all of which will be initially recorded in other long-term liabilities on the condensed consolidated balance sheet.

As a result of the CARES Act and at the direction of the U.S. Department of Health and Human Services ("HHS"), the Company received a \$1,247 Provider Relief Fund Payment in April 2020. The Company determined it complied with the conditions to be able to keep and use the funds to reimburse for health care related expenses and lost revenue attributable to the public health emergency resulting from COVID-19. The payment will be recorded as other income on the consolidated statement of operations and comprehensive income (loss). A second Provider Relief Fund Payment totaling \$2,854 was received in July 2020.

[Table of Contents](#)

As of March 28 2020, due to the COVID-19 triggering event, the Company performed a fair value assessment of its liability-classified MIP and 2015 Phantom Plan awards and determined that the fair value decreased by \$7,849 primarily attributable to a change in management's forecast of future net sales because of uncertainty in the market and the economy from the impact of COVID-19.

Other

On January 22, 2020, the Company invested in CartiHeal through a Simple Agreement for Future Equity, or SAFE, by paying cash of \$152. On July 15, 2020, the Company entered into an Option and Equity Purchase Agreement with CartiHeal. Under the terms of the agreement, the Company purchased 1,014,267 shares of CartiHeal Series G Preferred Shares for \$15,000 and the SAFE converted to 12,825 in Series G-1 Preferred Shares. As a result, the Company's equity ownership in CartiHeal increased to 10.03% of fully diluted shares. The Company will, if needed, purchase an additional 338,089 of CartiHeal Series G Preferred Shares for \$5,000, for the completion of a certain study. The Company has an exclusive option to acquire the remaining equity in CartiHeal which may be exercised at any time up to and within 45 days following notice of FDA approval for a CartiHeal product currently in development. In addition, upon the same FDA approval, CartiHeal may exercise an option within 45 days that requires the Company to complete the acquisition of the remaining equity in CartiHeal.

On March 26, 2020, the Company entered into an interest rate swap agreement to limit its exposure to changes in the variable interest rate on its Term Loan (as discussed in Note 5). The interest rate swap was not designated as a hedge and expires December 6, 2024. The interest rate swap totaled \$100,000, or 50% of the Term Loan outstanding principal at December 31, 2019, and as of March 26, 2020, the Term Loan effective interest rate, including the applicable lending margin of 2.25%, is fixed at 2.88%.

The Company refunded Medicare \$1,500 of the reserve for estimated overpayments from third-party payors during June 2020 related to known and estimated overpayments for medical necessity for periods through December 31, 2019.

In June 2020, the sole MIP awardee exercised the right to force a cash settlement for 150,252 of the 333,330 vested units resulting in a payment of \$6,329. The Company agreed to cash settle for the remaining 183,078 units in June 2021.

On October 5, 2020, the Company purchased 285,714 additional shares of Harbor's Series C Preferred Stock for \$1,000 (as discussed in Note 13).

BIOVENTUS LLC

Condensed consolidated statements of operations and comprehensive income
Nine months ended September 26, 2020 and September 28, 2019
(Dollars in thousands, except per unit and per share data)
(Unaudited)

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Net sales	\$ 222,570	\$ 242,587
Cost of sales (including depreciation and amortization of \$16,076 and \$17,149, respectively)	62,521	66,810
Gross profit	160,049	175,777
Selling, general and administrative expense	131,104	144,021
Research and development expense	8,311	7,911
Restructuring costs	—	540
Depreciation and amortization	5,305	5,815
Operating income	15,329	17,490
Interest expense	7,095	13,935
Other (income) expense	(4,539)	71
Other expense	2,556	14,006
Income from continuing operations before income taxes	12,773	3,484
Income tax expense	302	684
Net income from continuing operations	12,471	2,800
Loss from discontinued operations, net of tax	—	1,616
Net income	12,471	1,184
Loss attributable to noncontrolling interest	1,164	30
Net income attributable to unit holders	13,635	1,214
Other comprehensive income (loss), net of tax		
Change in foreign currency translation adjustments	687	(577)
Comprehensive income	\$ 14,322	637
Net income from continuing operations attributable to unit holders	\$ 13,635	\$ 2,830
Accumulated and unpaid preferred distributions	(4,525)	(4,421)
Net income allocated to participating shareholders	(5,225)	—
Net income (loss) from continuing operations attributable to common unit holders	3,885	(1,591)
Loss from discontinued operations, net of tax	—	1,616
Net income (loss) attributable to common unit holders	\$ 3,885	\$ (3,207)
Net income (loss) per unit attributable to common unit holders—basic and diluted (Note 12)		
Net income (loss) from continuing operations	\$ 0.79	\$ (0.32)
Loss from discontinued operations, net of tax	—	0.33
Net income (loss) attributable to common unit holders	\$ 0.79	\$ (0.65)
Weighted average common units outstanding, basic and diluted	4,900	4,900

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

BIOVENTUS LLC

Condensed consolidated balance sheets as of September 26, 2020 (Unaudited) and December 31, 2019
(Dollars in thousands)

	September 26, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 72,478	\$ 64,520
Accounts receivable, net	80,813	85,128
Inventory	34,705	27,326
Prepaid and other current assets	5,145	6,059
Total current assets	193,141	183,033
Property and equipment, net	5,886	4,489
Goodwill	49,800	49,800
Intangible assets, net	196,688	216,510
Operating lease assets	13,906	15,267
Investment and other assets	19,856	3,308
Total assets	<u>\$ 479,277</u>	<u>\$ 472,407</u>
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	\$ 8,790	\$ 6,440
Accrued liabilities	73,019	52,827
Accrued equity-based compensation	9,580	15,547
Long-term debt	16,250	10,000
Other current liabilities	4,095	4,201
Total current liabilities	111,734	89,015
Long-term debt, less current portion	177,025	187,965
Accrued equity-based compensation, less current portion	22,086	25,255
Deferred income taxes	3,436	3,874
Other long-term liabilities	19,657	20,681
Total liabilities	333,938	326,790
Commitments and contingencies (Note 8)		
Members' equity (preferred unit liquidation preference of \$208,968 and \$204,443 at September 26, 2020 and December 31, 2019, respectively)	285,173	285,147
Accumulated other comprehensive income (loss)	222	(465)
Accumulated deficit	(142,176)	(141,700)
Equity attributable to Bioventus LLC members	143,219	142,982
Noncontrolling interest	2,120	2,635
Total members' equity	145,339	145,617
Total liabilities and members' equity	<u>\$ 479,277</u>	<u>\$ 472,407</u>

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

BIOVENTUS LLC

Condensed consolidated statements of changes in members' equity
 Nine months ended September 26, 2020 and September 28, 2019
 (Dollars in thousands)
 (Unaudited)

	Members' equity	Accumulated other comprehensive (loss) income	Accumulated deficit	Noncontrolling interest	Total members' equity
Balance at December 31, 2019	\$ 285,147	\$ (465)	\$ (141,700)	\$ 2,635	\$ 145,617
Profits interest compensation	26	—	—	—	26
Distribution to members	—	—	(14,111)	—	(14,111)
Debt conversion	—	—	—	649	649
Net income (loss)	—	—	13,635	(1,164)	12,471
Translation adjustment	—	687	—	—	687
Balance at September 26, 2020	<u>\$ 285,173</u>	<u>\$ 222</u>	<u>\$ (142,176)</u>	<u>\$ 2,120</u>	<u>\$ 145,339</u>
	Members' equity	Accumulated other comprehensive loss	Accumulated deficit	Noncontrolling interest	Total members' equity
Balance at December 31, 2018	\$ 285,153	\$ (65)	\$ (139,821)	\$ —	\$ 145,267
Profits interest forfeitures	(8)	—	—	—	(8)
Distribution to members	—	—	(9,648)	—	(9,648)
Acquisition of noncontrolling interest	—	—	—	3,188	3,188
Net income (loss)	—	—	1,214	(30)	1,184
Translation adjustment	—	(577)	—	—	(577)
Balance at September 28, 2019	<u>\$ 285,145</u>	<u>\$ (642)</u>	<u>\$ (148,255)</u>	<u>\$ 3,158</u>	<u>\$ 139,406</u>

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

BIOVENTUS LLC

Condensed consolidated statements of cash flows
Nine months ended September 26, 2020 and September 28, 2019
(Dollars in thousands)
(Unaudited)

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Operating activities:		
Net income	\$ 12,471	\$ 1,184
Net loss from discontinued operations	—	1,616
Net income from continuing operations	12,471	2,800
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Depreciation and amortization	21,789	22,972
Payment of contingent consideration in excess of amount established in purchase accounting	—	(959)
Provision for expected credit losses	1,089	2,211
Profits interest plan and liability-classified awards compensation	619	3,252
Change in fair value of Equity Participation Rights unit	(788)	14
Change in fair value of interest rate swap	1,980	71
Deferred income taxes	(438)	(222)
Amortization of debt discount and capitalized loan fees, net	407	1,264
Other, net	(235)	574
Changes in operating assets and liabilities:		
Accounts receivable	3,361	(3,671)
Inventories	(7,004)	(3,827)
Accounts payable and accrued expenses	11,568	(198)
Other current assets and liabilities	1,933	(2,952)
Net cash provided by operating activities from continuing operations	46,752	21,329
Net cash used in operating activities of discontinued operations	(400)	(1,663)
Net cash provided by operating activities	46,352	19,666
Investing activities:		
Equity method investments	(16,630)	—
Purchase of property and equipment	(2,331)	(1,778)
Acquisition of distribution rights	—	(6,000)
Acquisition of VIE	—	430
Net cash used in investing activities from continuing operations	(18,961)	(7,348)
Net cash provided by investing activities from discontinued operations	172	—
Net cash used in investing activities	(18,789)	(7,348)
Financing activities:		
Borrowing on revolver	49,000	—
Payment on revolver	(49,000)	—
Payments on long-term debt	(5,000)	(2,625)
Distribution to members	(14,691)	(9,015)
Net cash used in financing activities	(19,691)	(11,640)
Effect of exchange rate changes on cash	86	171
Net change in cash and cash equivalents	7,958	849
Cash and cash equivalents at the beginning of the period	64,520	42,774
Cash and cash equivalents at the end of the period	<u>\$ 72,478</u>	<u>\$ 43,623</u>
Supplemental disclosure of noncash investing and financing activities		
Accrued member distributions	<u>\$ 607</u>	<u>1,540</u>

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

BIOVENTUS LLC

**Notes to condensed consolidated financial statements
(Dollars in thousands, except for per unit and per share data)
(Unaudited)**

1. Summary of significant accounting policies

Unaudited interim financial information

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. GAAP for interim financial information under Rule 10-01 of Regulation S-X. Pursuant to these rules and regulations they do not include all information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the Company's financial condition and results of operations have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year. As such, the information included in this report should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019. The balance sheet at December 31, 2019 has been derived from the audited consolidated financial statements of the Company but does not include all the disclosures required by U.S. GAAP.

Operating results attributable to the BMP research and development business are presented as discontinued operations on the consolidated statements of operations and comprehensive income (Refer to Note 11. Discontinued Operations).

We reclassified certain prior period amounts to conform to the current period presentation.

Interim periods

The Company reports quarterly interim periods on a 13-week basis within a standard calendar year. Each annual reporting period begins on January 1 and ends on December 31. Each quarter ends on the Saturday closest to calendar quarter-end, with the exception of the fourth quarter, which ends on December 31. The 13-week quarterly periods ended on March 28, June 27 and September 26 for the year ended December 31, 2020. As a result, the fourth and first quarters may vary in length depending on the calendar year.

COVID-19 pandemic impact

In December 2019, an outbreak of COVID-19 originated in China and spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic and was subsequently declared a national emergency. The Company remains focused on protecting the health and wellbeing of its employees, partners, patients, and the communities in which it operates while assuring the continuity of its business operations.

The impact of COVID-19 on the Company's business is highly uncertain and difficult to predict, as information surrounding the pandemic is rapidly evolving. Although the U.S. and other countries implemented plans to ease social distancing and quarantine measures, there are still many unknowns and risks, such as the possibility of U.S. states or other countries returning to a state of quarantine or the return to more stringent social distancing, when elective procedures will return to a pre COVID-19 pace, the impact to capital markets and the possibility of local and global economic recession. Any resulting economic disruption could have a material impact on our business. In addition, the long-term impact of COVID-19 on the Company's business will depend on many factors, including, but not limited to, the duration and severity of the pandemic and the impact it has on our partners, patients and communities in which we operate, all of which are uncertain. The Company's future results of operations and liquidity will be materially impacted due to the decrease in elective procedures and could be further impacted by delays in payments from customers, supply chain interruptions, extended "shelter in

[Table of Contents](#)

place” orders or advisories, facility closures or other reasons related to the pandemic. As of the date of issuance of these condensed consolidated financial statements, the extent to which COVID-19 could materially impact the Company’s financial conditions, liquidity or results of operations is uncertain.

On March 27, 2020, the CARES Act was signed into law, which is aimed at providing emergency assistance and health care for individuals, families, and businesses affected by the COVID-19 pandemic and generally supporting the U.S. economy. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, and modifications to the net interest deduction limitations. The Company has not quantified the full impact of the CARES Act.

The Company deferred employer social security payroll tax payments from May 2020 until the remainder of the 2020 calendar year of which, 50% is deferred until December 31, 2021, with the remaining 50% deferred until December 31, 2022. The Company has deferred \$1,229 as of September 26, 2020, all of which has been recorded in other long-term liabilities on the condensed consolidated balance sheet. The Company is in the process of analyzing other provision to determine the financial impact on our condensed consolidated financial statements. Refer to Note 7. Income Taxes for further information.

As a result of the CARES Act and at the direction of the U.S. Department of Health and Human Services, or HHS, the Company received a \$1,247 Provider Relief Fund Payment in April 2020. The Company determined it complied with the conditions to be able to keep and use the funds to reimburse for health care related expenses and lost revenue attributable to the public health emergency resulting from COVID-19. A second Provider Relief Fund Payment totaling \$2,854 was received in July 2020. The payments were recorded as other income on the condensed consolidated statement of operations and comprehensive income for the nine months ended September 26, 2020.

Recent accounting pronouncements

The Company has elected to comply with non-accelerated public company filer effective dates of adoption. Therefore, the required effective dates for adopting new or revised accounting standards as described below are specific to non-accelerated public company filers, which are generally earlier than when emerging growth companies are required to adopt.

Accounting Pronouncements Recently Adopted

The FASB issued Accounting Standards Update 2016-13, *Financial Instruments-Credit Losses*, or ASU 2016-13, in June 2016 that significantly changes accounting for credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 requires that an entity measure and recognize expected credit losses for financial assets held at amortized cost and replaces the incurred loss impairment methodology in prior GAAP with a methodology that considers a broad range of information for the estimation of credit losses. The Company adopted ASU 2016-13 on January 1, 2020 prospectively and the adoption did not have a material impact on the Company’s consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software*, or ASU 2018-15 addressing a customer’s accounting for implementation costs incurred in a CCA that is considered a service contract. Under ASU 2018-15, implementation costs for a CCA should be evaluated for capitalization using the same approach as implementation costs associated with internal-use software. The capitalized implementation costs should be expensed over the term of the hosting arrangement, which includes any reasonably certain renewal periods. Capitalized implementation costs should be assessed for impairment like long-lived assets. The Company adopted ASU 2018-15 on January 1, 2020 prospectively and it had no material impact on the consolidated financial statements.

[Table of Contents](#)

In August 2018, the FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement*, or ASU 2018-13, modifying the disclosure requirements on fair value measurements and eliminates the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. ASU 2018-13 modifies certain disclosures related to investments measured at net asset value and clarifies that companies are to disclose uncertainties in measurements as of the reporting date. ASU 2018-13 requires additional disclosure related to changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements as well as the range and weighted average, or other quantitative information that would be a more reasonable and rational method, of significant unobservable inputs used to develop Level 3 fair value measurements. The additional disclosures and description of any measurement uncertainty amendments should be applied prospectively for the most recent interim or annual period in the initial year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Company adopted ASU 2018-13 on January 1, 2020 and it did not have a material impact on its consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued Accounting Standards Update 2019-12, *Income Taxes*, or ASU 2019-12, which amended the accounting for income taxes. ASU 2019-12 eliminates certain exceptions to the guidance for income taxes related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences as well as simplifying aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 is effective for annual and interim periods beginning after December 15, 2020. Early adoption is permitted in interim or annual periods for which financial statements have not been made available for issuance. Entities that elect to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Certain amendments are to be applied prospectively while others are retrospective. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

2. Balance sheet information

Accounts receivable, net

Accounts receivable, net are amounts billed and currently due from customers. The Company records the amounts due net of allowance for credit losses. Collection of the consideration that the Company expects to receive typically occurs within 30 to 90 days of billing. The Company applies the practical expedient for contracts with payment terms of one year or less which does not consider the effects of the time value of money. Occasionally, the Company enters into payment agreements with patients that allow payment terms beyond one year. In those cases, the financing component is not deemed significant to the contract.

Accounts receivable, net of allowances, consisted of the following as of:

	September 26, 2020	December 31, 2019
Accounts receivable	\$ 85,697	\$ 89,274
Less: Allowance for credit losses	(4,884)	(4,146)
	<u>\$ 80,813</u>	<u>\$ 85,128</u>

The Company maintains an allowance for credit losses for estimated losses resulting from the inability of its customers to make required payments. The allowance for credit losses is calculated by region and by customer type, where appropriate considering several factors including age of accounts, collection history, historical account write-offs, current economic conditions, and supportable forecasted economic expectations. Due to the short-term nature of its receivables, the estimate of expected credit losses is based on aging of the account receivable balances. The allowance is adjusted on a specific identification basis for certain accounts as well as pooling of accounts with similar characteristics. An increase in the provision for credit losses may be required when the financial condition of

[Table of Contents](#)

the Company's customers or its collection experience deteriorates. The Company has a diverse customer base with no single customer representing ten percent of sales or accounts receivable. Historically, the Company's reserves have been adequate to cover credit losses. The Company's exposure to credit losses may increase if its customers are adversely affected by changes in health care laws, coverage and reimbursement, economic pressures or uncertainty associated with local or global economic recessions, disruption associated with the COVID-19 pandemic, or other customer-specific factors. The Company considered the current and expected future economic and market conditions surrounding the COVID-19 pandemic and determined that the estimate of credit losses was not significantly impacted. Estimates are used to determine the allowance, which are based on an assessment of anticipated payment and all other historical, current and future information that is reasonably available.

A roll-forward of the allowance for credit losses is as follows:

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Beginning balance	\$ (4,146)	\$ (4,497)
Provision for losses	(1,089)	(2,211)
Write-offs	628	1,960
Recoveries	(277)	(299)
Ending balance	<u>\$ (4,884)</u>	<u>\$ (5,047)</u>

Inventory

Inventory consisted of the following as of:

	September 26, 2020	December 31, 2019
Raw materials and supplies	\$ 4,153	\$ 3,349
Finished goods	31,209	24,509
Gross	35,362	27,858
Excess and obsolete reserves	(657)	(532)
	<u>\$ 34,705</u>	<u>\$ 27,326</u>

Goodwill and intangible assets, net

There were no changes to goodwill during the nine months ended September 26, 2020. Intangible assets consisted of the following as of:

	September 26, 2020	December 31, 2019
Intellectual property	\$ 263,422	\$ 263,422
Distribution rights	59,700	59,700
Customer relationships	57,700	57,700
IPR&D	1,445	11,095
Developed technology and other	13,998	4,649
Total carrying amount	396,265	396,566
Less accumulated amortization:		
Intellectual property	(113,188)	(100,982)
Distribution rights	(33,012)	(28,716)
Customer relationships	(50,037)	(46,407)
Developed technology and other	(3,475)	(3,404)
Total accumulated amortization	(199,712)	(179,509)
Intangible assets, net before currency translation	196,553	217,057
Currency translation	135	(547)
	<u>\$ 196,688</u>	<u>\$ 216,510</u>

[Table of Contents](#)

The Company filed a 510(k) in 2019 and began commercializing a next-generation surgical product in third quarter of 2020. As a result, \$9,650 of IPR&D was reclassified to developed technology and will be amortized over 10 years increasing the estimated amortization expense by \$965 each year. Amortization expense related to intangible assets was \$20,503 and \$19,613 for the nine months ended September 26, 2020 and September 28, 2019 of which \$6,712 and \$6,469, respectively, is included in ending inventory.

Investments

VIEs

On August 23, 2019, the Company purchased 285,714 shares of Harbor's Series C Preferred Stock or 3.1% of fully diluted shares for \$1,000 in cash. The Company and Harbor entered into an exclusive Collaboration Agreement for purposes of developing a product for orthopedic uses to be commercialized by the Company and supplied by Harbor. As a result of these transactions, the Company determined that it had a variable interest in Harbor. On March 27, 2020, two convertible promissory notes to Harbor shareholders totaling \$500 were converted to 142,858 of Harbor Series C Preferred Stock and warrants for 428,572 shares of the Harbor common stock exercisable at a price of \$1.167 per share with a 5-year exercise period expiring March 27, 2025. The Company continues to conclude that it is the primary beneficiary since it controls the significant activities of Harbor through the Collaboration Agreement. The Company has consolidated Harbor in its consolidated financial statements with a noncontrolling interest for the remaining 95.3% and 96.9% as of September 26, 2020 and December 31, 2019, respectively. On October 5, 2020, the Company purchased an additional 285,714 shares of Harbor's Series C Preferred Stock for \$1,000 in cash decreasing the noncontrolling interest to 91.4%.

Harbor assets that can only be used to settle Harbor obligations and Harbor liabilities for which creditors do not have recourse to the general credit of the Company are as follows:

	September 26, 2020	December 31, 2019
Cash and cash equivalents	\$ 271	\$ 1,127
Property and equipment, net	165	60
Intangible assets, net	5,755	6,122
Operating lease assets	192	231
Other assets	74	59
	<u>\$ 6,457</u>	<u>\$ 7,599</u>
Accounts payable and accrued liabilities	\$ 374	\$ 458
Other current liabilities	2,323	2,395
Deferred income taxes	—	215
Other long-term liabilities	675	872
	<u>\$ 3,372</u>	<u>\$ 3,940</u>

Equity Method

Investments in which the Company can exercise significance influence, but do not control, are recorded under the equity method of accounting and are included in investments and other assets on the consolidated balance sheets. The Company's share of net earnings or losses is included in other (income) expense within the consolidated statements of operations and comprehensive income. The Company evaluates investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may be impaired. Impairment losses are recorded within earnings within the current period.

[Table of Contents](#)

On January 30, 2018, the Company purchased 337,397 shares of CartiHeal, a privately held entity, Series F Convertible Preferred Stock or 2.8% of fully diluted shares for \$2,500 in cash. The investment does not have a readily determinable fair value. On January 22, 2020, the Company made an additional investment in CartiHeal, through a SAFE by paying cash of \$152. On July 15, 2020, CartiHeal completed an equity financing that the Company participated in and as a result, the Company received 12,825 in Series G-1 Preferred Shares and the SAFE terminated.

In addition, on July 15, 2020, the Company entered into an Option and Equity Purchase Agreement with CartiHeal. Under the terms of the agreement, the Company purchased 1,014,267 shares of CartiHeal Series G Preferred Shares for \$15,000. As a result, the Company's equity ownership in CartiHeal increased to 10.03% of its fully diluted shares. The CartiHeal investment, included capitalized transaction costs of \$1,478 and the \$152 investment in January 2020, totaling \$16,630 was recorded as an equity method investment beginning in July 2020, as the Company can exercise significant influence over CartiHeal but does not have control. It is included within investments and other assets on the consolidated balance sheet.

The Company will, if needed, purchase an additional 338,089 of CartiHeal Series G Preferred Shares for \$5,000, for the completion of a certain study. The Company has an exclusive option to acquire the remaining equity in CartiHeal, which may be exercised at any time up to and within 45 days following notice of the U.S. Food and Drug Administration ("FDA") approval for a CartiHeal product currently in development. In addition, upon the same FDA approval, CartiHeal may exercise an option within 45 days that requires the Company to complete the acquisition of the remaining equity in CartiHeal.

Accrued liabilities

Accrued liabilities consisted of the following as of:

	September 26, 2020	December 31, 2019
Gross-to-net deductions	\$ 36,079	\$ 14,622
Bonus and commission	9,793	14,200
Reserve for estimated overpayments from third-party payers	5,139	6,801
Compensation and benefits	4,620	3,231
Income and other taxes	2,508	2,555
Other liabilities	14,880	11,418
	<u>\$ 73,019</u>	<u>\$ 52,827</u>

3. Financial instruments

Long-term debt consists of the following:

	September 26, 2020	December 31, 2019
Term loan due December 2024 (2.66% at September 26, 2020)	\$ 195,000	\$ 200,000
Less:		
Current portion of long-term debt	(16,250)	(10,000)
Unamortized debt issuance cost	(1,168)	(1,378)
Unamortized discount	(557)	(657)
	<u>\$ 177,025</u>	<u>\$ 187,965</u>

The Company increased its cash position by borrowing \$49,000 on its Revolver as a precautionary measure to preserve financial flexibility in view of the current uncertainty resulting from the COVID-19 pandemic during the first quarter of 2020. The \$49,000 balance was repaid September 24, 2020. The 2019 Credit Agreement requires the Company to comply with financial and other covenants. The Company complied with all covenants in the 2019 Credit Agreement as of September 26, 2020.

[Table of Contents](#)

The estimated fair value of the Term Loan as of September 26, 2020 was \$187,106. The fair value of these obligations was determined by using a discounted cash flow model based on current market interest rates available to the Company. These inputs are corroborated by observable market data for similar obligations and are classified as Level 2 instruments within the fair value hierarchy.

The Company enters into interest rate swap agreements to limit its exposure to changes in the variable interest rate on its long-term debt. On March 26, 2020, the Company entered an interest rate swap agreement with one of its Lenders, which expires in December 2024. The interest rate swap was not designated as a hedge. The Company has no other active derivatives and the swap is carried at fair value on the balance sheet (Refer to Note 4). There were no outstanding derivatives as of December 31, 2019. Interest expense of \$1,980 was recorded within the consolidated statements of operations and comprehensive income related to the change in fair value of the swap for the nine months ended September 26, 2020.

The notional amount of the swap totaled \$100,000, or 51.3%, of the Term Loan outstanding principal at September 26, 2020. The swap locked in the variable portion of the interest rate on the \$100,000 notional at 0.64%. The total long-term debt effective interest rate, with the applicable lending margin of 2.50% and the impact of the swap is fixed at 2.98% as of September 26, 2020.

4. Fair value measurements

Our process for determining fair value have not changed from those described in the December 31, 2019 audited consolidated financial statements of the Company.

There were no assets measured at fair value on a recurring basis and there were no liabilities valued at fair value using Level 1 inputs. The following table provides information for liabilities measured at fair value on a recurring basis using Level 2 and Level 3 inputs:

	September 26, 2020			December 31, 2019
	Total	Level 2	Level 3	Total
Interest rate swap	\$ 1,982	\$ 1,982	\$ —	\$ —
Management incentive plan and liability-classified awards	31,666	—	31,666	40,802
Equity Participation Right	4,669	—	4,669	5,457
Total liabilities	<u>\$ 38,317</u>	<u>\$ 1,982</u>	<u>\$ 36,335</u>	<u>\$ 46,259</u>

Interest rate swap

The Company values interest rate swaps using discounted cash flows. Forward curves and volatility levels are used to estimate future cash flows that are not certain. These are determined using observable market inputs when available and based on estimates when not available. The fair value of the swap was recorded in the Company's consolidated balance sheets within accrued liabilities. Changes in fair value are recognized as interest expense within the consolidated statements of operations and comprehensive income.

MIP and liability-classified awards

The Company operates two equity-based compensation plans, the MIP and the Phantom Plan. The estimated fair value reflects assumptions made by management as of September 26, 2020, including the impact of COVID-19 on significant unobservable assumptions, such as the expected timing and volume of elective procedures and the impact of these procedures on future revenues which impact the equity value. However, as the impact of COVID-19 on the Company's business is highly uncertain and difficult to predict, and as information surrounding the pandemic is rapidly evolving, the actual amount ultimately paid could be higher or lower than the fair value. The Company has classified \$9,580 of the balance as accrued equity-based compensation and \$22,086 as accrued equity-based compensation, less current portion as of September 26, 2020. Any changes in fair value are recorded as an operating expense and included within selling, general and administrative expense and research and development expense on the consolidated statement of operations and comprehensive income based upon the classification of the employee.

[Table of Contents](#)

The following table provides a reconciliation of the beginning and ending balances for the MIP and liability-classified awards at fair value using significant unobservable inputs or Level 3:

Balance at December 31, 2019	\$ 40,802
Initial estimate	3,518
Forfeitures	(1,076)
Change in fair value	(1,849)
Payments	(9,729)
Balance at September 26, 2020	<u>\$ 31,666</u>

The \$1,849 decrease in fair value for the nine months ended September 26, 2020 is primarily attributable to a change in management's forecast of future net sales because of uncertainty in the market and the economy from the impact of COVID-19. In June 2020, the sole MIP awardee exercised the right to force a cash settlement for 150,252 of the 333,330 vested units resulting in a payment of \$6,329. The Company agreed to cash settle for the remaining 183,078 units in June 2021 or early at the option of the Company subject to a floor.

EPR Unit

One member owns the only EPR Unit and its only entitlement is 0.55% of available distributions arising from the closing of a sale of units representing a percentage interest of more than 66.66%, or the sale of all or substantially all of the assets of the Company, provided such event constitutes a change of control, or Distribution Event. Upon the conclusion of a Distribution Event, the EPR Unit will cease to exist and all entitlements will end. The estimated fair value reflects assumptions made by management as of September 26, 2020, including potential payment scenarios discounted at rates reflective of the risks associated with the expected future cash flows. The fair value of the EPR Unit was recorded in the Company's condensed consolidated balance sheets as other long-term liabilities. The revaluation for the EPR liability is recognized in interest expense on the consolidated statements of operations and comprehensive income.

The following table provides a reconciliation of the beginning and ending balances for the EPR Unit at fair value using significant unobservable inputs Level 3:

Balance at December 31, 2019	\$5,457
Change in fair value	<u>(788)</u>
Balance at September 26, 2020	<u>\$4,669</u>

The Company estimated the fair value of the Plans and EPR Unit using a Monte Carlo simulation. This fair value measurement is based on significant inputs that are unobservable in the market, and thus represents a Level 3 measurement. The key assumptions used in applying the valuation model include the Company's equity value, the expected timing until a liquidity event, applicable discount rates applied, and equity volatility. In addition, for the EPR Unit, the estimated accrued preferred distribution at the liquidity event date totaling \$44,628 as it is senior in order of payment. Significant changes in these assumptions could result in a significantly higher or lower fair value.

The following table provides a range of key assumptions used within the valuation of the awards as of September 26, 2020:

Valuation technique	Unobservable inputs	Range	Weighted average
Option pricing approach	Time to liquidity event	1.0	1.0
	Risk free rate	0.16%	0.16%
	Equity volatility	40.5% - 100.17%	55.0%
	Equity value	\$840,000 - \$970,000	\$900,000
	Lack of marketability discount	12.0%	12.0%

5. Restructuring costs

Restructuring costs are not allocated to the Company's reportable segments as they are not part of the segment performance measures regularly reviewed by management. These charges are included in restructuring expenses in the consolidated statements of operations and comprehensive income.

The Company adopted a restructuring plan during the fourth quarter of 2018 to improve the performance of International operations, principally through headcount reduction and closing offices in certain countries as the Company shifted to an indirect distribution model in these countries. The plan was completed in 2019. The Company recorded total pre-tax charges of \$540 during the nine months ended September 28, 2019 primarily related to severance.

The Company's restructuring charges and payments for all plans are comprised of the following:

	Employee severance and temporary labor costs	Other charges	Total
Balance at December 31, 2018	\$ 997	\$ 206	\$ 1,203
Expenses incurred	460	80	540
Payments made	(1,457)	(286)	(1,743)
Balance at September 28, 2019	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

6. Equity-based compensation

Excluding the \$1,849 decrease in fair market value discussed in Note 4, profits interest compensation of \$2,468 and \$3,252 was recognized for the nine months ended September 26, 2020 and September 28, 2019, respectively, with \$2,139 and \$2,924 included in selling, general and administrative expense and the balance in research and development expense. Profits interest forfeiture of \$111 was recognized in loss from discontinued operations for the nine months ended September 28, 2019. As of September 26, 2020, there was approximately \$8,084 of unrecognized compensation expense to be recognized over a weighted-average period of 1.3 years based on time to vest.

As discussed in Note 4, 150,252 MIP units were converted to cash during the nine months ended September 26, 2020 with a grant date fair value of \$4.89. A summary of the award activity of the Phantom Plan for the nine months ended September 26, 2020 is as follows (number of awards in thousands):

	Number of awards	Weighted- average grant- date fair value
Outstanding at December 31, 2019	1,139	\$ 10.24
Granted	553	\$ 10.29
Converted to cash	(114)	\$ 5.98
Forfeited	(115)	\$ 13.31
Outstanding at September 26, 2020	<u>1,463</u>	<u>\$ 10.35</u>

7. Income taxes

Income tax provisions for interim periods are based on an estimated annual income tax rate, adjusted for discrete tax items. As a result, the Company's interim effective tax rates may vary significantly from the

[Table of Contents](#)

statutory tax rate and the annual effective tax rate. The effective tax rate was 2.4% and 19.6% for the nine months ended September 26, 2020 and September 28, 2019, respectively. The primary factor affecting the Company's effective tax rate for the for the nine months ended September 26, 2020, was Bioventus LLC's pass-through structure for U.S. income tax purposes, while being treated as taxable in certain states and various foreign jurisdictions as well as for certain subsidiaries. The Company does not expect the CARES Act to have a significant impact on the tax provision for income.

8. Commitments and contingencies

Leases

The Company leases its office facilities as well as other property, vehicles and equipment under operating leases. The Company also leases certain office equipment under nominal finance leases. The remaining lease terms range from 6 months to 8 years.

The components of lease cost were as follows:

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Operating lease cost	\$ 1,943	\$ 1,871
Short-term lease cost(a)	285	178
Total lease cost	\$ 2,228	\$ 2,049

(a) Includes variable lease cost and sublease income, which are immaterial.

Supplemental cash flow information and non-cash activity related to operating leases were as follows:

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Operating cash flows from operating leases	\$ 1,920	\$ 1,757
Right-of-use assets obtained in exchange for lease obligations	\$ —	\$ 4,643

Supplemental balance sheet and other information related to operating leases were as follows:

	September 26, 2020	December 31, 2019
	Operating lease assets	\$ 13,906
Operating lease liabilities- current	\$ 1,803	\$ 1,814
Operating lease liabilities- noncurrent	13,183	14,513
Total operating lease liabilities	\$ 14,986	\$ 16,327
Weighted average remaining lease term (years)	7.3	8.0
Weighted average discount rate	5.0%	5.0%

OIG's Provider Self-Disclosure

The Company identified non-compliance with certain U.S. federal statutes and requirements governing the Medicare program in 2018 related to improper completion of CMN forms and in November 2018 made a voluntary self-disclosure to the OIG pursuant to the OIG's Provider Self-Disclosure Protocol related to this matter. This non-compliance is subject to statutory CMP on a per claim basis that ranges from nothing to \$1 per instance of non-compliance. The Company has estimated the number of impacted claims with improperly

[Table of Contents](#)

completed CMN forms based on the extrapolation of an occurrence rate found in a statistical sample of CMN forms and calculated the potential fine for all impacted claims based on the range above as nothing to \$10,800 in aggregate. Although the statutory CMP are reasonably possible, the Company does not believe it is probable that they will be incurred. Additionally, the OIG could require repayment of the total dollar amount of the impacted claims or \$30,060 as well as assessing an additional fine equivalent to half the dollar amount of impacted claims or \$15,030 for an aggregate potential impact of \$55,890. The Company does not believe the requirement to repay the claims and associated fines is probable. Accordingly, no accrual has been recorded for these potential repayment obligations related to improper completion of CMN forms and potential fines at this time. While these matters are not considered probable, the ultimate outcome of these matters is uncertain. In the event of an unfavorable outcome to the Company, these contingencies could have a material adverse effect on the Company's financial position, results of operations, liquidity and cash flows. In October 2019, the Company's legal counsel, received a letter from the Office of the United States Attorney in the Middle District of North Carolina, or the USAO, stating that the USAO would be working with the OIG to resolve the Company's self-disclosure. Subsequently, the Company's legal counsel received requests for further information which was furnished. At this time, the matter remains pending and there has been no indication from the USAO or OIG on the potential outcome of the matter or if claims will be asserted for any additional amounts.

Reserve for estimated overpayments from all third-party payers

The Company maintains a reserve for reimbursement claims related to its Bone Growth Stimulator system that may have been processed for payment by the Company without adequate medical records support. The Company held a reserve of \$5,139 and \$6,801 at September 26, 2020 and December 31, 2019, respectively, for these amounts. The Company refunded Medicare \$7,458 in 2019 and \$1,519 during the nine months ended September 26, 2020 related to known and estimated overpayments for medical necessity included in this reserve for periods through December 31, 2019. Certain of these overpayments were identified as potential overpayments in the Company's OIG self-disclosure in November 2018. The OIG is currently reviewing the Company's self-disclosure. The Company's reserve was estimated using extrapolation of an error rate from a statistical sample, which represents the Company's best estimate as of the date of the financial statements, but because of the uncertainty inherent in such estimates, the ultimate resolution may be materially different.

Other matters

On December 9, 2016, the Company entered into an amended and restated license agreement for the exclusive U.S. distribution and commercialization rights of a single injection OA product with the supplier of the Company's single injection OA product for the non-U.S. market. The agreement requires the Company to meet annual minimum purchase requirements and pay royalties on net sales. Royalties related to this agreement totaled \$7,038 and \$4,973 for the nine months ended September 26, 2020 and September 28, 2019, respectively. These royalties are included in cost of sales on the consolidated statement of operations and comprehensive income.

As part of a supply agreement entered on February 9, 2016, for the Company's three injection OA product, the Company is subject to annual minimum purchase requirements for ten years. After the initial ten years, the agreement will automatically renew for an additional five years unless terminated by the Company or the seller in accordance with the agreement. The agreement requires the Company to pay royalties on net sales. Royalties related to this agreement totaled \$2,122 and \$3,238 for the nine months ended September 26, 2020 and September 28, 2019, respectively. These royalties are included in cost of sales on the consolidated statement of operations and comprehensive income.

The Company has an exclusive license and supply agreement for the use of bioactive glass in certain of its BGS products. The Company has a world-wide, royalty bearing license, as well as the right to sublicense, for the use of certain developed technologies related to spine repair. The Company was required to pay a royalty on all commercial sales revenue from the licensed products. The agreement expired in April 2019. The Company has an exclusive license agreement for bioactive bone graft putty. The Company is required to pay a royalty on all

[Table of Contents](#)

commercial sales revenue from the license products with a minimum annual royalty payment through 2023, the date the agreement will expire, upon the expiration of the patent held by the licensor. These royalties are included in cost of sales on the consolidated statement of operations and comprehensive income.

On October 3, 2014, the Company purchased a BGS business. The purchase price included contingent consideration, which consisted of a supply agreement with the previous owner and up to \$12,000 for various cash earn-out payments upon the achievement of certain net sales targets, both of which have expired. It also included a royalty on future net sales of certain BGS products beginning January 1, 2019 through December 31, 2023. There are no estimated contingent consideration payments remaining as of September 26, 2020.

In the normal course of business, the Company periodically becomes involved in various claims and lawsuits, and governmental proceedings and investigations that are incidental to the business. With respect to governmental proceedings and investigations, like other companies in our industry, the Company is subject to extensive regulation by national, state and local governmental agencies in the U.S. and in other jurisdictions in which the Company and its affiliates operate. As a result, interaction with governmental agencies is ongoing. The Company's standard practice is to cooperate with regulators and investigators in responding to inquiries. The outcomes of legal actions are not within the Company's complete control and may not be known for extended periods of time. Other than the matters discussed above, management of the Company, after consultation with legal counsel, does not believe there are any unrecorded matters that will have a material adverse effect upon the Company's financial statements.

9. Revenue recognition

Our policies for recognizing sales have not changed from those described in the audited consolidated financial statements of the Company. The Company attributes net sales to external customers to the U.S. and to all foreign countries based on the legal entity from which the sale originated. The following table presents our net sales by segment disaggregated by geographic markets and major product lines as follows:

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Primary geographic markets:		
U.S.	\$ 204,022	\$ 218,228
International	18,548	24,359
Total net sales	<u>\$ 222,570</u>	<u>\$ 242,587</u>
Major product lines:		
OA joint pain treatment and joint preservation	\$ 118,932	\$ 127,623
Minimally invasive fracture treatment	61,433	76,749
Bone graft substitutes	42,205	38,215
Total net sales	<u>\$ 222,570</u>	<u>\$ 242,587</u>

Contract assets and liabilities

Contract assets consist of unbilled amounts resulting from estimated future royalties from an international distributor that exceeds the amount billed and the right to payment is not solely subject to the passage of time. Contract assets totaling \$126 and \$261 as of September 26, 2020 and December 31, 2019, are included in prepaid and other current assets on the consolidated balance sheets.

Contract liabilities consist of customer advance payments or deposits and deferred revenue. Occasionally for certain international customers, the Company requires payments in advance of shipping product and recognizing revenue resulting in contract liabilities. Contract liabilities were nominal as of September 26, 2020 and December 31, 2019 and are included in accrued liabilities on the consolidated balance sheets.

[Table of Contents](#)

10. Segments

The Company's two reportable segments are U.S. and International. The Company's products are primarily sold to orthopedists, musculoskeletal and sports medicine physicians, podiatrists, neurosurgeons and orthopedic spine surgeons, as well as to their patients. The Company does not disclose segment information by asset as the CODM does not review or use it to allocate resources or to assess the operating results and financial performance.

The following table presents segment adjusted EBITDA reconciled to income from continuing operations before income taxes:

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Segment adjusted EBITDA from continuing operations		
U.S.	\$ 42,800	\$ 44,406
International	1,489	4,077
Depreciation and amortization	(21,789)	(22,972)
Interest expense	(7,095)	(13,935)
Equity compensation	(619)	(3,252)
COVID-19 benefits, net	4,158	—
Succession and transition charges	(5,345)	—
Restructuring costs	—	(540)
Foreign currency impact	58	(146)
Other non-recurring costs	(884)	(4,154)
Income from continuing operations before income taxes	<u>\$ 12,773</u>	<u>\$ 3,484</u>

11. Discontinued operations

In December 2018, the Company, under the direction and authority of the Company's Board of Managers, committed to shut down the BMP research and development program, which had been reported as a segment in previous years. Substantially, all operations, including project close documentation, contract termination, vacating the facility and ultimately the termination of the employees, ceased by March 2019 and as a result the BMP research and development program met the criteria for discontinued operations. There was no activity related to BMP during the second quarter of 2019. The Company sold the remaining \$172 held for sale asset and paid the remaining \$400 accrued liability from the BMP research and development program during the nine months ended September 26, 2020.

The following table summarizes the statement of operations information from discontinued operations:

	Nine Months Ended September 28, 2019
Research and development expense	\$ 1,626
Income tax benefit	(10)
Loss from discontinued operations, net of tax	<u>\$ 1,616</u>

12. Net income (loss) per unit

The following table presents the computation of basic and diluted net income (loss) per unit as follows:

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Net income from continuing operations attributable to unit holders	\$ 13,635	\$ 2,830
Accumulated and unpaid preferred distributions	(4,525)	(4,421)
Net income allocated to participating shareholders	(5,225)	—
Net income (loss) from continuing operations attributable to common unit holders	3,885	(1,591)
Loss from discontinued operations, net of tax	—	1,616
Net income (loss) attributable to common unit holders	\$ 3,885	\$ (3,207)
Net income (loss) per unit attributable to common unit holders—basic and diluted		
Net income (loss) from continuing operations	\$ 0.79	\$ (0.32)
Loss from discontinued operations, net of tax	—	0.33
Net income (loss) attributable to common unit holders	\$ 0.79	\$ (0.65)
Weighted average units used in computing basic and diluted net income (loss) per common unit	4,900	4,900

The computation of diluted earnings per unit for the nine months ended September 26, 2020 and September 28, 2019 excludes the effect of potential common units that would be issued upon the conversion of preferred units. The effect of these 6,590 units would be antidilutive due to the impact of the accumulated and unpaid preferred distributions as well as the Company being in a net loss position for the nine months ended September 28, 2019. These units only convert upon completion of a Distribution Event.

[Table of Contents](#)

Until _____, 2021 (25 days after the date of this prospectus), all dealers that effect transactions in our securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

7,350,000 Shares



Class A Common Stock

Prospectus

Morgan Stanley

*J.P. Morgan
Canaccord Genuity*

Goldman Sachs & Co. LLC

, 2021

PART II**Information not Required in Prospectus****Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the fees and expenses, other than the underwriting discounts and commissions, payable by the registrant in connection with the offer and sale of Class A common stock being registered. All amounts shown are estimates except for the SEC, registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and exchange listing fee.

<u>Item</u>	<u>Amount to be paid</u>
SEC registration fee	\$ 16,600
FINRA filing fee	23,322
Exchange listing fee	250,000
Printing expenses	400,000
Legal fees and expenses	2,000,000
Accounting fees and expenses	1,020,000
Transfer agent fees and expenses	25,000
Miscellaneous expenses	60,000
Total	<u>\$ 3,794,922</u>

Item 14. Indemnification of Directors and Officers.

Section 102 of the Delaware General Corporation Law of the State of Delaware, or DGCL, permits a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Our amended and restated certificate of incorporation provides that none of our directors shall be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability, except to the extent that the DGCL prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty.

Section 145 of the DGCL provides that a corporation has the power to indemnify a director, officer, employee or agent of the corporation, or a person serving at the request of the corporation for another corporation, partnership, joint venture, trust or other enterprise in related capacities against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with an action, suit or proceeding to which he or she was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of such position, if such person 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, in any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Our amended and restated bylaws provide that we will indemnify each person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an

[Table of Contents](#)

action by or in the right of us) by reason of the fact that he or she is or was, or has agreed to become, a director or officer, or, while a director or officer, is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (all such persons being referred to as an Indemnitee), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), liabilities, losses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding and any appeal therefrom, if such Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. Our amended and restated bylaws provide that we will indemnify any Indemnitee who was or is a party to or threatened to be made a party to any threatened, pending or completed action or suit by or in the right of us to procure a judgment in our favor by reason of the fact that the Indemnitee is or was, or has agreed to become, a director or officer, or, while a director or officer, is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) actually and reasonably incurred in connection with such action, suit or proceeding, and any appeal therefrom, if the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, except that no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to us, unless a court determines that, despite such adjudication but in view of all of the circumstances, he or she is entitled to indemnification of such expenses. Notwithstanding the foregoing, to the extent that any Indemnitee has been successful, on the merits or otherwise, he or she will be indemnified by us against all expenses (including attorneys' fees) actually and reasonably incurred in connection therewith. Expenses must be advanced to an Indemnitee under certain circumstances.

We have entered into indemnification agreements with each of our directors and officers. These indemnification agreements may require us, among other things, to indemnify our directors and officers for some expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or officer in any action or proceeding arising out of his or her service as one of our directors or officers, or any of our subsidiaries or any other company or enterprise to which the person provides services at our request.

We maintain a general liability insurance policy that covers certain liabilities of directors and officers of our corporation arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we enter into in connection with the sale of Class A common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers and persons who control us within the meaning of the Securities Act of 1933, as amended, or the Securities Act, against certain liabilities.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. Please read "Item 17. Undertakings" for more information on the SEC's position regarding such indemnification provisions.

Item 15. Recent sales of Unregistered Securities.

On July 15, 2016, the registrant agreed to issue ten shares of common stock, par value \$0.001 per share, to a former officer of the registrant in exchange for \$0.01, which were transferred to an officer of the registrant on September 22, 2020 and will be redeemed upon closing of this offering. The issuance was exempt from registration under Section 4(a)(2) of the Securities Act, as a transaction by an issuer not involving any public offering.

Item 16. Exhibits and Financial Statement Schedules

- (a) *Exhibits.* See the Exhibit Index attached to this registration statement, which is incorporated by reference herein.
- (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.

(a) The undersigned Registrant undertakes that 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:

- (i) Any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424 (§ 230.424 of this chapter);
- (ii) 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;
- (iii) 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
- (iv) Any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(b) The undersigned Registrant hereby undertakes to provide to 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.

(c) Insofar as indemnification for liabilities arising under the Securities Act 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 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 and will be governed by the final adjudication of such issue.

(d) The Registrant hereby further undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act 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, 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.

EXHIBIT INDEX

<u>Exhibit no.</u>	<u>Description</u>
1.1*	Form of Underwriting Agreement.
3.1*	Certificate of Incorporation of Bioventus Inc., as currently in effect.
3.2*	Form of Amended and Restated Certificate of Incorporation of Bioventus Inc., to be effective upon the closing of this offering.
3.3*	Bylaws of Bioventus Inc., as currently in effect.
3.4*	Form of Amended and Restated Bylaws of Bioventus Inc., to be effective upon the closing of this offering.
4.1*	Specimen Stock Certificate evidencing the shares of Class A common stock.
5.1*	Opinion of Latham & Watkins LLP.
10.1*	Form of Tax Receivable Agreement, to be effective upon the closing of this offering.
10.2	Form of Registration Rights Agreement, to be effective upon the closing of this offering.
10.3*	Amended and Restated Limited Liability Company Agreement of Bioventus LLC, as amended, as currently in effect.
10.4	Form of Second Amended and Restated Bioventus LLC Limited Liability Company Agreement, to be effective upon the closing of this offering.
10.5*†	Amended and Restated License Agreement, dated as of December 9, 2016, by and between Bioventus LLC, Q-Med AB and Nestlé Skin Health S.A.
10.6*†	Amended and Restated Supply Agreement, dated as of December 9, 2016, by and between Bioventus LLC and Q-Med AB.
10.7*†	Exclusive License, Supply and Distribution Agreement, dated as of February 9, 2016, by and between IBSA Institut Biochimique SA (Switzerland) and Bioventus LLC.
10.7(a)*†	Amendment No. 1 to Exclusive License, Supply and Distribution Agreement, dated as of December 31, 2018, by and between IBSA Institut Biochimique SA (Switzerland) and Bioventus LLC.
10.7(b)*†	Amendment No. 2 to Exclusive License, Supply and Distribution Agreement, dated as of December 31, 2020, by and between IBSA Institut Biochimique SA (Switzerland) and Bioventus LLC.
10.8	Form of Stockholders Agreement, to be effective upon the closing of this offering.
10.9*†	Amended and Restated Exclusive Distribution Agreement No. 2 by and between Seikagaku Corporation and Bioventus LLC, effective December 22, 2020.
10.10*+	Option and Equity Purchase Agreement, dated as of July 15, 2020, among Bioventus LLC, CartiHeal (2009) Ltd., the Securityholders set forth on Schedule 1.01(a) thereto, each of the Securityholders from time to time party thereto and Elron Electronic Industries Ltd., in its capacity as the Securityholder Representative.
10.11*+	Credit and Guaranty Agreement, dated as of December 6, 2019, among Bioventus LLC, Wells Fargo Bank, N.A., as administrative agent, and the lenders thereto.
10.12*#	Bioventus LLC Management Incentive Plan.
10.13*#	Bioventus LLC Phantom Profits Interest Plan, as amended and restated.

Table of Contents

<u>Exhibit no.</u>	<u>Description</u>
10.14*#	<u>Management Incentive Plan Award Agreement, dated as of December 2, 2013, by and between Bioventus LLC and Anthony P. Bihl III.</u>
10.15*#	<u>Phantom Profits Interest Plan Award Agreement, dated as of April 21, 2016, by and between Bioventus LLC and Anthony P. Bihl III.</u>
10.16*#	<u>Phantom Profits Interest Plan Award Agreement, dated as of September 17, 2018, by and between Bioventus LLC and Anthony P. Bihl III.</u>
10.17*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of January 1, 2016, by and between Bioventus LLC and William A. Hawkins.</u>
10.18*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of October 9, 2018, by and between Bioventus LLC and Susan M. Stalnecker.</u>
10.19*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of June 25, 2020, by and between Bioventus LLC and Kenneth M. Reali.</u>
10.20*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of April 4, 2016, by and between Bioventus LLC and Gregory O. Anglum.</u>
10.21*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of October 27, 2017, by and between Bioventus LLC and Gregory O. Anglum.</u>
10.22*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of September 17, 2018, by and between Bioventus LLC and Gregory O. Anglum.</u>
10.23*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of February 6, 2017, by and between Bioventus LLC and John E. Nosenzo.</u>
10.24*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of September 17, 2018, by and between Bioventus LLC and John E. Nosenzo.</u>
10.25*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of July 22, 2013, by and between Bioventus LLC and Alessandra Pavesio.</u>
10.26*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of June 1, 2015, by and between Bioventus LLC and Alessandra Pavesio.</u>
10.27*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of April 21, 2016, by and between Bioventus LLC and Alessandra Pavesio.</u>
10.28*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of September 17, 2018, by and between Bioventus LLC and Alessandra Pavesio.</u>
10.29*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of October 27, 2017, by and between Bioventus LLC and Anthony D'Adamio.</u>
10.30*#	<u>Phantom Profits Interests Plan Award Agreement, dated as of September 17, 2018, by and between Bioventus LLC and Anthony D'Adamio.</u>
10.31*#	<u>Employment Letter, dated as of June 13, 2013, by and between Bioventus LLC and Alessandra Pavesio.</u>
10.32*#	<u>Employment Letter, dated as of November 4, 2013, by and between Bioventus LLC and Anthony P. Bihl III.</u>
10.32(a)*#	<u>Amendment to Employment Letter, dated as of October 17, 2019, by and between Bioventus LLC and Anthony P. Bihl III.</u>
10.33*#	<u>Director Offer Letter, dated as of December 11, 2015, by and between Bioventus LLC and William A. Hawkins.</u>

Table of Contents

<u>Exhibit no.</u>	<u>Description</u>
10.34*#	<u>Employment Letter, dated as of November 18, 2016, by and between Bioventus LLC and John E. Nosenzo.</u>
10.35*#	<u>Retention Letter, dated April 13, 2020, by and between Bioventus LLC and John E. Nosenzo.</u>
10.36*#	<u>Employment Letter, dated as of July 11, 2017, by and between Bioventus LLC and Anthony D'Adamio.</u>
10.37*#	<u>Employment Letter, dated as of August 2, 2017, by and between Bioventus LLC and Gregory O. Anglum.</u>
10.38*#	<u>Director Offer Letter, dated as of October 3, 2018, by and between Bioventus LLC and Susan M. Stalnecker.</u>
10.39*#	<u>Employment Letter, dated as of March 12, 2020, by and between Bioventus LLC and Kenneth M. Reali.</u>
10.40*#	<u>Amendment to Employment Letter, dated as of April 24, 2020, by and between Bioventus LLC and Kenneth M. Reali.</u>
10.41*#	<u>Payout Agreement Letter, dated as of June 12, 2020, by and between Bioventus LLC and Anthony P. Bihl, III.</u>
10.42*#	<u>Phantom Profits Interest Plan Award Agreement, dated as of June 25, 2020, by and between Bioventus LLC and Kenneth M. Reali.</u>
10.43*#	<u>Option Letter, dated as of July 30, 2020, by and between Bioventus LLC and Kenneth M. Reali.</u>
10.44*#	<u>Form of 2021 Employee Stock Purchase Plan.</u>
10.45#	<u>Form of 2021 Incentive Award Plan.</u>
10.46*	<u>Form of Indemnification Agreement.</u>
10.47#	<u>Form of Stock Option Award Grant Notice and Stock Option Agreement.</u>
10.48#	<u>Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Agreement.</u>
10.49#	<u>Amendment and Termination of the Bioventus Stock Plan, dated as of February 9, 2021.</u>
10.50#	<u>Assignment and Assumption Agreement, dated February 9, 2021, by and between Bioventus Inc. and Bioventus LLC.</u>
10.51#	<u>Bioventus Inc. Non-Employee Director Compensation Policy.</u>
10.52#	<u>Employment Agreement, dated February 9, 2021, by and among Bioventus Inc., Bioventus LLC and Kenneth Reali.</u>
10.53#	<u>Employment Agreement, dated February 9, 2021, by and among Bioventus Inc., Bioventus LLC and Gregory O. Anglum.</u>
10.54#	<u>Employment Agreement, dated February 9, 2021, by and among Bioventus Inc., Bioventus LLC and John E. Nosenzo.</u>
10.55#	<u>Employment Agreement, dated February 9, 2021, by and among Bioventus Inc., Bioventus LLC and Anthony D'Adamio.</u>
10.56#	<u>Employment Agreement, dated February 9, 2021, by and among Bioventus Inc., Bioventus LLC and Alessandra Pavesio.</u>
10.57#	<u>Option Forfeiture Letter, dated February 3, 2021, by and between Bioventus LLC and Kenneth Reali.</u>
16.1*	<u>Letter from PricewaterhouseCoopers LLP.</u>

Table of Contents

<u>Exhibit no.</u>	<u>Description</u>
21.1*	List of subsidiaries of Bioventus Inc.
23.1	Consent of Grant Thornton LLP.
23.2	Consent of PricewaterhouseCoopers LLP.
23.3*	Consent of Latham & Watkins LLP (included in Exhibit 5.1).
24.1*	Power of Attorney.

* Previously filed.

Indicates management contract or compensatory plan.

† Certain portions of this exhibit have been omitted pursuant to Regulation S-K, Item (601)(b)(10).

+ Schedules omitted pursuant to Item 601(a)(5) of Regulation S-K. Bioventus Inc. agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Durham, North Carolina, on this 10th day of February, 2021.

Bioventus Inc.

By: /s/ Kenneth M. Reali

Name: Kenneth M. Reali

Title: Chief Executive Officer and Director

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 10, 2021:

<u>Name</u>	<u>Title</u>
<u>/s/ Kenneth M. Reali</u> Kenneth M. Reali	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Gregory O. Anglum</u> Gregory O. Anglum	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>*</u> William A. Hawkins III	Chairman
<u>*</u> Phillip G. Cowdy	Director
<u>*</u> Guido J. Neels	Director
<u>*</u> Guy P. Nohra	Director
<u>*</u> David J. Parker	Director
<u>*</u> Susan M. Stalnecker	Director
<u>*</u> Martin P. Sutter	Director
By: <u>/s/ Kenneth M. Reali</u> Kenneth M. Reali Attorney-in-fact	

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this “**Agreement**”) is made as of [●], 2021, by and among Bioventus Inc., a Delaware corporation (the “**Corporation**”), and each Person identified on the Schedule of Investors attached hereto as of the date hereof (such Persons, collectively, the “**Original LLC Owners**”).

RECITALS

WHEREAS, the Corporation is contemplating an offer and sale of its shares of Class A common stock, par value \$0.001 per share (the “**Class A Common Stock**” and such shares, the “**Shares**”), to the public in an underwritten initial public offering (the “**IPO**”);

WHEREAS, the Corporation desires to use a portion of the net proceeds from the IPO to purchase Common Units (as defined below) of Bioventus, LLC, a Delaware limited liability company (the “**Company**”), and the Company desires to issue its Common Units to the Corporation in exchange for such portion of the net proceeds from the IPO;

WHEREAS, immediately prior to the consummation of the issuances of Common Units by the Company to the Corporation, the Original LLC Owners are the sole members of Bioventus LLC, a Delaware limited liability company (the “**Company**”);

WHEREAS, immediately prior to or simultaneous with the purchase by the Corporation of the Common Units, the Corporation, the Company and the Original LLC Owners will enter into that certain Second Amended and Restated Limited Liability Company Agreement of the Company (such agreement, as it may be amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**LLC Agreement**”);

WHEREAS, in connection with the closing of the IPO, (i) the Corporation will become the sole managing member of the Company, (ii) under the LLC Agreement, the existing membership interests of the Original LLC Owners in the Company will be exchanged for the Common Units of the Company (the “**Common Units**”), (iii) each Person identified on the Schedule of Investors attached hereto as a “Former LLC Owner” (such Persons, collectively, the “**Former LLC Owners**”) will exchange their indirect ownership interest for shares of Class A Common Stock, (iv) each Person identified on the Schedule of Investors attached hereto as a “Continuing LLC Owner” (such Persons, collectively, the “**Continuing LLC Owners**”) will become a non-managing member of the Company holding Common Units in the Company, and (v) in consideration of the Corporation acquiring the Common Units and becoming the managing member of the Company, among other things, the Company has provided the Continuing LLC Owners with a redemption right pursuant to which the Continuing LLC Owners may exchange each of their Common Units (together with a share of the Corporation’s Class B Common Stock, par value \$0.001 per share (the “**Class B Common Stock**”)) for a newly-issued share of Class A Common Stock; and

WHEREAS, in connection with the IPO and the transactions described above, the Corporation has agreed to grant to the Holders (as defined below) certain rights with respect to the registration of the Registrable Securities (as defined below) on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1:

“Acquired Common” has the meaning set forth in Section 9.

“Additional Investor” has the meaning set forth in Section 9, and shall be deemed to include each such Person’s Affiliates, immediate family members, heirs, successors and assigns who may succeed to such Person as a Holder hereunder.

“Affiliate” of any Person means any other Person controlled by, controlling or under common control with such Person; *provided* that the Corporation and its Subsidiaries shall not be deemed to be Affiliates of any Holder. As used in this definition, “control” (including, with its correlative meanings, “controlling,” “controlled by” and “under common control with”) shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities, by contract or otherwise).

“Agreement” has the meaning set forth in the preamble.

“Automatic Shelf Registration Statement” has the meaning set forth in Section 2(a).

“Business Day” means any day of the year on which national banking institutions in New York are open to the public for conducting business and are not required or authorized to close.

“Capital Stock” means (i) with respect to any Person that is a corporation, any and all shares, interests or equivalents in capital stock of such corporation (whether voting or nonvoting and whether common or preferred), (ii) with respect to any Person that is not a corporation, individual or governmental entity, any and all partnership, membership, limited liability company or other equity interests of such Person that confer on the holder thereof the right to receive a share of the profits and losses of, or the distribution of assets of the issuing Person, and (iii) any and all warrants, rights (including conversion and exchange rights) and options to purchase any security described in the clause (i) or (ii) above.

“Class A Common Stock” has the meaning set forth in the recitals.

“Class B Common Stock” has the meaning set forth in the recitals.

“Common Units” has the meaning set forth in the recitals.

“Company” has the meaning set forth in the recitals.

“Continuing LLC Owners” has the meaning set forth in the recitals, and shall be deemed to include their respective Affiliates, immediate family members, heirs, successors and assigns who may succeed to such Person as a Holder hereunder.

“Controlling Holder” means each of (i) the Essex Stockholders and (ii) the S&N Stockholders (in each case, as identified on the Schedule of Investors), so long as such Holders continue to hold Registrable Securities.

“Corporation” has the meaning set forth in the preamble.

“Demand Registrations” has the meaning set forth in Section 2(a).

“End of Suspension Notice” has the meaning set forth in Section 2(i)(iii).

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended from time to time, or any successor federal law then in force, together with all rules and regulations promulgated thereunder.

“FINRA” means the Financial Industry Regulatory Authority.

“Former LLC Owners” has the meaning set forth in the recitals, and shall be deemed to include their respective Affiliates, immediate family members, heirs, successors and assigns who may succeed to such Person as a Holder hereunder.

“Free Writing Prospectus” means a free-writing prospectus, as defined in Rule 405.

“Holdback Period” has the meaning set forth in Section 4.

“Holder” means any Person who is the registered holder of Registrable Securities and deemed to be a “Holder” pursuant to the definition of Registrable Securities below.

“Holder Indemnified Parties” has the meaning set forth in Section 7(a).

“IPO” has the meaning set forth in the recitals.

“Joinder” has the meaning set forth in Section 9.

“LLC Agreement” has the meaning set forth in the recitals.

“Long-Form Registrations” has the meaning set forth in Section 2(a).

“MNPI” means material non-public information within the meaning of Regulation FD promulgated under the Exchange Act.

“Original LLC Owners” has the meaning set forth in the preamble, and shall be deemed to include their respective Affiliates, immediate family members, heirs, successors and assigns who may succeed to such Person as a Holder hereunder.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

“Piggyback Registrations” has the meaning set forth in Section 3(a).

“Public Offering” means any sale or distribution to the public of Capital Stock of the Corporation pursuant to an offering registered under the Securities Act, whether by the Corporation, by Holders and/or by any other holders of the Corporation’s Capital Stock.

“Registrable Securities” means (i) any Class A Common Stock (A) issued by the Corporation in connection with the IPO in exchange for the Common Units of the Former LLC Owners or (B) issued by the Corporation in a Share Settlement in connection with (x) the redemption by the Company of Common Units owned by any Continuing LLC Owner or (y) at the election of the Corporation, in a direct exchange for Common Units owned by any Continuing LLC Owner, in each case in accordance with the terms of the LLC Agreement, (ii) any common Capital Stock of the Corporation or of any Subsidiary of the Corporation issued or issuable with respect to the securities referred to in clause (i) above by way of dividend, distribution, split or combination of securities, or any recapitalization, merger, consolidation or other reorganization, and (iii) any other Shares owned by Persons that are the registered holders of securities described in clauses (i) or (ii) above.

As to any particular Registrable Securities owned by any Person, such securities shall cease to be Registrable Securities on the date (a) such securities have been sold or distributed pursuant to a Public Offering, (b) such securities have been sold in compliance with Rule 144 following the consummation of the IPO, (c) such securities have been repurchased by the Corporation or a Subsidiary of the Corporation or (d) such securities may be disposed of pursuant to Rule 144 (or any successor rule promulgated under the Securities Act) in a single transaction without volume limitation or other restrictions on transfer thereunder.

For purposes of this Agreement, a Person shall be deemed to be a Holder, and the Registrable Securities shall be deemed to be in existence, whenever such Person has the right to acquire, directly or indirectly, such Registrable Securities (upon conversion or exercise in connection with a transfer of securities or otherwise, but disregarding any restrictions or limitations upon the exercise of such right), whether or not such acquisition has actually been effected, and such Person shall be entitled to exercise the rights of a holder of Registrable Securities hereunder; *provided* a holder of Registrable Securities may only request that Registrable Securities in the form of Capital Stock of the Corporation that is registered or to be registered as a class under Section 12 of the Exchange Act be registered pursuant to this Agreement. For the avoidance of doubt, while Common Units and/or shares of Class B Common Stock may constitute Registrable Securities, under no circumstances shall the Corporation be obligated to register Common Units or shares of Class B Common Stock. Notwithstanding the foregoing, with the consent of the Corporation and the Controlling Holders, any Registrable Securities held by any Person that may be sold under Rule 144(b)(1)(i) without limitation under any other of the requirements of Rule 144 shall not be deemed to be Registrable Securities upon notice from the Corporation to such Person and the Corporation shall, at such Person’s request, remove the legend provided for in Section 12.

“Registration Expenses” has the meaning set forth in Section 6(a).

“Rule 144,” “Rule 158,” “Rule 405” and **“Rule 415”** mean, in each case, such rule promulgated under the Securities Act (or any successor provision) by the Securities and Exchange Commission, as the same shall be amended from time to time, or any successor rule then in force.

“**Schedule of Investors**” means the schedule attached to this Agreement entitled “Schedule of Investors”, which shall reflect each Holder from time to time party to this Agreement.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended from time to time, or any successor federal law then in force, together with all rules and regulations promulgated thereunder.

“**Share Settlement**” means “Share Settlement” as defined in the LLC Agreement.

“**Shares**” has the meaning set forth in the recitals.

“**Shelf Offering**” has the meaning set forth in Section 2(g)(ii).

“**Shelf Offering Notice**” has the meaning set forth in Section 2(g)(ii).

“**Shelf Offering Request**” has the meaning set forth in Section 2(g)(ii).

“**Shelf Registrable Securities**” has the meaning set forth in Section 2(g)(ii).

“**Shelf Registration**” has the meaning set forth in Section 2(a).

“**Shelf Registration Statement**” has the meaning set forth in Section 2(g)(i).

“**Short-Form Registrations**” has the meaning set forth in Section 2(a).

“**Subsidiary**” means, with respect to the Corporation, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of Capital Stock of such Person entitled (without regard to the occurrence of any contingency) to vote in the election of directors is at the time owned or controlled, directly or indirectly, by the Corporation, or (ii) if a limited liability company, partnership, association or other business entity, either (x) a majority of the Capital Stock of such Person entitled (without regard to the occurrence of any contingency) to vote in the election of managers, general partners or other oversight board vested with the authority to direct management of such Person is at the time owned or controlled, directly or indirectly, by the Corporation or (y) the Corporation or one of its Subsidiaries is the sole manager or general partner of such Person.

“**Suspension Event**” has the meaning set forth in Section 2(i)(ii).

“**Suspension Notice**” has the meaning set forth in Section 2(i)(ii).

“**Suspension Period**” has the meaning set forth in Section 2(i)(i).

“**Underwritten Takedown**” has the meaning set forth in Section 2(g)(ii).

“**Violation**” has the meaning set forth in Section 7(a).

“**WKSI**” means a “well-known seasoned issuer” as defined under Rule 405.

Section 2. Demand Registrations.

(a) Requests for Registration. Subject to the terms and conditions of this Agreement, each Controlling Holder may request registration under the Securities Act of all or any portion of its Registrable Securities on Form S-1 or any similar long-form registration (“**Long-Form Registrations**”), and each Controlling Holder may request registration under the Securities Act of all or any portion of its Registrable Securities on Form S-3 or any similar short-form registration (“**Short-Form Registrations**”) if available. The Controlling Holder making a Demand Registration may request that the registration be made pursuant to Rule 415 under the Securities Act (a “**Shelf Registration**”) and, if the Corporation is a WKSI at the time any request for a Demand Registration is submitted to the Corporation, that such Shelf Registration be an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) (an “**Automatic Shelf Registration Statement**”). All registrations requested pursuant to this Section 2(a) are referred to herein as “**Demand Registrations**.”

(b) Long-Form Registrations. Each Controlling Holder shall be entitled to request an unlimited number of Long-Form Registrations (and the Corporation shall pay all Registration Expenses relating to such Long-Form Registrations), regardless of whether any registration statement is filed or any such Demand Registration is consummated. All Long-Form Registrations shall be underwritten registrations unless otherwise approved by the applicable Controlling Holder.

(c) Short-Form Registrations. In addition to the Long-Form Registrations described in Section 2(b), each Controlling Holder shall be entitled to request an unlimited number of Short-Form Registrations (and the Corporation shall pay all Registration Expenses relating to such Short-Form Registrations), regardless of whether any registration statement is filed or any such Demand Registration is consummated. Demand Registrations shall be Short-Form Registrations whenever the Corporation is permitted to use any applicable short form and if the managing underwriters (if any) agree to the use of a Short-Form Registration. After the Corporation has become subject to the reporting requirements of the Exchange Act, the Corporation shall use its reasonable best efforts to make Short-Form Registrations available for the sale of Registrable Securities.

(d) Notice of Demand Registration. Except to the extent that Section 2(g) applies, within 10 days after the receipt of a request for a Demand Registration (and at least 20 days prior to any filing of the registration statement relating to such Demand Registration), the Corporation shall give written notice of the Demand Registration to all other Holders (the “**DR Notice**”) and, subject to the terms of Section 2(h), shall include in such Demand Registration (and in all related registrations and qualifications under state blue sky laws and in any related underwriting) all Registrable Securities with respect to which the Corporation has received written requests for inclusion therein within 10 days after the DR Notice given by the Corporation under this Section 2(d).

(e) Effecting of Registration. Upon receipt of a request for a Demand Registration, the Corporation shall use its reasonable best efforts to, as soon as practicable and in any event within ninety (90) days of such receipt, in the case of any Long-Form Registration or within forty-five (45) days of such receipt, in the case of a Short-Form Registration, effect such registration (which shall, in the case of a secondary offering, be on Form S-3 if the Company is qualified for registration on Form S-3 at such time) (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualifications under applicable blue sky or other state securities laws and appropriate compliance with applicable regulations issued under the Securities Act) as may be so requested and as would permit or facilitate the sale and distribution of all of such Registrable Shares as are specified in such Demand Registration, together with all or such portion of the Registrable Securities provided for under Section 2(d) hereof.

(f) DR Notice Constitutes MNPI. Each Holder agrees that (1) any such DR Notice constitutes MNPI and that it will not engage in any transaction in any securities of the Corporation until such DR Notice and the information contained therein ceases to constitute MNPI and (2) such Holder shall treat as confidential the receipt of the DR Notice and shall not disclose or use the information contained in such DR Notice without the prior written consent of the Corporation until such time as the information contained therein is or becomes available to the public generally, other than as a result of disclosure by the Holder in breach of the terms of this Agreement.

(g) Shelf Registrations.

(i) Shelf Registration Statement. At any time and from time to time when the Company is eligible to utilize a Shelf Registration, subject to the availability of required financial information, as promptly as practicable after the Corporation receives written notice of a request for a Shelf Registration, the Corporation shall file with the Securities and Exchange Commission a registration statement under the Securities Act for the Shelf Registration (a "**Shelf Registration Statement**"). The Corporation shall use its reasonable best efforts to cause any Shelf Registration Statement to be declared effective under the Securities Act as soon as practicable after the initial filing of such Shelf Registration Statement, and once effective, the Corporation shall cause such Shelf Registration Statement to remain continuously effective for such time period as is specified in the request by the Holders, but for no time period longer than the period ending on the earliest of (A) the third anniversary of the initial effective date of such Shelf Registration Statement, (B) the date on which all Registrable Securities covered by such Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement, and (C) the date as of which there are no longer any Registrable Securities covered by such Shelf Registration Statement in existence. Without limiting the generality of the foregoing, the Corporation shall use its reasonable best efforts to prepare a Shelf Registration Statement with respect to all of the Registrable Securities owned by or issuable to the Original LLC Owners in accordance with the terms of the LLC Agreement (or such other number of Registrable Securities specified in writing by the Holder with respect to the Registrable Securities owned by or issuable to such Holder) to enable and cause such Shelf Registration Statement to be filed and maintained with the Securities and Exchange Commission as soon as practicable after the later to occur of (i)

the expiration of the Holdback Period and (ii) the Corporation becoming eligible to file a Shelf Registration Statement for a Short-Form Registration; provided that any of the Original LLC Owners may, with respect to itself, instruct the Corporation in writing not to include in such Shelf Registration Statement the Registrable Securities owned by or issuable to such Holder. In order for any of the Original LLC Owners to be named as a selling securityholder in such Shelf Registration Statement, the Corporation may require such Holder to deliver all information about such Holder that is required to be included in such Shelf Registration Statement in accordance with applicable law, including Item 507 of Regulation S-K promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto. Notwithstanding anything to the contrary in Section 2(g)(ii), any Holder that is named as a selling securityholder in such Shelf Registration Statement may make a secondary resale under such Shelf Registration Statement without the consent of the Holders representing a majority of the Registrable Securities or any other Holder if such resale does not require a supplement to the Shelf Registration Statement.

(ii) Underwritten Takedowns. In the event that a Shelf Registration Statement is effective Holders representing the Registrable Securities with a market value of at least \$50 million shall each have the right at any time or from time to time to elect to sell pursuant to an offering (including an underwritten offering (an "**Underwritten Takedown**")) Registrable Securities available for sale pursuant to such registration statement ("**Shelf Registrable Securities**"), so long as the Shelf Registration Statement remains in effect, and the Corporation shall pay all Registration Expenses in connection therewith; *provided* that each Controlling Holder shall have the right at any time and from time to time to elect to sell pursuant to an offering (including an Underwritten Takedown) pursuant to a Shelf Offering Request (as defined below) made by such Controlling Holder so long as the amount of Registrable Securities requested to be included in such Shelf Offering Request (including any Registrable Securities included pursuant to the third succeeding sentence) is reasonably expected to result in aggregate gross proceeds in excess of \$5 million. The applicable Holders shall make such election by delivering to the Corporation a written request (a "**Shelf Offering Request**") for such offering specifying the number of Shelf Registrable Securities that such Holders desire to sell pursuant to such offering (the "**Shelf Offering**"). As promptly as practicable, but no later than two Business Days after receipt of a Shelf Offering Request, the Corporation shall give written notice (the "**Shelf Offering Notice**") of such Shelf Offering Request to all other holders of Shelf Registrable Securities. The Corporation, subject to Sections 2(h) and 8 hereof, shall include in such Shelf Offering the Shelf Registrable Securities of any other Holder that shall have made a written request to the Corporation for inclusion in such Shelf Offering (which request shall specify the maximum number of Shelf Registrable Securities intended to be sold by such Holder) within 10 days after the receipt of the Shelf Offering Notice. The Corporation shall, as expeditiously as possible (and in any event within 20 days after the receipt of a Shelf Offering Request, unless a longer period is agreed to by the Holders representing a majority of the Registrable Securities that made the Shelf Offering Request), use its reasonable best efforts to facilitate such Shelf Offering.

(iii) Shelf Offering Notice Constitutes MNPI. Each Holder agrees that (1) any Shelf Offering Notice constitutes MNPI and that it will not engage in any transaction in any securities of the Corporation until such Shelf Offering Notice and the information contained therein ceases to constitute MNPI and (2) such Holder shall treat as confidential the receipt of the Shelf Offering Notice and shall not disclose or use the information contained in such Shelf Offering Notice without the prior written consent of the Corporation until such time as the information contained therein is or becomes available to the public generally, other than as a result of disclosure by the Holder in breach of the terms of this Agreement.

(iv) Underwritten Block Trades. Notwithstanding the foregoing, if a Controlling Holder wishes to engage in an underwritten block trade pursuant to a Shelf Registration Statement (either through filing an Automatic Shelf Registration Statement or through a take-down from an existing Shelf Registration Statement), then notwithstanding the foregoing time periods, such Holder(s) only need to notify the Corporation of the block trade Shelf Offering two Business Days prior to the day such offering is to commence (unless a longer period is agreed to by Holder(s) representing a majority of the Registrable Securities wishing to engage in the underwritten block trade) and the Corporation shall promptly notify other Holders and such other Holders must elect whether or not to participate by the next Business Day (*i.e.*, one Business Day prior to the day such offering is to commence) (unless a longer period is agreed to by Holder(s) representing a majority of the Registrable Securities wishing to engage in the underwritten block trade) and the Corporation shall as expeditiously as possible use its reasonable best efforts to facilitate such offering (which may close as early as three Business Days after the date it commences); *provided* that Holder(s) representing a majority of the Registrable Securities wishing to engage in the underwritten block trade shall use commercially reasonable best efforts to work with the Corporation and the underwriters prior to making such request in order to facilitate preparation of the registration statement, prospectus and other offering documentation related to the underwritten block trade.

(v) The Corporation shall, at the request of Holders representing a majority of the Registrable Securities covered by a Shelf Registration Statement, file any prospectus supplement or, if the applicable Shelf Registration Statement is an Automatic Shelf Registration Statement, any post-effective amendments and otherwise take any action necessary to include therein all disclosure and language deemed necessary or advisable by such Holders to effect such Shelf Offering.

(h) Priority on Demand Registrations and Shelf Offerings. The Corporation shall not include in any Demand Registration or Shelf Offering any securities that are not Registrable Securities without the prior written consent of Holders representing a majority of the Registrable Securities included in such registration or offering. If a Demand Registration or a Shelf Offering is an underwritten offering and the managing underwriters advise the Corporation in writing that in their opinion the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such offering exceeds the number of Registrable Securities and other securities, if any, that can be sold therein without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, the Corporation shall include in

such registration or offering, as applicable, prior to the inclusion of any securities which are not Registrable Securities the number of Registrable Securities requested by Holders to be included that, in the opinion of such underwriters, can be sold, without any such adverse effect, pro rata among the respective Holders thereof on the basis of the amount of Registrable Securities owned by each such Holder that such Holder of Registrable Securities shall have requested to be included therein. Alternatively, if the number of Registrable Securities which can be included on a Shelf Registration Statement is otherwise limited by Instruction I.B.6 to Form S-3 (or any successor provision thereto), the Corporation shall include in such registration or offering prior to the inclusion of any securities which are not Registrable Securities the number of Registrable Securities requested to be included which can be included on such Shelf Registration Statement in accordance with the requirements of Form S-3, pro rata among the respective Holders thereof on the basis of the amount of Registrable Securities owned by each such Holder that such Holder of Registrable Securities shall have requested to be included therein.

(i) Restrictions on Demand Registration and Shelf Offerings.

(i) Limitations on Demand Registrations; Suspension of Registration. The Corporation shall not be obligated to effect any Demand Registration (i) prior to the 180th day following the date of the final prospectus for the IPO (unless not prohibited under the terms of the underwriting agreement for the IPO) or (ii) within 180 days after the effective date of a previous Demand Registration or a previous registration in which Registrable Securities were included pursuant to Section 3 and in which there was no reduction in the number of Registrable Securities requested to be included. The Corporation may postpone, for up to 60 days from the date of the request, the filing or the effectiveness of a registration statement for a Demand Registration or suspend the use of a prospectus that is part of a Shelf Registration Statement for up to 60 days from the date of the Suspension Notice (as defined below) and therefore suspend sales of the Shelf Registrable Securities (such period, the “**Suspension Period**”) by providing written notice to the Holders if (A) the Corporation shall have furnished to the Holders a certificate signed by the Chief Executive Officer (or other authorized officer) of the Corporation stating that the board of directors determines in its reasonable good faith judgment that the offer or sale of Registrable Securities would reasonably be expected to have a material adverse effect on any proposal or plan by the Corporation or any Subsidiary to engage in any material acquisition of assets or stock (other than in the ordinary course of business) or any material merger, consolidation, tender offer, recapitalization, reorganization or other transaction involving the Corporation or any Subsidiary, (B) upon advice of counsel, the sale of Registrable Securities pursuant to the registration statement would require disclosure of MNPI not otherwise required to be disclosed under applicable law, and (C) either (x) the Corporation has a bona fide business purpose for preserving the confidentiality of such transaction or (y) disclosure of such MNPI would have a material adverse effect on the Corporation or the Corporation’s ability to consummate such transaction; *provided* that in such event, the Holders shall be entitled to withdraw such request for a Demand Registration or underwritten Shelf Offering and the Corporation shall pay all Registration Expenses in connection with such Demand Registration or Shelf Offering. The Corporation may postpone the filing or the effectiveness of a registration statement for a Demand Registration or suspend the use of a prospectus that is part of a Shelf Registration Statement as contemplated above only once in any twelve-month period, except with the consent of the applicable Controlling Holder.

(ii) Suspension Event; Suspension Notice. In the case of an event that causes the Corporation to suspend the use of a Shelf Registration Statement as set forth in paragraph (f)(i) above or pursuant to applicable subsections of Section 5(a)(vi) (a “**Suspension Event**”), the Corporation shall give a notice to the Holders of Registrable Securities registered pursuant to such Shelf Registration Statement (a “**Suspension Notice**”) to suspend sales of the Registrable Securities and such notice shall state generally the basis for the notice and that such suspension shall continue only for so long as the Suspension Event or its effect is continuing. If the basis of such suspension is nondisclosure of MNPI, the Corporation shall not be required to disclose the subject matter of such MNPI to Holders. A Holder shall not effect any sales of the Registrable Securities pursuant to such Shelf Registration Statement (or such filings) at any time after it has received a Suspension Notice from the Corporation and prior to receipt of an End of Suspension Notice (as defined below).

(iii) Suspension Notice Constitutes MNPI. Each Holder agrees that (1) any Suspension Notice constitutes MNPI and that it will not engage in any transaction in any securities of the Corporation until such notice and the information contained therein ceases to constitute MNPI and (2) such Holder shall treat as confidential the receipt of the Suspension Notice and shall not disclose or use the information contained in such Suspension Notice without the prior written consent of the Corporation until such time as the information contained therein is or becomes available to the public generally, other than as a result of disclosure by the Holder in breach of the terms of this Agreement. Holders may recommence effecting sales of the Registrable Securities pursuant to the Shelf Registration Statement (or such filings) following further written notice to such effect (an “**End of Suspension Notice**”) from the Corporation, which End of Suspension Notice shall be given by the Corporation to the Holders and their counsel, if any, promptly following the conclusion of any Suspension Event.

(iv) Extension Following Suspension. Notwithstanding any provision herein to the contrary, if the Corporation gives a Suspension Notice with respect to any Shelf Registration Statement pursuant to this Section 2(i), the Corporation agrees that it shall (A) extend the period of time during which such Shelf Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from the date of receipt by the Holders of the Suspension Notice to and including the date of receipt by the Holders of the End of Suspension Notice, and (B) provide copies of any supplemented or amended prospectus necessary to resume sales, with respect to each Suspension Event; *provided* that such period of time shall not be extended beyond the date that there are no longer Registrable Securities covered by such Shelf Registration Statement.

(j) Selection of Underwriters. Holders representing a majority of the Registrable Securities being registered by the Controlling Holders in any Demand Registration, shall have the right to select the investment banker(s) and manager(s) to administer the offering (including assignment of titles), subject to the Corporation’s approval not be unreasonably withheld,

conditioned or delayed. If any Shelf Offering is an Underwritten Takedown, the Holders representing a majority of the Registrable Securities participating in such Underwritten Takedown shall have the right to select the investment banker(s) and manager(s) to administer the offering relating to such Shelf Offering (including assignment of titles), subject to the Corporation's approval not be unreasonably withheld, conditioned or delayed.

(k) Other Registration Rights. The Corporation represents and warrants that it is not a party to, or otherwise subject to, any other agreement granting registration rights to any other Person with respect to any securities of the Corporation. Except as provided in this Agreement, the Corporation shall not grant to any Persons the right to request the Corporation or any Subsidiary to register any Capital Stock of the Corporation or of any Subsidiary, or any securities convertible or exchangeable into or exercisable for such securities, without the prior written consent of the applicable Controlling Holder.

Section 3. Piggyback Registrations.

(a) Right to Piggyback. Following the IPO, whenever the Corporation proposes to register any of its securities under the Securities Act (other than (i) pursuant to a Demand Registration, (ii) in connection with registrations on Form S-4 or S-8 promulgated by the Securities and Exchange Commission or any successor or similar forms or (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of Registrable Securities) and the registration form to be used may be used for the registration of Registrable Securities (a "**Piggyback Registration**"), the Corporation shall give prompt written notice (in any event within three Business Days after its receipt of notice of any request for registration on behalf of holders of the Company's securities (other than the Holders)) to all Holders of its intention to effect such Piggyback Registration and, subject to the terms of Section 3(c) and Section 3(d), shall include in such Piggyback Registration (and in all related registrations or qualifications under blue sky laws and in any related underwriting) all Registrable Securities with respect to which the Corporation has received written requests for inclusion therein within 20 days after delivery of the Corporation's notice.

(b) Piggyback Expenses. The Registration Expenses of the Holders shall be paid by the Corporation in all Piggyback Registrations, whether or not any such registration became effective.

(c) Priority on Primary Registrations. If a Piggyback Registration is an underwritten primary registration on behalf of the Corporation, and the managing underwriters advise the Corporation in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, the Corporation shall include in such registration (i) first, the securities the Corporation proposes to sell, (ii) second, the Registrable Securities requested to be included in such registration which, in the opinion of the underwriters, can be sold without any such adverse effect, pro rata among the Holders on the basis of the number of Registrable Securities owned by each such Holder that such Holder of Registrable Securities shall have requested to be included therein, and (iii) third, other securities requested to be included in such registration which, in the opinion of the underwriters, can be sold without any such adverse effect.

(d) Priority on Secondary Registrations. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Corporation's securities (other than the Holders), and the managing underwriters advise the Corporation in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability, proposed offering price, timing or method of distribution of the offering, the Corporation shall include in such registration (i) first, the securities requested to be included therein by the initial holders requesting such registration which, in the opinion of the underwriters, can be sold without any such adverse effect, (ii) second, the Registrable Securities of Holders requested to be included in such registration which, in the opinion of the underwriters, can be sold without any such adverse effect, pro rata among the such Holders on the basis of the number of Registrable Securities owned by each such Holder that such Holder of Registrable Securities shall have requested to be included therein and (iii) third, other securities requested to be included in such registration which, in the opinion of the underwriters, can be sold without any such adverse effect.

(e) Selection of Underwriters. If any Piggyback Registration is an underwritten offering, the selection of investment banker(s) and manager(s) for the offering shall be at the election of the Corporation (in the case of a primary registration) or at the election of the holders of other Corporation securities requesting such registration (in the case of a secondary registration); *provided* that Holders representing a majority of the Registrable Securities included in such Piggyback Registration may request that one or more investment banker(s) or manager(s) be included in such offering (such request not to be binding on the Corporation or such other initiating holders of Corporation securities).

(f) Right to Terminate Registration. The Corporation shall have the right to terminate or withdraw any registration initiated by it under this Section 3 whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Corporation in accordance with Section 6.

Section 4. Holdback Agreements. If requested by the Corporation or the managing underwriter(s), all Holders shall enter into customary lock-up agreements (no less favorable to Holders than those entered into in connection with the IPO, if applicable) with the managing underwriter(s) of such Public Offering. The Corporation may impose stop-transfer instructions with respect to the shares of Capital Stock (or other securities) subject to the restrictions set forth in any such lock-up agreements until the end of the applicable restricted period (the "**Holdback Period**").

Section 5. Registration Procedures.

(a) Whenever the Holders have requested that any Registrable Securities be registered pursuant to this Agreement or have initiated a Shelf Offering, (i) such Holders shall, if applicable, cause such Registrable Securities to be exchanged into shares of Class A Common Stock in accordance with the terms of the LLC Agreement prior to sale of such Registrable

Securities and (ii), the Corporation shall use its reasonable best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Corporation shall as expeditiously as possible:

(i) in accordance with the Securities Act and all applicable rules and regulations promulgated thereunder, prepare and file with the Securities and Exchange Commission (subject to the availability of required financial information) a registration statement, and all amendments and supplements thereto and related prospectuses, with respect to such Registrable Securities and use its reasonable best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Corporation shall furnish to the counsel selected by the Holders representing a majority of the Registrable Securities covered by such registration statement copies of all such documents proposed to be filed, which documents shall be subject to the review and comment of such counsel);

(ii) notify each holder of Registrable Securities of (A) the issuance by the Securities and Exchange Commission of any stop order suspending the effectiveness of any registration statement or the initiation of any proceedings for that purpose, (B) the receipt by the Corporation or its counsel of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose and (C) the effectiveness of each registration statement filed hereunder;

(iii) prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period ending when all of the securities covered by such registration statement have been disposed of in accordance with the intended methods of distribution by the sellers thereof set forth in such registration statement (but in any event not before the expiration of any longer period required under the Securities Act or, if such registration statement relates to an underwritten Public Offering, such longer period as in the opinion of counsel for the underwriters a prospectus is required by law to be delivered in connection with sale of Registrable Securities by an underwriter or dealer) and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(iv) furnish to each seller of Registrable Securities thereunder such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus), each Free Writing Prospectus and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

(v) use its reasonable best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller

reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller (provided that the Corporation shall not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph, (B) consent to general service of process in any such jurisdiction or (C) subject itself to taxation in any such jurisdiction);

(vi) notify each seller of such Registrable Securities (A) promptly after it receives notice thereof, of the date and time when such registration statement and each post-effective amendment thereto has become effective or a prospectus or supplement to any prospectus relating to a registration statement has been filed and when any registration or qualification has become effective under a state securities or blue sky law or any exemption thereunder has been obtained, (B) promptly after receipt thereof, of any request by the Securities and Exchange Commission for the amendment or supplementing of such registration statement or prospectus or for additional information and (C) at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, subject to Section 2(f), at the request of any such seller, the Corporation shall prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

(vii) use reasonable best efforts to cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Corporation are then listed and, if not so listed, to be listed on a securities exchange and, without limiting the generality of the foregoing, to arrange for at least two market makers to register as such with respect to such Registrable Securities with FINRA;

(viii) use reasonable best efforts to provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

(ix) enter into and perform such customary agreements, including underwriting agreements, or other agreements with underwriters, and including customary representations, warranties, covenants, indemnities and lock-up provisions (no less favorable than those entered into in connection with the IPO), and take all such other actions as the Holders representing a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including, without limitation, effecting a stock split, combination of shares, recapitalization or reorganization);

(x) make available for inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate and business documents and properties of

the Corporation as shall be necessary to enable them to exercise their due diligence responsibility, and cause the Corporation's officers, directors, employees, agents, representatives and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement;

(xi) take all reasonable actions to ensure that any Free-Writing Prospectus utilized in connection with any Demand Registration or Piggyback Registration hereunder complies in all material respects with the Securities Act, is filed in accordance with the Securities Act to the extent required thereby, is retained in accordance with the Securities Act to the extent required thereby and, when taken together with the related prospectus, shall not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xii) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first day of the Corporation's first full calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158;

(xiii) to the extent that a Holder, in its sole and exclusive judgment, might be deemed to be an underwriter of any Registrable Securities or a controlling person of the Corporation, permit such Holder to participate in the preparation of such registration or comparable statement and allow such Holder to provide language for insertion therein, in form and substance satisfactory to the Corporation, which in the reasonable judgment of such Holder and its counsel should be included;

(xiv) in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or the issuance of any order suspending or preventing the use of any related prospectus or suspending the qualification of any Class A Common Stock included in such registration statement for sale in any jurisdiction use reasonable best efforts promptly to obtain the withdrawal of such order;

(xv) use its reasonable best efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the sellers thereof to consummate the disposition of such Registrable Securities;

(xvi) cooperate with the Holders of Registrable Securities covered by the registration statement and the managing underwriter or agent, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing securities to be sold under the registration statement and enable such securities to be in such denominations and registered in such names as the managing underwriter, or agent, if any, or such Holders may request;

(xvii) cooperate with each Holder of Registrable Securities covered by the registration statement and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA;

(xviii) use its reasonable best efforts to make available the executive officers of the Corporation to participate with the Holders of Registrable Securities covered by the registration statement and any underwriters in any "road shows" or other selling efforts that may be reasonably requested by the Holders in connection with the methods of distribution for the Registrable Securities;

(xix) in the case of any underwritten Public Offering, use its reasonable best efforts to obtain one or more cold comfort letters from the Corporation's independent public accountants or other independent public accountants as appropriate, in customary form and covering such matters of the type customarily covered by cold comfort letters as the Holders representing a majority of the Registrable Securities being sold reasonably request;

(xx) in the case of any underwritten Public Offering, use its reasonable best efforts to provide a legal opinion of the Corporation's outside counsel, dated the closing date of the Public Offering, in customary form and covering such matters of the type customarily covered by legal opinions of such nature, which opinion shall be addressed to the underwriters and the Holders of such Registrable Securities being sold;

(xxi) if the Corporation files an Automatic Shelf Registration Statement covering any Registrable Securities, use its reasonable best efforts to remain a WKSJ (and not become an ineligible issuer (as defined in Rule 405 under the Securities Act)) during the period during which such Automatic Shelf Registration Statement is required to remain effective;

(xxii) if the Corporation does not pay the filing fee covering the Registrable Securities at the time an Automatic Shelf Registration Statement is filed, pay such fee at such time or times as the Registrable Securities are to be sold;

(xxiii) if the Automatic Shelf Registration Statement has been outstanding for at least three (3) years, at the end of the third year, file a new Automatic Shelf Registration Statement covering the Registrable Securities, and, if at any time when the Corporation is required to re-evaluate its WKSJ status the Corporation determines that it is not a WKSJ, use its reasonable best efforts to refile the Shelf Registration Statement on Form S-3 and, if such form is not available, Form S-1 and keep such registration statement effective during the period during which such registration statement is required to be kept effective; and

(xxiv) take no direct or indirect action prohibited by Regulation M under the Exchange Act; provided, however, that to the extent that any prohibition is applicable to the Corporation, the Corporation will use its reasonable best efforts to make any such prohibition inapplicable.

(b) Any officer of the Corporation who is a Holder agrees that if and for so long as he or she is employed by the Corporation or any Subsidiary thereof, he or she shall participate fully in the sale process in a manner customary and reasonable for persons in like positions and consistent with his or her other duties with the Corporation and in accordance with applicable law, including the preparation of the registration statement and the preparation and presentation of any road shows.

(c) The Corporation may require each Holder requesting, or electing to participate in, any registration to furnish the Corporation such information regarding such Holder and the distribution of such Registrable Securities as the Corporation may from time to time reasonably request in writing.

(d) If the Original LLC Owners or any of their respective Affiliates seek to effectuate an in-kind distribution of all or part of their respective Registrable Securities to their respective direct or indirect equityholders, the Corporation shall, subject to any applicable lock-ups, work with the foregoing persons to facilitate such in-kind distribution in the manner reasonably requested.

Section 6. Registration Expenses.

(a) The Corporation's Obligation. All expenses incident to the Corporation's performance of or compliance with this Agreement (including, without limitation, all registration, qualification and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery expenses, fees and disbursements of custodians, and fees and disbursements of counsel for the Corporation and all independent certified public accountants, underwriters (excluding underwriting discounts and commissions) and other Persons retained by the Corporation) (all such expenses being herein called "**Registration Expenses**"), shall be borne as provided in this Agreement, except that the Corporation shall, in any event, pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Corporation are then listed. Each Person that sells securities pursuant to a Demand Registration or Piggyback Registration hereunder shall bear and pay all underwriting discounts and commissions applicable to the securities sold for such Person's account.

(b) Counsel Fees and Disbursements. In connection with each Demand Registration, each Piggyback Registration and each Shelf Offering that is an underwritten Public Offering, the Corporation shall reimburse the Holders of Registrable Securities included in such registration for the reasonable fees and disbursements of one counsel chosen by the Holders representing a majority of the Registrable Securities included in such registration or participating in such Shelf Offering.

Section 7. Indemnification and Contribution.

(a) By the Corporation. The Corporation shall indemnify and hold harmless, to the extent permitted by law, each Holder, such Holder's officers, directors, managers, employees, agents and representatives, and each Person who controls such Holder (within the meaning of the Securities Act) (the "**Holder Indemnified Parties**") against all losses, claims, actions, damages, liabilities and expenses (including with respect to actions or proceedings, whether commenced or threatened, and including reasonable attorney fees and expenses) caused by, resulting from, arising out of, based upon or related to any of the following statements, omissions or violations (each a "**Violation**") by the Corporation: (i) any untrue or alleged untrue statement of material fact contained in (A) any registration statement, prospectus, preliminary prospectus or Free-Writing Prospectus, or any amendment thereof or supplement thereto or (B) any application or other document or communication (in this Section 7, collectively called an "**application**") executed by or on behalf of the Corporation or based upon written information furnished by or on behalf of the Corporation filed in any jurisdiction in order to qualify any securities covered by such registration under the securities laws thereof, (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) any violation or alleged violation by the Corporation of the Securities Act or any other similar federal or state securities laws or any rule or regulation promulgated thereunder applicable to the Corporation and relating to action or inaction required of the Corporation in connection with any such registration, qualification or compliance. In addition, the Corporation will reimburse such Holder Indemnified Party for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such losses. Notwithstanding the foregoing, the Corporation shall not be liable in any such case to the extent that any such losses result from, arise out of, are based upon, or relate to an untrue statement or alleged untrue statement, or omission or alleged omission, made in such registration statement, any such prospectus, preliminary prospectus or Free-Writing Prospectus or any amendment or supplement thereto, or in any application, in reliance upon, and in conformity with, written information prepared and furnished in writing to the Corporation by such Holder Indemnified Party expressly for use therein. In connection with an underwritten offering, the Corporation shall indemnify such underwriters, their officers and directors, and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the Holder Indemnified Parties.

(b) By Each Holder. In connection with any registration statement in which a Holder is participating, each such Holder shall furnish to the Corporation in writing such information and affidavits as the Corporation reasonably requests for use in connection with any such registration statement or prospectus and, to the extent permitted by law, shall indemnify the Corporation, its officers, directors, managers, employees, agents and representatives, and each Person who controls the Corporation (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in any information or affidavit so furnished in writing by such Holder; *provided* that the obligation to indemnify shall be individual, not joint and several, for each Holder and shall be limited to the net amount of proceeds received by such Holder from the sale of Registrable Securities pursuant to such registration statement.

(c) Claim Procedure. Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice shall impair any Person's right to indemnification hereunder only to the extent such failure has prejudiced the indemnifying party) and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent shall not be unreasonably withheld, conditioned or delayed). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim. In such instance, the conflicted indemnified parties shall have a right to retain one separate counsel, chosen by the Holders representing a majority of the Registrable Securities included in the registration if such Holders are indemnified parties, at the expense of the indemnifying party.

(d) Contribution. If the indemnification provided for in this Section 7 is held by a court of competent jurisdiction to be unavailable to, or is insufficient to hold harmless, an indemnified party or is otherwise unenforceable with respect to any loss, claim, damage, liability or action referred to herein, then the indemnifying party shall contribute to the amounts paid or payable by such indemnified party as a result of such loss, claim, damage, liability or action 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 hand in connection with the statements or omissions which resulted in such loss, claim, damage, liability or action as well as any other relevant equitable considerations; provided that the maximum amount of liability in respect of such contribution shall be limited, in the case of each seller of Registrable Securities, to an amount equal to the net proceeds actually received by such seller from the sale of Registrable Securities effected pursuant to such registration. 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 untrue statement of a material fact or the 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. The parties hereto agree that it would not be just or equitable if the contribution pursuant to this Section 7(d) were to be determined by pro rata allocation or by any other method of allocation that does not take into account such equitable considerations. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses referred to herein shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim which is the subject hereof. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(t) of the Securities Act) shall be entitled to contribution from any Person who is not guilty of such fraudulent misrepresentation.

(e) Release. No indemnifying party shall, except with the consent of the indemnified party, consent to the entry of any judgment or enter into any settlement that does not include as

an unconditional term thereof giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation. Notwithstanding anything to the contrary in this Section 7, an indemnifying party shall not be liable for any amounts paid in settlement of any loss, claim, damage, liability, or action if such settlement is effected without the consent of the indemnifying party, such consent not to be unreasonably withheld, conditioned or delayed.

(f) Non-exclusive Remedy; Survival. The indemnification and contribution provided for under this Agreement shall be in addition to any other rights to indemnification or contribution that any indemnified party may have pursuant to law or contract and shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the transfer of Registrable Securities and the termination or expiration of this Agreement. Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

Section 8. Underwritten Registrations.

(a) Participation. No Person may participate in any Public Offering hereunder which is underwritten unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Person or Persons entitled hereunder to approve such arrangements (including, without limitation, pursuant to any over-allotment or "green shoe" option requested by the underwriters; provided that no Holder shall be required to sell more than the number of Registrable Securities such Holder has requested to include) and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, custody agreements and other documents required under the terms of such underwriting arrangements. Each Holder shall execute and deliver such other agreements as may be reasonably requested by the Corporation and the lead managing underwriter(s) that are consistent with such Holder's obligations under Section 4, Section 5 and this Section 8(a) or that are necessary to give further effect thereto. To the extent that any such agreement is entered into pursuant to, and consistent with, Section 4 and this Section 8(a), the respective rights and obligations created under such agreement shall supersede the respective rights and obligations of the Holders, the Corporation and the underwriters created pursuant to this Section 8(a).

(b) Price and Underwriting Discounts. In the case of an underwritten Demand Registration or Underwritten Takedown requested by Holders pursuant to this Agreement, the price, underwriting discount and other financial terms of the related underwriting agreement for the Registrable Securities shall be determined by the Holders representing a majority of the Registrable Securities included in such underwritten offering.

(c) Suspended Distributions. Each Person that is participating in any registration under this Agreement, upon receipt of any notice from the Corporation of the happening of any event of the kind described in Section 5(a)(vi)(B) or (C), shall immediately discontinue the disposition of its Registrable Securities pursuant to the registration statement until such Person's receipt of the copies of a supplemented or amended prospectus as contemplated by Section 5(a)(vi).

In the event the Corporation has given any such notice, the applicable time period set forth in Section 5(a)(iii) during which a Registration Statement is to remain effective shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to this Section 8(c) to and including the date when each seller of Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 5(a)(vi).

Section 9. Additional Parties; Joinder. Subject to the prior written consent of each Controlling Holder, the Corporation may make any Person who acquires Class A Common Stock or rights to acquire Class A Common Stock from the Corporation after the date hereof (including without limitation any Person who acquires Common Units) a party to this Agreement (each such Person, an “**Additional Investor**”) and to succeed to all of the rights and obligations of a Holder under this Agreement by obtaining an executed joinder to this Agreement from such Additional Investor in the form of Exhibit A attached hereto (a “**Joinder**”). Upon the execution and delivery of a Joinder by such Additional Investor, the Class A Common Stock of the Corporation acquired by such Additional Investor or issuable upon redemption or exchange of Common Units acquired by such Additional Investor (the “**Acquired Common**”) shall be Registrable Securities to the extent provided herein, such Additional Investor shall be a Holder under this Agreement with respect to the Acquired Common, and the Corporation shall add such Additional Investor’s name and address to the Schedule of Investors and circulate such information to the parties to this Agreement.

Section 10. Current Public Information. With a view to making available the benefits of certain rules and regulations of the Securities Exchange Commission which may permit the sale of restricted securities to the public without registration, the Corporation agrees to:

(a) make and keep public information available as those terms are understood and defined in Rule 144, at all times from and after ninety (90) days following the effective date of the registration statement with respect to the IPO;

(b) use its reasonable best efforts to file with the Securities Exchange Commission in a timely manner all reports and other documents required of the Corporation under the Securities Act and the Exchange Act; and

(c) so long as the Holders own any Registrable Shares, furnish to the Holders upon request, a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time from and after ninety (90) days following the effective date of the registration statement with respect to the IPO), and of the Securities Act and the Exchange Act, a copy of the most recent annual or quarterly report of the Corporation, and such other reports and documents so filed as a Holder may reasonably request in availing itself of any rule or regulation of the Securities Exchange Commission allowing such Holder to sell any such securities without registration.

Section 11. Subsidiary Public Offering. If, after an initial Public Offering of the Capital Stock of one of its Subsidiaries (including the Company), the Corporation distributes securities of such Subsidiary to its equityholders, then the rights and obligations of the Corporation pursuant to this Agreement shall apply, *mutatis mutandis*, to such Subsidiary, and the Corporation shall cause such Subsidiary to comply with such Subsidiary’s obligations under this Agreement.

Section 12. Transfer of Registrable Securities.

(a) Restrictions on Transfers. Notwithstanding anything to the contrary contained herein, except in the case of (i) a transfer to the Corporation, (ii) a transfer by any Original LLC Owners or any of its Affiliates to its respective equityholders, (iii) a Public Offering, (iv) a sale pursuant to Rule 144 after the completion of the IPO or (v) a transfer in connection with a sale of the Corporation, prior to transferring any Registrable Securities to any Person (including, without limitation, by operation of law), the transferring Holder shall cause the prospective transferee to execute and deliver to the Corporation a Joinder agreeing to be bound by the terms of this Agreement. Any transfer or attempted transfer of any Registrable Securities in violation of any provision of this Agreement shall be void, and the Corporation shall not record such transfer on its books or treat any purported transferee of such Registrable Securities as the owner thereof for any purpose.

(b) Legend. Each certificate evidencing any Registrable Securities and each certificate issued in exchange for or upon the transfer of any Registrable Securities (unless such Registrable Securities would no longer be Registrable Securities after such transfer) shall be stamped or otherwise imprinted with a legend in substantially the following form:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS SET FORTH IN A REGISTRATION RIGHTS AGREEMENT DATED AS OF [●], 2021, BY AND AMONG THE ISSUER OF SUCH SECURITIES (THE “CORPORATION”) AND CERTAIN OF THE CORPORATION’S STOCKHOLDERS, AS AMENDED FROM TIME TO TIME. A COPY OF SUCH REGISTRATION RIGHTS AGREEMENT WILL BE FURNISHED WITHOUT CHARGE BY THE CORPORATION TO THE HOLDER HEREOF UPON WRITTEN REQUEST.”

The Corporation shall imprint such legend on certificates evidencing Registrable Securities outstanding prior to the date hereof, and shall cause the Company to imprint such legend on certificates, if any, evidencing Common Units exchangeable for Registrable Securities outstanding prior to the date hereof. The legend set forth above shall be removed from the certificates evidencing any securities that have ceased to be Registrable Securities.

Section 13. MNPI Provisions.

(a) Each Holder acknowledges that (i) the provisions of this Agreement that require communications by the Corporation or other Holders to such Holder may result in such Holder and its Representatives (as defined below) acquiring MNPI (which may include, solely by way of illustration, the fact that an offering of the Corporation’s securities is pending or the number of Corporation securities or the identity of the selling Holders), and (ii) there is no limitation on the duration of time that such Holder and its Representatives may be in possession of MNPI and no requirement that the Company or other Holders make any public disclosure to cause such information to cease to be MNPI; *provided* that the Corporation will use commercially reasonable best efforts to promptly notify each Holder if any proposed registration or offering for which a notice has been delivered pursuant to this Agreement has been terminated or aborted.

(b) Each Holder agrees that it will maintain the confidentiality of such MNPI and, to the extent such Holder is not a natural person, such confidential treatment shall be in accordance with procedures adopted by it in good faith to protect confidential information of third parties delivered to such Holder (“**Policies**”); *provided* that a holder may deliver or disclose MNPI to (i) its directors, officers, employees, agents, attorneys, affiliates and financial and other advisors (collectively, the “**Representatives**”), but solely to the extent such disclosure reasonably relates to its evaluation of exercise of its rights under this Agreement and the sale of any Registrable Securities in connection with the subject of the notice, (ii) any federal or state regulatory authority having jurisdiction over such Holder, (iii) any Person if necessary to effect compliance with any law, rule, regulation or order applicable to such Holder, (iv) in response to any subpoena or other legal process, or (v) in connection with any litigation to which such Holder is a party; *provided further*, that in the case of clause (i), the recipients of such MNPI are subject to the Policies or agree to hold confidential the MNPI in a manner substantially consistent with the terms of Section 13 and that in the case of clauses (ii) through (v), such disclosure is required by law and you promptly notify the Corporation of such disclosure to the extent such Holder is legally permitted to give such notice.

(c) Each Holder, by its execution of a counterpart to this agreement or of a Joinder, hereby (i) acknowledges that it is aware that the U.S. securities laws prohibit any person who has MNPI about a company from purchasing or selling, directly or indirectly, securities of such company (including entering into hedge transactions involving such securities), or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities, and (ii) agrees that it will not use or permit any third party to use, and that it will use its reasonable best efforts to assure that none of its representatives will use or permit any third party to use, any MNPI the Corporation provides in contravention of the U.S. securities laws and cease trading in the Corporation’s securities while in possession of material non-public information.

(d) Each Holder shall have the right, at any time and from time to time (including after receiving information regarding any potential Public Offering), to elect to not receive any notice that the Corporation or any other Holders otherwise are required to deliver pursuant to this Agreement by delivering to the Corporation a written statement signed by such Holder that it does not want to receive any notices hereunder (an “**Opt-Out Request**”); in which case and notwithstanding anything to the contrary in this Agreement the Corporation and other Holders shall not be required to, and shall not, deliver any notice or other information required to be provided to Holders hereunder to the extent that the Corporation or such other Holders reasonably expect would result in a Holder acquiring MNPI. An Opt-Out Request may state a date on which it expires or, if no such date is specified, shall remain in effect indefinitely. A Holder who previously has given the Corporation an Opt-Out Request may revoke such request at any time, and there shall be no limit on the ability of a Holder to issue and revoke subsequent Opt-Out Requests; *provided* that each Holder shall use commercially reasonable best efforts to minimize the administrative burden on the Corporation arising in connection with any such Opt-Out Requests.

Section 14. General Provisions.

(a) Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may be amended, modified, terminated or waived only with the prior written consent of the Corporation and each Controlling Holder; *provided* that no such amendment, modification, termination or waiver that would materially and adversely affect a Holder in a manner materially different than any other Holder (*provided* that the accession by Additional Investors to this Agreement pursuant to Section 9 shall not be deemed to adversely affect any Holder), shall be effective against such Holder without the consent of such Holder that is materially and adversely affected thereby. The failure or delay of any Person to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such Person thereafter to enforce each and every provision of this Agreement in accordance with its terms. A waiver or consent to or of any breach or default by any Person in the performance by that Person of his, her or its obligations under this Agreement shall not be deemed to be a consent or waiver to or of any other breach or default in the performance by that Person of the same or any other obligations of that Person under this Agreement.

(b) Remedies. The parties to this Agreement shall be entitled to enforce their rights under this Agreement specifically (without posting a bond or other security), to recover damages caused by reason of any breach of any provision of this Agreement and to exercise all other rights existing in their favor. The parties hereto agree and acknowledge that a breach of this Agreement would cause irreparable harm and money damages would not be an adequate remedy for any such breach and that, in addition to any other rights and remedies existing hereunder, any party shall be entitled to specific performance and/or other injunctive relief from any court of law or equity of competent jurisdiction (without posting any bond or other security) in order to enforce or prevent violation of the provisions of this Agreement.

(c) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited, invalid, illegal or unenforceable in any respect under any applicable law or regulation in any jurisdiction, such prohibition, invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement in such jurisdiction or in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such prohibited, invalid, illegal or unenforceable provision had never been contained herein.

(d) Entire Agreement. Except as otherwise provided herein, this Agreement contains the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties hereto, written or oral, which may have related to the subject matter hereof in any way.

(e) Successors and Assigns. This Agreement shall bind and inure to the benefit and be enforceable by the Corporation and its successors and assigns and the Holders and their respective successors and assigns (whether so expressed or not). In addition, whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of Holders are also for the benefit of, and enforceable by, any subsequent or successor Holder that acquired Registrable Securities from a prior or predecessor Holder.

(f) Notices. Any notice, demand or other communication to be given under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (i) when delivered personally to the recipient, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient but; if not, then on the next Business Day, (iii) one Business Day after it is sent to the recipient by reputable overnight courier service (charges prepaid) or (iv) three Business Days after it is mailed to the recipient by first class mail, return receipt requested. Such notices, demands and other communications shall be sent to the Corporation at the address specified below and to any Original LLC Owner or to any other party subject to this Agreement at such address as indicated on the Schedule of Investors, or at such address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party. Any party may change such party's address for receipt of notice by providing prior written notice of the change to the sending party as provided herein. The Corporation's address is:

Bioventus Inc.
4721 Emperor Boulevard, Suite 100
Durham, North Carolina 27703
Attn: General Counsel

With a copy to:

Latham & Watkins LLP
200 Clarendon St.
Boston, Massachusetts 02116
Attn: Wesley C. Holmes, Esq.
Facsimile: (617) 948-6001

or to such other address or to the attention of such other Person as the recipient party has specified by prior written notice to the sending party.

(g) Business Days. If any time period for giving notice or taking action hereunder expires on a day that is not a Business Day, the time period shall automatically be extended to the immediately following Business Day.

(h) Governing Law. The corporate law of the State of Delaware shall govern all issues and questions concerning the relative rights of the Corporation and its stockholders. All other issues and questions concerning the construction, validity, interpretation and enforcement of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(i) MUTUAL WAIVER OF JURY TRIAL. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS

AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

(j) CONSENT TO JURISDICTION AND SERVICE OF PROCESS. EACH OF THE PARTIES IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE CITY AND COUNTY OF NEW YORK BOROUGH OF MANHATTAN, FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. EACH OF THE PARTIES HERETO FURTHER AGREES THAT SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY U.S. REGISTERED MAIL TO SUCH PARTY'S RESPECTIVE ADDRESS SET FORTH ABOVE SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY ACTION, SUIT OR PROCEEDING WITH RESPECT TO ANY MATTERS TO WHICH IT HAS SUBMITTED TO JURISDICTION IN THIS PARAGRAPH. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, AND HEREBY AND THEREBY FURTHER IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION, SUIT OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(k) No Recourse. Notwithstanding anything to the contrary in this Agreement, the Corporation and each Holder agrees and acknowledges that no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement, shall be had against any current or future director, officer, employee, general or limited partner or member of any Holder or of any Affiliate or assignee thereof, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any current or future officer, agent or employee of any Holder or any current or future member of any Holder or any current or future director, officer, employee, partner or member of any Holder or of any Affiliate or assignee thereof, as such for any obligation of any Holder under this Agreement or any documents or instruments delivered in connection with this Agreement for any claim based on, in respect of or by reason of such obligations or their creation.

(l) Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement. The use of the word "including" in this Agreement shall be by way of example rather than by limitation.

(m) No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(n) Counterparts. This Agreement may be executed in multiple counterparts, any one of which need not contain the signature of more than one party, but all such counterparts taken together shall constitute one and the same agreement.

(o) Electronic Delivery. This Agreement, the agreements referred to herein, and each other agreement or instrument entered into in connection herewith or therewith or contemplated hereby or thereby, and any amendments hereto or thereto, to the extent executed and delivered by means of a photographic, photostatic, facsimile or similar reproduction of such signed writing using a facsimile machine or electronic mail shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of a facsimile machine or electronic mail to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or electronic mail as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

(p) Further Assurances. In connection with this Agreement and the transactions contemplated hereby, each Holder shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and the transactions contemplated hereby.

(q) No Inconsistent Agreements. The Corporation shall not hereafter enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the Holders in this Agreement.

Section 15. Term. This Agreement shall terminate on the date as of which all of the Registerable Securities have been sold (i) pursuant to a Registration Statement (but in no event prior to the applicable period referred to in Section 4(a)(3) of the Securities Act and Rule 174 thereunder (or any successor rule promulgated thereafter by the Commission)) or (ii) without registration pursuant to Rule 144 (or any similar provision) under the Securities Act with no volume or other restrictions or limitations. The provisions of Section 7 and Section 10(c) shall survive any termination.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

BIOVENTUS INC.

By: _____
Name: Kenneth M. Reali
Title: Chief Executive Officer

[Signature Page to Registration Rights Agreement]

SMITH & NEPHEW, INC.

By: _____
Name:
Title:

SMITH & NEPHEW (EUROPE) B.V.

By: _____
Name:
Title:

[Signature Page to Registration Rights Agreement]

**EW HEALTHCARE PARTNERS ACQUISITION
FUND, L.P.**

By: EW Healthcare Partners Acquisition Fund GP, L.P.
Its: General Partner

By: _____
Name:
Title:

[Signature Page to Registration Rights Agreement]

By: _____
Name:
Title:

[Signature Page to Registration Rights Agreement]

By: _____
Name:
Title:

[Signature Page to Registration Rights Agreement]

**PANTHEON GLOBAL CO-INVESTMENT
OPPORTUNITIES FUND L.P.**

By: _____
Name:
Title:

[Signature Page to Registration Rights Agreement]

AMP-CF HOLDINGS, LLC

By: _____

Name: Dana L. Niles

Title: Chief Operating Officer

[Signature Page to Registration Rights Agreement]

By: _____
Name:
Title:

[Signature Page to Registration Rights Agreement]

SCHEDULE OF INVESTORS

<u>Holder</u>	<u>Controlling Holder</u>	<u>Continuing LLC Owner/ Former LLC Owner</u>
Smith & Nephew, Inc.	S&N Stockholders	Continuing LLC Owner
Smith & Nephew (Europe) B.V.	S&N Stockholders	Former LLC Owner
EW Healthcare Partners Acquisition Fund, L.P.	Essex Stockholders	Former LLC Owner
White Pine Medical LLC	Essex Stockholder	Former LLC Owner
Spindletop Healthcare Capital L.P.	Essex Stockholders	Former LLC Owner
Pantheon Global Co-Investment Opportunities Fund L.P.	Essex Stockholders	Former LLC Owner
AMP-CF Holdings, LLC	Essex Stockholders	Former LLC Owner
Alta Partners VIII, L.P.	Essex Stockholders	Former LLC Owner

REGISTRATION RIGHTS AGREEMENT JOINDER

The undersigned is executing and delivering this Joinder pursuant to the Registration Rights Agreement dated as of [●], 2021 (as the same may hereafter be amended, the "**Registration Rights Agreement**"), among Bioventus Inc., a Delaware corporation (the "**Corporation**"), and the other person named as parties therein.

By executing and delivering this Joinder to the Corporation, and upon acceptance hereof by the Corporation upon the execution of a counterpart hereof, the undersigned hereby agrees to become a party to, to be bound by, and to comply with the provisions of the Registration Rights Agreement as a Holder of Registrable Securities in the same manner as if the undersigned were an original signatory to the Registration Rights Agreement, and the undersigned's shares of Class A Common Stock shall be included as Registrable Securities under the Registration Rights Agreement to the extent provided therein. The Corporation is directed to add the address below the undersigned's signature on this Joinder to the Schedule of Investors attached to the Registration Rights Agreement.

Accordingly, the undersigned has executed and delivered this Joinder as of the day of , 20 .

Signature of Stockholder

Print Name of Stockholder
Its:

Address: _____

Agreed and Accepted as of , 20

Bioventus Inc.

By: _____
Name:
Its:

BIOVENTUS LLC

**SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT**

Dated as of [●], 2021

THE COMPANY INTERESTS REPRESENTED BY THIS SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS. SUCH COMPANY INTERESTS MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF AT ANY TIME WITHOUT EFFECTIVE REGISTRATION UNDER SUCH ACT AND LAWS OR EXEMPTION THEREFROM, AND COMPLIANCE WITH THE OTHER SUBSTANTIAL RESTRICTIONS ON TRANSFERABILITY SET FORTH HEREIN.

TABLE OF CONTENTS

	Page
ARTICLE I. DEFINITIONS	2
ARTICLE II. ORGANIZATIONAL MATTERS	12
Section 2.01 Formation of Company	12
Section 2.02 Second Amended and Restated Limited Liability Company Agreement	12
Section 2.03 Name	13
Section 2.04 Purpose	13
Section 2.05 Principal Office; Registered Office	13
Section 2.06 Term	13
Section 2.07 No State-Law Partnership	13
ARTICLE III. MEMBERS; UNITS; CAPITALIZATION	14
Section 3.01 Members	14
Section 3.02 Units	14
Section 3.03 Recapitalization; the Corporation's Capital Contribution; the Corporation's Purchase of Common Units; Member Distribution	15
Section 3.04 Authorization and Issuance of Additional Units	15
Section 3.05 Repurchase or Redemption of shares of Class A Common Stock	16
Section 3.06 Certificates Representing Units; Lost, Stolen or Destroyed Certificates; Registration and Transfer of Units	17
Section 3.07 Negative Capital Accounts	17
Section 3.08 No Withdrawal	18
Section 3.09 Loans From Members	18
Section 3.10 Corporate Stock Option Plans and Equity Plans	18
Section 3.11 Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan	20
ARTICLE IV. DISTRIBUTIONS	20
Section 4.01 Distributions	20
Section 4.02 Restricted Distributions	22
ARTICLE V. CAPITAL ACCOUNTS; ALLOCATIONS; TAX MATTERS	22
Section 5.01 Capital Accounts	22
Section 5.02 Allocations	23
Section 5.03 Special Allocations	23
Section 5.04 Final Allocations	24
Section 5.05 Tax Allocations	24
Section 5.06 Indemnification and Reimbursement for Payments on Behalf of a Member	25

ARTICLE VI. MANAGEMENT	26
Section 6.01 Authority of Manager	26
Section 6.02 Actions of the Manager	26
Section 6.03 Resignation; No Removal	26
Section 6.04 Vacancies	27
Section 6.05 Transactions Between Company and Manager	27
Section 6.06 Reimbursement for Expenses	27
Section 6.07 Delegation of Authority	28
Section 6.08 Limitation of Liability of Manager	28
Section 6.09 Investment Company Act	29
Section 6.10 Outside Activities of the Manager	29
ARTICLE VII. RIGHTS AND OBLIGATIONS OF MEMBERS	30
Section 7.01 Limitation of Liability and Duties of Members	30
Section 7.02 Corporate Opportunities	31
Section 7.03 Lack of Authority	32
Section 7.04 No Right of Partition	32
Section 7.05 Indemnification	32
Section 7.06 Members Right to Act	34
Section 7.07 Inspection Rights	35
ARTICLE VIII. BOOKS, RECORDS, ACCOUNTING AND REPORTS, AFFIRMATIVE COVENANTS	35
Section 8.01 Records and Accounting	35
Section 8.02 Fiscal Year	35
Section 8.03 Reports	35
ARTICLE IX. TAX MATTERS	36
Section 9.01 Preparation of Tax Returns	36
Section 9.02 Tax Elections	36
Section 9.03 Tax Controversies	36
ARTICLE X. RESTRICTIONS ON TRANSFER OF UNITS	37
Section 10.01 Transfers by Members	37
Section 10.02 Permitted Transfers	38
Section 10.03 Restricted Units Legend	38
Section 10.04 Transfer	39
Section 10.05 Assignee's Rights	39
Section 10.06 Assignor's Rights and Obligations	39
Section 10.07 Overriding Provisions	40

ARTICLE XI. REDEMPTION AND EXCHANGE RIGHTS	41
Section 11.01 Redemption Right of a Member	41
Section 11.02 Election and Contribution of the Corporation	43
Section 11.03 Exchange Right of the Corporation	44
Section 11.04 Reservation of Shares of Class A Common Stock; Listing; Certificate of the Corporation	44
Section 11.05 Effect of Exercise of Redemption or Exchange Right	45
Section 11.06 Tax Treatment	45
ARTICLE XII. ADMISSION OF MEMBERS	45
Section 12.01 Substituted Members	45
Section 12.02 Additional Members	45
ARTICLE XIII. WITHDRAWAL AND RESIGNATION; TERMINATION OF RIGHTS	45
Section 13.01 Withdrawal and Resignation of Members	45
ARTICLE XIV. DISSOLUTION AND LIQUIDATION	46
Section 14.01 Dissolution	46
Section 14.02 Liquidation and Termination	46
Section 14.03 Deferment; Distribution in Kind	47
Section 14.04 Cancellation of Certificate	47
Section 14.05 Reasonable Time for Winding Up	47
Section 14.06 Return of Capital	47
ARTICLE XV. VALUATION	48
Section 15.01 Determination	48
Section 15.02 Dispute Resolution	48
ARTICLE XVI. GENERAL PROVISIONS	48
Section 16.01 Representations and Warranties.	48
Section 16.02 Power of Attorney	49
Section 16.03 Confidentiality	49
Section 16.04 Amendments	50
Section 16.05 Title to Company Assets	51
Section 16.06 Addresses and Notices	51
Section 16.07 Binding Effect; Intended Beneficiaries	52
Section 16.08 Creditors	52
Section 16.09 Waiver	52
Section 16.10 Counterparts	52
Section 16.11 Applicable Law	52
Section 16.12 WAIVER OF JURY TRIAL	53
Section 16.13 Severability	53
Section 16.14 Further Action	53

Section 16.15	Delivery by Electronic Transmission	53
Section 16.16	Effectiveness	53
Section 16.17	Entire Agreement	53
Section 16.18	Remedies	54
Section 16.19	Descriptive Headings; Interpretation	54

Schedules

- Schedule 1 – Schedule of Pre-IPO Members
- Schedule 2 – Schedule of Effective Date Members

Exhibits

- Exhibit A – Form of Joinder Agreement

BIOVENTUS LLC

SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT

This SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this “**Agreement**”), dated as of [●], 2021, is entered into by and among Bioventus LLC, a Delaware limited liability company (the “**Company**”), and its Members (as defined herein).

WHEREAS, the Company initially was formed as a limited liability company with the name “Bioventus LLC”, pursuant to and in accordance with the Delaware Act (as defined herein) by the filing of the Certificate (as defined herein) with the Secretary of State of the State of Delaware pursuant to Section 18-201 of the Delaware Act on November 23, 2011;

WHEREAS, the Company entered into a Limited Liability Company Agreement, dated as of November 29, 2011 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time to but excluding May 4, 2012, together with all schedules, exhibits and annexes thereto, the “**Initial LLC Agreement**”), with the members of the Company party thereto;

WHEREAS, the Company entered into an Amended and Restated Limited Liability Company Agreement, dated as of May 4, 2012 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time to but excluding the date hereof, together with all schedules, exhibits and annexes thereto, the “**First A&R LLC Agreement**”), which the parties listed on Schedule 1 hereto have executed in their capacity as members (including pursuant to consent and joinders thereto) (collectively, the “**Pre-IPO Members**”);

WHEREAS, the Pre-IPO Members, prior to the date hereof, hold Preferred Units, Common Units, OUS Units, the EPR Unit and Profits Interest Units (as defined in the First A&R LLC Agreement, respectively, the “**Original Preferred Units**”, the “**Original Common Units**”, the “**Original OUS Units**”, the “**Original EPR Unit**” and the “**Original Profits Interests Units**”, and collectively, the “**Original Units**”) of the Company;

WHEREAS, the Company desires to have Bioventus Inc., a Delaware corporation (the “**Corporation**”), effect an initial public offering (the “**IPO**”) of shares of its Class A common stock, par value \$0.001 (the “**Class A Common Stock**”), and in connection therewith, to amend and restate the First A&R LLC Agreement as of the Effective Time (as defined herein) to reflect (a) a recapitalization of the Company and the associated split in the number of Units (as defined herein) then outstanding (the “**Recapitalization**”), (b) the addition of the Corporation as a Member (as defined herein) in the Company and its designation as sole Manager (as defined herein) of the Company, and (c) the rights and obligations of the Members of the Company that are enumerated and agreed upon in the terms of this Agreement effective as of the Effective Time, at which time the First A&R LLC Agreement shall be superseded entirely by this Agreement;

WHEREAS, in connection with the Recapitalization and as of the Effective Time, the Original Units of each Pre-IPO Member will be converted into Common Units (as defined herein);

WHEREAS, the parties listed on Schedule 2 hereto are the members of the Company as of the Effective Time and after giving effect to the Recapitalization (the "**Effective Date Members**");

WHEREAS, prior to the IPO Closing Date, the shareholders of each Blocker Corp (as defined herein) will contribute all of their shares of stock in each Blocker Corp to the Corporation in exchange for Class A Common Stock and thereafter each Blocker Corp will merge with and into the Corporation, in each case, pursuant to an integrated plan that is intended to be treated as a reorganization with the meaning of Section 368(a) of the Code (the "**Blocker Roll Up**");

WHEREAS, the Corporation will sell shares of its Class A Common Stock to public investors in the IPO and will use the net proceeds received from the IPO (the "**IPO Net Proceeds**") to purchase newly issued Common Units from the Company pursuant to that certain IPO Common Unit Purchase Agreement (as defined herein);

WHEREAS, the Corporation will issue additional shares of Class A Common Stock in connection with the IPO in the event the underwriters exercise their over-allotment option (the "**Over-Allotment Option**"), and any resulting additional net proceeds (the "**Over-Allotment Option Net Proceeds**") will be used by the Corporation to purchase newly issued Common Units from the Company pursuant to the IPO Common Unit Purchase Agreement; and

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Members, intending to be legally bound, hereby agree as follows:

ARTICLE I. DEFINITIONS

The following definitions shall be applied to the terms used in this Agreement for all purposes, unless otherwise clearly indicated to the contrary.

"**9.9% Member**" means (i) a Member that holds a direct Percentage Interest of at least 9.9% or (ii) a Person that holds, directly and/or indirectly and together with such Person's Affiliates, a Percentage Interest of at least 9.9% provided that the Company has knowledge that such Person (together with such Person's Affiliates) holds, directly and/or indirectly, a Percentage Interest of at least 9.9%.

"**Additional Member**" has the meaning set forth in Section 12.02.

“Adjusted Capital Account Deficit” means with respect to the Capital Account of any Member as of the end of any Taxable Year, the amount by which the balance in such Capital Account is less than zero. For this purpose, such Member’s Capital Account balance shall be:

- (a) reduced for any items described in Treasury Regulation Section 1.704- 1(b)(2)(ii)(d)(4), (5), and (6); and
- (b) increased for any amount such Member is obligated to contribute or is treated as being obligated to contribute to the Company pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (relating to partner liabilities to a partnership) or 1.704-2(g)(1) and 1.704-2(i) (relating to minimum gain).

“Admission Date” has the meaning set forth in Section 10.06.

“Affiliate” (and, with a correlative meaning, **“Affiliated”**) means, with respect to a specified Person, each other Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified. As used in this definition and the definition of Majority Members, “control” (including with correlative meanings, “controlled by” and “under common control with”) means possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities or by contract or other agreement).

“Agreement” has the meaning set forth in the preamble to this Agreement.

“Appraisers” has the meaning set forth in Section 15.02.

“Assignee” means a Person to whom a Company Interest has been transferred but who has not become a Member pursuant to Article XII.

“Assumed Tax Liability” means, with respect to a Member, an amount equal to the Distribution Tax Rate multiplied by the estimated or actual taxable income of the Company, as determined for U.S. federal income tax purposes, allocated to such Member pursuant to Section 5.05 for the period to which the Assumed Tax Liability relates, less prior losses of the Company, as determined for U.S. federal income tax purposes, allocated to such Member pursuant to Section 5.05 to the extent not previously taken into account in determining the Assumed Tax Liability of such Member, as reasonably determined by the Manager.

“Award Agreement” has the meaning set forth in Section 4.01(a).

“Base Rate” means, on any date, a variable rate per annum equal to the rate of interest most recently published by The Wall Street Journal as the “prime rate” at large U.S. money center banks.

“Black-Out Period” means any “black-out” or similar period under the Corporation’s policies covering trading in the Corporation’s securities to which the applicable Redeeming Member is subject, which period restricts the ability of such Redeeming Member to immediately resell shares of Class A Common Stock to be delivered to such Redeeming Member in connection with a Share Settlement.

“Blocker Corps” means the Pre-IPO Members other than Smith & Nephew, Inc.

“Book Value” means, with respect to any Company property, the Company’s adjusted basis for U.S. federal income tax purposes, adjusted from time to time to reflect the adjustments required or permitted by Treasury Regulation Section 1.704-1(b)(2)(iv)(d)-(g).

“Business Day” means any day other than a Saturday or a Sunday or a day on which banks located in New York City, New York generally are authorized or required by Law to close.

“Capital Account” means the capital account maintained for a Member in accordance with Section 5.01.

“Capital Contribution” means, with respect to any Member, the amount of any cash, cash equivalents, promissory obligations or the Fair Market Value of other property that such Member contributes (or is deemed to contribute) to the Company pursuant to Article III hereof.

“Cash Settlement” means immediately available funds in U.S. dollars in an amount equal to the Redeemed Units Equivalent.

“Certificate” means the Company’s Certificate of Formation as filed with the Secretary of State of Delaware.

“Change of Control Transaction” means (a) a sale of all or substantially all of the Company’s assets determined on a consolidated basis (including, without limitation, as a result of the sale of equity securities of any Subsidiary of the Company) or (b) a sale of a majority of the Company’s outstanding Units (other than (i) to the Corporation or (ii) in connection with a Redemption or Exchange in accordance with Article XI); in any such case, whether by merger, recapitalization, consolidation, reorganization, combination or otherwise; *provided, however*, that neither (w) a transaction solely between the Company or any of its Subsidiaries, on the one hand, and the Company or any of its Subsidiaries, on the other hand, (x) nor a transaction solely for the purpose of changing the jurisdiction of domicile of the Company, nor (y) a transaction solely for the purpose of changing the form of entity of the Company, nor (z) a sale of a majority of the outstanding shares of Class A Common Stock, whether by merger, recapitalization, consolidation, reorganization, combination or otherwise, shall in each case of clauses (w), (x), (y) and (z) constitute a Change of Control Transaction.

“Class A Common Stock” has the meaning set forth in the recitals to this Agreement.

“Class B Common Stock” means the Class B Common Stock, par value \$0.001 per share, of the Corporation.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Common Unit” means a Unit representing a fractional part of the Company Interests of the Members and having the rights and obligations specified with respect to the Common Units in this Agreement.

“Common Unit Redemption Price” means the arithmetic average of the volume weighted average prices for a share of Class A Common Stock on the principal U.S. securities

exchange or automated or electronic quotation system on which the Class A Common Stock trades, as reported by Bloomberg, L.P., or its successor, for each of the five (5) consecutive full Trading Days ending on and including the last full Trading Day immediately prior to the Redemption Date, subject to appropriate and equitable adjustment for any stock splits, reverse splits, stock dividends or similar events affecting the Class A Common Stock. If the Class A Common Stock no longer trades on a securities exchange or automated or electronic quotation system, then a majority of the Independent Directors shall determine the Common Unit Redemption Price in good faith.

“**Common Unitholder**” means a Member who is the registered holder of Common Units.

“**Company**” has the meaning set forth in the preamble to this Agreement.

“**Company Interest**” means the interest of a Member in Profits, Losses and Distributions.

“**Contribution Notice**” has the meaning set forth in Section 11.01(b).

“**Corporate Board**” means the Board of Directors of the Corporation.

“**Corporate Incentive Award Plan**” means the [Bioventus Inc. 2021 Incentive Award Plan], as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“**Corporation**” has the meaning set forth in the recitals to this Agreement, together with its successors and assigns.

“**Credit Agreement**” means that certain Credit Agreement, dated as of December 6, 2019, by and among the Company, as borrower, the several banks and other financial institutions or entities from time to time parties thereto, and Wells Fargo Bank, N.A., as syndication agent, administrative agent and collateral agent, including all exhibits, schedules and attachments thereto as the same may be amended, restated, supplemented or otherwise modified from time to time and including any one or more refinancings or replacements thereof, in whole or in part, with any other debt facility or debt obligation.

“**Delaware Act**” means the Delaware Limited Liability Company Act, 6 Del.L. § 18-101, *et seq.*, as it may be amended from time to time, and any successor thereto.

“**Direct Exchange**” has the meaning set forth in Section 11.03(a).

“**Distributable Cash**” shall mean, as of any relevant date on which a determination is being made by the Manager regarding a potential distribution pursuant to Section 4.01(a), the amount of cash that could be distributed by the Company for such purposes in accordance with the Credit Agreement (and without otherwise violating any applicable provisions of the Credit Agreement).

“**Distribution**” (and, with a correlative meaning, “**Distribute**”) means each distribution made by the Company to a Member with respect to such Member’s Units, whether in cash, property or securities of the Company and whether by liquidating distribution or otherwise;

provided, however, that none of the following shall be a Distribution: (a) any recapitalization that does not result in the distribution of cash or property to Members or any exchange of securities of the Company, and any subdivision (by Unit split or otherwise) or any combination (by reverse Unit split or otherwise) of any outstanding Units or (b) any other payment made by the Company to a Member that is not properly treated as a “distribution” for purposes of Sections 731, 732, or 733 or other applicable provisions of the Code.

“**Distribution Tax Rate**” shall mean a rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate for a Fiscal Year applicable to a domestic corporation whose principal place of business is in New York City, New York (taking into account the deductibility of state and local taxes) as reasonably determined by the Manager.

“**Effective Date Members**” has the meaning set forth in the recitals to this Agreement.

“**Effective Time**” has the meaning set forth in Section 16.17.

“**Equity Plan**” means any stock or equity purchase plan, restricted stock or equity plan or other similar equity compensation plan now or hereafter adopted by the Company or the Corporation.

“**Equity Securities**” means (a) Units or other equity interests in the Company or any Subsidiary of the Company (including other classes or groups thereof having such relative rights, powers and duties as may from time to time be established by the Manager pursuant to the provisions of this Agreement, including rights, powers and/or duties senior to existing classes and groups of Units and other equity interests in the Company or any Subsidiary of the Company), (b) obligations, evidences of indebtedness or other securities or interests convertible or exchangeable into Units or other equity interests in the Company or any Subsidiary of the Company, and (c) warrants, options or other rights to purchase or otherwise acquire Units or other equity interests in the Company or any Subsidiary of the Company.

“**Event of Withdrawal**” means the expulsion, bankruptcy or dissolution of a Member or the occurrence of any other event that terminates the continued membership of a Member in the Company. “Event of Withdrawal” shall not include an event that (a) terminates the existence of a Member for income tax purposes (including, without limitation, (i) a change in entity classification of a Member under Treasury Regulations Section 301.7701-3, (ii) a sale of assets by, or liquidation of, a Member pursuant to an election under Code Sections 336 or 338, or (iii) merger, severance, or allocation within a trust or among sub-trusts of a trust that is a Member) but that (b) does not terminate the existence of such Member under applicable state law (or, in the case of a trust that is a Member, does not terminate the trusteeship of the fiduciaries under such trust with respect to all the Company Interests of such trust that is a Member).

“**Exchange Election Notice**” has the meaning set forth in Section 11.03(b).

“**Fair Market Value**” means, with respect to any asset, its fair market value determined according to Article XV.

“**First A&R LLC Agreement**” has the meaning set forth in the recitals to this Agreement.

“Fiscal Period” means any interim accounting period within a Taxable Year established by the Company and which is permitted or required by Section 706 of the Code.

“Fiscal Year” means the Company’s annual accounting period established pursuant to Section 8.02.

“Governmental Entity” means (a) the United States of America, (b) any other sovereign nation, (c) any state, province, district, territory or other political subdivision of (a) or (b) of this definition, including any county, municipal or other local subdivision of the foregoing, or (d) any entity exercising executive, legislative, judicial, regulatory or administrative functions of government on behalf of (a), (b) or (c) of this definition.

“Indemnified Person” has the meaning set forth in Section 7.05(a).

“Independent Directors” means the members of the Corporate Board who are “independent” under the standards set forth in Rule 10A-3 promulgated under the U.S. Securities Exchange Act of 1933, as amended, and the corresponding rules of the applicable exchange on which the Class A Common Stock is traded or quoted.

“Initial LLC Agreement” has the meaning set forth in the recitals to this Agreement.

“Investment Company Act” means the U.S. Investment Company Act of 1940, as amended from time to time.

“IPO” has the meaning set forth in the recitals to this Agreement.

“IPO Closing Date” means the closing date of the IPO, which for the avoidance of doubt means the date on which all IPO Net Proceeds required to be delivered pursuant to the Underwriting Agreement have been delivered to the Corporation in respect of its sale of Class A Common Stock excluding any proceeds from the Over-Allotment Option which may be delivered at a subsequent date following exercise of such option.

“IPO Common Unit Purchase” has the meaning set forth in Section 3.03(b).

“IPO Common Unit Purchase Agreement” means that certain Common Unit Purchase Agreement, dated as of the date hereof, by and among the Corporation and the Company.

“IPO Net Proceeds” has the meaning set forth in the recitals to this Agreement.

“Joinder” means a joinder to this Agreement, in form and substance substantially similar to Exhibit A to this Agreement.

“Law” means all laws, statutes, ordinances, rules and regulations of the United States, any foreign country and each state, commonwealth, city, county, municipality, regulatory body, agency or other political subdivision thereof.

“LLC Employee” means an employee of, or other service provider to, the Company or any Subsidiary, in each case acting in such capacity.

“**Losses**” means items of Company loss or deduction determined according to Section 5.01(b).

“**Majority Members**” means the Members holding a majority of the Voting Units then outstanding other than Voting Units held by the Manager or any of its Affiliates.

“**Manager**” has the meaning set forth in Section 6.01.

“**Market Price**” means, with respect to a share of Class A Common Stock as of a specified date, the last sale price per share of Class A Common Stock, regular way, or if no such sale took place on such day, the average of the closing bid and asked prices per share of Class A Common Stock, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the Stock Exchange or, if the Class A Common Stock is not listed or admitted to trading on the Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Class A Common Stock is listed or admitted to trading or, if the Class A Common Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if the Class A Common Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Class A Common Stock selected by the Corporate Board or, in the event that no trading price is available for the shares of Class A Common Stock, the fair market value of a share of Class A Common Stock, as determined in good faith by the Corporate Board.

“**Member**” means, as of any date of determination, (a) each of the members named on the Schedule of Members and (b) any Person admitted to the Company as a Substituted Member or Additional Member in accordance with Article XII, but in each case only so long as such Person is shown on the Company’s books and records as the owner of one or more Units.

“**Minimum Gain**” means “partnership minimum gain” determined pursuant to Treasury Regulation Section 1.704-2(d).

“**Net Loss**” means, with respect to a Fiscal Year, the excess if any, of Losses for such Fiscal Year over Profits for such Fiscal Year (excluding Profits and Losses specially allocated pursuant to Section 5.03 and Section 5.04).

“**Net Profit**” means, with respect to a Fiscal Year, the excess if any, of Profits for such Fiscal Year over Losses for such Fiscal Year (excluding Profits and Losses specially allocated pursuant to Section 5.03 and Section 5.04).

“**Officer**” has the meaning set forth in Section 6.01(b).

“**Optionee**” means a Person to whom a stock option is granted under any Stock Option Plan.

“Original Common Units” has the meaning set forth in the recitals to this Agreement.

“Original Class B Units” has the meaning set forth in the recitals to this Agreement.

“Original Preferred Units” has the meaning set forth in the recitals to this Agreement.

“Original Profits Interests Units” has the meaning set forth in the recitals to this Agreement.

“Original OUS Units” has the meaning set forth in the recitals to this Agreement.

“Original Units” has the meaning set forth in the recitals to this Agreement.

“Other Agreements” has the meaning set forth in [Section 10.04](#).

“Other Business” has the meaning set forth in [Section 7.02\(b\)](#).

“Over-Allotment Option” has the meaning set forth in the recitals to this Agreement.

“Over-Allotment Option Net Proceeds” has the meaning set forth in the recitals to this Agreement.

“Partnership Representative” has the meaning set forth in [Section 9.03](#).

“Percentage Interest” means, as among an individual class of Units and with respect to a Member at a particular time, such Member’s percentage interest in the Company determined by dividing such Member’s Units of such class by the total Units of all Members of such class at such time. The Percentage Interest of each member shall be calculated to the 4th decimal place.

“Permitted Transfer” has the meaning set forth in [Section 10.02](#).

“Person” means an individual or any corporation, partnership, limited liability company, trust, unincorporated organization, association, joint venture or any other organization or entity, whether or not a legal entity.

“Pro rata,” “pro rata portion,” “according to their interests,” “ratably,” “proportionately,” “proportional,” “in proportion to,” “based on the number of Units held,” “based upon the percentage of Units held,” “based upon the number of Units outstanding,” and other terms with similar meanings, when used in the context of a number of Units of the Company relative to other Units, means as amongst an individual class of Units, pro rata based upon the number of such Units within such class of Units.

“Profits” means items of Company income and gain determined according to [Section 5.01\(b\)](#).

“Recapitalization” has the meaning set forth in the recitals to this Agreement.

“Redeemed Units” has the meaning set forth in [Section 11.01\(a\)](#).

“**Redeemed Units Equivalent**” means the product of (a) the Share Settlement, times (b) the Common Unit Redemption Price.

“**Redeeming Member**” has the meaning set forth in [Section 11.01\(a\)](#).

“**Redemption**” has the meaning set forth in [Section 11.01\(a\)](#).

“**Redemption Date**” has the meaning set forth in [Section 11.01\(a\)](#).

“**Redemption Notice**” has the meaning set forth in [Section 11.01\(a\)](#).

“**Redemption Right**” has the meaning set forth in [Section 11.01\(a\)](#).

“**Registration Rights Agreement**” means that certain Registration Rights Agreement, dated as of the date hereof, by and among the Corporation, S&N, Smith & Nephew OUS, Inc., a Delaware corporation, EW Healthcare Partners Acquisition Fund, L.P., Spindletop Healthcare Capital L.P., Pantheon Global Co-Investment, AMP-CF Holdings, LLC and Alta Partners VIII, L.P. (together with any joinder thereto from time to time by any successor or assign to any party to such Agreement).

“**Retraction Notice**” has the meaning set forth in [Section 11.01\(b\)](#).

“**Revised Partnership Audit Provisions**” shall mean Section 1101 of Title XI (Revenue Provisions Related to Tax Compliance) of the Bipartisan Budget Act of 2015, H.R. 1314, Public Law Number 114-74, any amendments thereto, and any regulations or other official guidance issued with respect thereto.

“**S&N**” means Smith & Nephew, Inc., a Delaware corporation and its successors and assigns.

“**Schedule of Members**” has the meaning set forth in [Section 3.01\(b\)](#).

“**SEC**” means the U.S. Securities and Exchange Commission, including any governmental body or agency succeeding to the functions thereof.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended, and applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the Securities Act shall be deemed to include any corresponding provisions of future Law.

“**Share Settlement**” means a number of shares of Class A Common Stock equal to the number of Redeemed Units.

“**Specified Person**” has the meaning set forth in [Section 7.05\(d\)](#).

“**Stock Exchange**” means the New York Stock Exchange.

“Stock Option Plan” means any stock option plan now or hereafter adopted by the Company or by the Corporation, including the Corporate Incentive Award Plan.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association or business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (b) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of the voting interests thereof are at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, references to a “Subsidiary” of the Company shall be given effect only at such times that the Company has one or more Subsidiaries, and, unless otherwise indicated, the term “Subsidiary” refers to a Subsidiary of the Company.

“Substituted Member” means a Person that is admitted as a Member to the Company pursuant to Section 12.01.

“Tax Distribution Date” has the meaning set forth in Section 4.01(b)(i).

“Tax Distributions” has the meaning set forth in Section 4.01(b)(i).

“Tax Receivable Agreement” means that certain Tax Receivable Agreement, dated as of the date hereof, by and among the Corporation, the Company and S&N (together with any joinder thereto from time to time by any successor or assign to any party to such Agreement).

“Taxable Year” means the Company’s accounting period for U.S. federal income tax purposes determined pursuant to Section 9.02.

“Trading Day” means a day on which the Stock Exchange or such other principal United States securities exchange on which the Class A Common Stock is listed or admitted to trading is open for the transaction of business (unless such trading shall have been suspended for the entire day).

“Transfer” (and, with a correlative meaning, **“Transferring”**) means, in respect of any Unit, property or other asset, any sale, transfer, assignment, pledge, encumbrance or other disposition (whether directly or indirectly, whether with or without consideration and whether voluntarily or involuntarily or by operation of Law), including without limitation, the exchange of any Unit for any other security.

“Treasury Regulations” means the income tax regulations promulgated under the Code and any corresponding provisions of succeeding regulations.

“Underwriting Agreement” means the Underwriting Agreement, dated as of [●], 2021, by and among the Corporation, the Company, Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC, Goldman Sachs & Co. LLC and Canaccord Genuity Securities LLC and the other underwriters named therein, if any.

“**Unit**” means a Company Interest of a Member or a permitted Assignee in the Company representing a fractional part of the Company Interests of all Members and Assignees as may be established by the Manager from time to time in accordance with Section 3.02; *provided, however*, that any class or group of Units issued shall have the relative rights, powers and duties set forth in this Agreement, and the Company Interest represented by such class or group of Units shall be determined in accordance with such relative rights, powers and duties.

“**Unitholder**” means a Common Unitholder and any Member who is the registered holder of any other class of Units, if any.

“**Unvested Corporate Shares**” means shares of Class A Common Stock issued pursuant to the Corporate Incentive Award Plan that are not Vested Corporate Shares.

“**Value**” means (a) for any Stock Option Plan, the Market Price for the trading day immediately preceding the date of exercise of a stock option under such Stock Option Plan and (b) for any Equity Plan other than a Stock Option Plan, the Market Price for the trading day immediately preceding the Vesting Date.

“**Vested Corporate Shares**” means the shares of Class A Common Stock issued pursuant to the Corporate Incentive Award Plan that are vested pursuant to the terms thereof or any award or similar agreement relating thereto.

“**Vesting Date**” has the meaning set forth in Section 3.10(c)(ii).

“**Voting Units**” means (a) the Common Units and (b) any other Units other than Units that by their express terms do not entitle the record holder thereof to vote on any matter presented to the Members generally under this Agreement for approval; provided that (i) no vote by Voting Units shall have the power to override any action taken by the Manager or to remove or replace the Manager, (ii) the Voting Units have no ability to take part in the conduct or control of the Company’s business and (iii) notwithstanding any vote by Voting Units hereunder, the Manager shall retain exclusive management power over the business and affairs of the Company in accordance with Section 6.01(a).

ARTICLE II. ORGANIZATIONAL MATTERS

Section 2.01 Formation of Company. The Company was formed on November 23, 2011 pursuant to the provisions of the Delaware Act.

Section 2.02 Second Amended and Restated Limited Liability Company Agreement. The Members hereby execute this Agreement for the purpose of establishing the affairs of the Company and the conduct of its business in accordance with the provisions of the Delaware Act. The Members hereby agree that during the term of the Company set forth in Section 2.06 the rights and obligations of the Members with respect to the Company will be determined in accordance with the terms and conditions of this Agreement and the Delaware Act. On any matter upon which this Agreement is silent, the Delaware Act shall control. No provision of this Agreement shall be in violation of the Delaware Act and to the extent any provision of this Agreement is in violation of the Delaware Act, such provision shall be void and of no effect to

the extent of such violation without affecting the validity of the other provisions of this Agreement; *provided, however*, that where the Delaware Act provides that a provision of the Delaware Act shall apply “unless otherwise provided in a limited liability company agreement” or words of similar effect, the provisions of this Agreement shall in each instance control; *provided further*, that notwithstanding the foregoing, Section 18-210 of the Delaware Act shall not apply or be incorporated into this Agreement.

Section 2.03 Name. The name of the Company shall be “Bioventus LLC.” The Manager in its sole discretion may change the name of the Company at any time and from time to time. Notification of any such change shall be given to all of the Members and, to the extent practicable, to all of the holders of any Equity Securities then outstanding. The Company’s business may be conducted under its name and/or any other name or names deemed advisable by the Manager.

Section 2.04 Purpose. The primary business and purpose of the Company shall be to engage in such activities as are permitted under the Delaware Act and determined from time to time by the Manager in accordance with the terms and conditions of this Agreement.

Section 2.05 Principal Office; Registered Office. The principal office of the Company shall be at 4721 Emperor Boulevard, Suite 100, Durham, NC 27703, or such other place as the Manager may from time to time designate. The address of the registered office of the Company in the State of Delaware shall be c/o The Corporation Trust Company, 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801, and the registered agent for service of process on the Company in the State of Delaware at such registered office shall be The Corporation Trust Company. The Manager may from time to time change the Company’s registered agent and registered office in the State of Delaware.

Section 2.06 Term. The term of the Company commenced upon the filing of the Certificate in accordance with the Delaware Act and shall continue in existence until termination and dissolution of the Company in accordance with the provisions of Article XIV.

Section 2.07 No State-Law Partnership. The Members intend that the Company not be a partnership (including, without limitation, a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member by virtue of this Agreement, for any purposes other than as set forth in the last sentence of this Section 2.07, and neither this Agreement nor any other document entered into by the Company or any Member relating to the subject matter hereof shall be construed to suggest otherwise. The Members intend that the Company shall be treated as a partnership for U.S. federal and, if applicable, state or local income tax purposes, and that each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

ARTICLE III.
MEMBERS; UNITS; CAPITALIZATION

Section 3.01 Members.

(a) S&N previously was admitted as a Member and shall remain a Member of the Company upon the Effective Time. At the Effective Time and concurrently with the IPO Common Unit Purchase and the Blocker Roll Up, the Corporation shall be admitted to the Company as a Member.

(b) The Company shall maintain a schedule setting forth: (i) the name and address of each Member; (ii) the aggregate number of outstanding Units and the number and class of Units held by each Member; (iii) the aggregate amount of cash Capital Contributions that has been made by the Members with respect to their Units; and (iv) the Fair Market Value of any property other than cash contributed by the Members with respect to their Units (including, if applicable, a description and the amount of any liability assumed by the Company or to which contributed property is subject) (such schedule, the “*Schedule of Members*”). The applicable Schedule of Members in effect as of the Effective Time is set forth as Schedule 2 to this Agreement. The Schedule of Members shall be the definitive record of ownership of each Unit of the Company and all relevant information with respect to each Member. The Company shall be entitled to recognize the exclusive right of a Person registered on its records as the owner of Units for all purposes and shall not be bound to recognize any equitable or other claim to or interest in Units on the part of any other Person, whether or not it shall have express or other notice thereof, except as otherwise provided by the Delaware Act.

(c) No Member shall be required or, except as approved by the Manager pursuant to Section 6.01 and in accordance with the other provisions of this Agreement, permitted to (i) loan any money or property to the Company, (ii) borrow any money or property from the Company, or (iii) make any additional Capital Contributions.

Section 3.02 Units. Interests in the Company shall be represented by Units, or such other securities of the Company, in each case as the Manager may establish in its discretion in accordance with the terms and subject to the restrictions hereof. Immediately after the Effective Time, the Units will be comprised of a single class of Common Units (with an aggregate of [●] Common Units being authorized for issuance by the Company). To the extent required pursuant to Section 3.04(a), the Manager may create one or more classes or series of Common Units or preferred Units solely to the extent they are in the aggregate substantially equivalent to a class of common stock of the Corporation or class or series of preferred stock of the Corporation; *provided* that as long as there are any Members of the Company (other than the Corporation), then no such new class or series of Units may deprive such Members of, or dilute or reduce, the pro rata share of all Company Interests they would have received or to which they would have been entitled if such new class or series of Units had not been created except to the extent (and solely to the extent) the Company actually receives cash in an aggregate amount, or other property with a Fair Market Value in an aggregate amount, equal to the pro rata share allocated to such new class or series of Units and the number thereof issued by the Company.

Section 3.03 Recapitalization; the Corporation's Capital Contribution; the Corporation's Purchase of Common Units; Member Distribution.

(a) *Recapitalization.* In connection with the Recapitalization, immediately prior to the Effective Time, the Original Preferred Units, Original Common Units, Original OUS Units, Original EPR Unit and Original Profits Interests Units that in each case were issued and outstanding and held by the respective Pre-IPO Members prior to the execution and effectiveness of this Agreement in the amounts set forth on Schedule 1 are hereby converted into the number of Common Units set forth next to each Effective Date Member on Schedule 2 (provided, for the avoidance of doubt, that the number of Common Units set forth on Schedule 2 shall include the Common Units issued to the Corporation pursuant to the IPO Common Unit Purchase Agreement), which are hereby issued and outstanding as of the Effective Date.

(b) *The Corporation's Common Unit Purchase.* (i) Following the Recapitalization, immediately upon the Effective Time, the Corporation will contribute the IPO Net Proceeds to the Company in exchange for [●] Common Units and (ii) upon the exercise, if any, of the Over-Allotment Option, the Corporation will contribute the Over-Allotment Option Net Proceeds in exchange for a number of Common Units equal to the number of shares with respect to which the Over-Allotment Option is exercised, in each case pursuant to the IPO Common Unit Purchase Agreement (the "**IPO Common Unit Purchase**"). The parties hereto acknowledge and agree that the IPO Common Unit Purchase will result in a "reevaluation of partnership property" and corresponding adjustments to Capital Account balances as described in Section 1.704-1(b)(2)(iv)(f) of the Treasury Regulations.

Section 3.04 Authorization and Issuance of Additional Units.

(a) The Company shall undertake all actions, including, without limitation, a reclassification, distribution, division or recapitalization, with respect to the Common Units, to maintain at all times a one-to-one ratio between the number of Common Units owned by the Corporation and the number of outstanding shares of Class A Common Stock, disregarding, for purposes of maintaining the one-to-one ratio, (i) Unvested Corporate Shares, (ii) treasury stock or (iii) preferred stock or other debt or equity securities (including without limitation warrants, options or rights) issued by the Corporation that are convertible into or exercisable or exchangeable for Class A Common Stock (except to the extent the net proceeds from such other securities, including any exercise or purchase price payable upon conversion, exercise or exchange thereof, have been contributed by the Corporation to the equity capital of the Company). In the event the Corporation issues, transfers or delivers from treasury stock or repurchases Class A Common Stock in a transaction not contemplated in this Agreement, the Manager shall take all actions such that, after giving effect to all such issuances, transfers, deliveries or repurchases, the number of outstanding Common Units owned by the Corporation will equal on a one-for-one basis the number of outstanding shares of Class A Common Stock. In the event the Corporation issues, transfers or delivers from treasury stock or repurchases or redeems the Corporation's preferred stock in a transaction not contemplated in this Agreement, the Manager shall have the authority to take all actions such that, after giving effect to all such issuances, transfers, deliveries, repurchases or redemptions, the Corporation holds (in the case of any issuance, transfer or delivery) or ceases to hold (in the case of any repurchase or redemption) equity interests in the Company which (in the good faith determination by the Manager) are in

the aggregate substantially equivalent to the outstanding preferred stock of the Corporation so issued, transferred, delivered, repurchased or redeemed. The Company shall not undertake any subdivision (by any Common Unit split, Common Unit distribution, reclassification, recapitalization or similar event) or combination (by reverse Common Unit split, reclassification, recapitalization or similar event) of the Common Units that is not accompanied by an identical subdivision or combination of Class A Common Stock to maintain at all times a one-to-one ratio between the number of Common Units owned by the Corporation and the number of outstanding shares of Class A Common Stock, unless such action is necessary to maintain at all times a one-to-one ratio between the number of Common Units owned by the Corporation and the number of outstanding shares of Class A Common Stock as contemplated by the first sentence of this Section 3.04(a).

(b) If at any time the Corporation issues any Equity Security (other than a share of Class A Common Stock) of the Corporation entitled to any economic rights (an “**Other Economic Security**”) with regard thereto (other than Class B Common Stock or another Equity Security of the Corporation not entitled to any economic rights with respect thereto), the Company shall issue to the Corporation such Equity Securities of the Company corresponding to the Other Economic Security with substantially the same rights to dividends and distributions (including distributions upon liquidation) and other economic rights as those of such Other Economic Security, and shall thereafter maintain such correspondence in a manner consistent with the provisions of Section 3.04(a) for maintaining a one-to-one correspondence of the Common Units and Class A Common Stock.

(c) After the consummation of the IPO, if at any time the Corporation issues any Class A Common Stock or Other Economic Security (other than in connection with any Stock Option Plan, in which case the provisions of Section 3.10 shall apply), the net proceeds received by the Corporation with respect to such Class A Common Stock or Other Economic Security, if any, shall be concurrently contributed to the Company; *provided*, that if the Corporation issues any shares of Class A Common Stock in order to purchase or fund the purchase from another Member (other than the Corporation) of a number of Common Units (and a corresponding number of shares of Class B Common Stock), then the Company shall not issue any new Units in connection therewith and the Corporation shall not be required to transfer such net proceeds to the Company (it being understood that such net proceeds shall instead be transferred to such other Member as consideration for such purchase).

(d) The Company shall only be permitted to issue additional Units or other Equity Securities in the Company to the Persons and on the terms and conditions provided for in Section 3.02, this Section 3.04, Section 3.10 and Section 3.11. Subject to the foregoing, the Manager may cause the Company to issue additional Common Units authorized under this Agreement at such times and upon such terms as the Manager shall determine and the Manager shall amend this Agreement as necessary in connection with the issuance of additional Common Units and admission of additional Members under this Section 3.04 without the requirement of any consent or acknowledgement of any other Member.

Section 3.05 Repurchase or Redemption of shares of Class A Common Stock or Other Economic Security. If, at any time, any shares of Class A Common Stock or Other Economic Security are repurchased or redeemed (whether by exercise of a put or call, automatically or by

means of another arrangement) by the Corporation for cash, then the Manager shall cause the Company, immediately prior to such repurchase or redemption of Class A Common Stock or Other Economic Security, to redeem a corresponding number of Common Units held by the Corporation (in the case of a repurchase or redemption of Class A Common Stock), or an amount of Equity Securities of the Company corresponding to the Other Economic Securities repurchased or redeemed (in the case of a repurchase or redemption of Other Economic Securities), at an aggregate redemption price equal to the aggregate purchase or redemption price of the shares of Class A Common Stock or Other Economic Security being repurchased or redeemed by the Corporation (plus any expenses related thereto) and upon such other terms as are the same for the shares of Class A Common Stock or Other Economic Security being repurchased or redeemed by the Corporation.

Section 3.06 Certificates Representing Units; Lost, Stolen or Destroyed Certificates; Registration and Transfer of Units.

(a) Units shall not be certificated unless otherwise determined by the Manager. If the Manager determines that one or more Units shall be certificated, each such certificate shall be signed by or in the name of the Company, by the Chief Executive Officer and any other officer designated by the Manager, representing the number of Units held by such holder. Such certificate shall be in such form (and shall contain such legends) as the Manager may determine. Any or all of such signatures on any certificate representing one or more Units may be a facsimile, engraved or printed, to the extent permitted by applicable Law. The Manager agrees that it shall not elect to treat any Unit as a “security” within the meaning of Article 8 of the Uniform Commercial Code unless thereafter all Units then outstanding are represented by one or more certificates.

(b) If Units are certificated, the Manager may direct that a new certificate representing one or more Units be issued in place of any certificate theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon delivery to the Manager of an affidavit of the owner or owners of such certificate, setting forth such allegation. The Manager may require the owner of such lost, stolen or destroyed certificate, or such owner’s legal representative, to give the Company a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

(c) Upon surrender to the Company or the transfer agent of the Company, if any, of a certificate for one or more Units, duly endorsed or accompanied by appropriate evidence of succession, assignment or authority to transfer, in compliance with the provisions hereof, the Company shall issue a new certificate representing one or more Units to the Person entitled thereto, cancel the old certificate and record the transaction upon its books. Subject to the provisions of this Agreement, the Manager may prescribe such additional rules and regulations as it may deem appropriate relating to the issue, Transfer and registration of Units.

Section 3.07 Negative Capital Accounts. No Member shall be required to pay to any other Member or the Company any deficit or negative balance which may exist from time to time in such Member’s Capital Account (including upon and after dissolution of the Company).

Section 3.08 No Withdrawal. No Person shall be entitled to withdraw any part of such Person's Capital Contribution or Capital Account or to receive any Distribution from the Company, except as expressly provided in this Agreement.

Section 3.09 Loans From Members. Loans by Members to the Company shall not be considered Capital Contributions. Subject to the provisions of Section 3.01(c), the amount of any such advances shall be a debt of the Company to such Member and shall be payable or collectible in accordance with the terms and conditions upon which such advances are made.

Section 3.10 Corporate Stock Option Plans and Equity Plans.

(a) *Options Granted to Persons other than LLC Employees.* If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted over shares of Class A Common Stock to a Person other than an LLC Employee is duly exercised:

(i) The Corporation shall, as soon as practicable after such exercise, make a Capital Contribution to the Company in an amount equal to the exercise price paid to the Corporation by such exercising Person in connection with the exercise of such stock option.

(ii) Notwithstanding the amount of the Capital Contribution actually made pursuant to Section 3.10(a)(i), the Corporation shall be deemed to have contributed to the Company as a Capital Contribution, in lieu of the Capital Contribution actually made and in consideration of additional Common Units, an amount equal to the Value of a share of Class A Common Stock as of the date of such exercise multiplied by the number of shares of Class A Common Stock then being issued by the Corporation in connection with the exercise of such stock option.

(iii) The Corporation shall receive in exchange for such Capital Contributions (as deemed made under Section 3.10(a)(ii)), a corresponding number of Units of a class correlative to the class of Equity Securities for which such stock options were granted.

(b) *Options Granted to LLC Employees.* If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted over shares of Class A Common Stock to an LLC Employee is duly exercised:

(i) The Corporation shall sell to the Optionee, and the Optionee shall purchase from the Corporation, for a cash price per share equal to the Value of a share of Class A Common Stock at the time of the exercise, the number of shares of Class A Common Stock equal to the quotient of (x) the exercise price payable by the Optionee in connection with the exercise of such stock option divided by (y) the Value of a share of Class A Common Stock at the time of such exercise.

(ii) The Corporation shall sell to the Company (or if the Optionee is an employee of, or other service provider to, a Subsidiary, the Corporation shall sell to such Subsidiary), and the Company (or such Subsidiary, as applicable) shall purchase from the Corporation, a number of shares of Class A Common Stock equal to the excess of (x) the number of shares of Class A Common Stock as to which such stock option is being

exercised over (y) the number of shares of Class A Common Stock sold pursuant to Section 3.10(b)(i) hereof. The purchase price per share of Class A Common Stock for such sale of shares of Class A Common Stock to the Company (or such Subsidiary) shall be the Value of a share of Class A Common Stock as of the date of exercise of such stock option.

(iii) The Company shall transfer to the Optionee (or if the Optionee is an employee of, or other service provider to, a Subsidiary, the Subsidiary shall transfer to the Optionee) at no additional cost to such LLC Employee and as additional compensation to such LLC Employee, the number of shares of Class A Common Stock described in Section 3.10(b)(ii).

(iv) The Corporation shall, as soon as practicable after such exercise, make a Capital Contribution to the Company in an amount equal to all proceeds received (from whatever source, but excluding any payment in respect of payroll taxes or other withholdings) by the Corporation in connection with the exercise of such stock option. The Corporation shall receive for such Capital Contribution, a number of Units equal to the number of shares of Class A Common Stock for which such option was exercised.

(c) *Restricted Stock Granted to LLC Employees.* If at any time or from time to time, in connection with any Equity Plan (other than a Stock Option Plan), any shares of Class A Common Stock are issued to an LLC Employee (including any shares of Class A Common Stock that are subject to forfeiture in the event such LLC Employee terminates his or her employment with the Company or any Subsidiary) in consideration for services performed for the Company or any Subsidiary:

(i) The Corporation shall issue such number of shares of Class A Common Stock as are to be issued to such LLC Employee in accordance with the Equity Plan;

(ii) On the date (such date, the "**Vesting Date**") that the Value of such shares is includible in taxable income of such LLC Employee, the following events will be deemed to have occurred: (a) the Corporation shall be deemed to have sold such shares of Class A Common Stock to the Company (or if such LLC Employee is an employee of, or other service provider to, a Subsidiary, to such Subsidiary) for a purchase price equal to the Value of such shares of Class A Common Stock, (b) the Company (or such Subsidiary) shall be deemed to have delivered such shares of Class A Common Stock to such LLC Employee, (c) the Corporation shall be deemed to have contributed the purchase price for such shares of Class A Common Stock to the Company as a Capital Contribution, and (d) in the case where such LLC Employee is an employee of a Subsidiary, the Company shall be deemed to have contributed such amount to the capital of the Subsidiary; and

(iii) The Company shall issue to the Corporation on the Vesting Date a number of Units equal to the number of shares of Class A Common Stock issued under Section 3.10(c)(i) in consideration for a Capital Contribution in cash in an amount equal to the product of (x) the number of such newly issued Units multiplied by (y) the Value of a share of Class A Common Stock.

(d) *Future Stock Incentive Plans.* Nothing in this Agreement shall be construed or applied to preclude or restrain the Corporation from adopting, modifying or terminating stock incentive plans for the benefit of employees, directors or other business associates of the Corporation, the Company or any of their respective Affiliates. The Members acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by the Corporation, amendments to this Section 3.10 may become necessary or advisable and that any approval or consent to any such amendments requested by the Corporation shall be deemed granted by the Manager without the requirement of any further consent or acknowledgement of any other Member.

(e) *Anti-dilution adjustments.* For all purposes of this Section 3.10, the number of shares of Class A Common Stock and the corresponding number of Common Units shall be determined after giving effect to all anti-dilution or similar adjustments that are applicable, as of the date of exercise or vesting, to the option, warrant, restricted stock or other equity interest that is being exercised or becomes vested under the applicable Stock Option Plan or other Equity Plan and applicable award or grant documentation.

Section 3.11 Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan. Except as may otherwise be provided in this Article III, all amounts received or deemed received by the Corporation in respect of any dividend reinvestment plan, cash option purchase plan, stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by the Corporation to effect open market purchases of shares of Class A Common Stock, or (b) if the Corporation elects instead to issue new shares of Class A Common Stock with respect to such amounts, shall be contributed by the Corporation to the Company in exchange for additional Units. Upon such contribution, the Company will issue to the Corporation a number of Units equal to the number of new shares of Class A Common Stock so issued.

ARTICLE IV. DISTRIBUTIONS

Section 4.01 Distributions.

(a) *Distributable Cash; Other Distributions.* To the extent permitted by applicable Law and hereunder, Distributions to Members may be declared by the Manager out of Distributable Cash or other funds or property legally available therefor in such amounts and on such terms (including the payment dates of such Distributions) as the Manager shall determine using such record date as the Manager may designate; such Distributions shall be made to the Members as of the close of business on such record date on a pro rata basis in accordance with each Member's Percentage Interest as of the close of business on such record date; *provided, however*, that the Manager shall have the obligation to make Distributions as set forth in Sections 4.01(b) and 14.02; and *provided further* that, notwithstanding any other provision herein to the contrary, no Distributions shall be made to any Member to the extent such Distribution would render the Company insolvent. For purposes of the foregoing sentence, insolvency means the inability of the Company to meet its payment obligations when due. Promptly following the designation of a record date and the declaration of a Distribution pursuant to this Section 4.01(a), the Manager shall give notice to each Member of the record date, the amount and the terms of the Distribution and the payment date thereof. In furtherance of the foregoing, it is intended that

the Manager shall, to the extent permitted by applicable Law and hereunder, have the right in its sole discretion to make Distributions to the Members pursuant to this Section 4.01(a) in such amounts as shall enable the Corporation to pay dividends or to meet its obligations, including its obligations pursuant to the Tax Receivable Agreement (to the extent such obligations are not otherwise able to be satisfied as a result of Tax Distributions required to be made pursuant to Section 4.01(b)).

(b) *Tax Distributions.*

(i) On or about each date (a “**Tax Distribution Date**”) that is five (5) Business Days prior to each due date for the U.S. federal income tax return of a corporate calendar year taxpayer (without regard to extensions) (or, if earlier, the due date for the U.S. federal income tax return of the Corporation, as determined without regard to extensions), the Company shall make a Distribution to each Member out of Distributable Cash, *pro rata*, in accordance with each Member’s Percentage Interest, in an amount sufficient to cause the Corporation to receive a Distribution equal to the sum of (x) all of the Corporation’s U.S. federal, state, local and non-U.S. tax liabilities and (y) the amount necessary to satisfy the Corporation’s obligations pursuant to the Tax Receivable Agreement, in each case, during the Taxable Year period to which the tax-related distribution under this Section 4.01(b) relates (the “**Tax Distributions**”).

(ii) If a Member (other than the Corporation) has an Assumed Tax Liability at a Tax Distribution Date in excess of the sum of the amount of Tax Distributions made to such Member under Section 4.01(b)(i) with respect to the relevant Taxable Year (such excess, a “**Tax Distribution Shortfall**”), the Company shall make an additional Distribution to each Member (including the Corporation) out of Distributable Cash, *pro rata*, in accordance with each Member’s Percentage Interest, in an amount sufficient to cause any Member with a Tax Distribution Shortfall to receive an amount equal to such Tax Distribution Shortfall.

(iii) If, on a Tax Distribution Date, there is insufficient Distributable Cash to distribute to the Members the full amount of the Distributions to which such Members are otherwise entitled pursuant to Section 4.01(b)(i) and Section 4.01(b)(ii), the Company shall make future Distributions pursuant to Section 4.01(b)(i) and Section 4.01(b)(ii) as soon as Distributable Cash becomes available sufficient to pay the remaining portion of such Distributions to which such Members are otherwise entitled.

(iv) In the event of any audit by, or similar event with, a taxing authority that affects the calculation of the Corporation’s U.S. federal, state, local and non-U.S. tax liabilities for any Taxable Year, or in the event the Company files an amended tax return, any shortfall in the amount of Tax Distributions received by the Corporation and the other Members for the relevant Taxable Years based on such recalculated tax liability promptly shall be distributed to the Corporation and such Members in accordance with Section 4.01(b)(i) and Section 4.01(b)(ii), except, for the avoidance of doubt, to the extent Distributions were made to such Members pursuant to Section 4.01(b)(i) and Section 4.01(b)(ii) in the relevant Taxable Years sufficient to cover such shortfall.

(v) Notwithstanding the foregoing, all Distributions pursuant to this Section 4.01(b), if any, shall be made to a Member only to the extent all previous Distributions to such Member pursuant to Section 4.01(b) with respect to the relevant Taxable Year are less than the Distributions such Member otherwise would have been entitled to receive with respect to such Taxable Year pursuant to this Section 4.01(b).

Section 4.02 Restricted Distributions. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make any Distribution to any Member on account of any Company Interest if such Distribution would violate any applicable Law or the terms of the Credit Agreement.

ARTICLE V.
CAPITAL ACCOUNTS; ALLOCATIONS; TAX MATTERS

Section 5.01 Capital Accounts.

(a) The Company shall maintain a separate Capital Account for each Member according to the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). For this purpose, the Company may (in the discretion of the Manager), upon the occurrence of the events specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(f), increase or decrease the Capital Accounts in accordance with the rules of such Treasury Regulation and Treasury Regulation Section 1.704-1(b)(2)(iv)(g) to reflect a revaluation of Company property.

(b) For purposes of computing the amount of any item of Company income, gain, loss or deduction to be allocated pursuant to this Article V and to be reflected in the Capital Accounts of the Members, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for U.S. federal income tax purposes (including any method of depreciation, cost recovery or amortization used for this purpose); *provided, however*, that:

(i) The computation of all items of income, gain, loss and deduction shall include those items described in Code Section 705(a)(1)(B) or Code Section 705(a)(2)(B) and Treasury Regulation Section 1.704-1(b)(2)(iv)(i), without regard to the fact that such items are not includable in gross income or are not deductible for U.S. federal income tax purposes.

(ii) If the Book Value of any Company property is adjusted pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(e) or (f), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such property.

(iii) Items of income, gain, loss or deduction attributable to the disposition of Company property having a Book Value that differs from its adjusted basis for tax purposes shall be computed by reference to the Book Value of such property.

(iv) Items of depreciation, amortization and other cost recovery deductions with respect to Company property having a Book Value that differs from its adjusted basis for tax purposes shall be computed by reference to the property's Book Value in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

(v) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Sections 732(d), 734(b) or 743(b) is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis).

Section 5.02 Allocations. Except as otherwise provided in Section 5.03 and Section 5.04, Net Profits and Net Losses for any Fiscal Year or Fiscal Period shall be allocated among the Capital Accounts of the Members pro rata in accordance with their respective Percentage Interests.

Section 5.03 Special Allocations.

(a) Losses attributable to partner nonrecourse debt (as defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated in the manner required by Treasury Regulation Section 1.704-2(i). If there is a net decrease during a Taxable Year in partner nonrecourse debt minimum gain (as defined in Treasury Regulation Section 1.704-2(i)(3)), Profits for such Taxable Year (and, if necessary, for subsequent Taxable Years) shall be allocated to the Members in the amounts and of such character as determined according to Treasury Regulation Section 1.704-2(i)(4).

(b) Nonrecourse deductions (as determined according to Treasury Regulation Section 1.704-2(b)(1)) for any Taxable Year shall be allocated pro rata among the Members in accordance with their Percentage Interests. Except as otherwise provided in Section 5.03(a), if there is a net decrease in the Minimum Gain during any Taxable Year, each Member shall be allocated Profits for such Taxable Year (and, if necessary, for subsequent Taxable Years) in the amounts and of such character as determined according to Treasury Regulation Section 1.704-2(f). This Section 5.03(b) is intended to be a minimum gain chargeback provision that complies with the requirements of Treasury Regulation Section 1.704-2(f), and shall be interpreted in a manner consistent therewith.

(c) If any Member that unexpectedly receives an adjustment, allocation or Distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6) has an Adjusted Capital Account Deficit as of the end of any Taxable Year, computed after the application of Sections 5.03(a) and 5.03(b) but before the application of any other provision of this Article V, then Profits for such Taxable Year shall be allocated to such Member in proportion to, and to the extent of, such Adjusted Capital Account Deficit. This Section 5.03(c) is intended to be a qualified income offset provision as described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted in a manner consistent therewith.

(d) If the allocation of Net Losses to a Member as provided in Section 5.02 would create or increase an Adjusted Capital Account Deficit, there shall be allocated to such Member only that amount of Losses as will not create or increase an Adjusted Capital Account Deficit. The Net Losses that would, absent the application of the preceding sentence, otherwise be allocated to such Member shall be allocated to the other Members in accordance with their relative Percentage Interests, subject to this Section 5.03(d).

(e) Profits and Losses described in Section 5.01(b)(v) shall be allocated in a manner consistent with the manner that the adjustments to the Capital Accounts are required to be made pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(j), (k) and (m).

(f) The allocations set forth in Section 5.03(a) through and including Section 5.03(d) (the “**Regulatory Allocations**”) are intended to comply with certain requirements of Sections 1.704-1(b) and 1.704-2 of the Treasury Regulations. The Regulatory Allocations may not be consistent with the manner in which the Members intend to allocate Profit and Loss of the Company or make Distributions. Accordingly, notwithstanding the other provisions of this Article V, but subject to the Regulatory Allocations, income, gain, deduction and loss shall be reallocated among the Members so as to eliminate the effect of the Regulatory Allocations and thereby cause the respective Capital Accounts of the Members to be in the amounts (or as close thereto as possible) they would have been if Profit and Loss (and such other items of income, gain, deduction and loss) had been allocated without reference to the Regulatory Allocations. In general, the Members anticipate that this will be accomplished by specially allocating other Profit and Loss (and such other items of income, gain, deduction and loss) among the Members so that the net amount of the Regulatory Allocations and such special allocations to each such Member is zero. In addition, if in any Fiscal Year or Fiscal Period there is a decrease in partnership minimum gain, or in partner nonrecourse debt minimum gain, and application of the minimum gain chargeback requirements set forth in Section 5.03(a) or Section 5.03(b) would cause a distortion in the economic arrangement among the Members, the Members may, if they do not expect that the Company will have sufficient other income to correct such distortion, request the Internal Revenue Service to waive either or both of such minimum gain chargeback requirements. If such request is granted, this Agreement shall be applied in such instance as if it did not contain such minimum gain chargeback requirement.

Section 5.04 Final Allocations. Notwithstanding any contrary provision in this Agreement except Section 5.03, the Manager shall make appropriate adjustments to allocations of Profits and Losses to (or, if necessary, allocate items of gross income, gain, loss or deduction of the Company among) the Members upon the liquidation of the Company (within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Treasury Regulations), the transfer of substantially all the Units (whether by sale or exchange or merger) or sale of all or substantially all the assets of the Company, such that, to the maximum extent possible, the Capital Accounts of the Members are proportionate to their Percentage Interests. In each case, such adjustments or allocations shall occur, to the maximum extent possible, in the Fiscal Year of the event requiring such adjustments or allocations.

Section 5.05 Tax Allocations.

(a) The income, gains, losses, deductions and credits of the Company will be allocated, for federal, state and local income tax purposes, among the Members in accordance with the allocation of such income, gains, losses, deductions and credits among the Members for computing their Capital Accounts; *provided* that if any such allocation is not permitted by the Code or other applicable Law, the Company’s subsequent income, gains, losses, deductions and credits will be allocated among the Members so as to reflect as nearly as possible the allocation set forth herein in computing their Capital Accounts.

(b) Items of Company taxable income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall be allocated among the Members in accordance with Code Section 704(c) so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its Book Value using the traditional method, as described in Treasury Regulations Section 1.704-3(b).

(c) If the Book Value of any Company asset is adjusted pursuant to Section 5.01(b), subsequent allocations of items of taxable income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Book Value in the same manner as under Code Section 704(c) using the traditional method, as described in Treasury Regulations Section 1.704-3(b).

(d) Allocations of tax credits, tax credit recapture, and any items related thereto shall be allocated to the Members pro rata as determined by the Manager taking into account the principles of Treasury Regulation Section 1.704-1(b)(4)(ii).

(e) For purposes of determining a Member's pro rata share of the Company's "excess nonrecourse liabilities" within the meaning of Treasury Regulation Section 1.752-3(a)(3), each Member's interest in income and gain shall be in proportion to the Units held by such Member.

(f) Allocations pursuant to this Section 5.05 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, Distributions or other Company items pursuant to any provision of this Agreement.

Section 5.06 Indemnification and Reimbursement for Payments on Behalf of a Member. If the Company is obligated to pay any amount to a Governmental Entity (or otherwise makes a payment to a Governmental Entity) that is specifically attributable to a Member or a Member's status as such (including federal withholding taxes, state personal property taxes, state unincorporated business taxes, U.S. federal income taxes as a result of Company obligations pursuant to the Revised Partnership Audit Provisions, but excluding payments such as professional association fees and the like made voluntarily by the Company on behalf of any Member based upon such Member's status as an employee of the Company), then such Person shall indemnify the Company in full for the entire amount paid (including interest, penalties and related expenses). The Manager may offset Distributions to which a Person is otherwise entitled under this Agreement against such Person's obligation to indemnify the Company under this Section 5.06. A Member's obligation to make contributions to the Company under this Section 5.06 shall survive the termination, dissolution, liquidation and winding up of the Company, and for purposes of this Section 5.06, the Company shall be treated as continuing in existence. The Company may pursue and enforce all rights and remedies it may have against each Member under this Section 5.06, including instituting a lawsuit to collect such contribution with interest calculated at a rate per annum equal to the sum of the Base Rate plus 300 basis points (but not in excess of the highest rate per annum permitted by Law). Each Member hereby agrees to furnish to the Company such information and forms as required or reasonably requested in order to comply with any laws and regulations governing withholding of tax or in order to claim any reduced rate of, or exemption from, withholding to which the Member is legally entitled.

ARTICLE VI.
MANAGEMENT

Section 6.01 Authority of Manager.

(a) Except for situations in which the approval of any Member(s) is specifically required by this Agreement, (i) all management powers over the business and affairs of the Company shall be exclusively vested in the Corporation, as the sole managing member of the Company (the Corporation, in such capacity, the “**Manager**”) and (ii) the Manager shall conduct, direct and exercise full control over all activities of the Company. The Manager shall be the “manager” of the Company for the purposes of the Delaware Act. Except as otherwise expressly provided for herein and subject to the other provisions of this Agreement, the Members hereby consent to the exercise by the Manager of all such powers and rights conferred on the Members by the Delaware Act with respect to the management and control of the Company. Any vacancies in the position of Manager shall be filled in accordance with Section 6.04.

(b) The day-to-day business and operations of the Company shall be overseen and implemented by officers of the Company (each, an “**Officer**” and collectively, the “**Officers**”), subject to the limitations imposed by the Manager. An Officer may, but need not, be a Member. Each Officer shall be appointed by the Manager and shall hold office until his or her successor shall be duly designated and shall qualify or until his or her death or until he shall resign or shall have been removed in the manner hereinafter provided. Any one Person may hold more than one office. Subject to the other provisions in this Agreement (including in Section 6.07 below), the salaries or other compensation, if any, of the Officers of the Company shall be fixed from time to time by the Manager. The authority and responsibility of the Officers shall include, but not be limited to, such duties as the Manager may, from time to time, delegate to them and the carrying out of the Company’s business and affairs on a day-to-day basis. The existing Officers of the Company as of the Effective Time shall remain in their respective positions and shall be deemed to have been appointed by the Manager. All Officers shall be, and shall be deemed to be, officers and employees of the Company. An Officer may also perform one or more roles as an officer of the Manager.

(c) The Manager shall have the power and authority to effectuate the sale, lease, transfer, exchange or other disposition of any, all or substantially all of the assets of the Company (including the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Company) or the merger, consolidation, reorganization or other combination of the Company with or into another entity.

Section 6.02 Actions of the Manager. The Manager may act through any Officer or through any other Person or Persons to whom authority and duties have been delegated pursuant to Section 6.07.

Section 6.03 Resignation; No Removal. The Manager may resign at any time by giving written notice to the Members. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the Members, and the acceptance of the resignation shall not be necessary to make it effective. For the avoidance of doubt, the Members have no right under this Agreement to remove or replace the Manager.

Section 6.04 Vacancies. Vacancies in the position of Manager occurring for any reason shall be filled, upon written notice to the Company, by the Corporation (or, if the Corporation has ceased to exist without any successor or assign, then by the holders of a majority in interest of the voting capital stock of the Corporation immediately prior to such cessation) with a successor that is (a) a wholly-owned Subsidiary of the Corporation, (b) a Person of which the Corporation is a wholly-owned Subsidiary, (c) a Person into which the Corporation is merged or consolidated or (d) a transferee of all or substantially all of the assets of the Corporation. For the avoidance of doubt, the Members have no right under this Agreement to fill any vacancy in the position of Manager. No appointment of a Person other than the Corporation (or its successor, as the case may be) as Manager shall be effective unless the Corporation (or its successor, as the case may be) and the new Manager provide all other Members with contractual rights, directly enforceable by such other Members against the new Manager, to cause the new Manager to comply with all of the Manager's obligations under this Agreement.

Section 6.05 Transactions Between Company and Manager. The Manager may cause the Company to contract and deal with the Manager, or any Affiliate of the Manager, provided such contracts and dealings (other than contracts and dealings between the Company and its Subsidiaries) are on terms comparable to and competitive with those available to the Company from others dealing at arm's length or are approved by the Members and otherwise are permitted by the Credit Agreement. Notwithstanding the foregoing, the Members hereby approve (i) each of the contracts or agreements between or among the Manager, the Company and their respective Affiliates entered into on or prior to the date hereof in accordance with the First A&R LLC Agreement or that the board of managers has approved in connection with an initial public offering as of the date hereof and (ii) any other contracts and dealings that are customary (and necessary or desirable for the proper implementation of the transaction structure) among a public corporation and its Subsidiaries following an initial public offering pursuant to an "Up-C" structure in accordance with the terms hereof.

Section 6.06 Reimbursement for Expenses.

(a) The Manager shall not be compensated for its services as Manager of the Company except as expressly provided in this Agreement. The Members acknowledge and agree that, upon consummation of the IPO, the Manager's Class A Common Stock will be publicly traded and therefore the Manager will have access to the public capital markets and that such status and the services performed by the Manager will inure to the benefit of the Company and all Members; therefore, the Manager shall be reimbursed by the Company for any reasonable out-of-pocket expenses incurred on behalf of the Company, including without limitation all fees, expenses and costs associated with the IPO and all fees, expenses and costs of being a public company (including without limitation public reporting obligations, proxy statements, stockholder meetings, stock exchange fees, transfer agent fees, SEC and FINRA filing fees and offering expenses) and maintaining its corporate existence. In the event that shares of Class A Common Stock are sold to underwriters in the IPO (or in any subsequent public offering) at a price per share that is lower than the price per share for which such shares of Class A Common Stock are sold to the public in the IPO (or in such subsequent public offering, as applicable) after

taking into account underwriters' discounts or commissions and brokers' fees or commissions (such difference, the "**Discount**"), the Company shall reimburse the Manager for such Discount by treating such Discount as an additional Capital Contribution made by the Manager to the Company and increasing the Manager's Capital Account by the amount of such Discount. To the extent practicable, expenses incurred by the Manager on behalf of or for the benefit of the Company shall be billed directly to and paid by the Company and, if and to the extent any reimbursements to the Manager or any of its Affiliates by the Company pursuant to this Section 6.06 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Company), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Members' Capital Accounts.

(b) Notwithstanding Section 6.06(a), until the Tax Receivable Agreement has been terminated pursuant to Section 4.1 of the Tax Receivable Agreement and the Early Termination Payment (as defined in the Tax Receivable Agreement) has been paid to S&N, or, if earlier, the fifteenth anniversary of the date on which S&N ceases to be a Member of the Company, S&N shall promptly, but in any event within 30 days after receipt of an invoice therefor (which the Company shall provide no more frequently than quarterly, on or promptly following the first day of each quarter), reimburse the Company for all reasonable and documented (i) out-of-pocket fees, expenses and costs associated with administering the Tax Receivable Agreement (excluding, for the avoidance of doubt, any payments required to be made by the Company to S&N thereunder, including pursuant to Sections 3.1(a) and 4.3(a) thereof) and (ii) incremental out-of-pocket fees, expenses and costs incurred by the Company in connection with the administration of the tax and organizational functions of the Company that are reasonably determined to be in excess of the fees, expenses and costs that would have been incurred in connection with the tax and organizational functions of the Corporation had it owned, immediately after the IPO, all of the outstanding equity interests of the Company; *provided* that, notwithstanding the foregoing or anything else to the contrary contained herein, in no event shall S&N be obligated to pay more than \$[●] per annum pursuant to this Section 6.06(b); and, *provided further*, that such amount shall not include the fees, expenses and costs of an initial public offering pursuant to an "Up-C" structure incurred on or prior to the date hereof.

Section 6.07 Delegation of Authority. The Manager (a) may, from time to time, delegate to one or more Persons such authority and duties as the Manager may deem advisable, and (b) may assign titles (including, without limitation, chief executive officer, president, chief executive officer, chief financial officers, chief operating officer, vice president, secretary, assistant secretary, treasurer or assistant treasurer) and delegate certain authority and duties to such Persons as the same may be amended, restated or otherwise modified from time to time. Any number of titles may be held by the same individual. The salaries or other compensation, if any, of such agents of the Company shall be fixed from time to time by the Manager, subject to the other provisions in this Agreement.

Section 6.08 Limitation of Liability of Manager.

(a) Except as otherwise provided herein or in an agreement entered into by such Person and the Company, neither the Manager nor any of the Manager's Affiliates shall be liable to the Company or to any Member that is not the Manager for any act or omission performed or

omitted by the Manager in its capacity as the sole managing member of the Company pursuant to authority granted to the Manager by this Agreement; *provided, however*, that, except as otherwise provided herein, such limitation of liability shall not apply to the extent the act or omission was attributable to the Manager's gross negligence, willful misconduct, bad faith or knowing violation of Law or for any present or future breaches of any representations, warranties or covenants by the Manager or its Affiliates contained herein or in the other agreements with the Company. The Manager may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and shall not be responsible for any misconduct or negligence on the part of any such agent (so long as such agent was selected in good faith and with reasonable care). The Manager shall be entitled to rely upon the advice of legal counsel, independent public accountants and other experts, including financial advisors, and any act of or failure to act by the Manager in good faith reliance on such advice shall in no event subject the Manager to liability to the Company or any Member that is not the Manager.

(b) Whenever in this Agreement or any other agreement contemplated herein, the Manager is permitted or required to take any action or to make a decision in its "sole discretion" or "discretion," with "complete discretion" or under a grant of similar authority or latitude, the Manager shall be entitled to consider such interests and factors as it desires, including its own interests, and shall, to the fullest extent permitted by applicable Law, have no duty or obligation to give any consideration to any interest of or factors affecting the Company or other Members.

(c) Whenever in this Agreement the Manager is permitted or required to take any action or to make a decision in its "good faith" or under another express standard, the Manager shall act under such express standard and, to the extent permitted by applicable Law, shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein, and, notwithstanding anything contained herein to the contrary, so long as the Manager acts in good faith, the resolution, action or terms so made, taken or provided by the Manager shall not constitute a breach of this Agreement or any other agreement contemplated herein or impose liability upon the Manager or any of the Manager's Affiliates.

Section 6.09 Investment Company Act. The Manager shall use its best efforts to ensure that the Company shall not be subject to registration as an investment company pursuant to the Investment Company Act.

Section 6.10 Outside Activities of the Manager. The Manager shall not, directly or indirectly, enter into or conduct any business or operations, other than (a) the ownership, acquisition and disposition of Common Units, (b) the management of the business and affairs of the Company and its Subsidiaries, (c) the operation of the Manager as a reporting company with a class (or classes) of securities registered under Section 12 of the Exchange Act and listed on a securities exchange, (d) the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests of the Manager, (e) financing or refinancing of any type related to the Company, its Subsidiaries or their assets or activities, and (f) such activities as are incidental to the foregoing; *provided, however*, that, except as otherwise provided herein, the net proceeds of any financing raised by the Manager pursuant to the preceding clauses (d) and (e) shall be made available to the Company, whether as Capital Contributions, loans or otherwise, as appropriate, and, *provided further*, that the Manager may, in its sole and absolute discretion,

from time to time hold or acquire assets in its own name or otherwise other than through the Company and its Subsidiaries so long as the Manager takes commercially reasonable measures to ensure that the economic benefits and burdens of such assets are otherwise vested in the Company or its Subsidiaries, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Company or any of its Subsidiaries, the Members shall negotiate in good faith to amend this Agreement to reflect such activities and the direct ownership of assets by the Manager. Nothing contained herein shall be deemed to prohibit the Manager from executing any guarantee of indebtedness of the Company or its Subsidiaries.

ARTICLE VII.
RIGHTS AND OBLIGATIONS OF MEMBERS

Section 7.01 Limitation of Liability and Duties of Members.

(a) No Member (including without limitation, the Manager) shall be obligated personally for any debts, obligation or liability of the Company or any debts, obligation or liability solely by reason of being a Member or acting as the Manager of the Company, except to the extent required by the Delaware Act. Notwithstanding anything contained herein to the contrary, the failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business and affairs under this Agreement or the Delaware Act shall not be grounds for imposing personal liability on the Members for liabilities of the Company.

(b) In accordance with the Delaware Act and the laws of the State of Delaware, a Member may, under certain circumstances, be required to return amounts previously distributed to such Member. It is the intent of the Members that no Distribution to any Member pursuant to Article IV shall be deemed a return of money or other property paid or distributed in violation of the Delaware Act. The payment of any such money or Distribution of any such property to a Member shall be deemed to be a compromise within the meaning of Section 18-502(b) of the Delaware Act, and, to the fullest extent permitted by Law, any Member receiving any such money or property shall not be required to return any such money or property to the Company or any other Person. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Member is obligated to make any such payment, such obligation shall be the obligation of such Member and not of any other Member.

(c) Notwithstanding Section 7.02 below or any other provision to the contrary in this Agreement, (i) the Manager shall, in its capacity as Manager, and not in any other capacity, have the same fiduciary duties to the Company and the Members as a member of the board of directors of a Delaware corporation (assuming such corporation had in its certificate of incorporation a provision eliminating the liabilities of directors and officers to the maximum extent permitted by Section 102(b)(7) of the Delaware General Corporation Law); (ii) the parties hereto acknowledge that the Manager will take action through its board of directors, and that the members of the Manager's board of directors will owe fiduciary duties to the stockholders of the Manager; and (iii) the Manager will use commercially reasonable and appropriate efforts and means, as determined in good faith by the Manager, to minimize any conflict of interest between the Members, on the one hand, and the stockholders of the Manager, on the other hand, and to

effectuate any transaction that involves or affects any of the Company, the Manager, the Members and/or the stockholders of the Manager in a manner that does not (x) disadvantage the Members of their interests relative to the stockholders of the Manager, (y) advantage the stockholders of the Manager relative to the Members or (z) treat the Members and the stockholders of the Manager differently; provided that in the event of a conflict between the interests of the stockholders of the Manager and the interests of the Members other than the Manager, such other Members agree that the Manager shall discharge its fiduciary duties to such other Members by acting in the best interests of the Manager's stockholders. For the avoidance of doubt, the fiduciary duties described in clause (i) above shall not be limited by the fact that the Manager shall be permitted to take certain actions in its sole or reasonable discretion pursuant to the terms of this Agreement or any agreement entered into in connection herewith. Any duties and liabilities set forth in this Agreement shall replace those existing at Law or in equity (including the duties of the Manager and any Member) and each of the Company and each Member hereby, to the fullest extent permitted by applicable Law, including Section 18-1101(c) of the Delaware Act: (i) acknowledges and agrees that none of the Members, their respective Affiliates or its or their respective Affiliates, directors, officers, employees, agents or representatives, acting in his or her capacity as such, shall be obligated to (A) reveal to the Company or any of its Subsidiaries confidential information belonging to or relating to the business of such Person or any of its Affiliates or (B) recommend or to take any action in its capacity as such that prefers the interest of the Company or its Subsidiaries over the interest of such Person; and (ii) waives the right to make any claim, bring any action or seek any recovery based on any duties or liabilities existing at Law or in equity (including the duties of the Manager and any Member) other than any such duties and liabilities set forth in this Agreement. The provisions of this Section 7.01(c) shall survive any amendment, repeal or termination of this Agreement.

(d) Notwithstanding any other provision of this Agreement (subject to Section 6.08 and Section 7.01(c) with respect to the Manager), to the extent that, at Law or in equity, any Member (or any Member's Affiliate or any manager, managing member, general partner, director, officer, employee, agent, fiduciary or trustee of any Member or of any Affiliate of a Member) has duties (including fiduciary duties) to the Company, to the Manager, to another Member, to any Person who acquires an interest in a Company Interest or to any other Person bound by this Agreement, all such duties (including fiduciary duties) are hereby eliminated, to the fullest extent permitted by Law, and replaced with the duties or standards expressly set forth herein, if any. The elimination of duties (including fiduciary duties) to the Company, the Manager, each of the Members, each other Person who acquires an interest in a Company Interest and each other Person bound by this Agreement and replacement thereof with the duties or standards expressly set forth herein, if any, are approved by the Company, the Manager, each of the Members, each other Person who acquires an interest in a Company Interest and each other Person bound by this Agreement.

Section 7.02 Corporate Opportunities. Subject to Section 6.08 and Section 7.01(c) with respect to the Manager:

(a) In no event shall any Member be liable to the Company, any Subsidiary of the Company or to any party hereto for breaches of fiduciary or other similar duties by virtue of the fact that such Person fails to bring a business opportunity to the attention of the Company or any

Subsidiary of the Company or presents a business opportunity to a Member or an Affiliate of a Member (rather than, or in addition to, presenting such opportunity to the Company). This Section 7.02 shall not apply to any Member who is an employee of the Corporation or any Subsidiary of the Corporation (including the Company and the Subsidiaries of the Company).

(b) Without limiting the generality of the foregoing, the Members expressly acknowledge and agree that (i) each Member and its Affiliates are permitted to have, and may presently or in the future have, investments or other business relationships, ventures, agreements or arrangements with, or ownership of, entities engaged in the same or a similar business to the business conducted by the Company and its Subsidiaries, and in related businesses other than through the Company and its Subsidiaries (an “**Other Business**”), (ii) each Member or its Affiliates have or may develop a strategic relationship with businesses that are or may be competitive with the Company and its Subsidiaries, (iii) no Member or its Affiliates will be prohibited by virtue of their investment in the Company and its Subsidiaries from pursuing and engaging in any such activities, (iv) no Member or its Affiliates will be obligated to inform the Company of any such opportunity, relationship or investment, (v) the other Members will not acquire, be provided with an option or opportunity to acquire or be entitled to any interest or participation in any Other Business as a result of the participation therein of a Member or its Affiliates, (vi) the Members expressly waive, to the fullest extent permitted by applicable Law, any rights to assert any claim that such involvement breaches any duty owed to any Member, or the Company or its Subsidiaries or to assert that such involvement constitutes a conflict of interest by such Persons with respect to the Company or its Subsidiaries and (vii) nothing contained herein shall limit, prohibit or restrict any Member or any of its Affiliates from serving on the board of directors or other governing body or committee of any Other Business. This Section 7.02(b) shall not apply to the Corporation or any Member who is an employee of the Corporation or any Subsidiary of the Corporation (including the Company and the Subsidiaries of the Company).

Section 7.03 Lack of Authority. No Member, other than the Manager or a duly appointed Officer, in each case in its capacity as such, has the authority or power to act for or on behalf of the Company, to do any act that would be binding on the Company or to make any expenditure on behalf of the Company. The Members hereby consent to the exercise by the Manager of the powers conferred on them by Law and this Agreement.

Section 7.04 No Right of Partition. No Member, other than the Manager, shall have the right to seek or obtain partition by court decree or operation of Law of any Company property, or the right to own or use particular or individual assets of the Company.

Section 7.05 Indemnification.

(a) Subject to Section 5.06, the Company hereby agrees to indemnify and hold harmless any Person (each an “**Indemnified Person**”) to the fullest extent permitted under the Delaware Act, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement only to the extent that such amendment, substitution or replacement permits the Company to provide broader indemnification rights than the Company is providing immediately prior to such amendment), against all expenses, liabilities, damages and losses (including attorneys’ fees, judgments,

amounts paid in settlement, fines, excise taxes, interest or penalties) incurred or suffered by such Person (or one or more of such Person's Affiliates) by reason of the fact that such Person is or was a Member or an Affiliate thereof (other than as a result of an ownership interest in the Corporation) or is or was serving as the Manager, a manager, Officer, employee or other agent of the Company or is or was serving at the request of the Company as a manager, officer, director, principal, member, employee or agent of another corporation, partnership, joint venture, limited liability company, trust or other enterprise in connection with any action, suit or proceeding, whether civil, criminal, administrative or investigative, relating to such Person's status or service as such; *provided, however*, that no Indemnified Person shall be indemnified for any expenses, liabilities, damages and losses suffered that are (i) attributable to such Indemnified Person's or its Affiliates' gross negligence, willful misconduct, bad faith or knowing violation of Law or for any present or future breaches of any representations, warranties or covenants by such Indemnified Person or its Affiliates contained herein or in the other agreements with the Company or (ii) in connection with (x) an action, suit or proceeding (or part thereof) commenced by the Indemnified Person or (y) an action, suit or proceeding commenced by the Company or any of its Subsidiaries against the Indemnified Person. Expenses, including attorneys' fees, incurred by any such Indemnified Person in defending a proceeding shall be paid by the Company in advance of the final disposition of such proceeding, including any appeal therefrom, upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified by the Company.

(b) The right to indemnification and the advancement of expenses conferred in this Section 7.05 shall not be exclusive of any other right which any Person may have or hereafter acquire under any statute, agreement, bylaw, action by the Manager or otherwise.

(c) The Company shall maintain directors' and officers' liability insurance, or substantially equivalent insurance, at its expense, to protect any Indemnified Person against any expense, liability or loss described in Section 7.05(a) whether or not the Company would have the power to indemnify such Indemnified Person against such expense, liability or loss under the provisions of this Section 7.05. The Company shall use its commercially reasonable efforts to purchase and maintain property, casualty and liability insurance in types and at levels customary for companies of similar size engaged in similar lines of business, as determined in good faith by the Manager, and the Company shall use its commercially reasonable efforts to purchase directors' and officers' liability insurance (including employment practices coverage) with a carrier and in an amount determined necessary or desirable as determined in good faith by the Manager.

(d) Notwithstanding anything contained herein to the contrary (including in this Section 7.05), the Company agrees that any indemnification and advancement of expenses available to any current or former Indemnified Person from any Member or Affiliate thereof who served as a director of the Company or as a Member of the Company by virtue of such Person's service as a member, director, partner or employee of any such Member prior to or following the Effective Time (any such Person, a "**Specified Person**") shall be secondary to the indemnification and advancement of expenses to be provided the Company pursuant to this Section 7.05 which shall be provided out of and to the extent of Company assets only and no Member (unless such Member otherwise agrees in writing or is found in a final decision by a

court of competent jurisdiction to have personal liability on account thereof) shall have personal liability on account thereof or shall be required to make additional Capital Contributions to help satisfy such indemnity of the Company and the Company (i) shall be the primary indemnitor of first resort for such Specified Person pursuant to this Section 7.05 and (ii) shall be fully responsible for the advancement of all expenses and the payment of all damages or liabilities with respect to such Specified Person which are addressed by this Section 7.05.

(e) If this Section 7.05 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Indemnified Person pursuant to this Section 7.05 to the fullest extent permitted by any applicable portion of this Section 7.05 that shall not have been invalidated and to the fullest extent permitted by applicable Law.

(f) Neither the amendment of this Section 7.05, nor, to the fullest extent permitted by Delaware Law, any modification of Law, shall eliminate or reduce the effect of this Section 7.05 in respect of any acts or omissions occurring prior to such amendment or modification.

Section 7.06 Members Right to Act. For matters that require the approval of the Members, the Members shall act through meetings and written consents as described in paragraphs (a) and (b) below:

(a) Except as otherwise expressly provided by this Agreement, acts by the Members holding a majority of the Units, voting together as a single class, shall be the acts of the Members. Any Member entitled to vote at a meeting of Members or to express consent or dissent to Company action in writing without a meeting may authorize another person or persons to act for it by proxy. An electronic mail, telegram, telex, cablegram or similar transmission by the Member, or a photographic, photostatic, facsimile or similar reproduction of a writing executed by the Member shall (if stated thereon) be treated as a proxy executed in writing for purposes of this Section 7.06(a). No proxy shall be voted or acted upon after eleven months from the date thereof, unless the proxy provides for a longer period. A proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and that the proxy is coupled with an interest. Should a proxy designate two or more Persons to act as proxies, unless that instrument shall provide to the contrary, a majority of such Persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or, if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, the Company shall not be required to recognize such proxy with respect to such issue if such proxy does not specify how the votes that are the subject of such proxy are to be voted with respect to such issue.

(b) The actions by the Members permitted hereunder may be taken at a meeting called by the Manager or by the Members holding a majority of the Units entitled to vote on such matter on at least 120 hours' prior written notice to the other Members entitled to vote, which notice shall state the purpose or purposes for which such meeting is being called. The actions taken by the Members entitled to vote or consent at any meeting (as opposed to by written consent), however called and noticed, shall be as valid as though taken at a meeting duly held after regular call and notice if (but not until), either before, at or after the meeting, the Members

entitled to vote or consent as to whom it was improperly held signs a written waiver of notice or a consent to the holding of such meeting or an approval of the minutes thereof. The actions by the Members entitled to vote or consent may be taken by vote of the Members entitled to vote or consent at a meeting or by written consent, so long as such consent is signed by Members having not less than the minimum number of Units that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted. Prompt notice of the action so taken, which shall state the purpose or purposes for which such consent is required and may be delivered via email, without a meeting shall be given to those Members entitled to vote or consent who have not consented in writing; *provided, however*, that the failure to give any such notice shall not affect the validity of the action taken by such written consent. Any action taken pursuant to such written consent of the Members shall have the same force and effect as if taken by the Members at a meeting thereof.

Section 7.07 Inspection Rights. The Company shall permit each Member and each of its designated representatives to (i) visit and inspect any of the properties of the Company and its Subsidiaries, all at reasonable times and upon reasonable notice, (ii) examine the corporate and financial records of the Company or any of its Subsidiaries and make copies thereof or extracts therefrom, (iii) consult with the managers, officers, employees and independent accountants of the Company or any of its Subsidiaries concerning the affairs, finances and accounts of the Company or any of its Subsidiaries, in each case including, without limitation, in the case of S&N, for purposes of S&N verifying any amounts claimed by the Company to be reimbursable pursuant to Section 6.06(b). The presentation of an executed copy of this Agreement by any Member to the Company's independent accountants shall constitute the Company's permission to its independent accountants to participate in discussions with such Persons and their respective designated representatives.

ARTICLE VIII. BOOKS, RECORDS, ACCOUNTING AND REPORTS, AFFIRMATIVE COVENANTS

Section 8.01 Records and Accounting. The Company shall keep, or cause to be kept, appropriate books and records with respect to the Company's business, including all books and records necessary to provide any information, lists and copies of documents required to be provided pursuant to Section 8.03 or pursuant to applicable Laws. All matters concerning (a) the determination of the relative amount of allocations and Distributions among the Members pursuant to Articles III and IV and (b) accounting procedures and determinations, and other determinations not specifically and expressly provided for by the terms of this Agreement, shall be determined by the Manager, whose determination shall be final and conclusive as to all of the Members absent manifest clerical error.

Section 8.02 Fiscal Year. The Fiscal Year of the Company shall end on December 31 of each year or such other date as may be established by the Manager.

Section 8.03 Reports. The Company shall deliver or cause to be delivered, within ninety (90) days after the end of each Fiscal Year, to each Person who was a Member at any time during such Fiscal Year, all information reasonably necessary for the preparation of such Person's United States federal and applicable state income tax returns.

ARTICLE IX.
TAX MATTERS

Section 9.01 Preparation of Tax Returns. The Manager shall arrange for the preparation and timely filing of all tax returns required to be filed by the Company. The Manager shall select an "Income Tax Return Preparer" for the Company as defined in Section 7701(a)(36) of the Code, not taking into account Section 7701(a)(36)(B), which at all times shall be a nationally recognized accounting firm; *provided* as long as S&N is a 9.9% Member, such selection shall be subject to the approval of S&N, which shall not be unreasonably withheld, conditioned or delayed. All income and franchise tax returns of, or relating to the Company and its Subsidiaries, shall be provided to S&N for review and comment not later than 60 Business Days prior to the due date (including extensions). S&N shall be entitled to meet and discuss all income and franchise tax matters relating to the Company and its Subsidiaries with the Income Tax Return Preparer and the Partnership Representative (as defined below), and provide comments not later than 30 Business Days prior to the due date (including extensions). On or before March 15, June 15, September 15, and December 15 of each Fiscal Year, the Company shall send to each Person who was a Member at any time during the prior quarter, an estimate of such Member's state tax apportionment information and allocations to the Members of taxable income, gains, losses, deductions and credits for the prior quarter, which estimate shall have been reviewed by the Company's outside tax accountants. As long as S&N is a 9.9% Member, such Member shall be entitled to review such outside tax accountants' work papers (to the extent made available to the Company) and the information made available to the Company in connection with the preparation and audit of the Company's financial statements. In addition, no later than the later of (i) prior to April 15 following the end of the prior Fiscal Year, and (ii) thirty (30) Business Days after the issuance of the final financial statement report for a Fiscal Year by the Company's auditors, the Company shall send to each Person who was a Member at any time during such Fiscal Year, a statement showing such Member's final state tax apportionment information and allocations to the Members of taxable income, gains, losses, deductions and credits for such Fiscal Year and a completed IRS Schedule K-1. Each Member shall notify the other Members upon receipt of any notice of tax examination of the Company by federal, state or local authorities. Subject to the terms and conditions of this Agreement, in its capacity as Partnership Representative, the Corporation shall have the authority to prepare the tax returns of the Company using such permissible methods and elections as it determines in its reasonable discretion, including without limitation the use of any permissible method under Section 706 of the Code for purposes of determining the varying Company Interests of its Members.

Section 9.02 Tax Elections. The Taxable Year shall be the Fiscal Year set forth in Section 8.02. The Company and any eligible Subsidiary shall make an election pursuant to Section 754 of the Code and shall not thereafter revoke such election. Each Member will upon request supply any information reasonably necessary to give proper effect to any such elections.

Section 9.03 Tax Controversies. The Manger shall cause the Company to take all necessary actions required by Law to designate the Corporation as the "tax matters partner" within the meaning given to such term in Section 6231 of the Code (as in effect prior to the repeal of such section pursuant to the Revised Partnership Audit Provisions) with respect to any Taxable Year of the Company beginning on or before December 31, 2017. The Manager shall

further cause the Company to take all necessary actions required by Law to designate the Corporation as the “partnership representative” within the meaning of Section 6223(a) of the Code with respect to any Taxable Year of the Company beginning after December 31, 2017, and if the “partnership representative” is an entity, the Corporation is hereby authorized to designate an individual to be the sole individual through which such entity “partnership representative” will act (in such capacities, collectively, the “**Partnership Representative**”) The Company and the Members shall cooperate fully with each other and shall use reasonable best efforts to cause the Corporation (or its designated individual, as applicable) to become the Partnership Representative with respect to any taxable period of the Company with respect to which the statute of limitations has not yet expired (and causing any tax matters partner, partnership representative or designated individual designated prior to the Effective Date to resign, be revoked or replaced, as applicable), including (as applicable) by filing certifications pursuant to Treasury Regulations Section 301.6231(a)(7)-1(d) and completing IRS Form 8970 or any other form or certificate required pursuant to Treasury Regulation Section 301.6223-1(e)(1). The Partnership Representative shall have the right and obligation to take all actions authorized and required to represent the Company (at the Company’s expense) in connection with all examinations of the Company’s affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Company funds for professional services reasonably incurred in connection therewith. Each Member agrees to cooperate with the Company and to do or refrain from doing any or all things reasonably requested by the Company with respect to the conduct of such proceedings. Without limiting the generality of the foregoing, with respect to any audit or other proceeding, the Partnership Representative shall be entitled to cause the Company (and any of its Subsidiaries) to make any available elections pursuant to Section 6226 of the Code (and similar provisions of state, local and other Law), and the Members shall cooperate to the extent reasonably requested by the Company in connection therewith. The Partnership Representative shall keep any 9.9% Member fully advised on a current basis of any contacts by or discussions with the tax authorities, and the 9.9% Members shall have the right to observe and participate through representatives of their own choosing (at their sole expense) in any tax proceedings. The Company shall reimburse the Partnership Representative for all reasonable out-of-pocket expenses incurred by the Partnership Representative, including reasonable fees of any professional attorneys, in carrying out its duties as the Partnership Representative. The provisions of this Section 9.03 shall survive the transfer or termination of any Member’s interest in any Units of the Company, the termination of this Agreement and the termination of the Company, and shall remain binding on each Member for the period of time necessary to resolve all tax matters relating to the Company, and shall be subject to the provisions of the Tax Receivable Agreement, as applicable.

ARTICLE X.
RESTRICTIONS ON TRANSFER OF UNITS

Section 10.01 Transfers by Members. No holder of Units may Transfer any interest in any Units, except Transfers (a) pursuant to and in accordance with Section 10.02, (b) approved in writing by the Manager, in the case of Transfers by any Member other than the Manager, or (c) in the case of Transfers by the Manager, to any Person who succeeds to the Manager in accordance with Section 6.04. Notwithstanding the foregoing, “Transfer” shall not include an event that terminates the existence of a Member for income tax purposes (including, without limitation, a change in entity classification of a Member under Treasury Regulations Section 301.7701-3,

a sale of assets by, or liquidation of, a Member pursuant to an election under Code Sections 336 or 338, or merger, severance, or allocation within a trust or among sub-trusts of a trust that is a Member), but that does not terminate the existence of such Member under applicable state law (or, in the case of a trust that is a Member, does not terminate the trusteeship of the fiduciaries under such trust with respect to all the Company Interests of such trust that is a Member).

Section 10.02 Permitted Transfers. The restrictions contained in Section 10.01 shall not apply to any Transfer (each, a “**Permitted Transfer**”) pursuant to (i)(A) a Change of Control Transaction, (B) a Redemption or Exchange in accordance with Article XI hereof or (C) a Transfer by a Member to the Corporation or any of its Subsidiaries, (ii) a Transfer by any Member to such Member’s spouse, any lineal ascendants or descendants or trusts or other entities in which such Member or Member’s spouse, lineal ascendants or descendants hold (and continue to hold while such trusts or other entities hold Units) 50% or more of such entity’s beneficial interests, (iii) pursuant to the laws of descent and distribution and (iv) a Transfer to an Affiliate, partner, shareholder or member of such Member; *provided, however*, that (A) the restrictions contained in this Agreement will continue to apply to Units after any Permitted Transfer of such Units, and (B) in the case of the foregoing clauses (ii), (iii) and (iv), the transferees of the Units so Transferred shall agree in writing to be bound by the provisions of this Agreement and, the transferor will deliver a written notice to the Company and the Members, which notice will disclose in reasonable detail the identity of the proposed transferee. In the case of a Permitted Transfer by any Effective Date Member of Common Units to a transferee in accordance with this Section 10.02, such Member (or any subsequent transferee of such Member) shall be required to also transfer the fraction of its remaining Class B Common Stock ownership corresponding to the proportion of such Member’s (or subsequent transferee’s) Common Units that were transferred in the transaction to such transferee. All Permitted Transfers are subject to the additional limitations set forth in Section 10.07(b).

Section 10.03 Restricted Units Legend. The Units have not been registered under the Securities Act and, therefore, in addition to the other restrictions on Transfer contained in this Agreement, cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is then available. To the extent such Units have been certificated, each certificate evidencing Units and each certificate issued in exchange for or upon the Transfer of any Units (if such securities remain Units as defined herein after such Transfer) shall be stamped or otherwise imprinted with a legend in substantially the following form:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON [●], 2021, AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER SPECIFIED IN THE SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF BIOVENTUS LLC, AS MAY BE AMENDED AND MODIFIED FROM TIME TO TIME, AND BIOVENTUS LLC RESERVES THE RIGHT TO REFUSE THE TRANSFER OF SUCH SECURITIES

UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO ANY TRANSFER. A COPY OF SUCH CONDITIONS SHALL BE FURNISHED BY BIOVENTUS LLC TO THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE.”

The Company shall imprint such legend on certificates (if any) evidencing Units. The legend set forth above shall be removed from the certificates (if any) evidencing any units which cease to be Units in accordance with the definition thereof.

Section 10.04 Transfer. Prior to Transferring any Units (other than pursuant to a Change of Control Transaction), the Transferring Holder of Units shall cause the prospective Transferee to be bound by this Agreement as provided in Section 10.02 and any other agreements executed by the holders of Units and relating to such Units in the aggregate (collectively, the “**Other Agreements**”), and shall cause the prospective Transferee to execute and deliver to the Company and the other holders of Units counterparts of this Agreement and any applicable Other Agreements. Any Transfer or attempted Transfer of any Units in violation of any provision of this Agreement (including any prohibited indirect Transfers) (a) shall be void, and (b) the Company shall not record such Transfer on its books or treat any purported Transferee of such Units as the owner of such securities for any purpose.

Section 10.05 Assignee’s Rights.

(a) The Transfer of a Company Interest in accordance with this Agreement shall be effective as of the date of its assignment (assuming compliance with all of the conditions to such Transfer set forth herein), and such Transfer shall be shown on the books and records of the Company. Profits, Losses and other Company items shall be allocated between the transferor and the Assignee according to Code Section 706, using any permissible method as determined in the reasonable discretion of the Manager. Distributions made before the effective date of such Transfer shall be paid to the transferor, and Distributions made after such date shall be paid to the Assignee.

(b) Unless and until an Assignee becomes a Member pursuant to Article XII, the Assignee shall not be entitled to any of the rights granted to a Member hereunder or under applicable Law, other than the rights granted specifically to Assignees pursuant to this Agreement; *provided, however*, that, without relieving the transferring Member from any such limitations or obligations as more fully described in Section 10.06, such Assignee shall be bound by any limitations and obligations of a Member contained herein that a Member would be bound on account of the Assignee’s Company Interest (including the obligation to make Capital Contributions on account of such Company Interest).

Section 10.06 Assignor’s Rights and Obligations. Any Member who shall Transfer any Company Interest in a manner in accordance with this Agreement shall cease to be a Member with respect to such Units or other interest and shall no longer have any rights or privileges, or, except as set forth in this Section 10.06, duties, liabilities or obligations, of a Member with respect to such Units or other interest (it being understood, however, that the applicable provisions of Sections 6.08 and 7.05 shall continue to inure to such Person’s benefit), except that unless and until the Assignee (if not already a Member) is admitted as a Substituted Member in

accordance with the provisions of Article XII (the “**Admission Date**”), (i) such assigning Member shall retain all of the duties, liabilities and obligations of a Member with respect to such Units or other interest, and (ii) the Manager may, in its sole discretion, reinstate all or any portion of the rights and privileges of such Member with respect to such Units or other interest for any period of time prior to the Admission Date. Nothing contained herein shall relieve any Member who Transfers any Units or other interest in the Company from any liability of such Member to the Company with respect to such Company Interest that may exist on the Admission Date or that is otherwise specified in the Delaware Act and incorporated into this Agreement or for any liability to the Company or any other Person for any materially false statement made by such Member (in its capacity as such) or for any present or future breaches of any representations, warranties or covenants by such Member (in its capacity as such) contained herein or in the other agreements with the Company.

Section 10.07 Overriding Provisions.

(a) Any Transfer in violation of this Article X shall be null and void ab initio, and the provisions of Sections 10.05 and 10.06 shall not apply to any such Transfers. For the avoidance of doubt, any Person to whom a Transfer is made or attempted in violation of this Article X shall not become a Member, shall not be entitled to vote on any matters coming before the Members and shall not have any other rights in or with respect to any rights of a Member of the Company. The approval of any Transfer in any one or more instances shall not limit or waive the requirement for such approval in any other or future instance. The Manager shall promptly amend the Schedule of Members to reflect any Permitted Transfer pursuant to this Article X.

(b) Notwithstanding anything contained herein to the contrary (including, for the avoidance of doubt, the provisions of Section 10.01 and Article XI and Article XII), in no event shall any Member Transfer any Units to the extent such Transfer would:

(i) result in the violation of the Securities Act, or any other applicable federal, state or foreign Laws;

(ii) in the reasonable determination of the Manager, be a violation of or a default (or an event that, with notice or the lapse of time or both, would constitute a default) under, or result in an acceleration of any indebtedness under, any promissory note, mortgage, loan agreement, indenture or similar instrument or agreement to which the Company or the Manager is a party; *provided* that (x) the payee or creditor to whom the Company or the Manager owes such obligation is not an affiliate of the Company or the Manager and (y) such indebtedness, individually or in the aggregate, has an aggregate principal amount of loans or revolving commitments then outstanding that is greater than \$10,000,000;

(iii) cause the Company to lose its status as a partnership for federal income tax purposes or, without limiting the generality of the foregoing, such Transfer was effected on or through an “established securities market” or a “secondary market or the substantial equivalent thereof,” as such terms are used in Section 1.7704-1 of the Treasury Regulations;

(iv) be a Transfer to a Person who is not legally competent or who has not achieved his or her majority under applicable Law (excluding trusts for the benefit of minors);

(v) cause the Company to be treated as a “publicly traded partnership” or to be taxed as a corporation pursuant to Section 7704 of the Code or successor provision of the Code; or

(vi) result in the Company having more than one hundred (100) partners, within the meaning of Treasury Regulations Section 1.7704-1(h)(1) (determined pursuant to the rules of Treasury Regulations Section 1.7704-1(h)(3)).

ARTICLE XI.
REDEMPTION AND EXCHANGE RIGHTS

Section 11.01 Redemption Right of a Member.

(a) Each Member (other than the Corporation) shall be entitled to cause the Company to redeem (a “**Redemption**”) its Common Units in whole or in part (the “**Redemption Right**”) at any time and from time to time following the Effective Time in accordance with this Section 11.01. A Member desiring to exercise its Redemption Right (the “**Redeeming Member**”) shall exercise such right by giving written notice (the “**Redemption Notice**”) to the Company with a copy to the Corporation. The Redemption Notice shall specify (i) the number of Common Units (the “**Redeemed Units**”) that the Redeeming Member intends to have the Company redeem, (ii) whether the Redeeming Member is electing a Share Settlement or a Cash Settlement and (iii) a date, not less than five (5) Business Days after delivery of such Redemption Notice (unless and to the extent that the Manager in its sole discretion agrees in writing to waive such time period), on which the Redemption shall be completed (the “**Redemption Date**”); *provided* that the Redeeming Member may change the number of Redeemed Units, the requested settlement method and/or the Redemption Date specified in such Redemption Notice to another number, settlement method and/or date by written notice delivered on or prior to the Business Day immediately preceding the Redemption Date; *provided further* that a Redemption Notice may condition a Redemption on (A) the closing of an underwritten distribution of the shares of Class A Common Stock that may be issued in connection with such proposed Redemption or (B) the consummation of a purchase by another Person (whether in a tender or exchange offer, an underwritten offering or otherwise) of shares of Class A Common Stock for which the Redeemed Units are redeemable, or contingent (including as to timing) upon the closing of an announced merger, consolidation or other transaction or event in which the Class A Common Stock would be exchanged or converted or become exchangeable for or convertible into cash or other securities or property. Unless the Redeeming Member timely has delivered a Retraction Notice as provided in Section 11.01(b) or has revoked or delayed a Redemption as provided in Section 11.01(c), on the Redemption Date (to be effective immediately prior to the close of business on the Redemption Date) (i) the Redeeming Member shall transfer and surrender the Redeemed Units to the Company, free and clear of all liens and encumbrances (except those arising hereunder or under applicable securities Laws), and (ii) the Company shall (x) cancel the Redeemed Units, (y) transfer to the Redeeming Member the consideration to which the Redeeming Member is entitled under Section 11.01(b), and (z) if the Units are certificated, issue

to the Redeeming Member a certificate for a number of Common Units equal to the difference (if any) between the number of Common Units evidenced by the certificate surrendered by the Redeeming Member pursuant to clause (i) of this Section 11.01(a) and the Redeemed Units.

(b) In exercising its Redemption Right, a Redeeming Member shall be entitled to receive the Share Settlement or the Cash Settlement, as specified in the Redemption Notice; *provided* that if the Redeeming Member has elected a Cash Settlement in the Redemption Notices, the Corporation shall have the option as provided in Section 11.02 and subject to Section 11.01(d) to select whether the redemption payment is made by means of a Share Settlement or a Cash Settlement. Within three (3) Business Days after delivery of a Redemption Notice pursuant to which the Redeeming Member has elected Cash Settlement, the Corporation shall give written notice (the “**Contribution Notice**”) to the Company (with a copy to the Redeeming Member) of its intended settlement method; *provided* that if the Corporation does not timely deliver a Contribution Notice, the Corporation shall be deemed to have elected the Share Settlement method. If the Redeeming Member elects Cash Settlement in the Redemption Notice and the Corporation elects Share Settlement (including if the Corporation does not timely deliver a Contribution Notice), the Redeeming Member may retract its Redemption Notice by giving written notice (the “**Retraction Notice**”) to the Company (with a copy to the Corporation) within two (2) Business Days after delivery of the Contribution Notice. The timely delivery of a Retraction Notice shall terminate all of the Redeeming Member’s, Company’s and the Corporation’s rights and obligations under this Section 11.01 arising from the Redemption Notice.

(c) In the event a Redemption will settle via Share Settlement in accordance with Section 11.01(b), a Redeeming Member shall be entitled to revoke its Redemption Notice or delay the consummation of a Redemption if any of the following conditions exists: (i) any registration statement pursuant to which the resale of the Class A Common Stock to be registered for such Redeeming Member at or immediately following the consummation of the Redemption shall have ceased to be effective pursuant to any action or inaction by the SEC or no such resale registration statement has yet become effective; (ii) the Corporation shall have failed to cause any related prospectus to be supplemented by any required prospectus supplement necessary to effect such Redemption; (iii) the Corporation shall have exercised its right to defer, delay or suspend the filing or effectiveness of a registration statement and such deferral, delay or suspension shall affect the ability of such Redeeming Member to have its Class A Common Stock registered at or immediately following the consummation of the Redemption; (iv) the Corporation shall have disclosed to such Redeeming Member any material non-public information concerning the Corporation, the receipt of which results in such Redeeming Member being prohibited or restricted from selling Class A Common Stock at or immediately following the Redemption without disclosure of such information (and the Corporation does not permit disclosure); (v) any stop order relating to the registration statement pursuant to which the Class A Common Stock was to be registered by such Redeeming Member at or immediately following the Redemption shall have been issued by the SEC; (vi) there shall have occurred a material disruption in the securities markets generally or in the market or markets in which the Class A Common Stock is then traded; (vii) there shall be in effect an injunction, a restraining order or a decree of any nature of any Governmental Entity that restrains or prohibits the Redemption; (viii) the Corporation shall have failed to comply in all material respects with its obligations under the Registration Rights Agreement, and such failure shall have affected the ability of such Redeeming Member to consummate the resale of Class A Common Stock to be received upon

such redemption pursuant to an effective registration statement; (ix) the Redemption Date would occur three (3) Business Days or less prior to, or during, a Black-Out Period; *provided further*, that in no event shall the Redeeming Member seeking to revoke its Redemption Notice or delay the consummation of such Redemption and relying on any of the matters contemplated in clauses (i) through (ix) above have controlled or intentionally materially influenced any facts, circumstances, or Persons in connection therewith (except in the good faith performance of his or her duties as an officer or director of the Corporation) in order to provide such Redeeming Member with a basis for such delay or revocation. If a Redeeming Member delays the consummation of a Redemption pursuant to this Section 11.01(c), the Redemption Date shall occur on the fifth Business Day following the date on which the conditions giving rise to such delay cease to exist (or such earlier day as the Corporation, the Company and such Redeeming Member may agree in writing).

(d) The number of shares of Class A Common Stock or the Redeemed Units Equivalent that a Redeeming Member is entitled to receive under Section 11.01(b) (whether through a Share Settlement or Cash Settlement) shall not be adjusted on account of any Distributions previously made with respect to the Redeemed Units or dividends previously paid with respect to Class A Common Stock; *provided, however*, that if a Redeeming Member causes the Company to redeem Redeemed Units and the Redemption Date occurs subsequent to the record date for any Distribution with respect to the Redeemed Units but prior to payment of such Distribution, the Redeeming Member shall be entitled to receive such Distribution with respect to the Redeemed Units on the date that it is made notwithstanding that the Redeeming Member transferred and surrendered the Redeemed Units to the Company prior to such date.

(e) In the event of a reclassification or other similar transaction as a result of which the shares of Class A Common Stock are converted into another security, then in exercising its Redemption Right a Redeeming Member shall be entitled to receive the amount of such security that the Redeeming Member would have received if such Redemption Right had been exercised and the Redemption Date had occurred immediately prior to the record date of such reclassification or other similar transaction.

Section 11.02 Election and Contribution of the Corporation. In connection with the exercise of a Redeeming Member's Redemption Rights under Section 11.01(a), the Corporation shall contribute to the Company the consideration the Redeeming Member is entitled to receive under Section 11.01(b). Unless the Redeeming Member has timely delivered a Retraction Notice as provided in Section 11.01(b), or has revoked or delayed a Redemption as provided in Section 11.01(c), on the Redemption Date (to be effective immediately prior to the close of business on the Redemption Date) (i) the Corporation shall make its Capital Contribution to the Company (in the form of the Share Settlement or the Cash Settlement, as applicable, in accordance with Section 11.01(b)) required under this Section 11.02, and (ii) the Company shall issue to the Corporation a number of Common Units equal to the number of Redeemed Units surrendered by the Redeeming Member. Notwithstanding any other provisions of this Agreement to the contrary, in the event that the Redemption will settle via Cash Settlement, the Corporation shall only be obligated to contribute to the Company an amount in respect of such Cash Settlement equal to the net proceeds (after deduction of any underwriters' discounts or commissions and brokers' fees or commissions) from the sale by the Corporation of a number of shares of Class A Common Stock equal to the number of Redeemed Units to be redeemed with such Cash

Settlement *provided* that the Corporation's Capital Account shall be increased by an amount equal to any Discount relating to such sale of shares of Class A Common Stock in accordance with Section 6.06. The timely delivery of a Retraction Notice shall terminate all of the Company's and the Corporation's rights and obligations under this Section 11.02 arising from the Redemption Notice.

Section 11.03 Exchange Right of the Corporation.

(a) Notwithstanding anything to the contrary in this Article XI, the Corporation may, in its sole and absolute discretion, elect to effect on the Redemption Date the exchange of Redeemed Units for the Share Settlement or Cash Settlement, as determined in accordance with Section 11.01(b), through a direct exchange of such Redeemed Units and such consideration between the Redeeming Member and the Corporation (a "**Direct Exchange**"). Upon such Direct Exchange pursuant to this Section 11.03, the Corporation shall acquire the Redeemed Units and shall be treated for all purposes of this Agreement as the owner of such Units.

(b) The Corporation may, at any time prior to a Redemption Date, deliver written notice (an "**Exchange Election Notice**") to the Company and the Redeeming Member setting forth its election to exercise its right to consummate a Direct Exchange; *provided* that such election does not prejudice the ability of the parties to consummate a Redemption or Direct Exchange on the Redemption Date. An Exchange Election Notice may be revoked by the Corporation at any time; *provided* that any such revocation does not prejudice the ability of the parties to consummate a Redemption or Direct Exchange on the Redemption Date. The right to consummate a Direct Exchange in all events shall be exercisable for all (and not less than all) the Redeemed Units that would have otherwise been subject to a Redemption. Except as otherwise provided by this Section 11.03, a Direct Exchange shall be consummated pursuant to the same timeframe and in the same manner as the relevant Redemption would have been consummated if the Corporation had not delivered an Exchange Election Notice.

Section 11.04 Reservation of Shares of Class A Common Stock; Listing; Certificate of the Corporation. At all times the Corporation shall reserve and keep available out of its authorized but unissued Class A Common Stock, solely for the purpose of issuance upon a Redemption or Direct Exchange, such number of shares of Class A Common Stock as shall be issuable upon any such Redemption or Direct Exchange pursuant to Share Settlements; *provided* that nothing contained herein shall be construed to preclude the Corporation from satisfying its obligations in respect of any such Redemption or Direct Exchange by delivery of purchased Class A Common Stock (which may or may not be held in the treasury of the Corporation) or the delivery of cash pursuant to a Cash Settlement. The Corporation shall deliver Class A Common Stock that has been registered under the Securities Act with respect to any Redemption or Direct Exchange to the extent a registration statement is effective and available for such shares. The Corporation shall use its commercially reasonable efforts to list the Class A Common Stock required to be delivered upon any such Redemption or Direct Exchange prior to such delivery upon each national securities exchange upon which the outstanding shares of Class A Common Stock are listed at the time of such Redemption or Direct Exchange (it being understood that any such shares may be subject to transfer restrictions under applicable securities Laws). The Corporation covenants that all Class A Common Stock issued upon a Redemption or Direct Exchange will, upon issuance, be validly issued, fully paid and non-assessable. The provisions of this Article XI shall be interpreted and applied in a manner consistent with the corresponding provisions of the Corporation's certificate of incorporation.

Section 11.05 Effect of Exercise of Redemption or Exchange Right. This Agreement shall continue notwithstanding the consummation of a Redemption or Direct Exchange and all governance or other rights set forth herein shall be exercised by the remaining Members and the Redeeming Member (to the extent of such Redeeming Member's remaining interest in the Company). No Redemption or Direct Exchange shall relieve such Redeeming Member of any prior breach of this Agreement.

Section 11.06 Tax Treatment. Unless otherwise required by applicable Law, the parties hereto acknowledge and agree a Redemption or a Direct Exchange, as the case may be, shall be treated as a direct exchange between the Corporation and the Redeeming Member for U.S. federal and applicable state and local income tax purposes.

ARTICLE XII. ADMISSION OF MEMBERS

Section 12.01 Substituted Members. Subject to the provisions of Article X hereof, in connection with the Permitted Transfer of a Company Interest hereunder, the transferee shall become a substituted Member ("**Substituted Member**") on the effective date of such Transfer, which effective date shall not be earlier than the date of compliance with the conditions to such Transfer, and such admission shall be shown on the books and records of the Company.

Section 12.02 Additional Members. Subject to the provisions of Article X hereof, any Person that is not an Effective Date Member may be admitted to the Company as an additional Member (any such Person, an "**Additional Member**") only upon furnishing to the Manager (a) a duly executed Joinder and counterparts to any applicable Other Agreements and (b) such other documents or instruments as may be reasonably necessary or appropriate to effect such Person's admission as a Member (including entering into such documents as the Manager may deem appropriate in its reasonable discretion). Such admission shall become effective on the date on which the Manager determines in its reasonable discretion that such conditions have been satisfied and when any such admission is shown on the books and records of the Company.

ARTICLE XIII. WITHDRAWAL AND RESIGNATION; TERMINATION OF RIGHTS

Section 13.01 Withdrawal and Resignation of Members. No Member shall have the power or right to withdraw or otherwise resign as a Member from the Company prior to the dissolution and winding up of the Company pursuant to Article XIV. Any Member, however, that attempts to withdraw or otherwise resign as a Member from the Company without the prior written consent of the Manager upon or following the dissolution and winding up of the Company pursuant to Article XIV, but prior to such Member receiving the full amount of Distributions from the Company to which such Member is entitled pursuant to Article XIV, shall be liable to the Company for all damages (including all lost profits and special, indirect and consequential damages) directly or indirectly caused by the withdrawal or resignation of such Member. Upon a Transfer of all of a Member's Units in a Transfer permitted by this Agreement, subject to the provisions of Section 10.06, such Member shall cease to be a Member.

ARTICLE XIV.
DISSOLUTION AND LIQUIDATION

Section 14.01 Dissolution. The Company shall not be dissolved by the admission of Additional Members or Substituted Members or the attempted withdrawal or resignation of a Member. The Company shall dissolve, and its affairs shall be wound up, upon:

- (a) the unanimous decision of the Manager together with the Members that then hold Voting Units to dissolve the Company;
- (b) a dissolution of the Company under Section 18-801(4) of the Delaware Act; or
- (c) the entry of a decree of judicial dissolution of the Company under Section 18-802 of the Delaware Act.

Except as otherwise set forth in this Article XIV, the Company is intended to have perpetual existence. An Event of Withdrawal shall not cause a dissolution of the Company and the Company shall continue in existence subject to the terms and conditions of this Agreement.

Section 14.02 Liquidation and Termination. On dissolution of the Company, the Manager shall act as liquidator or may appoint one or more Persons as liquidator. The liquidators shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Delaware Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the liquidators shall continue to operate the Company properties with all of the power and authority of the Manager. The steps to be accomplished by the liquidators are as follows:

- (a) as promptly as possible after dissolution and again after final liquidation, the liquidators shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;
- (b) the liquidators shall cause the notice described in the Delaware Act to be mailed to each known creditor of and claimant against the Company in the manner described thereunder;
- (c) the liquidators shall pay, satisfy or discharge from Company funds, or otherwise make adequate provision for payment and discharge thereof (including, without limitation, the establishment of a cash fund for contingent liabilities in such amount and for such term as the liquidators may reasonably determine): first, all expenses incurred in liquidation; and second, all of the debts, liabilities and obligations of the Company; and
- (d) all remaining assets of the Company shall be distributed to the Members in accordance with Article IV by the end of the Taxable Year during which the liquidation of the Company occurs (or, if later, by ninety (90) days after the date of the liquidation). The

distribution of cash and/or property to the Members in accordance with the provisions of this [Section 14.02](#) and [Section 14.03](#) below constitutes a complete return to the Members of their Capital Contributions, a complete distribution to the Members of their interest in the Company and all the Company's property and constitutes a compromise to which all Members have consented within the meaning of the Delaware Act. To the extent that a Member returns funds to the Company, it has no claim against any other Member for those funds.

[Section 14.03](#) Deferment; Distribution in Kind. Notwithstanding the provisions of [Section 14.02](#), but subject to the order of priorities set forth therein, if upon dissolution of the Company the liquidators determine that an immediate sale of part or all of the Company's assets would be impractical or would cause undue loss (or would otherwise not be beneficial) to the Members, the liquidators may, in their sole discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy Company liabilities (other than loans to the Company by Members) and reserves. Subject to the order of priorities set forth in [Section 14.02](#), the liquidators may, in their sole discretion, distribute to the Members, in lieu of cash, either (a) all or any portion of such remaining Company assets in-kind in accordance with the provisions of [Section 14.02\(d\)](#), (b) as tenants in common and in accordance with the provisions of [Section 14.02\(d\)](#), undivided interests in all or any portion of such Company assets or (c) a combination of the foregoing. Any such Distributions in kind shall be subject to (y) such conditions relating to the disposition and management of such assets as the liquidators deem reasonable and equitable and (z) the terms and conditions of any agreements governing such assets (or the operation thereof or the holders thereof) at such time. Any Company assets distributed in kind will first be written up or down to their Fair Market Value, thus creating Profit or Loss (if any), which shall be allocated in accordance with [Article V](#). The liquidators shall determine the Fair Market Value of any property distributed in accordance with the valuation procedures set forth in [Article XV](#).

[Section 14.04](#) Cancellation of Certificate. On completion of the distribution of Company assets as provided herein, the Company is terminated (and the Company shall not be terminated prior to such time), and the Manager (or such other Person or Persons as the Delaware Act may require or permit) shall file a certificate of cancellation with the Secretary of State of Delaware, cancel any other filings made pursuant to this Agreement that are or should be canceled and take such other actions as may be necessary to terminate the Company. The Company shall be deemed to continue in existence for all purposes of this Agreement until it is terminated pursuant to this [Section 14.04](#).

[Section 14.05](#) Reasonable Time for Winding Up. A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to [Sections 14.02](#) and [14.03](#) in order to minimize any losses otherwise attendant upon such winding up.

[Section 14.06](#) Return of Capital. The liquidators shall not be personally liable for the return of Capital Contributions or any portion thereof to the Members (it being understood that any such return shall be made solely from Company assets).

ARTICLE XV.
VALUATION

Section 15.01 Determination. “**Fair Market Value**” of a specific Company asset will mean the amount which the Company would receive in an all-cash sale of such asset in an arm’s-length transaction with a willing unaffiliated third party, with neither party having any compulsion to buy or sell, consummated on the day immediately preceding the date on which the event occurred which necessitated the determination of the Fair Market Value (and after giving effect to any transfer taxes payable in connection with such sale), as such amount is determined by the Manager (or, if pursuant to Section 14.02, the liquidators) in its good faith judgment using all factors, information and data it deems to be pertinent.

Section 15.02 Dispute Resolution. If any Member or Members dispute the accuracy of any determination of Fair Market Value in accordance with Section 15.01, and the Manager and such Member(s) are unable to agree on the determination of the Fair Market Value of any asset of the Company, the Manager and such Member(s) shall each select a nationally recognized investment banking firm experienced in valuing securities of closely-held companies such as the Company in the Company’s industry (the “**Appraisers**”), who shall each determine the Fair Market Value of the asset or the Company (as applicable) in accordance with the provisions of Section 15.01. The Appraisers shall be instructed to give written notice of their determination of the Fair Market Value of the asset or the Company (as applicable) within thirty (30) days of their appointment as Appraisers. If Fair Market Value as determined by an Appraiser is higher than Fair Market Value as determined by the other Appraiser by 10% or more, and the Manager and such Member(s) do not otherwise agree on a Fair Market Value, the original Appraisers shall designate a third Appraiser meeting the same criteria used to select the original two. If Fair Market Value as determined by an Appraiser is within 10% of the Fair Market Value as determined by the other Appraiser (but not identical), and the Manager and such Member(s) do not otherwise agree on a Fair Market Value, the Manager shall select the Fair Market Value of one of the Appraisers. The fees and expenses of the Appraisers shall be borne by the Company.

ARTICLE XVI.
GENERAL PROVISIONS

Section 16.01 Representations and Warranties.

(a) Each of the Corporation, the Company and the other Members represents and warrants to each other that (i) it is a corporation or limited liability company duly incorporated or formed, as applicable, and is existing in good standing under the laws of the State of Delaware, (ii) it has all requisite corporate or limited liability company power, as applicable, and authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby (including, in the case of the Corporation, to issue the Class A Common Stock contemplated to be issued pursuant to Article XI), (iii) the execution and delivery of this Agreement by it and the consummation by it of the transactions contemplated hereby (including, in the case of the Corporation, the issuance of the Class A Common Stock contemplated to be issued pursuant to Article X) have been duly authorized by all necessary corporate or limited liability company action on its part, as applicable, and (iv) this Agreement constitutes a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors’ rights generally.

(b) Each of the Corporation and the Company represents to each of the Members that it does not have any contracts, other agreements, duties or obligations that are inconsistent with its duties and obligations (whether or not in its capacity as Manager) under this Agreement and covenants that, except as expressly permitted by this Agreement, it will not enter into any contracts or other agreements or undertake or acquire any other duties or obligations that are inconsistent with such duties and obligations.

Section 16.02 Power of Attorney.

(a) Each Member who is an individual hereby constitutes and appoints the Manager (or the liquidator, if applicable) with full power of substitution, as his or her true and lawful agent and attorney-in-fact, with full power and authority in his, her or its name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) this Agreement, all certificates and other instruments and all amendments thereof which the Manager deems appropriate or necessary to form, qualify, or continue the qualification of, the Company as a limited liability company in the State of Delaware and in all other jurisdictions in which the Company may conduct business or own property; (B) all instruments which the Manager deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (C) all conveyances and other instruments or documents which the Manager deems appropriate or necessary to reflect the dissolution and liquidation of the Company pursuant to the terms of this Agreement, including a certificate of cancellation; and (D) all instruments relating to the admission, withdrawal or substitution of any Member pursuant to Article XII or XIII; and

(ii) sign, execute, swear to and acknowledge all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the reasonable judgment of the Manager, to evidence, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Members hereunder or is consistent with the terms of this Agreement, in the reasonable judgment of the Manager, to effectuate the terms of this Agreement.

(b) The foregoing power of attorney is irrevocable and coupled with an interest, and shall survive the death, disability, incapacity, dissolution, bankruptcy, insolvency or termination of any Member who is an individual and the transfer of all or any portion of his, her or its Company Interest and shall extend to such Member's heirs, successors, assigns and personal representatives.

Section 16.03 Confidentiality.

(a) The Manager and each of the Members agree to hold the Company's Confidential Information in confidence and may not use such information except in connection with its investment in the Company, in furtherance of the business of the Company or as otherwise

authorized separately in writing by the Manager. “**Confidential Information**” as used herein includes all information concerning the Company or its Subsidiaries in the possession of or furnished to any Member, but is not limited to, ideas, financial product structuring, business strategies, innovations and materials, all aspects of the Company’s business plan, proposed operation and products, corporate structure, financial and organizational information, analyses, proposed partners, software code and system and product designs, employees and their identities, equity ownership, the methods and means by which the Company plans to conduct its business, all trade secrets, trademarks, tradenames and all intellectual property associated with the Company’s business. With respect to the Manager and each Member, Confidential Information does not include information or material that: (a) is rightfully in the possession of the Manager or each Member at the time of disclosure by the Company; (b) before or after it has been disclosed to the Manager or each Member by the Company, becomes patented, published, or otherwise part of public knowledge, not as a result of any action of the Manager or such Member, respectively, in violation of this Agreement; (c) is approved for release by written authorization of the CEO of the Company or of the Corporation or any other authorized officer; (d) is disclosed to the Manager or such Member or their representatives by a third party not, to the knowledge of the Manager or such Member, respectively, in violation of any obligation of confidentiality owed to the Company with respect to such information; or (e) is or becomes independently developed by the Manager or such Member or their respective representatives other than by acts in contravention of this Agreement.

(b) The Manager and each of the Members may disclose Confidential Information to its Subsidiaries, Affiliates, directors, officers, employees, counsel, advisers, consultants, outside contractors and other agents, on the condition that such Persons agree to keep the Confidential Information confidential to the same extent as such disclosing party is required to keep the Confidential Information confidential, solely to the extent it is reasonably necessary or appropriate to fulfill its obligations or to exercise its rights under this Agreement; *provided* that the disclosing party shall remain liable with respect to any breach of this Section 16.02 by any such Subsidiaries, Affiliates, directors, officers, employees, counsel, advisers, consultants, outside contractors and other agents.

(c) Notwithstanding Section 16.02(a) or Section 16.02(b), the Manager and each of the Members may disclose Confidential Information (i) to the extent that the such party is legally compelled (by oral questions, interrogatories, request for information or documents, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, (ii) for purposes of reporting to its stockholders the performance of the Company and its Subsidiaries and for purposes of including applicable information in its financial statements to the extent required by applicable Law or applicable accounting standards, (iii) to the extent required to be disclosed by applicable Law. Notwithstanding any of the foregoing, nothing in this Section 16.03 will restrict in any manner the ability of the Corporation to comply with its disclosure obligations under Law, and the extent to which any Confidential Information is necessary or desirable to disclose in order to comply with Law will be determined by the Corporation in its sole discretion.

Section 16.04 Amendments. This Agreement may be amended or modified upon the consent of the Manager and the Majority Members. Notwithstanding the foregoing, no amendment or modification (a) to this Section 16.04 may be made without the prior written

consent of the Manager and each of the Members, (b) to any of the terms and conditions of this Agreement which terms and conditions expressly require the approval or action of certain Persons may be made without obtaining the consent of the requisite number or specified percentage of such Persons who are entitled to approve or take action on such matter, (c) to any of the terms and conditions of Article VI or Section 14.01 (and related definitions as used directly or indirectly therein) may be made without the prior written consent of the Manager, which consent may be given or withheld in the Manager's sole discretion, and (d) to any of the terms and conditions of Section 6.06(b) may be made without the prior written consent of S&N. Notwithstanding any of the foregoing, the Manager may make any amendment of an administrative nature that is necessary in order to implement the substantive provisions hereof, without the consent of any other Member; *provided* that any such amendment does not change the rights of the Members hereunder in any respect.

Section 16.05 Title to Company Assets. Company assets shall be deemed to be owned by the Company as an entity, and no Member, individually or collectively, shall have any ownership interest in such Company assets or any portion thereof. The Company shall hold title to all of its property in the name of the Company and not in the name of any Member. All Company assets shall be recorded as the property of the Company on its books and records, irrespective of the name in which legal title to such Company assets is held. The Company's credit and assets shall be used solely for the benefit of the Company, and no asset of the Company shall be transferred or encumbered for, or in payment of, any individual obligation of any Member.

Section 16.06 Addresses and Notices. Any notice provided for in this Agreement will be in writing and will be either personally delivered, or received by certified mail, return receipt requested, or sent by reputable overnight courier service (charges prepaid) to the Company at the address set forth below and to any other recipient and to any Member at such address as indicated by the Company's records, or at such address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally or sent by telecopier (*provided* confirmation of transmission is received), three (3) days after deposit in the U.S. mail and one (1) day after deposit with a reputable overnight courier service. The Company's address is:

to the Company:

Bioventus LLC
4721 Emperor Boulevard, Suite 100
Durham, North Carolina 27703
Attn: Kenneth Reali, Chief Executive Officer
E-mail: kenneth.reali@bioventusglobal.com

with a copy (which copy shall not constitute notice) to:

Bioventus LLC
4721 Emperor Boulevard, Suite 100
Durham, North Carolina 27703
Attn: Anthony D'Adamio, General Counsel
E-mail: tony.dadamio@bioventusglobal.com

and

Latham & Watkins LLP
200 Clarendon Street
Boston, MA 02116
Attn: Charles K. Ruck, Esq.
Wesley C. Holmes, Esq.
E-mail: charles.ruck@lw.com
wesley.holmes@lw.com

Section 16.07 Binding Effect; Intended Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns, and, in the case of Section 7.05, the Indemnified Persons.

Section 16.08 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company or any of its Affiliates, and no creditor who makes a loan to the Company or any of its Affiliates may have or acquire (except pursuant to the terms of a separate agreement executed by the Company in favor of such creditor) at any time as a result of making the loan any direct or indirect interest in Company Profits, Losses, Distributions, capital or property other than as a secured creditor.

Section 16.09 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement or condition.

Section 16.10 Counterparts. This Agreement may be executed in separate counterparts, each of which will be an original and all of which together shall constitute one and the same agreement binding on all the parties hereto.

Section 16.11 Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. Any suit, dispute, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement shall be heard in the state or federal courts of the State of Delaware, and the parties hereby consent to the exclusive jurisdiction of

such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 16.06, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

Section 16.12 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 16.13 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 16.14 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain from taking such actions as may be reasonably necessary or appropriate to achieve the purposes of this Agreement.

Section 16.15 Delivery by Electronic Transmission. This Agreement and any signed agreement or instrument entered into in connection with this Agreement or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of an electronic transmission, including by a facsimile machine or via email, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of electronic transmission by a facsimile machine or via email to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through such electronic transmission as a defense to the formation of a contract and each such party forever waives any such defense.

Section 16.16 Effectiveness. This Agreement shall be effective immediately prior to the time at which the IPO closes on the IPO Closing Date (the “**Effective Time**”). The First A&R LLC Agreement shall govern the rights and obligations of the Company and the Pre-IPO Members in their capacity as members prior to the Effective Time.

Section 16.17 Entire Agreement. This Agreement, those documents expressly referred to herein (including the Registration Rights Agreement and the Tax Receivable Agreement), any indemnity agreements entered into in connection with the First A&R LLC Agreement with any member of the board of managers at that time and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and

preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. For the avoidance of doubt, the First A&R LLC Agreement is superseded by this Agreement as of the Effective Time and shall be of no further force and effect thereafter.

Section 16.18 Remedies. Each Member shall have all rights and remedies set forth in this Agreement and all rights and remedies which such Person has been granted at any time under any other agreement or contract and all of the rights which such Person has under any Law. Any Person having any rights under any provision of this Agreement or any other agreements contemplated hereby shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by Law.

Section 16.19 Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a substantive part of this Agreement. Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. The use of the word "including" in this Agreement shall be by way of example rather than by limitation. Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Without limiting the generality of the immediately preceding sentence, no amendment or other modification to any agreement, document or instrument that requires the consent of any Person pursuant to the terms of this Agreement or any other agreement will be given effect hereunder unless such Person has consented in writing to such amendment or modification. Wherever required by the context, references to a Fiscal Year shall refer to a portion thereof. The use of the words "or," "either" and "any" shall not be exclusive. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Wherever a conflict exists between this Agreement and any other agreement, this Agreement shall control but solely to the extent of such conflict.

IN WITNESS WHEREOF, the undersigned have executed or caused to be executed on their behalf this Second Amended and Restated Limited Liability Company Agreement as of the date first written above.

COMPANY:

BIOVENTUS LLC

By: Bioventus Inc., its Managing Member

By: _____
Name: Kenneth Reali
Title: Chief Executive Officer

MEMBERS:

BIOVENTUS INC.

By: _____
Name: Kenneth Reali
Title: Chief Executive Officer

[Signature Page to Second Amended and Restated LLC Agreement]

SMITH & NEPHEW, INC.

By: _____
Name:
Title:

[Signature Page to Second Amended and Restated LLC Agreement]

SCHEDULE 1

PRE-IPO MEMBERS

Member

Smith & Nephew, Inc.
Smith & Nephew OUS, Inc.
Beluga I, Inc.
Beluga II, Inc.
Beluga III, Inc.
Beluga IV, Inc.
Beluga V, Inc.
Beluga VI, Inc.
Beluga VII, Inc.
Beluga VII-A, Inc.
Beluga VIII, Inc.

**Membership Interests Immediately
Prior to the Effective Date**

SCHEDULE 2*

SCHEDULE OF EFFECTIVE DATE MEMBERS

<u>Member</u>	<u>Common Units</u>	<u>Percentage Interest</u>	<u>Capital Accounts</u>
Bioventus Inc. Smith & Nephew, Inc.			

* This schedule shall be updated from time to time to reflect any adjustment with respect to any subdivision (by Unit split or otherwise) or any combination (by reverse Unit split or otherwise) of any outstanding Common Units, or to reflect any additional issuances of Common Units pursuant to this Agreement.

FORM OF JOINDER AGREEMENT

This JOINDER AGREEMENT, dated as of _____, 20____ (this "Joinder"), is delivered pursuant to that certain Second Amended and Restated Limited Liability Company Agreement, dated as of [●], 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "LLC Agreement") by and among Bioventus LLC, a Delaware limited liability company (the "Company"), Bioventus Inc., a Delaware corporation and the managing member of the Company ("Bioventus LLC"), and each of the Members from time to time party thereto. Capitalized terms used but not otherwise defined herein have the respective meanings set forth in the LLC Agreement.

1. Joinder to the LLC Agreement. Upon the execution of this Joinder by the undersigned and delivery hereof to Bioventus LLC, the undersigned hereby is and hereafter will be a Member under the LLC Agreement and a party thereto, with all the rights, privileges and responsibilities of a Member thereunder. The undersigned hereby agrees that it shall comply with and be fully bound by the terms of the LLC Agreement as if it had been a signatory thereto as of the date thereof.
2. Incorporation by Reference. All terms and conditions of the LLC Agreement are hereby incorporated by reference in this Joinder as if set forth herein in full.
3. Address. All notices under the LLC Agreement to the undersigned shall be direct to:

[Name]
[Address]
[City, State, Zip Code]
Attn:
E-mail:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Joinder as of the day and year first above written.

[NAME OF NEW MEMBER]

By: _____
Name:
Title:

Acknowledged and agreed
as of the date first set forth above:

BIOVENTUS LLC

By: BIOVENTUS INC., its Managing Member

By: _____
Name: Kenneth Reali
Title: Chief Executive Officer

STOCKHOLDERS AGREEMENT

THIS STOCKHOLDERS AGREEMENT, dated as of [●], 2021 (as it may be amended, amended and restated or otherwise modified from time to time in accordance with the terms hereof, this “Agreement”), is entered into by and among (i) Bioventus Inc., a Delaware corporation (the “Company”), (ii) Bioventus LLC, a Delaware limited liability company (“Bioventus LLC”), (iii) the entities listed on Schedule 1 attached hereto (together with their Affiliates, collectively, the “Essex Stockholders”) and (iv) the entities listed on Schedule 2 attached hereto (together with their Affiliates, collectively, the “S+N Stockholders” and, together with the Essex Stockholders, the “Principal Stockholders” and each a “Principal Stockholder”). Capitalized terms used herein without definition shall have the meanings set forth in Section 1.1.

W I T N E S S E T H:

WHEREAS, the Company, Bioventus LLC, the Principal Stockholders and certain other Persons have effected, or will effect in connection with the Closing, a series of reorganization transactions (collectively, the “Transactions”);

WHEREAS, after giving effect to the Transactions, the Principal Stockholders own or will own either (x) shares of the Company’s Class A common stock, par value \$0.001 per share (the “Class A Common Stock”), or (y) limited liability company interests in Bioventus LLC (“LLC Interests”) and shares of the Company’s Class B common stock, par value \$0.001 per share (the “Class B Common Stock” and, together with the Class A Common Stock, the “Common Stock”), which such LLC Interests, subject to certain restrictions, are redeemable from time to time at the option of the holder thereof for newly-issued shares of Class A Common Stock or, if the Company and such holder mutually agree, a cash payment, in each case pursuant to the terms of the Second Amended and Restated Limited Liability Company Agreement of Bioventus LLC (the “LLC Agreement”);

WHEREAS, prior to the Effective Date, the Company will have priced an initial public offering of shares of its Class A Common Stock (the “IPO”) pursuant to an Underwriting Agreement dated the Effective Date (the “Underwriting Agreement”);

WHEREAS, the parties hereto desire to provide for certain governance rights and other matters, and to set forth the respective rights and obligations of the Principal Stockholders on and after the Effective Date.

NOW, THEREFORE, in consideration of the mutual agreements and understandings set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

SECTION 1.1 Definitions As used in this Agreement, the following terms shall have the following respective meanings:

“Affiliate” means, with respect to any specified Person, (a) any other Person directly or indirectly controlling, controlled by, or under common control with such other Person or (b) if such specified Person is a natural person, any other Person that is a part of such specified Person’s Family Group. For purposes of this definition, (i) “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have correlative meanings, and (ii) no Principal Stockholder or any of its Affiliates shall by reason of this Agreement or the Related Documents be deemed to be an Affiliate of any other Principal Stockholder, the Company, Bioventus LLC or any of their respective subsidiaries.

“Agreement” shall mean this Stockholders Agreement as in effect on the date hereof and as hereafter from time to time amended, modified or supplemented in accordance with the terms hereof.

“Bioventus LLC” shall have the meaning set forth in the preamble.

“Board of Directors” shall mean the Board of Directors of the Company.

“Board Designees” shall mean the Directors designated by the Principal Stockholders pursuant to Section 2.1.

“Business Day” means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by applicable law to close.

“Class A Common Stock” shall have the meaning set forth in the recitals.

“Class B Common Stock” shall have the meaning set forth in the recitals.

“Closing” means the closing of the IPO.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“Common Stock” shall have the meaning set forth in the recitals.

“Company” shall have the meaning set forth in the preamble.

“Company Shares” means (i) all shares of Common Stock that are not then subject to vesting (but including shares that were at one time subject to vesting to the extent they have vested), (ii) all shares of Common Stock issuable upon exercise, conversion or exchange of any option, warrant or convertible security that are not then subject to vesting (but including shares that were at one time subject to vesting to the extent they have vested) (without double counting shares of Class A Common Stock issuable upon redemption of LLC Interests) and (iii) all shares of Common Stock directly or indirectly issued or issuable with respect to the securities referred to in clauses (i) or (ii) above by way of unit or stock dividend or unit or stock split, or in connection with a combination of units or shares, recapitalization, merger, consolidation or other reorganization.

“Director” shall mean a member of the Board of Directors.

“Effective Date” shall have the meaning set forth in Section 4.12.

“Essex Stockholder Designee” shall have the meaning set forth in Section 2.1(b).

“Essex Director” shall have the meaning set forth in Section 2.1(a).

“Essex Stockholders” shall have the meaning set forth in the preamble.

“Exchange Act” shall have the meaning set forth in Section 4.11.

“Family Group” means a Principal Stockholder’s spouse and descendants (whether by birth or adoption) and any trust solely for the benefit of such Principal Stockholder and/or such Principal Stockholder’s spouse and/or such Principal Stockholder’s descendants (by birth or adoption), parents or dependents, or any charitable trust the grantor of which is such signatory and/or one or more members of the Principal Stockholder’s Family Group.

“Governmental Authority” means any transnational, domestic or foreign federal, provincial, state or local governmental, regulatory or administrative authority (including the Centers for Medicare & Medicaid Services), department, court, agency, including any political subdivision thereof.

“IPO” shall have the meaning set forth in the recitals.

“LLC Interests” shall have the meaning set forth in the recitals.

“Loss” or “Losses” shall mean any claims, losses, liabilities, damages, interest, penalties and costs and expenses, including reasonable attorneys’, accountants’ and expert witnesses’ fees, and costs and expenses of investigation and amounts paid in settlement, court costs, and other expenses of litigation, including in respect of enforcement of indemnity rights hereunder (it being understood that Losses shall not include any consequential, special, incidental, indirect or punitive damages).

“Necessary Action” means, with respect to a specified result, all commercially reasonable actions required to cause such result that are within the power of a specified Person, including but not limited to (i) voting or providing a written consent or proxy with respect to the Company Shares, (ii) causing the adoption of stockholders’ resolutions and amendments to the organizational documents of the Company, (iii) executing agreements and instruments, (iv) making, or causing to be made, with governmental, administrative or regulatory authorities, all filings, registrations or similar actions that are required to achieve such result and (v) causing members of the Board of Directors, subject to any fiduciary duties that such members may have as Directors of the Company (including pursuant to Section 2.1(e)), to act in a certain manner, including causing members of the Board of Directors or any nominating or similar committee of the Board of Directors to recommend the appointment of any Board Designees as provided by this Agreement.

“Person” shall mean an individual, corporation, company, limited liability company, association, partnership, joint venture, organization, business, trust or any other entity or organization.

“Principal Stockholders” shall have the meaning set forth in the preamble.

“S+N” shall mean Smith & Nephew, Inc., a Delaware corporation.

“S+N Stockholder Designee” shall have the meaning set forth in Section 2.1(c).

“S+N Director” shall have the meaning set forth in Section 2.1(a).

“S+N Stockholders” shall have the meaning set forth in the preamble.

“Subsidiary” of any Person means any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

“Transactions” shall have the meaning set forth in the recitals.

“Underwriting Agreement” shall have the meaning set forth in the recitals.

ARTICLE II CORPORATE GOVERNANCE

SECTION 2.1 Board of Directors.

(a) Composition of Initial Board. As of the Effective Date, the Board of Directors shall be comprised of nine Directors, (i) three of whom shall be deemed to have been designated by the Essex Stockholders (the “Essex Directors”), (ii) two of whom shall be deemed to have been designated by the S+N Stockholders (each, a “S+N Director”), (iii) one of whom shall be the Company’s Chief Executive Officer and (iv) three of whom shall meet the requirements for an “independent director” under the rules applicable to The Nasdaq Global Market exchange and be deemed to have been designated by the Board of Directors (the “Independent Directors”). The initial Chairperson of the Board of Directors shall be William A. Hawkins III. The foregoing directors shall be divided into three classes of directors, each of whose members shall serve for staggered three-year terms as follows:

- (i) the class I directors shall initially include two Essex Directors and one Independent Director;
- (ii) the class II directors shall initially include one S+N Director and two Independent Directors; and
- (iii) the class III directors shall initially include one S+N Director, one Essex Director and the Company’s Chief Executive Officer.

The initial term of the class I directors shall expire at the first annual meeting of stockholders following the initial registration of the Class A Common Stock pursuant to the Exchange Act. The initial term of the class II directors shall expire at the second annual meeting of stockholders following such registration. The initial term of the class III directors shall expire at the third annual meeting of stockholders following such registration.

The original Essex Stockholder Designees, the S+N Stockholder Designees and the Independent Director designees are set forth on Schedule 3 attached hereto.

(b) Essex Stockholder Representation. For so long as the Essex Stockholders hold a number of shares of Common Stock representing at least the percentage of shares of Common Stock held by such Essex Stockholders as of the Closing shown below, each of the Principal Stockholders, individually and not jointly, agrees with the Company (and only with the Company), and the Company agrees with each of the Principal Stockholders, individually and not jointly, that it shall use their reasonable best efforts to include in the slate of nominees recommended by the Board for election as Directors at each applicable annual or special meeting of stockholders at which directors are to be elected, that number of individuals designated by the Essex Stockholders (each, a "Essex Stockholder Designee") that, if elected, will result in the number of Essex Directors serving on the Board of Directors that is shown below.

<u>Percentage</u>	<u>Number of Directors</u>
75% or greater	3
Less than 75% but greater than or equal to 25%	2
Less than 25% but greater than or equal to 10%	1
Less than 10%	0

Upon any decrease in the number of directors that the Essex Stockholders are entitled to designate for election to the Board of Directors, each of the Essex Stockholders, individually and not jointly, agrees with the Company (and only with the Company), and the Company agrees with each of the Essex Stockholders, individually and not jointly, that it shall use their reasonable best efforts to cause the appropriate number of Essex Stockholder Designees to tender his or her resignation. The Essex Stockholder Designee(s) required to tender his or her resignation will be from the class of directors whose term is next expiring. Following such resignation, the Board of Directors (by approval of a majority of the remaining Directors) shall select a replacement Director(s) to serve the remainder of the term of the Essex Stockholder Designee(s) that has resigned (for the avoidance of doubt, the Board of Directors may not select the Essex Stockholder Designee(s) that has resigned).

(c) S+N Stockholder Representation. For so long as the S+N Stockholders hold a number of shares of Common Stock representing at least the percentage of shares of Common Stock held by such S+N Stockholders as of the Closing shown below, each of the Principal Stockholders, individually and not jointly, agrees with the Company (and only with the Company), and the Company agrees with each of the Principal Stockholders, individually and not jointly, that it shall use their reasonable best efforts to include in the slate of nominees recommended by the Board for election as Directors at each applicable annual or special meeting of stockholders at which Directors are to be elected that number of individuals designated by the S+N Stockholders (each, a “S+N Stockholder Designee”) that, if elected, will result in the number of S+N Directors serving on the Board of Directors that is shown below.

<u>Percentage</u>	<u>Number of Directors</u>
25% or greater	2
Less than 25% but greater than or equal to 10%	1
Less than 10%	0

Upon any decrease in the number of directors that the S+N Stockholders are entitled to designate for election to the Board of Directors, each of S+N Stockholders, individually and not jointly, agrees with the Company (and only with the Company), and the Company agrees with each of the S+N Stockholders, individually and not jointly, that it shall use their reasonable best efforts to cause the appropriate number of S+N Stockholder Designees to tender his or her resignation. The S+N Stockholder Designee(s) required to tender his or her resignation will be from the class of directors whose term is next expiring. Following such resignation, the Board of Directors (by approval of a majority of the remaining Directors) shall select a replacement Director(s) to serve the remainder of the term of the S+N Stockholder Designee(s) that has resigned (for the avoidance of doubt, the Board of Directors may not select the S+N Stockholder Designee(s) that has resigned).

(d) Additional Obligations. An individual designated by a Principal Stockholder for election (including pursuant to Sections 2.1(b) and 2.1(c)) as a Director shall comply with the director qualification requirements of the charter for, and related guidelines of, the Nominating and Corporate Governance Committee and Section 2.6 of the bylaws of the Company (as the same may be amended, modified or restated from time to time, the “Bylaws”). Notwithstanding anything to the contrary in this Article II, in the event that the Board of Directors determines in good faith, after consultation with outside legal counsel, that its nomination, appointment or election of a particular Board Designee pursuant to this Section 2.1 or Section 2.2 would constitute a breach of its fiduciary duties to the Company’s stockholders or does not otherwise comply with any of the director qualification requirements of the charter for, or related guidelines of, the Nominating and Corporate Governance Committee or Section 2.6 of the Bylaws (provided that any such determination with respect to any Board Designee pursuant to this Section 2.1 shall be made no later than sixty (60) days after such individual’s nomination, in which case the

Board of Directors shall inform such Principal Stockholder of such determination in writing and explain in reasonable detail the basis for such determination and the Principal Stockholder shall designate another individual for nomination, election or appointment to the Board of Directors by such Principal Stockholder (subject in each case to this Section 2.1(d)), and the Board of Directors and the Company shall take all of the actions required by this Article II with respect to the election of such substitute Board Designee. It is hereby acknowledged and agreed, that the fact that a particular Board Designee is an Affiliate, director, professional, partner, member, manager, employee or agent of a Principal Stockholder or is not an independent director shall not in and of itself constitute an acceptable basis for such determination by the Board of Directors.

(e) Notwithstanding anything to the contrary in this Agreement, if the number of Independent Directors are insufficient to satisfy the independence requirements of The Nasdaq Global Market rules and other applicable laws, rules and regulations, the Board of Directors shall take the Necessary Action to increase the size of the Board of Directors to the minimum number of Directors needed to comply with such requirements.

(f) Vacancies. Except as provided in Sections 2.1(b) and 2.1(c), as applicable, with respect to decreases in stock ownership of the Principal Stockholders, (i) each Principal Stockholder shall have the exclusive right to request the removal of its Board Designees from the Board of Directors (whether for or without cause), and each of the Principal Stockholders, individually and not jointly, agrees with the Company (and only with the Company), and the Company agrees with each of the Principal Stockholders, individually and not jointly, that it shall take all Necessary Action to cause the removal (whether for or without cause) of any such Board Designee at the request of the designating Principal Stockholder and (ii) each Principal Stockholder shall have the exclusive right to designate directors for election to the Board of Directors to fill vacancies (for the remainder of the then current term) created by reason of death, disability, removal or resignation of its Board Designees to the Board of Directors, and each of the Principal Stockholders, individually and not jointly, agrees with the Company (and only with the Company), and the Company agrees with each of the Principal Stockholders, individually and not jointly, that it shall take all Necessary Action to cause any such vacancies to be filled by replacement directors designated by such designating Principal Stockholder as promptly as reasonably practicable.

SECTION 2.2 Committees.

(a) Each of the Essex Stockholders, individually and not jointly, agrees with the Company (and only with the Company), and the Company agrees with each of the Essex Stockholders, individually and not jointly, that the Essex Stockholders shall have, to the fullest extent permitted by applicable law, subject to Nasdaq Global Market rules and in compliance with other applicable laws, rules and regulations, and subject to the requirements of the charter for the Nominating and Corporate Governance Committee, the right, but not the obligation, to designate one (1) member of each committee of the Board of Directors (other than the audit committee) for so long as the Essex Stockholders have the ability pursuant to Section 2.1 to designate for nomination at least one (1) Board Designee.

(b) Each of the S+N Stockholders, individually and not jointly, agrees with the Company (and only with the Company), and the Company agrees with each of the S+N Stockholders, individually and not jointly, that the S+N Stockholders shall have, to the fullest extent permitted by applicable law, subject to Nasdaq Global Market rules and in compliance with other applicable laws, rules and regulations, and subject to the requirements of the charter for the Nominating and Corporate Governance Committee, the right, but not the obligation, to designate one (1) member of each committee of the Board of Directors (other than the audit committee) for so long as the S+N Stockholders have the ability pursuant to Section 2.1 to designate for nomination at least one (1) Board Designee.

(c) The audit committee of the Board of Directors shall initially be Susan M. Stalnecker, Philip G. Cowdy and David J. Parker. Upon any resignation or removal of a member of the audit committee of the Board of Directors, a new member shall be designated by the Board of Directors, subject to Nasdaq Global Market rules and in compliance with other applicable laws, rules and regulations, and subject to the requirements of the charter for the Nominating and Corporate Governance Committee and/or the charter for the Audit Committee.

(d) The compliance committee of the Board of Directors shall initially be William A. Hawkins and Susan M. Stalnecker. Upon any resignation or removal of a member of the compliance committee of the Board of Directors, a new member shall be designated by the Board of Directors, subject to Nasdaq Global Market rules and in compliance with other applicable laws, rules and regulations, and subject to the requirements of the charter for the Nominating and Corporate Governance Committee and/or the charter for the Compliance Committee.

SECTION 2.3 Voting Agreement. Each of the Principal Stockholders, individually and not jointly, agrees with the Company (and only with the Company), and the Company agrees with each of the Principal Stockholders, individually and not jointly, in person or by proxy, to cast all votes to which such Principal Stockholder is entitled in respect of its Company Shares, whether at any annual or special meeting, by written consent or otherwise, so as to cause to be elected to the Board of Directors those individuals designated in accordance with Section 2.1 and to otherwise effect the intent of this Article II.

SECTION 2.4 Approvals. Except in accordance with Section 2.1(e), each of the Essex Stockholders and S+N Stockholders, individually and not jointly, agrees with the Company (and only with the Company), and the Company agrees with each of the Essex Stockholders and S+N Stockholders, individually and not jointly, that the Company shall not take any of the following actions without the approval of the Essex Stockholders and the S+N Stockholders so long as the Essex Stockholders and the S+N Stockholders (as applicable) have the ability pursuant to Section 2.1 to designate for nomination at least one Board Designee:

- (a) increase or decrease the size of the Board of Directors or any committee; or

(b) amend any of the organizational documents of the Company, including but not limited to the Company's Certificate of Incorporation and Bylaws.

SECTION 2.5 Agreement of Company and Bioventus LLC. Each of the Company and Bioventus LLC hereby agrees that it will take all Necessary Actions within its control to cause the matters addressed by this Article II to be carried out in accordance with the provisions thereof.

SECTION 2.6 Restrictions on Other Agreements. Each of the Principal Stockholders, individually and not jointly, agrees with the Company (and only with the Company) that it shall not grant any proxy or enter into or agree to be bound by any voting trust, agreement or arrangement of any kind with any Person with respect to its Company Shares if and to the extent the terms thereof conflict with the provisions of this Agreement (whether or not such proxy, voting trust, agreements or arrangements are with other Principal Stockholders, holders of Company Shares that are not parties to this Agreement or otherwise).

ARTICLE III REPRESENTATIONS AND WARRANTIES

Each party hereby represents and warrants severally and not jointly to each other party to this Agreement that as of the date such party executes this Agreement:

SECTION 3.1 Existence; Authority; Enforceability. Such party has the power and authority, corporate or otherwise, to enter into this Agreement and to carry out its obligations hereunder. If such party is an entity, it is duly organized and validly existing under the laws of its jurisdiction of organization, and the execution and delivery of this Agreement, and the consummation of the transactions contemplated herein, have been authorized by all necessary action, and no other act or proceeding on its part is necessary to authorize the execution of this Agreement or the consummation of the transactions contemplated hereby. This Agreement has been duly executed by such party and constitutes such party's legal, valid and binding obligation, enforceable against such party in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws relating to or affecting creditors' rights generally, or by the general principles of equity. No representation is made by any party with respect to the regulatory effect of this Agreement, and such party has had an opportunity to consult with counsel as to such party's rights and responsibilities under this Agreement. No party makes any representation to any other party as to future law or regulation or the future interpretation of existing laws or regulations by any Governmental Authority or self-regulatory organization.

SECTION 3.2 Absence of Conflicts. The execution and delivery by such party of this Agreement and the performance of such party's obligations hereunder does not and will not (i) conflict with, or result in the breach of, any provision of the organizational documents of such party, if any; (ii) result in any violation, breach, conflict, default or event of default (or an event which with notice, lapse of time, or both, would constitute a default or event of default), or give rise to any right of acceleration or termination or any additional payment obligation, under the terms of any material contract or agreement to which such party is a party or by which such party's assets or operations are bound or affected; or (iii) violate any law applicable to such party.

SECTION 3.3 Consents. Other than any consents which have already been obtained, no consent, waiver, approval, authorization, exemption, registration, license or declaration is required to be made or obtained by such party in connection with the execution, delivery or performance of this Agreement.

ARTICLE IV
MISCELLANEOUS

SECTION 4.1 Termination. This Agreement shall terminate and be of no further force and effect upon (a) a Principal Stockholder, upon such Principal Stockholder ceasing to have the ability pursuant to Section 2.1 to designate for nomination at least one Board Designee, or (b) the written agreement of the Principal Stockholders to terminate this Agreement.

SECTION 4.2 Successors and Assigns; Beneficiaries. Except as otherwise provided herein, all of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective successors and permitted assigns of the parties hereto. This Agreement may not be assigned without the express prior written consent of the other parties hereto, and any attempted assignment, without such consents, will be null and void; provided that each Principal Stockholder (from time to time party hereto) shall be entitled to assign (solely in connection with a transfer of Common Stock or LLC Interests) to any of its Affiliates, without such prior written consent, any of its rights and obligations hereunder; provided, further, that any Person (other than an Affiliate) to which a Principal Stockholder (from time to time party hereto) transfers such Common Stock or LLC Interests shall not be bound by the obligations hereunder and shall not be entitled to the rights hereunder, including pursuant to Sections 2.1(b), 2.1(c), 2.1(d) and 2.1(f) or otherwise.

SECTION 4.3 FIRPTA Statement. The Company shall, from time to time upon the reasonable request of a Principal Stockholder pursuant to Treasury Regulations Section 1.897-2(h)(1), provide a statement to such Principal Stockholder, satisfying the requirements of Treasury Regulations Section 1.897-2(h), stating whether the Class A Common Stock constitutes a U.S. real property interest.

SECTION 4.4 Amendment and Modification; Waiver of Compliance. (a) This Agreement may be amended only by a written instrument duly executed by the Company and the Principal Stockholders.

(b) Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure; provided that the Company shall not be entitled to waive the obligations to the Company of each Principal Stockholder in Article 2.

SECTION 4.5 Notices. Any notice, request, claim, demand, document and other communication hereunder to any party shall be effective upon receipt (or refusal of receipt) and

shall be in writing and delivered personally or sent by email or first class mail, or by Federal Express, United Parcel Service or other similar courier or other similar means of communication, as follows:

(i) If to the S+N Stockholders, addressed to Smith & Nephew, Inc., 7135 Goodlett Farms, Cordova, Tennessee 38106, Attention: Chief Legal and Compliance Officer (company.secretary@smith-nephew.com), with a copy to Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, NY 10017, Attn: Harold Birnbaum; and

(ii) If to the Essex Stockholders, addressed to (a) EW Healthcare Partners, 21 Waterway Avenue, Suite 225, The Woodlands, Texas 77380, Attention: Richard Kolodziejczyk (rkolodziejczyk@ewhealthcare.com), (b) Spindletop Healthcare Capital, LP, 11401 Century Oak Terrace, Suite 410, Austin, Texas 78731, Attn: Evan Melrose (evan@spindletopcapital.com) (c) Pantheon Global Co-Investment Opportunities Fund L.P., 600 Montgomery Street, 23rd Floor, San Francisco, California 94111, Attn: Jeffrey Miller (jeffrey.miller@pantheon.com) (d) Ampersand Capital Partners, 55 William Street, Suite 240, Wellesley, Massachusetts 02481, Attn: Dana Niles (dln@ampersandcapital.com) and (e) Alta Partners, One Embarcadero Center, 37th Floor, San Francisco, California 94111, Attn: Larry Randall (finance@altapartners.com) with a copy to Reed Smith LLP, 599 Lexington Avenue, New York, NY 10022, Attn: Mark Pedretti (MPedretti@ReedSmith.com).

or, in each case, to such other address or email address as such party may designate in writing to each Principal Stockholder by written notice given in the manner specified herein.

All such communications shall be deemed to have been given, delivered or made when so delivered by hand or sent by email (with confirmed transmission), on the next Business Day if sent by overnight courier service (with confirmed delivery) or when received if sent by first class mail.

SECTION 4.6 Specific Performance. Each party hereto, individually and not jointly, acknowledges and agrees that in the event of any breach of this Agreement by any of them, the other parties hereto would be irreparably harmed and could not be made whole by monetary damages. Each party, individually and not jointly, accordingly agrees to waive the defense in any action for specific performance that a remedy at law would be adequate and agrees that the parties, in addition to any other remedy to which they may be entitled at law or in equity, shall be entitled to specific performance of this Agreement without the posting of bond. The Company hereby agrees with each Principal Stockholder, severally and not jointly, that it will enforce the provisions of this Agreement (including without limitation the provisions of Article 2) against any other Principal Stockholder in breach of any such provisions.

SECTION 4.7 Entire Agreement. The provisions of this Agreement and the other writings referred to herein or delivered pursuant hereto which form a part hereof contain the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior oral and written agreements and memoranda and undertakings among the parties hereto with regard to such subject matter.

SECTION 4.8 Severability. If any provision of this Agreement, or the application of such provision to any Person or circumstance or in any jurisdiction, shall be held to be invalid or unenforceable to any extent (or the principal exchange on which the Class A Common Stock are traded determines that the existence or application of a provision of this Agreement will threaten the continued listing of the Class A Common Stock on such principal exchange), (i) the remainder of this Agreement shall not be affected thereby, and each other provision hereof shall be valid and enforceable to the fullest extent permitted by law (or the rules of the principal exchange on which the Class A Common Stock are traded, as applicable), (ii) as to such Person or circumstance or in such jurisdiction such provision shall be reformed to be valid and enforceable to the fullest extent permitted by law (or the rules of the principal exchange on which the Class A Common Stock are traded, as applicable) and (iii) the application of such provision to other Persons or circumstances or in other jurisdictions shall not be affected thereby.

SECTION 4.9 CHOICE OF LAW AND VENUE; WAIVER OF RIGHT TO JURY TRIAL. THIS AGREEMENT SHALL BE GOVERNED BY, CONSTRUED, APPLIED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE. EACH OF THE PARTIES HERETO ACKNOWLEDGES AND AGREES THAT IN THE EVENT OF ANY BREACH OF THIS AGREEMENT, THE NON-BREACHING PARTY WOULD BE IRREPARABLY HARMED AND COULD NOT BE MADE WHOLE BY MONETARY DAMAGES, AND THAT, IN ADDITION TO ANY OTHER REMEDY TO WHICH THEY MAY BE ENTITLED AT LAW OR IN EQUITY, THE PARTIES SHALL BE ENTITLED TO SUCH EQUITABLE OR INJUNCTIVE RELIEF AS MAY BE APPROPRIATE. THE CHOICE OF FORUM SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT OF ANY JUDGMENT OF A DELAWARE FEDERAL OR STATE COURT, OR THE TAKING OF ANY ACTION UNDER THIS AGREEMENT TO ENFORCE SUCH A JUDGMENT, IN ANY OTHER APPROPRIATE JURISDICTION.

IN THE EVENT ANY PARTY TO THIS AGREEMENT COMMENCES ANY LITIGATION, PROCEEDING OR OTHER LEGAL ACTION IN CONNECTION WITH OR RELATING TO THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY MATTERS DESCRIBED OR CONTEMPLATED HEREIN OR THEREIN, THE PARTIES TO THIS AGREEMENT HEREBY (1) AGREE UNDER ALL CIRCUMSTANCES ABSOLUTELY AND IRREVOCABLY TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURT OF CHANCERY OF THE STATE OF DELAWARE, OR IF (AND ONLY IF) SUCH COURT FINDS IT LACKS SUBJECT MATTER JURISDICTION, THE SUPERIOR COURT OF THE STATE OF DELAWARE (COMPLEX COMMERCIAL DIVISION), OR IF UNDER APPLICABLE LAW, SUBJECT MATTER JURISDICTION OVER THE MATTER THAT IS THE SUBJECT OF THE ACTION OR PROCEEDING IS VESTED EXCLUSIVELY IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA, THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, AND APPELLATE COURTS FROM ANY THEREOF, WITH RESPECT TO ALL ACTIONS AND PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY (2) AGREE THAT IN THE EVENT OF ANY SUCH LITIGATION, PROCEEDING OR ACTION, SUCH PARTIES WILL CONSENT AND SUBMIT TO THE PERSONAL JURISDICTION OF ANY SUCH COURT DESCRIBED IN THIS SECTION 4.8 AND TO SERVICE OF PROCESS UPON THEM IN ACCORDANCE

WITH THE RULES AND STATUTES GOVERNING SERVICE OF PROCESS; (3) AGREE TO WAIVE TO THE FULL EXTENT PERMITTED BY LAW ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH LITIGATION, PROCEEDING OR ACTION IN ANY SUCH COURT OR THAT ANY SUCH LITIGATION, PROCEEDING OR ACTION WAS BROUGHT IN ANY INCONVENIENT FORUM; (4) AGREE TO WAIVE ANY RIGHTS TO A JURY TRIAL TO RESOLVE ANY DISPUTES OR CLAIMS RELATING TO THIS AGREEMENT; (5) AGREE TO SERVICE OF PROCESS IN ANY LEGAL PROCEEDING BY MAILING OF COPIES THEREOF TO SUCH PARTY AT ITS ADDRESS SET FORTH HEREIN FOR COMMUNICATIONS TO SUCH PARTY; (6) AGREE THAT ANY SERVICE MADE AS PROVIDED HEREIN SHALL BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; AND (7) AGREE THAT NOTHING HEREIN SHALL AFFECT THE RIGHTS OF ANY PARTY TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

SECTION 4.10 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.

SECTION 4.11 Further Assurances. At any time or from time to time after the date hereof, the parties hereto agree to cooperate with each other, and at the request of any other party, to execute and deliver any further instruments or documents and to take all such further action as any other party may reasonably request in order to evidence or effectuate the provisions of this Agreement and to otherwise carry out the intent of the parties hereunder.

SECTION 4.12 Schedule 13 Filings. In accordance with the requirements of Rule 13d-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and subject to the limitations set forth therein, each Principal Stockholder that is required to file pursuant to the Exchange Act a Schedule 13D or Schedule 13G, as applicable, agrees to file such schedule no later than the time period prescribed by the applicable rules of the Exchange Act following the Effective Date.

SECTION 4.13 Effectiveness of Agreement. Upon the Closing, the Agreement shall thereupon be deemed to be effective (such date, the "Effective Date"). However, to the extent the Closing does not occur, the provisions of this Agreement shall be without any force or effect.

* * *

IN WITNESS WHEREOF, each of the undersigned has signed this Stockholders Agreement as of the date first above written.

COMPANY:

BIOVENTUS INC.

By: _____
Name: Kenneth M. Reali
Title: Chief Executive Officer

BIOVENTUS LLC:

By: _____
Name: Kenneth M. Reali
Title: Chief Executive Officer

[Signature Page to Stockholders Agreement]

S+N STOCKHOLDERS:

SMITH & NEPHEW, INC.

By: _____

Name:

Title:

SMITH & NEPHEW (EUROPE) B.V.

By: _____

Name:

Title:

[Signature Page to Stockholders Agreement]

ESSEX STOCKHOLDERS:

**EW HEALTHCARE PARTNERS
ACQUISITION FUND, L.P.**

By: EW Healthcare Partners Acquisition Fund GP, L.P.
Its: General Partner

By: _____
Name:
Title:

WHITE PINE MEDICAL LLC

By: _____
Name:
Title:

SPINDLETOP HEALTHCARE CAPITAL L.P.

By: _____
Name:
Title:

**PANTHEON GLOBAL CO-INVESTMENT
OPPORTUNITIES FUND L.P.**

By: _____
Name:
Title:

AMP-CF HOLDINGS, LLC

By: _____
Name: Dana L. Niles
Title: Chief Operating Officer

[Signature Page to Stockholders Agreement]

By: _____
Name:
Title:

[Signature Page to Stockholders Agreement]

SCHEDULE 1

ESSEX STOCKHOLDERS

EW Healthcare Partners Acquisition Fund, L.P.

White Pine Medical LLC

Spindletop Healthcare Capital L.P.

Pantheon Global Co-Investment Opportunities Fund L.P.

AMP-CF Holdings, LLC

Alta Partners VIII, L.P.

SCHEDULE 2

S+N STOCKHOLDERS

Smith & Nephew, Inc.

Smith & Nephew (Europe) B.V.

SCHEDULE 3

ORIGINAL DESIGNEES

Essex Directors:

<u>Designee:</u>	<u>Class</u>
Guido J. Neels	Class I
David J. Parker	Class I
Martin P. Sutter	Class III

S+N Directors:

<u>Designee:</u>	<u>Class</u>
Designee to be elected by the S+N Stockholders at a future date	Class II
Philip G. Cowdy	Class III

Independent Directors:

<u>Designee:</u>	<u>Class</u>
Guy P. Nohra	Class I
William A. Hawkins	Class II
Susan M. Stalnecker	Class II

**BIOVENTUS INC.
2021 EQUITY INCENTIVE PLAN**

ARTICLE 1.

PURPOSE

The purpose of the Bioventus Inc. 2021 Equity Incentive Plan (as it may be amended or restated from time to time, the “Plan”) is to promote the success and enhance the value of Bioventus Inc. (the “Company”) by linking the individual interests of the members of the Board, Employees, and Consultants to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent.

ARTICLE 2.

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 “Administrator” shall mean the Board or a Committee to the extent that the Board’s powers or authority under the Plan have been delegated to such Committee.

2.2 “Affiliate” shall mean (a) any Subsidiary; and (b) any domestic eligible entity that is disregarded, under Treasury Regulation Section 301.7701-3, as an entity separate from either (i) the Company or (ii) any Subsidiary.

2.3 “Applicable Accounting Standards” shall mean Generally Accepted Accounting Principles in the United States, International Financial Reporting Standards or such other accounting principles or standards as may apply to the Company’s financial statements under United States federal securities laws from time to time.

2.4 “Applicable Law” shall mean any applicable law, including without limitation: (a) provisions of the Code, the Securities Act, the Exchange Act and any rules or regulations thereunder; (b) corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether federal, state, local or foreign; and (c) rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded.

2.5 “Automatic Exercise Date” shall mean, with respect to an Option or a Stock Appreciation Right, the last business day of the applicable Option Term or Stock Appreciation Right Term that was initially established by the Administrator for such Option or Stock Appreciation Right (e.g., the last business day prior to the tenth anniversary of the date of grant of such Option or Stock Appreciation Right if the Option or Stock Appreciation Right initially had a ten-year Option Term or Stock Appreciation Right Term, as applicable).

2.6 “Award” shall mean an Option, a Stock Appreciation Right, a Restricted Stock award, a Restricted Stock Unit award, an Other Stock or Cash Based Award or a Dividend Equivalent award, which may be awarded or granted under the Plan.

2.7 “Award Agreement” shall mean any written notice, agreement, terms and conditions, contract or other instrument or document evidencing an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine consistent with the Plan.

2.8 “Board” shall mean the Board of Directors of the Company.

2.9 “Change in Control” shall mean and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any Person directly or indirectly acquires beneficial ownership (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its Subsidiaries; (ii) any acquisition by an employee benefit plan maintained by the Company or any of its Subsidiaries; (iii) any acquisition which complies with Sections 2.9(c)(i), 2.9(c)(ii) or 2.9(c)(iii); or (iv) in respect of an Award held by a particular Holder, any acquisition by the Holder or any group of Persons including the Holder (or any entity controlled by the Holder or any group of Persons including the Holder); or

(b) The Incumbent Directors cease for any reason to constitute a majority of the Board;

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination, (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the Person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such Person, the “Successor Entity.”)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(ii) after which no Person beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no Person shall be treated for purposes of this Section 2.9(c)(ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; and

(iii) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were Board members at the time of the Board's approval of the execution of the initial agreement providing for such transaction; or

(d) The date specified by the Board following approval by the Company's stockholders of a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

The Administrator shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

2.10 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, together with the regulations and official guidance promulgated thereunder, whether issued prior or subsequent to the grant of any Award.

2.11 "Committee" shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board, which may be comprised of one or more Directors and/or executive officers of the Company as appointed by the Board, to the extent permitted in accordance with Applicable Law.

2.12 "Common Stock" shall mean the Class A common stock of the Company.

2.13 "Company" shall have the meaning set forth in Article 1.

2.14 "Consultant" shall mean any consultant or adviser engaged to provide services to the Company or any parent of the Company or Affiliate who qualifies as a consultant or advisor under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement.

2.15 "Director" shall mean a member of the Board, as constituted from time to time.

2.16 “Director Limit” shall have the meaning set forth in Section 4.6.

2.17 “Dividend Equivalent” shall mean a right to receive the equivalent value (in cash or Shares) of dividends paid on Shares, awarded under Section 9.2.

2.18 “DRO” shall mean a “domestic relations order” as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time, or the rules thereunder.

2.19 “Effective Date” shall mean the day prior to the Public Trading Date.

2.20 “Eligible Individual” shall mean any Person who is an Employee, a Consultant or a Non-Employee Director, as determined by the Administrator.

2.21 “Employee” shall mean any officer or other employee (as determined in accordance with Section 3401(c) of the Code and the Treasury Regulations thereunder) of the Company or of any parent of the Company or Affiliate.

2.22 “Equity Restructuring” shall mean a nonreciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of Shares (or other securities of the Company) or the share price of Common Stock (or other securities) and causes a change in the per-share value of the Common Stock underlying outstanding Awards.

2.23 “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.24 “Exchange Program” shall mean a Program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the Same type (which may have higher or lower exercise prices and different terms), Awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced or increased. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

2.25 “Expiration Date” shall have the meaning given to such term in Section 12.1(c).

2.26 “Fair Market Value” shall mean, as of any given date, the value of a Share determined as follows:

(a) If the Common Stock is (i) listed on any established securities exchange (such as the New York Stock Exchange, the Nasdaq Capital Market, the Nasdaq Global Market and the Nasdaq Global Select Market), (ii) listed on any national market system or (iii) quoted or traded on any automated quotation system, its Fair Market Value shall be the closing sales price for a Share as quoted on such exchange or system for such date or, if there is no closing sales price for a Share on the date in question, the closing sales price for a Share on the last preceding date for which such quotation exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Common Stock is not listed on an established securities exchange, national market system or automated quotation system, but the Common Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a Share on such date, the high bid and low asked prices for a Share on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) If the Common Stock is neither listed on an established securities exchange, national market system or automated quotation system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be established by the Administrator in its discretion.

Notwithstanding the foregoing, with respect to any Award granted on the pricing date of the Company's initial public offering, the Fair Market Value shall mean the initial public offering price of a Share as set forth in the Company's final prospectus relating to its initial public offering filed with the Securities and Exchange Commission.

2.27 "Greater Than 10% Stockholder" shall mean an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary corporation (as defined in Section 424(f) of the Code) or parent corporation thereof (as defined in Section 424(e) of the Code).

2.28 "Holder" shall mean a Person who has been granted an Award.

2.29 "Incentive Stock Option" shall mean an Option that is intended to qualify as an incentive stock option and conforms to the applicable provisions of Section 422 of the Code.

2.30 "Incumbent Directors" shall mean for any period of 12 consecutive months, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a Person who shall have entered into an agreement with the Company to effect a transaction described in Section 2.9(a) or 2.9(c) whose election or nomination for election to the Board was approved by a vote of at least a majority (either by a specific vote or by approval of the proxy statement of the Company in which such Person is named as a nominee for Director without objection to such nomination) of the Directors then still in office who either were Directors at the beginning of the 12-month period or whose election or nomination for election was previously so approved. No individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any Person other than the Board shall be an Incumbent Director.

2.31 "Non-Employee Director" shall mean a Director of the Company who is not an Employee.

2.32 "Non-Employee Director Equity Compensation Policy" shall have the meaning set forth in Section 4.6.

2.33 “Non-Qualified Stock Option” shall mean an Option that is not an Incentive Stock Option or which is designated as an Incentive Stock Option but does not meet the applicable requirements of Section 422 of the Code.

2.34 “Option” shall mean a right to purchase Shares at a specified exercise price, granted under Article 5. An Option shall be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to Non-Employee Directors and Consultants shall only be Non-Qualified Stock Options.

2.35 “Option Term” shall have the meaning set forth in Section 5.4.

2.36 “Organizational Documents” shall mean, collectively, (a) the Company’s articles of incorporation, certificate of incorporation, bylaws or other similar organizational documents relating to the creation and governance of the Company, and (b) the Committee’s charter or other similar organizational documentation relating to the creation and governance of the Committee.

2.37 “Other Stock or Cash Based Award” shall mean a cash payment, cash bonus award, stock payment, stock bonus award, performance award or incentive award that is paid in cash, Shares or a combination of both, awarded under Section 9.1, which may include, without limitation, deferred stock, deferred stock units, performance awards, retainers, committee fees, and meeting-based fees.

2.38 “Permitted Transferee” shall mean, with respect to a Holder, any “family member” of the Holder, as defined in the General Instructions to Form S-8 Registration Statement under the Securities Act (or any successor form thereto), or any other transferee specifically approved by the Administrator after taking into account Applicable Law.

2.39 “Person” shall mean any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act).

2.40 “Plan” shall have the meaning set forth in Article 1.

2.41 “Program” shall mean any program adopted by the Administrator pursuant to the Plan containing the terms and conditions intended to govern a specified type of Award granted under the Plan and pursuant to which such type of Award may be granted under the Plan.

2.42 “Public Trading Date” shall mean the first date upon which Common Stock is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

2.43 “Restricted Stock” shall mean Common Stock awarded under Article 7 that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.44 “Restricted Stock Units” shall mean the right to receive Shares awarded under Article 8.

2.45 “SAR Term” shall have the meaning set forth in Section 5.4.

2.46 "Section 409A" shall mean Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the Effective Date.

2.47 "Securities Act" shall mean the Securities Act of 1933, as amended.

2.48 "Shares" shall mean shares of Common Stock.

2.49 "Stock Appreciation Right" shall mean an Award entitling the Holder (or other Person entitled to exercise pursuant to the Plan) to exercise all or a specified portion thereof (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying (i) the difference obtained by subtracting (x) the exercise price per share of such Award from (y) the Fair Market Value on the date of exercise of such Award, by (ii) the number of Shares with respect to which such Award shall have been exercised, subject to any limitations the Administrator may impose.

2.50 "Subsidiary" shall mean any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing at least fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.51 "Substitute Award" shall mean an Award granted under the Plan in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, in any case, upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity; provided, however, that in no event shall the term "Substitute Award" be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.

2.52 "Termination of Service" shall mean the date the Holder ceases to be an Eligible Individual.

The Administrator, in its sole discretion, shall determine the effect of all matters and questions relating to any Termination of Service, including, without limitation, whether a Termination of Service has occurred, whether a Termination of Service resulted from a discharge for cause and all questions of whether particular leaves of absence constitute a Termination of Service; provided, however, that, with respect to Incentive Stock Options, unless the Administrator otherwise provides in the terms of any Program, Award Agreement or otherwise, or as otherwise required by Applicable Law, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Service only if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then-applicable regulations and revenue rulings under said Section. For purposes of the Plan, a Holder's employee-employer relationship or consultancy relations shall be deemed to be terminated in the event that the Affiliate employing or contracting with such Holder ceases to remain an Affiliate following any merger, sale of stock or other corporate transaction or event (including, without limitation, a spin-off).

ARTICLE 3.
SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Sections 3.1(b) and 12.2, Awards may be made under the Plan covering an aggregate number of Shares equal to the sum of: (i) 7,592,476 and (ii) an annual increase on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2031, equal to the lesser of (A) 4.5% of the Shares outstanding (on an as-converted basis) on the last day of the immediately preceding fiscal year and (B) such smaller number of Shares as determined by the Board; provided, however, no more than 7,592,476 Shares may be issued upon the exercise of Incentive Stock Options. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Common Stock, treasury Common Stock or Common Stock purchased on the open market.

(b) If any Shares subject to an Award are forfeited or expire, are converted to shares of another Person in connection with a recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares or other similar event, are surrendered pursuant to an Exchange Program, or such Award is settled for cash (in whole or in part) (including Shares repurchased by the Company under Section 7.4 at the same price paid by the Holder), the Shares subject to such Award shall, to the extent of such forfeiture, expiration, or cash settlement, again be available for future grants of Awards under the Plan. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added to the Shares authorized for grant under Section 3.1(a) and shall not be available for future grants of Awards: (i) Shares tendered by a Holder or withheld by the Company in payment of the exercise price of an Option; (ii) Shares tendered by the Holder or withheld by the Company to satisfy any tax withholding obligation with respect to an Award; (iii) Shares subject to a Stock Appreciation Right or other stock-settled Award (including Awards that may be settled in cash or stock) that are not issued in connection with the settlement or exercise, as applicable, of the Stock Appreciation Right or other stock-settled Award; and (iv) Shares purchased on the open market by the Company with the cash proceeds received from the exercise of Options. Any Shares repurchased by the Company under Section 7.4 at the same price paid by the Holder so that such Shares are returned to the Company shall again be available for Awards. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not be counted against the Shares available for issuance under the Plan. Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

(c) Substitute Awards may be granted on such terms as the Administrator deems appropriate, notwithstanding limitations on Awards in the Plan. Substitute Awards shall not reduce the Shares authorized for grant under the Plan, except as may be required by reason of Section 422 of the Code, and Shares subject to such Substitute Awards shall not be added to the Shares available for Awards under the Plan as provided in Section 3.1(b) above. Additionally, in

the event that a company acquired by the Company or any Affiliate or with which the Company or any Affiliate combines has shares available under a pre-existing plan approved by its stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may, subject to Applicable Law, be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan (and Shares subject to such Awards shall not be added to the Shares available for Awards under the Plan as provided in Section 3.1(b) above); provided that Awards using such available Shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Affiliates immediately prior to such acquisition or combination.

ARTICLE 4.

GRANTING OF AWARDS

4.1 Participation. The Administrator may, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Plan. Except for any Non-Employee Director's right to Awards that may be required pursuant to the Non-Employee Director Equity Compensation Policy as described in Section 4.6, no Eligible Individual or other Person shall have any right to be granted an Award pursuant to the Plan and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Holders or any other Persons uniformly. Participation by each Holder in the Plan shall be voluntary and nothing in the Plan or any Program shall be construed as mandating that any Eligible Individual or other Person shall participate in the Plan.

4.2 Award Agreement. Each Award shall be evidenced by an Award Agreement that sets forth the terms, conditions and limitations for such Award as determined by the Administrator in its sole discretion (consistent with the requirements of the Plan and any applicable Program). Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

4.3 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

4.4 At-Will Service. Nothing in the Plan or in any Program or Award Agreement hereunder shall confer upon any Holder any right to continue in the employ of, or as a Director or Consultant for, the Company or any Affiliate, or shall interfere with or restrict in any way the rights of the Company and any Affiliate, which rights are hereby expressly reserved, to discharge any Holder at any time for any reason whatsoever, with or without cause, and with or without notice, or to terminate or change all other terms and conditions of employment or engagement, except to the extent expressly provided otherwise in a written agreement between the Holder and the Company or any Affiliate.

4.5 Foreign Holders. Notwithstanding any provision of the Plan or applicable Program to the contrary, in order to comply with the laws in countries other than the United States in which the Company and its Affiliates operate or have Employees, Non-Employee Directors or Consultants, or in order to comply with the requirements of any foreign securities exchange or other Applicable Law, the Administrator, in its sole discretion, shall have the power and authority to: (a) determine which Affiliates shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with Applicable Law (including, without limitation, applicable foreign laws or listing requirements of any foreign securities exchange); (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable; provided, however, that no such subplans and/or modifications shall increase the share limitation contained in Section 3.1 or the Director Limit; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any foreign securities exchange.

4.6 Non-Employee Director Awards.

(a) Non-Employee Director Equity Compensation Policy. The Administrator, in its sole discretion, may provide that Awards granted to Non-Employee Directors shall be granted pursuant to a written nondiscretionary formula established by the Administrator (the "Non-Employee Director Equity Compensation Policy"), subject to the limitations of the Plan. The Non-Employee Director Equity Compensation Policy shall set forth the type of Award(s) to be granted to Non-Employee Directors, the number of Shares to be subject to Non-Employee Director Awards, the conditions on which such Awards shall be granted, become exercisable and/or payable and expire, and such other terms and conditions as the Administrator shall determine in its sole discretion. The Non-Employee Director Equity Compensation Policy may be modified by the Administrator from time to time in its sole discretion and pursuant to the exercise of its business judgment, taking into account such factors, circumstances and considerations as it shall deem relevant from time to time.

(b) Director Limit. Notwithstanding any provision to the contrary in the Plan or in the Non-Employee Director Equity Compensation Policy, the sum of the amount of any cash-based Awards or other fees and the value (determined as of the grant date in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) of equity-based Awards granted to a Non-Employee Director as compensation for services as a Non-Employee Director during any calendar year following the Public Trading Date shall not exceed \$700,000, increased to \$1,000,000 with respect to the calendar year of a Non-Employee Director's initial service as a Non-Employee Director (the applicable amount, the "Director Limit"). The Administrator may make exceptions to this limit for individual Non-

Employee Directors in extraordinary circumstances, as the Administrator may determine in its discretion, provided that the Non-Employee Director receiving such additional compensation may not participate in the decision to award such compensation or in other contemporaneous compensation decisions involving Non-Employee Directors..

ARTICLE 5.

GRANTING OF OPTIONS AND STOCK APPRECIATION RIGHTS

5.1 Granting of Options and Stock Appreciation Rights to Eligible Individuals. The Administrator is authorized to grant Options and Stock Appreciation Rights to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine, which shall not be inconsistent with the Plan, including any limitations in the Plan that apply to Incentive Stock Options.

5.2 Qualification of Incentive Stock Options. The Administrator may grant Options intended to qualify as Incentive Stock Options only to employees of the Company, any of the Company's present or future "parent corporations" or "subsidiary corporations" as defined in Sections 424(e) or (f) of the Code, respectively, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code. No Person who qualifies as a Greater Than 10% Stockholder may be granted an Incentive Stock Option unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code. To the extent that the aggregate fair market value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by a Holder during any calendar year under the Plan, and all other plans of the Company and any parent corporation or subsidiary corporation thereof (as defined in Section 424(e) and 424(f) of the Code, respectively), exceeds \$100,000, the Options shall be treated as Non-Qualified Stock Options to the extent required by Section 422 of the Code. The rule set forth in the immediately preceding sentence shall be applied by taking Options and other "incentive stock options" into account in the order in which they were granted and the fair market value of stock shall be determined as of the time the respective options were granted. Any interpretations and rules under the Plan with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. Neither the Company nor the Administrator shall have any liability to a Holder, or any other Person, (a) if an Option (or any part thereof) which is intended to qualify as an Incentive Stock Option fails to qualify as an Incentive Stock Option or (b) for any action or omission by the Company or the Administrator that causes an Option not to qualify as an Incentive Stock Option, including without limitation, the conversion of an Incentive Stock Option to a Non-Qualified Stock Option or the grant of an Option intended as an Incentive Stock Option that fails to satisfy the requirements under the Code applicable to an Incentive Stock Option.

5.3 Option and Stock Appreciation Right Exercise Price. The exercise price per Share subject to each Option and Stock Appreciation Right shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value of a Share on the date the Option or Stock Appreciation Right, as applicable, is granted (or, as to Incentive Stock Options, on the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code). In addition, in the case of Incentive Stock Options granted to a Greater Than 10% Stockholder, such price shall

not be less than 110% of the Fair Market Value of a Share on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code). Notwithstanding the foregoing, in the case of an Option or Stock Appreciation Right that is a Substitute Award, the exercise price per share of the Shares subject to such Option or Stock Appreciation Right, as applicable, may be less than the Fair Market Value per share on the date of grant; provided that the exercise price of any Substitute Award shall be determined in accordance with the applicable requirements of Section 424 and 409A of the Code.

5.4 Option and SAR Term. The term of each Option (the “Option Term”) and the term of each Stock Appreciation Right (the “SAR Term”) shall be set by the Administrator in its sole discretion; provided, however, that the Option Term or SAR Term, as applicable, shall not be more than (a) ten (10) years from the date the Option or Stock Appreciation Right, as applicable, is granted to an Eligible Individual (other than a Greater Than 10% Stockholder), or (b) five (5) years from the date an Incentive Stock Option is granted to a Greater Than 10% Stockholder. Except as limited by the requirements of Section 409A or Section 422 of the Code and regulations and rulings thereunder or the first sentence of this Section 5.4 and without limiting the Company’s rights under Section 10.7, the Administrator may extend the Option Term of any outstanding Option or the SAR Term of any outstanding Stock Appreciation Right, and may extend the time period during which vested Options or Stock Appreciation Rights may be exercised, in connection with any Termination of Service of the Holder or otherwise, and may amend, subject to Section 10.7 and 12.1, any other term or condition of such Option or Stock Appreciation Right relating to such Termination of Service of the Holder or otherwise.

5.5 Option and SAR Vesting. The period during which the right to exercise, in whole or in part, an Option or Stock Appreciation Right vests in the Holder shall be set by the Administrator and set forth in the applicable Award Agreement. Notwithstanding the foregoing and unless determined otherwise by the Company, in the event that on the last business day of the term of an Option or Stock Appreciation Right (other than an Incentive Stock Option) (a) the exercise of the Option or Stock Appreciation Right is prohibited by Applicable Law, as determined by the Company, or (b) Shares may not be purchased or sold by the applicable Participant due to any Company insider trading policy (including blackout periods) or a “lock-up” agreement undertaken in connection with an issuance of securities by the Company, the term of the Option or Stock Appreciation Right shall be extended until the date that is thirty (30) days after the end of the legal prohibition, black-out period or lock-up agreement, as determined by the Company; provided, however, in no event shall the extension last beyond the ten year term of the applicable Option or Stock Appreciation Right. Unless otherwise determined by the Administrator in the Award Agreement, the applicable Program or by action of the Administrator following the grant of the Option or Stock Appreciation Right, (a) no portion of an Option or Stock Appreciation Right which is unexercisable at a Holder’s Termination of Service shall thereafter become exercisable and (b) the portion of an Option or Stock Appreciation Right that is unexercisable at a Holder’s Termination of Service shall automatically expire thirty (30) days following such Termination of Service.

ARTICLE 6.

EXERCISE OF OPTIONS AND STOCK APPRECIATION RIGHTS

6.1 Exercise and Payment. An exercisable Option or Stock Appreciation Right may be exercised in whole or in part. However, unless the Administrator otherwise determines, an Option or Stock Appreciation Right shall not be exercisable with respect to fractional Shares and the Administrator may require that, by the terms of the Option or Stock Appreciation Right, a partial exercise must be with respect to a minimum number of Shares. Payment of the amounts payable with respect to Stock Appreciation Rights pursuant to this Article 6 shall be in cash, Shares (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised), or a combination of both, as determined by the Administrator.

6.2 Manner of Exercise. All or a portion of an exercisable Option or Stock Appreciation Right shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, the stock plan administrator of the Company or such other Person designated by the Administrator, or his, her or its office, as applicable:

(a) A written notice of exercise in a form the Administrator approves (which may be electronic) complying with the applicable rules established by the Administrator. The notice shall be signed or otherwise acknowledge electronically by the Holder or other Person then entitled to exercise the Option or Stock Appreciation Right or such portion thereof;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with Applicable Law;

(c) In the event that the Option shall be exercised pursuant to Section 10.3 by any Person or Persons other than the Holder, appropriate proof of the right of such Person or Persons to exercise the Option or Stock Appreciation Right, as determined in the sole discretion of the Administrator; and

(d) Full payment of the exercise price and applicable withholding taxes for the Shares with respect to which the Option or Stock Appreciation Right, or portion thereof, is exercised, in a manner permitted by the Administrator in accordance with Sections 10.1 and 10.2.

6.3 Expiration of Option Term or SAR Term: Automatic Exercise of In-The-Money Options and Stock Appreciation Rights. Unless otherwise provided by the Administrator in an Award Agreement or otherwise or as otherwise directed by an Option or Stock Appreciation Rights Holder in writing to the Company, each vested and exercisable Option and Stock Appreciation Right outstanding on the Automatic Exercise Date with an exercise price per Share that is less than the Fair Market Value per Share as of such date shall automatically and without further action by the Option or Stock Appreciation Rights Holder or the Company be exercised on the Automatic Exercise Date. In the sole discretion of the Administrator, payment of the exercise price of any such Option shall be made pursuant to Section 10.1(b) or 10.1(c) and the Company or any Subsidiary shall be entitled to deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 10.2. Unless otherwise determined by the Administrator, this Section 6.3 shall not apply to an Option or Stock Appreciation Right if the

Holder of such Option or Stock Appreciation Right incurs a Termination of Service on or before the Automatic Exercise Date. For the avoidance of doubt, no Option or Stock Appreciation Right with an exercise price per Share that is equal to or greater than the Fair Market Value per Share on the Automatic Exercise Date shall be exercised pursuant to this Section 6.3.

6.4 Notification Regarding Disposition. The Holder shall give the Company prompt written or electronic notice of any disposition or other transfers (other than in connection with a Change in Control) of Shares acquired by exercise of an Incentive Stock Option which occurs within (a) two years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Holder, or (b) one year after the date of transfer of such Shares to such Holder. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by the Holder in such disposition or other transfer.

ARTICLE 7.

AWARD OF RESTRICTED STOCK

7.1 Award of Restricted Stock. The Administrator is authorized to grant Restricted Stock, or the right to purchase Restricted Stock, to Eligible Individuals, and shall determine the terms and conditions, including the restrictions applicable to each award of Restricted Stock, which terms and conditions shall not be inconsistent with the Plan or any applicable Program, and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate. At the time of grant, the Administrator shall specify the date or dates on which the Restricted Stock shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including, without limitation, vesting based upon the Holder's duration of service to the Company or any Affiliate, one or more performance goals or other specific criteria, in each case on a specified date or dates or over any period or periods, as determined by the Administrator. The Administrator shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that if a purchase price is charged, such purchase price shall be no less than the par value, if any, of the Shares to be purchased, unless otherwise permitted by Applicable Law. In all cases, legal consideration shall be required for each issuance of Restricted Stock to the extent required by Applicable Law.

7.2 Rights as Stockholders. Subject to Section 7.4, upon issuance of Restricted Stock, the Holder shall have, unless otherwise provided by the Administrator, all of the rights of a stockholder with respect to said Shares, subject to the restrictions in the Plan, any applicable Program and/or the applicable Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the Shares to the extent such dividends and other distributions have a record date that is on or after the date on which the Holder to whom such Restricted Stock are granted becomes the record holder of such Restricted Stock; provided, however, that, in the sole discretion of the Administrator, any extraordinary dividends or distributions with respect to the Shares may be subject to the restrictions set forth in Section 7.3. In addition, notwithstanding anything to the contrary herein, with respect to a share of Restricted Stock, dividends which are paid prior to vesting shall only be paid out to the Holder to the extent that the share of Restricted Stock vests.

7.3 Restrictions. All shares of Restricted Stock (including any shares received by Holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) and, unless the Administrator provides otherwise, any property (other than cash) transferred to Holders in connection with an extraordinary dividend or distribution shall be subject to such restrictions and vesting requirements as the Administrator shall provide in the applicable Program or Award Agreement.

7.4 Repurchase or Forfeiture of Restricted Stock. Except as otherwise determined by the Administrator or as otherwise provided in an Award Agreement, if no price was paid by the Holder for the Restricted Stock, upon a Termination of Service during the applicable restriction period, the Holder's rights in unvested Restricted Stock then subject to restrictions shall lapse, and such Restricted Stock shall be surrendered to the Company and cancelled without consideration on the date of such Termination of Service. If a price was paid by the Holder for the Restricted Stock, upon a Termination of Service during the applicable restriction period, the Company shall have the right to repurchase from the Holder the unvested Restricted Stock then subject to restrictions at a cash price per share equal to the price paid by the Holder for such Restricted Stock or such other amount as may be specified in the applicable Program or Award Agreement.

7.5 Section 83(b) Election. If a Holder makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which the Holder would otherwise be taxable under Section 83(a) of the Code, the Holder shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service along with proof of the timely filing thereof with the Internal Revenue Service.

ARTICLE 8.

AWARD OF RESTRICTED STOCK UNITS

8.1 Grant of Restricted Stock Units. The Administrator is authorized to grant Awards of Restricted Stock Units to any Eligible Individual selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator. A Holder will have no rights of a stockholder with respect to Shares subject to any Restricted Stock Unit unless and until the Shares are delivered in settlement of the Restricted Stock Unit.

8.2 Vesting of Restricted Stock Units. At the time of grant, the Administrator shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including, without limitation, vesting based upon the Holder's duration of service to the Company or any Affiliate, one or more performance goals, or other specific criteria, in each case on a specified date or dates or over any period or periods, as determined by the Administrator. An Award of Restricted Stock Units shall only be eligible to vest while the Holder is an Employee, a Consultant or a Director, as applicable; provided, however, that the Administrator, in its sole discretion, may provide (in an Award Agreement or otherwise) that a Restricted Stock Unit award may become vested subsequent to a Termination of Service in the event of the occurrence of certain event, including a Change in Control, the Holder's death, retirement or disability or any other specified Termination of Service, subject to Section 11.7.

8.3 Maturity and Payment. At the time of grant, the Administrator shall specify the maturity date applicable to each grant of Restricted Stock Units, which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the Holder (if permitted by the applicable Award Agreement); provided that, except as otherwise determined by the Administrator, and subject to compliance with Section 409A, in no event shall the maturity date relating to each Restricted Stock Unit occur following the later of (a) the 15th day of the third month following the end of the calendar year in which the applicable portion of the Restricted Stock Unit vests; and (b) the 15th day of the third month following the end of the Company's fiscal year in which the applicable portion of the Restricted Stock Unit vests. On the maturity date, the Company shall, in accordance with the applicable Award Agreement and subject to Section 10.4(f), transfer to the Holder one unrestricted, fully transferable Share for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited, or in the sole discretion of the Administrator, an amount in cash equal to the Fair Market Value of such Shares on the maturity date or a combination of cash and Common Stock as determined by the Administrator.

ARTICLE 9.

AWARD OF OTHER STOCK OR CASH BASED AWARDS AND DIVIDEND EQUIVALENTS

9.1 Other Stock or Cash Based Awards. The Administrator is authorized to grant Other Stock or Cash Based Awards, including awards entitling a Holder to receive Shares or cash to be delivered immediately or in the future, to any Eligible Individual. Subject to the provisions of the Plan and any applicable Program, the Administrator shall determine the terms and conditions of each Other Stock or Cash Based Award, including the term of the Award, any exercise or purchase price, performance goals, transfer restrictions, vesting conditions and other terms and conditions applicable thereto, which shall be set forth in the applicable Award Agreement. Other Stock or Cash Based Awards may be paid in cash, Shares, or a combination of cash and Shares, as determined by the Administrator, and may be available as a form of payment in the settlement of other Awards granted under the Plan, as stand-alone payments, as a part of a bonus, deferred bonus, deferred compensation or other arrangement, and/or as payment in lieu of compensation to which an Eligible Individual is otherwise entitled.

9.2 Dividend Equivalents. Dividend Equivalents may be granted by the Administrator, either alone or in tandem with another Award, based on dividends declared on the Common Stock, to be credited as of dividend payment dates during the period between the date the Dividend Equivalents are granted to a Holder and the date such Dividend Equivalents terminate or expire, as determined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional Shares by such formula and at such time and subject to such restrictions and limitations as may be determined by the Administrator. In addition, Dividend Equivalents with respect to an Award that are based on dividends paid prior to the vesting of such Award shall only be paid out to the Holder to the extent that the vesting conditions are subsequently satisfied and the Award vests. Notwithstanding the foregoing, no Dividend Equivalents shall be payable with respect to Options or Stock Appreciation Rights.

ARTICLE 10.

ADDITIONAL TERMS OF AWARDS

10.1 Payment. The Administrator shall determine the method or methods by which payments by any Holder with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash, wire transfer of immediately available funds or check, (b) Shares (including, in the case of payment of the exercise price of an Award, Shares issuable pursuant to the exercise of the Award) or Shares held for such minimum period of time as may be established by the Administrator, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (c) delivery of a written or electronic notice that the Holder has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required; provided that payment of such proceeds is then made to the Company upon settlement of such sale, (d) other form of legal consideration acceptable to the Administrator in its sole discretion, or (e) any combination of the above permitted forms of payment. Notwithstanding any other provision of the Plan to the contrary, no Holder who is a Director or an “executive officer” of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment, with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

10.2 Tax Withholding. The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Holder to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Holder’s FICA, employment tax or other social security contribution obligation) required by law to be withheld with respect to any taxable event concerning a Holder arising as a result of the Plan or any Award. The Administrator may, in its sole discretion and in satisfaction of the foregoing requirement, or in satisfaction of such additional withholding obligations as a Holder may have elected, allow a Holder to satisfy such obligations by any payment means described in Section 10.1 hereof, including without limitation, by allowing such Holder to elect to have the Company or any Affiliate withhold Shares otherwise issuable under an Award (or allow the surrender of Shares). The number of Shares that may be so withheld or surrendered shall be limited to the number of Shares that have a Fair Market Value on the date of withholding or repurchase no greater than the aggregate amount of such liabilities based on the maximum statutory withholding rates in such Holder’s applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income. The Administrator shall determine the Fair Market Value of the Shares, consistent with applicable provisions of the Code, for tax withholding obligations due in connection with a broker-assisted cashless Option or Stock Appreciation Right exercise involving the sale of Shares to pay the Option or Stock Appreciation Right exercise price or any tax withholding obligation.

10.3 Transferability of Awards.

(a) Except as otherwise provided in Sections 10.3(b) and 10.3(c):

(i) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than (A) by will or the laws of descent and distribution or (B) subject to the consent of the Administrator, pursuant to a DRO, unless and until such Award has been exercised or the Shares underlying such Award have been issued, and all restrictions applicable to such Shares have lapsed;

(ii) No Award or interest or right therein shall be liable for or otherwise subject to the debts, contracts or engagements of the Holder or the Holder's successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy) unless and until such Award has been exercised, or the Shares underlying such Award have been issued, and all restrictions applicable to such Shares have lapsed, and any attempted disposition of an Award prior to satisfaction of these conditions shall be null and void and of no effect, except to the extent that such disposition is permitted by Section 10.3(a)(i); and

(iii) During the lifetime of the Holder, only the Holder may exercise any exercisable portion of an Award granted to such Holder under the Plan, unless it has been disposed of pursuant to a DRO. After the death of the Holder, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Program or Award Agreement, be exercised by the Holder's personal representative or by any Person empowered to do so under the deceased Holder's will or under the then-applicable laws of descent and distribution.

(b) Notwithstanding Section 10.3(a), the Administrator, in its sole discretion, may determine to permit a Holder or a Permitted Transferee of such Holder to transfer an Award other than an Incentive Stock Option (unless such Incentive Stock Option is intended to become a Nonqualified Stock Option) to any one or more Permitted Transferees of such Holder, subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than (A) to another Permitted Transferee of the applicable Holder or (B) by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO; (ii) an Award transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Holder (other than the ability to further transfer the Award to any Person other than another Permitted Transferee of the applicable Holder); (iii) the Holder (or transferring Permitted Transferee) and the receiving Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under Applicable Law and (C) evidence the transfer; and (iv) the transfer of an Award to a Permitted Transferee shall be without consideration. In addition, and further notwithstanding Section 10.3(a), hereof, the Administrator, in its sole discretion, may determine to permit a Holder to transfer Incentive Stock Options to a trust that constitutes a Permitted Transferee if, under Section 671 of the Code and other Applicable Law, the Holder is considered the sole beneficial owner of the Incentive Stock Option while it is held in the trust.

(c) Notwithstanding Section 10.3(a), a Holder may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Holder and to receive any distribution with respect to any Award upon the Holder's death. A beneficiary, legal guardian, legal representative, or other Person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Program or Award Agreement applicable to the Holder and any additional restrictions deemed necessary or appropriate by the Administrator. If the Holder is married or a domestic partner in a domestic partnership qualified under Applicable Law and resides in a community property state, a designation of a Person other than the Holder's spouse or domestic partner, as applicable, as the Holder's beneficiary with respect to more than 50% of the Holder's interest in the Award shall not be effective without the prior written or electronic consent of the Holder's spouse or domestic partner. If no beneficiary has been designated or survives the Holder, payment shall be made to the Person entitled thereto pursuant to the Holder's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Holder at any time; provided that the change or revocation is delivered in writing to the Administrator prior to the Holder's death.

10.4 Conditions to Issuance of Shares.

(a) The Administrator shall determine the methods by which Shares shall be delivered or deemed to be delivered to Holders. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing Shares pursuant to the exercise of any Award, unless and until the Administrator has determined that the issuance of such Shares is in compliance with Applicable Law and the Shares are covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Administrator may require that a Holder make such reasonable covenants, agreements and representations as the Administrator, in its sole discretion, deems advisable in order to comply with Applicable Law.

(b) All share certificates delivered pursuant to the Plan and all Shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with Applicable Law. The Administrator may place legends on any share certificate or book entry to reference restrictions applicable to the Shares (including, without limitation, restrictions applicable to Restricted Stock).

(c) The Administrator shall have the right to require any Holder to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) Unless the Administrator otherwise determines, no fractional Shares shall be issued and the Administrator, in its sole discretion, shall determine whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding down.

(e) The Company, in its sole discretion, may (i) retain physical possession of any stock certificate evidencing Shares until any restrictions thereon shall have lapsed and/or (ii) require that the stock certificates evidencing such Shares be held in custody by a designated escrow agent (which may but need not be the Company) until the restrictions thereon shall have lapsed, and that the Holder deliver a stock power, endorsed in blank, relating to such Shares.

(f) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by Applicable Law, the Company shall not deliver to any Holder certificates evidencing Shares issued in connection with any Award and instead such Shares shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

10.5 Forfeiture and Claw-Back Provisions. All Awards (including any proceeds, gains or other economic benefit actually or constructively received by a Holder upon any receipt or exercise of any Award or upon the receipt or resale of any Shares underlying the Award and any payments of a portion of an incentive-based bonus pool allocated to a Holder) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of Applicable Law, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, whether or not such claw-back policy was in place at the time of grant of an Award, to the extent set forth in such claw-back policy and/or in the applicable Award Agreement.

10.6 Amendment of Awards. Subject to Applicable Law, the Administrator may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or settlement, and converting an Incentive Stock Option to a Non-Qualified Stock Option. The Holder's consent to such action shall be required unless (a) the Administrator determines that the action, taking into account any related action, would not materially and adversely affect the Holder, or (b) the change is otherwise permitted under the Plan (including, without limitation, under Section 12.2 or 12.10).

10.7 Lock-Up Period. The Company may, in connection with registering the offering of any Company securities under the Securities Act, prohibit Holders from, directly or indirectly, selling or otherwise transferring any Shares or other Company securities during a period of up to one hundred eighty days following the effective date of a Company registration statement filed under the Securities Act, or such longer period as determined by the underwriter. In order to enforce the foregoing, the Company shall have the right to place restrictive legends on the certificates of any securities of the Company held by the Holder and to impose stop transfer instructions with the Company's transfer agent with respect to any securities of the Company held by the Holder until the end of such period.

10.8 Data Privacy. As a condition of receipt of any Award, each Holder explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in this Section 10.8 by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing the Holder's participation in the Plan. The Company and its Affiliates may hold certain personal information about a Holder, including but not limited to, the Holder's name, home address and telephone number, date of birth,

social security or insurance number or other identification number, salary, nationality, job title(s), any shares of stock held in the Company or any of its Affiliates and details of all Awards, in each case, for the purpose of implementing, managing and administering the Plan and Awards (the “Data”). The Company and its Affiliates may transfer the Data amongst themselves as necessary for the purpose of implementation, administration and management of a Holder’s participation in the Plan, and the Company and its Affiliates may each further transfer the Data to any third parties assisting the Company and its Affiliates in the implementation, administration and management of the Plan. These recipients may be located in the Holder’s country, or elsewhere, and the Holder’s country may have different data privacy laws and protections than the recipients’ country. Through acceptance of an Award, each Holder authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Holder’s participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Company or any of its Affiliates or the Holder may elect to deposit any Shares. The Data related to a Holder will be held only as long as is necessary to implement, administer, and manage the Holder’s participation in the Plan. A Holder may, at any time, view the Data held by the Company with respect to such Holder, request additional information about the storage and processing of the Data with respect to such Holder, recommend any necessary corrections to the Data with respect to the Holder or refuse or withdraw the consents herein in writing, in any case without cost, by contacting his or her local human resources representative. The Company may cancel the Holder’s ability to participate in the Plan and, in the Administrator’s discretion, the Holder may forfeit any outstanding Awards if the Holder refuses or withdraws his or her consents as described herein. For more information on the consequences of refusal to consent or withdrawal of consent, Holders may contact their local human resources representative.

ARTICLE 11.
ADMINISTRATION

11.1 Administrator. The Committee shall administer the Plan (except as otherwise permitted herein). To the extent required to comply with the provisions of Rule 16b-3, it is intended that each member of the Committee will be, at the time the Committee takes any action with respect to an Award that is subject to Rule 16b-3, a “non-employee director” within the meaning of Rule 16b-3. Additionally, to the extent required by Applicable Law, each of the individuals constituting the Committee shall be an “independent director” under the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded. Notwithstanding the foregoing, any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 11.1 or the Organizational Documents. Except as may otherwise be provided in the Organizational Documents or as otherwise required by Applicable Law, (a) appointment of Committee members shall be effective upon acceptance of appointment, (b) Committee members may resign at any time by delivering written or electronic notice to the Board and (c) vacancies in the Committee may only be filled by the Board. Notwithstanding the foregoing, (i) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Non-Employee Directors and, with respect to such Awards, the term “Administrator” as used in the Plan shall be deemed to refer to the Board and (ii) the Board or Committee may delegate its authority hereunder to the extent permitted by Section 11.6.

11.2 Duties and Powers of Administrator. It shall be the duty of the Administrator to conduct the general administration of the Plan in accordance with its provisions. The Administrator shall have the power to interpret the Plan, all Programs and Award Agreements, and to adopt such rules for the administration, interpretation and application of the Plan and any Program (including Exchange Programs) as are not inconsistent with the Plan, to interpret, amend or revoke any such rules and to amend the Plan or any Program or Award Agreement; provided that the rights or obligations of the Holder of the Award that is the subject of any such Program or Award Agreement are not materially and adversely affected by such amendment, unless the consent of the Holder is obtained or such amendment is otherwise permitted under Section 10.6 or Section 12.10. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee in its capacity as the Administrator under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or any successor rule, or any regulations or rules issued thereunder, or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded are required to be determined in the sole discretion of the Committee.

11.3 Action by the Administrator. Unless otherwise established by the Board, set forth in any Organizational Documents or as required by Applicable Law, a majority of the Administrator shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Administrator in lieu of a meeting, shall be deemed the acts of the Administrator. Each member of the Administrator is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan. Neither the Administrator nor any member or delegate thereof shall have any liability to any person (including any Holder) for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award.

11.4 Authority of Administrator. Subject to the Organizational Documents, any specific designation in the Plan and Applicable Law, the Administrator has the exclusive power, authority and sole discretion to:

(a) Designate Eligible Individuals to receive Awards;

(b) Determine the type or types of Awards to be granted to each Eligible Individual (including, without limitation, any Awards granted in tandem with another Award granted pursuant to the Plan);

(c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, purchase price, any performance criteria, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and claw-back and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(e) Determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Holder;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Institute and determine the terms and conditions of an Exchange Program;

(i) Establish, adopt, or revise any Programs, rules and regulations as it may deem necessary or advisable to administer the Plan;

(j) Interpret the terms of, and any matter arising pursuant to, the Plan, any Program or any Award Agreement; and

(k) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

11.5 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Program or any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding and conclusive on all Persons.

11.6 Delegation of Authority. The Board or Committee may from time to time delegate to a committee of one or more Directors or one or more officers of the Company the authority to grant or amend Awards or to take other administrative actions pursuant to this Article 11; provided, however, that in no event shall an officer of the Company be delegated the authority to grant Awards to, or amend Awards held by, the following individuals:

(a) individuals who are subject to Section 16 of the Exchange Act or (b) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder; provided, further, that any delegation of administrative authority shall only be permitted to the extent it is permissible under any Organizational Documents and Applicable Law. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation or that are otherwise included in the applicable Organizational Documents, and the Board or Committee, as applicable, may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 11.6 shall serve in such capacity at the pleasure of the Board or the Committee, as applicable, and the Board or the Committee may abolish any committee at any time and re-vest in itself any previously delegated authority

11.7 Acceleration. Subject to the Organizational Documents, any specific designation in the Plan and Applicable Law, the Administrator has the exclusive power, authority and sole discretion to accelerate, wholly or partially, the vesting or lapse of restrictions (and, if applicable, the Company shall cease to have a right of repurchase) of any Award or portion thereof at any time after the grant of an Award.

ARTICLE 12.

MISCELLANEOUS PROVISIONS

12.1 Amendment, Suspension or Termination of the Plan.

(a) Except as otherwise provided in Section 12.1(b), the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board; provided that, except as provided in Section 10.6 and Section 12.10, no amendment, suspension or termination of the Plan shall, without the consent of the Holder, materially and adversely affect any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides.

(b) Notwithstanding Section 12.1(a), the Board may not, except as provided in Section 12.2, increase the limit imposed in Section 3.1 on the maximum number of Shares which may be issued under the Plan without approval of the Company's stockholders given within twelve (12) months before or after such increase.

(c) No Awards may be granted or awarded during any period of suspension or after termination of the Plan, and notwithstanding anything herein to the contrary, in no event may any Award be granted under the Plan after the tenth (10th) anniversary of the earlier of (i) the date on which the Plan was adopted by the Board or (ii) the date the Plan was approved by the Company's stockholders (such anniversary, the "Expiration Date"). Any Awards that are outstanding on the Expiration Date shall remain in force according to the terms of the Plan, the applicable Program and the applicable Award Agreement.

12.2 Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events.

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of the Company's stock or the share price of the Company's stock other than an Equity Restructuring, the Administrator may make equitable adjustments to reflect such change with respect to: (i) the aggregate number and kind of Shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 on the maximum number and kind of Shares which may be issued under the Plan); (ii) the number and kind of Shares (or other securities or property) subject to outstanding Awards; (iii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); (iv) the grant or exercise price per share for any outstanding Awards under the Plan; and (v) the number and kind of Shares (or other securities or property) for which automatic grants are subsequently to be made to new and continuing Non-Employee Directors pursuant to any Non-Employee Director Equity Compensation Policy adopted in accordance with Section 4.6.

(b) In the event of any transaction or event described in Section 12.2(a) or any unusual or nonrecurring transactions or events affecting the Company, any Affiliate of the Company, or the financial statements of the Company or any Affiliate, or of changes in Applicable Law or Applicable Accounting Standards, the Administrator, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in Applicable Law or Applicable Accounting Standards:

(i) To provide for the termination of any such Award in exchange for an amount of cash and/or other property with a value equal to the amount that would have been attained upon the exercise of such Award or realization of the Holder's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 12.2 the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Holder's rights, then such Award may be terminated by the Company without payment);

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and applicable exercise or purchase price, in all cases, as determined by the Administrator;

(iii) To make adjustments in the number and type of Shares of the Company's stock (or other securities or property) subject to outstanding Awards, and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards and Awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all Shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Program or Award Agreement;

(v) To replace such Award with other rights or property selected by the Administrator; and/or

(vi) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Sections 12.2(a) and 12.2(b):

(i) The number and type of securities subject to each outstanding Award and the exercise price or grant price thereof, if applicable, shall be equitably adjusted (and the adjustments provided under this Section 12.2(c)(i) shall be nondiscretionary and shall be final and binding on the affected Holder and the Company); and/or

(ii) The Administrator shall make such equitable adjustments, if any, as the Administrator, in its sole discretion, may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of Shares that may be issued under the Plan (including, but not limited to, adjustments of the limitation in Section 3.1 on the maximum number and kind of Shares which may be issued under the Plan).

(d) Notwithstanding any other provision of the Plan, in the event of a Change in Control, unless the Administrator elects to (i) terminate an Award in exchange for cash, rights or property, or (ii) cause an Award to become fully exercisable and no longer subject to any forfeiture restrictions prior to the consummation of a Change in Control, pursuant to Section 12.2, (A) such Award (other than any portion subject to performance-based vesting) shall continue in effect or be assumed or an equivalent Award (which may include, without limitation, an Award settled in cash) substituted by the successor corporation or a parent or subsidiary of the successor corporation and (B) the portion of such Award subject to performance-based vesting shall be subject to the terms and conditions of the applicable Award Agreement and, in the absence of applicable terms and conditions, the Administrator's discretion. In the event an Award continues in effect or is assumed or an equivalent Award substituted, and a Holder incurs a Termination of Service without "cause" (as such term is defined in the sole discretion of the Administrator, or as set forth in the Award Agreement relating to such Award) upon or within twelve (12) months following the Change in Control, then such Holder shall be fully vested in such continued, assumed or substituted Award.

(e) In the event that the successor corporation in a Change in Control refuses to assume or substitute for an Award, the Administrator may cause (i) any or all of such Award (or portion thereof) to terminate in exchange for cash, rights or other property pursuant to Section 12.2(b)(i) or (ii) any or all of such Award (or portion thereof) to become fully exercisable immediately prior to the consummation of such transaction and all forfeiture restrictions on any or all of such Award to lapse. If any such Award is exercisable in lieu of assumption or substitution in the event of a Change in Control, the Administrator shall notify the Holder that such Award shall be fully exercisable for a period of fifteen (15) days from the date of such notice, contingent upon the occurrence of the Change in Control, and such Award shall terminate upon the expiration of such period.

(f) For the purposes of this Section 12.2, an Award shall be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control was not solely common stock of the successor corporation or its parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Award, for each Share subject to an Award, to be solely common stock of the successor corporation or its parent equal in fair market value to the per-share consideration received by holders of Common Stock in the Change in Control.

(g) The Administrator, in its sole discretion, may include such further provisions and limitations in any Award, agreement or certificate, as it may deem equitable and in the best interests of the Company that are not inconsistent with the provisions of the Plan.

(h) Unless otherwise determined by the Administrator, no adjustment or action described in this Section 12.2 or in any other provision of the Plan shall be authorized to the extent it would (i) cause the Plan to violate Section 422(b)(1) of the Code, (ii) result in short-swing profits liability under Section 16 of the Exchange Act or violate the exemptive conditions of Rule 16b-3 of the Exchange Act, or (iii) cause an Award to fail to be exempt from or comply with Section 409A.

(i) The existence of the Plan, any Program, any Award Agreement and/or the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(j) In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the Shares or the share price of the Common Stock including any Equity Restructuring, for reasons of administrative convenience, the Administrator, in its sole discretion, may refuse to permit the exercise of any Award during a period of up to thirty (30) days prior to the consummation of any such transaction.

12.3 Approval of Plan by Stockholders. The Plan shall be submitted for the approval of the Company's stockholders within twelve (12) months after the date of the Board's initial adoption of the Plan. Awards may be granted or awarded prior to such stockholder approval; provided that such Awards shall not be exercisable, shall not vest and the restrictions thereon shall not lapse and no Shares shall be issued pursuant thereto prior to the time when the Plan is approved by the Company's stockholders; and provided, further, that if such approval has not been obtained at the end of said twelve (12) month period, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void.

12.4 No Stockholders Rights. Except as otherwise provided herein or in an applicable Program or Award Agreement, a Holder shall have none of the rights of a stockholder with respect to Shares covered by any Award until the Holder becomes the record owner of such Shares.

12.5 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Holder may be permitted through the use of such an automated system.

12.6 Effect of Plan upon Other Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company or any Affiliate. Nothing in the Plan shall be construed to limit the right of the Company or any Affiliate: (a) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company or any Affiliate, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

12.7 Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of Shares and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all Applicable Law (including but not limited to state, federal and foreign securities law and margin requirements), and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the Person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all Applicable Law. The Administrator, in its sole discretion, may take whatever actions it deems necessary or appropriate to effect compliance with Applicable Law, including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars. Notwithstanding anything to the contrary herein, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate Applicable Law. To the extent permitted by Applicable Law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to Applicable Law.

12.8 Titles and Headings, References to Sections of the Code or Exchange Act. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. References to sections of the Code or the Exchange Act shall include any amendment or successor thereto.

12.9 Governing Law. The Plan and any Programs and Award Agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof or of any other jurisdiction.

12.10 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A, the Plan, the Program pursuant to which such Award is granted and the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A. In that regard, to the extent any Award under the Plan or any other compensatory plan or arrangement of the Company or any of its Affiliates is subject to Section 409A, and such Award or other amount is payable on account of a Holder's Termination

of Service (or any similarly defined term), then (a) such Award or amount shall only be paid to the extent such Termination of Service qualifies as a "separation from service" as defined in Section 409A, and (b) if such Award or amount is payable to a "specified employee" as defined in Section 409A then to the extent required in order to avoid a prohibited distribution under Section 409A, such Award or other compensatory payment shall not be payable prior to the earlier of (i) the expiration of the six-month period measured from the date of the Holder's Termination of Service, or (ii) the date of the Holder's death. To the extent applicable, the Plan, the Program and any Award Agreements shall be interpreted in accordance with Section 409A. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A, the Administrator may (but is not obligated to), without a Holder's consent, adopt such amendments to the Plan and the applicable Program and Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (A) exempt the Award from Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (B) comply with the requirements of Section 409A and thereby avoid the application of any penalty taxes under Section 409A. The Company makes no representations or warranties as to the tax treatment of any Award under Section 409A or otherwise. The Company shall have no obligation under this Section 12.10 or otherwise to take any action (whether or not described herein) to avoid the imposition of taxes, penalties or interest under Section 409A with respect to any Award and shall have no liability to any Holder or any other Person if any Award, compensation or other benefits under the Plan are determined to constitute non-compliant, "nonqualified deferred compensation" subject to the imposition of taxes, penalties and/or interest under Section 409A.

12.11 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Holder pursuant to an Award, nothing contained in the Plan or any Program or Award Agreement shall give the Holder any rights that are greater than those of a general creditor of the Company or any Affiliate.

12.12 Indemnification. To the extent permitted under Applicable Law and the Organizational Documents, each member of the Administrator (and each delegate thereof pursuant to Section 11.6) shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan or any Award Agreement and against and from any and all amounts paid by him or her, with the Board's approval, in satisfaction of judgment in such action, suit, or proceeding against him or her; provided he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf and, once the Company gives notice of its intent to assume such defense, the Company shall have sole control over such defense with counsel of the Company's choosing. The foregoing right of indemnification shall not be available to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of the person seeking indemnity giving rise to the indemnification claim resulted from such person's bad faith, fraud or willful criminal act or omission. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such Persons may be entitled pursuant to the Organizational Documents, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

12.13 Relationship to Other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Affiliate except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

12.14 Expenses. The expenses of administering the Plan shall be borne by the Company and its Affiliates.

* * * * *

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of Bioventus Inc. on _____, 2021.

* * * * *

I hereby certify that the foregoing Plan was approved by the stockholders of Bioventus Inc. on _____, 2021.

Executed on this ____ day of _____, 2021.

Corporate Secretary

**BIOVENTUS, INC.
2021 EQUITY INCENTIVE PLAN**

NOTICE OF STOCK OPTION GRANT

Name of Participant: _____

Address: _____

Date of Grant: _____

Exercise Price per Share: \$ _____

**Total Number of Shares Subject to Option
Granted:** _____

Type of Option: _____ Incentive Stock Option
_____ Nonstatutory Stock Option

Expiration Date: _____

Vesting Commencement Date: _____

Vesting Schedule: This Option shall be exercisable, in whole or in part, according to the following vesting schedule:
[_____]

The Company and the Participant acknowledge receipt of this Notice of Stock Option Grant and agree to the terms and conditions of the Stock Option Agreement attached hereto and incorporated by reference herein, the Company's 2021 Equity Incentive Plan and the terms of this Notice of Stock Option Grant as set forth above.

BIOVENTUS, INC.

PARTICIPANT

By: _____
Name: []
Title: []

By: _____
Name: []

STOCK OPTION AGREEMENT - INCORPORATED TERMS AND CONDITIONS

A. **Grant of Option.** Bioventus, Inc. (the “**Company**”) hereby grants to the Participant (“**Participant**”) named in the Notice of Stock Option Grant (the “**Notice of Stock Option Grant**”), in consideration of the Participant’s past and/or continued employment with or service to the Company or any of its Subsidiaries, an option (the “**Option**”) to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the “**Exercise Price**”), effective as of the date of grant set forth in the Notice of Stock Option Grant (the “**Date of Grant**”) and subject to the terms and conditions of the Company’s 2021 Equity Incentive Plan (the “**Plan**”), which is incorporated herein by reference, and this Option Agreement. Subject to Sections 10.6 and 12.1 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option (“**ISO**”), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that the Fair Market Value of the Shares subject to this Option (determined as of the time this Option is granted) together with any other ISOs previously granted, are exercisable for the first time by the Participant during any calendar year exceeds \$100,000, then this Option will as to some or all of the Shares be treated as a Nonstatutory Stock Option (“**NSO**”). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such non-qualification, such Option (or portion thereof) shall be regarded as an NSO granted under the Plan. Participant further acknowledges that the rules set forth in the preceding two sentences shall be applied by taking the Option and other stock options into account in the order in which they were granted, as determined under Section 422(d) of the Code and the Treasury Regulations thereunder. The Participant also acknowledges that an ISO exercised more than three (3) months after Participant’s Termination of Service, other than by reason of death or Disability, will be taxed as an NSO. In no event shall the Administrator, the Company or any Affiliate or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

Unless otherwise defined herein or in the Notice of Stock Option Grant, the terms defined in the Plan shall have the same defined meanings in this Stock Option Agreement (the “**Option Agreement**”).

B. Termination Period.

This Option shall be exercisable for three (3) months after Participant’s Termination of Service, unless such termination is due to Participant’s death or Disability, in which case this Option shall be exercisable for twelve (12) months after Participant’s Termination of Service, or such termination is by the Company for Cause, in which case the Option shall cease to be exercisable on the date of such Termination of Service. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Expiration Date as set forth in the Notice of Stock Option Grant and this Option may be subject to earlier termination as provided in Section 10.6 of the Plan.

C. **Exercise of Option.**

(1) **Right to Exercise.** This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(2) **Duration of Exercisability.** Unless otherwise determined by the Administrator, any portion of this Option that has not become vested and exercisable on or prior to the date of Participant's Termination of Service (including, without limitation, pursuant to any employment or similar agreement by and between Participant and the Company) shall be forfeited on such date of Participant's Termination of Service and shall not thereafter become vested or exercisable.

(3) **Method of Exercise.** This Option shall be exercisable by delivery of an exercise notice in the form attached as **Exhibit A** (the "**Exercise Notice**") or in a manner and pursuant to such procedures as the Administrator may determine, which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised (the "**Exercised Shares**"), and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. In the event this Option shall be exercised pursuant to the terms of the Plan by any person or persons other than Participant, appropriate proof of the right of such person or persons to exercise this Option shall also be required, as determined in the sole discretion of the Administrator. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with Applicable Laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Participant on the date on which the Option is exercised with respect to such Shares.

D. **Method of Payment.** Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

(1) cash;

(2) check;

(3) consideration received by the Company under a formal cashless exercise program adopted by the Company (whether through a broker or otherwise);

(4) with the consent of the Administrator, surrender of other Shares which (i) shall be valued at their Fair Market Value on the date of exercise, which Fair Market Value must be equal to the aggregate exercise price of the Shares as to which this Option will be exercised and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Administrator, shall not result in any adverse accounting consequences to the Company;

(5) with the consent of the Administrator, by net exercise of vested Shares otherwise issuable upon exercise of this Option; or

(6) with the consent of the Administrator, any other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

E. **Non-Transferability of Option.** This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution or, subject to the consent of the Administrator, pursuant to a DRO, unless and until the Shares underlying this Option have been issued, and all restrictions applicable to such Shares have lapsed. This Option may be exercised during the lifetime of Participant only by Participant. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant. Neither this Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by this Section (E). Notwithstanding the foregoing, with the consent of the Administrator, if the Option is an NSO (or an ISO that is intended to become a NSO), it may be transferred pursuant to Participant's Permitted Transferees pursuant to any conditions and procedures the Administrator may require.

F. **Term of Option.** This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement. Once this Option becomes unexercisable under this Option Agreement, it shall be forfeited immediately.

G. **Tax Obligations.**

(1) **Tax Withholding.** The Company (or the Affiliate employing or retaining Participant) has the authority to deduct or withhold, or require Participant to remit to the applicable employing entity, an amount sufficient to satisfy any applicable Federal, state, local and foreign income and employment tax withholding requirements (including the employee portion of any FICA obligation) applicable to the exercise of this Option or with respect to any taxable event arising pursuant to this Option Agreement. The Company (or its Affiliate) may withhold or Participant may make such payment in one or more of the following forms:

(i) by cash or check;

(ii) with the consent of the Administrator, by electing to have withheld the net number of vested Shares otherwise issuable upon the exercise of this Option having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company (or its Affiliate) based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;

(iii) with the consent of the Administrator, by tendering to the Company vested Shares held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company (or its Affiliate) based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income; or

(iv) with the consent of the Administrator, by selling a sufficient number of Shares otherwise deliverable to Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to satisfy such withholding taxes.

Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares issuable upon exercise of this Option if such withholding amounts are not delivered in full at the time of exercise.

(2) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date that is two (2) years after the Date of Grant, or (ii) the date that is one (1) year after the date of the transfer of such Shares to Participant, Participant shall if requested by the Company, notify the Company in writing of such disposition and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

(3) Code Section 409A. This Option is not intended to constitute "nonqualified deferred compensation" within the meaning of Code Section 409A. However, notwithstanding any other provision of the Plan or this Option Agreement, if at any time the Administrator determines that this Option (or any portion thereof) may be subject to Code Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other Person for failure to do so) to adopt such amendments to the Plan or this Option Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Option either to be exempt from the application of Code Section 409A or to comply with the requirements of Code Section 409A.

(4) Liability. Participant is ultimately liable and responsible for all taxes owed in connection with this Option, regardless of any action the Company or any of its Affiliates takes with respect to any tax withholding obligations that arise in connection with this Option. Neither the Company nor any of its Affiliates makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of this Option or the subsequent sale of Shares. The Company and its Affiliates do not commit and are under no obligation to structure the Option to reduce or eliminate Participant's tax liability.

H. **Restrictive Covenants; Forfeiture.** Notwithstanding anything contained in this Agreement to the contrary, in the event the Participant breaches his or her Proprietary Information, Inventions, Non-Solicitation, and Non-Competition Agreement or Restrictive Covenant Agreement, as applicable, or any other written agreement between the Participant and the Company or any Affiliate of the Company, in addition to any other damages available at law or in equity, then (i) any portion of this Option that has not been exercised prior to the date of such breach shall thereupon be forfeited and (ii) the Participant shall be required to pay to the Company the amount of all Option Gain (as defined below). “**Option Gain**” with respect to any specified period of time shall mean the product of (i) the number of shares of Common Stock purchased upon the exercise of this Option during such period and (ii) the excess of (A) the Fair Market Value per share of Common Stock as of the date of such exercise over (B) the exercise price per share of Common Stock subject to such Options.

I. **Entire Agreement; Governing Law.** The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant’s interest except by means of a writing signed by the Company and Participant or as is otherwise permitted under the Plan. This Option Agreement is governed by the internal substantive laws but not the choice of law rules of Delaware.

J. **No Guarantee of Continued Service.** PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE AFFILIATE EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT’S RIGHT OR THE RIGHT OF THE COMPANY (OR THE AFFILIATE EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT’S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

K. **Administration.** The Administrator shall have the power to interpret the Plan and this Option Agreement, and to adopt such rules for the administration, interpretation and application of the Plan and this Option Agreement, as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested Persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan or this Option Agreement.

L. **Adjustments.** The Administrator may accelerate the vesting of all or a portion of this Option in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that this Option is subject to adjustment, modification and termination in certain events as provided in this Option Agreement and the Plan, including Section 12.2 of the Plan.

M. **Notices.** Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's address set forth below. By a notice given pursuant to this Section (L), either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service. Any notice which is required to be given to Participant shall, if Participant is then deceased, be given to the person entitled to exercise his or her Option by written notice under this Section L. Subject to the limitations set forth in Section 232(e) of the General Corporation Law of the State of Delaware (the "DGCL"), Participant consents to the delivery of any notice to Participant given by the Company under the DGCL or the Company's certificate of incorporation or bylaws by (i) facsimile telecommunication to the facsimile number for Participant in the Company's records, (ii) electronic mail to the electronic mail address for Participant in the Company's records, (iii) posting on an electronic network together with separate notice to Participant of such specific posting or (iv) any other form of electronic transmission (as defined in the DGCL) directed to Participant. This consent may be revoked by Participant by written notice to the Company and may be deemed revoked in the circumstances specified in Section 232 of the DGCL.

N. **Conformity to Securities Laws.** Participant acknowledges that the Plan and this Option Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all Applicable Law and regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and this Option is granted and may be exercised, only in such a manner as to conform to such Applicable Law.

O. **Limitations Applicable to Section 16 Persons.** Notwithstanding any other provision of the Plan or this Option Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, this Option and this Option Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Option Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

P. **Successors and Assigns.** The Company may assign any of its rights under this Option Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section (E) and the Plan, this Option Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

Q. **Limitation on Participant's Rights.** Participation in the Plan confers no rights or interests other than as herein provided. This Option Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to this Option.

R. **Rights as Stockholder.** Neither Participant nor any Person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder upon exercise of this Option unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company.

S. **Lock-up Period.** Participant shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Shares (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares (or other securities) of the Company held by Participant (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed 180 days following the effective date of any registration statement of the Company filed under the Securities Act (or such other period as may be requested by the Company or the underwriters to accommodate regulatory restrictions).

EXHIBIT A

2021 EQUITY INCENTIVE PLAN EXERCISE NOTICE

Bioventus, Inc.

[]

[]

Attention: Corporate Secretary

1. **Exercise of Option.** Effective as of today, , , the undersigned (“**Participant**”) hereby elects to exercise Participant’s option (the “**Option**”) to purchase shares of the Common Stock (the “**Shares**”) of Bioventus, Inc. (the “**Company**”) under and pursuant to the 2021 Equity Incentive Plan (the “**Plan**”) and the Stock Option Agreement dated (the “**Option Agreement**”). The Option is an [Incentive Stock Option] [Nonstatutory Stock Option].
2. **Delivery of Payment.** Participant herewith delivers to the Company the total exercise price of the Shares, as set forth in the Option Agreement, and any and all withholding taxes due in connection with the exercise of the Option.
3. **Representations of Participant.** Participant acknowledges that Participant has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.
4. **Rights as Stockholder.** Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Common Stock subject to an Award, notwithstanding the exercise of the Option. The Shares shall be issued to Participant as soon as practicable after the Option is exercised in accordance with the Option Agreement. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in Section 12.2 of the Plan.
5. **Tax Consultation.** Participant understands that Participant may suffer adverse tax consequences as a result of Participant’s purchase or disposition of the Shares. Participant represents that Participant has consulted with any tax consultants Participant deems advisable in connection with the purchase or disposition of the Shares and that Participant is not relying on the Company for any tax advice.
6. **Successors and Assigns.** The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Notice shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

7. **Interpretation.** Any dispute regarding the interpretation of this Exercise Notice shall be submitted by Participant or by the Company forthwith to the Administrator, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties.

8. **Governing Law; Severability.** This Exercise Notice is governed by the internal substantive laws, but not the choice of law rules, of Delaware. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Exercise Notice shall continue in full force and effect.

9. **Entire Agreement.** The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.

Submitted by:

PARTICIPANT

Signature

Print Name

Address:

Accepted by:

BIOVENTUS, INC.

By

Print Name

Title

Address:

[]
[]

Date Received:

**BIOVENTUS, INC.
2021 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK UNIT AWARD GRANT NOTICE AND RESTRICTED STOCK UNIT AGREEMENT

IPO AWARD

Bioventus, Inc., a Delaware corporation (the “Company”), pursuant to its 2021 Equity Incentive Plan, as amended from time to time (the “Plan”), in connection with its initial public offering, hereby grants to the holder listed below (“Participant”) the number of Restricted Stock Units set forth below (the “RSUs”). The RSUs are subject to the terms and conditions set forth in this Restricted Stock Unit Grant Notice (the “Grant Notice”), the Restricted Stock Unit Agreement attached hereto as Exhibit A (the “Agreement”) and the Plan, each of which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in the Grant Notice and the Agreement.

Participant: _____

Grant Date: _____

Vesting Start Date: _____

Number of RSUs: []

Type of Shares Issuable: Class A Common Stock

Vesting Schedule: []

Withholding Tax Election: By accepting this Award electronically through the Plan service provider’s online grant acceptance policy, the Participant understands and agrees that as a condition of the grant of the RSUs hereunder, the Participant is required to, and hereby affirmatively elects to (the “Sell to Cover Election”), (1) sell that number of Shares determined in accordance with Section 2.5 of the Agreement as may be necessary to satisfy all applicable withholding obligations with respect to any taxable event arising in connection with the RSUs and similarly sell such number of Shares as may be necessary to satisfy all applicable withholding obligations with respect to any other awards of restricted stock units granted to the Participant under the Plan or any other equity incentive plans of the Company or its predecessor, and (2) to allow the Agent (as defined in the Agreement) to remit the cash proceeds of such sale(s) to the Company. Furthermore, the Participant directs the Company to make a cash payment equal to the required tax withholding from the cash proceeds of such sale(s) directly to the appropriate taxing authorities. **The Participant has carefully reviewed Section 2.5 of the Agreement and the Participant hereby represents and warrants that on the date hereof he or she is not aware of any material, nonpublic information with respect to the Company or any securities of the Company, is not subject to any legal, regulatory or contractual restriction that would prevent the Agent from conducting sales, does not have, and will not attempt to exercise, authority, influence or control over any sales of Shares effected by the Agent pursuant to the Agreement, and is entering into the Agreement and this election to “sell to cover” in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 (regarding trading of the Company’s securities on the basis of material nonpublic information) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). It is the Participant’s intent that this election to “sell to cover” comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act and be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act.**

By accepting this Award electronically through the Plan service provider's online grant acceptance policy, Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement, and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Grant Notice or the Agreement.

EXHIBIT A
TO RESTRICTED STOCK UNIT AWARD GRANT NOTICE

RESTRICTED STOCK UNIT AWARD AGREEMENT

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the number of RSUs set forth in the Grant Notice.

ARTICLE I.

GENERAL

Section 1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice. For purposes of this Agreement,

(a) “**Affiliate**” means any Person that, directly or indirectly, Controls, is Controlled by, or is under common Control with or of, such entity. The term “**Control**” (including, with correlative meaning, the terms “**Controlled by**” and “**under common Control with**”), as used with respect to any entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

(b) “**Cause**” shall mean, unless such term or an equivalent term is otherwise defined by any employment agreement or offer letter between a Participant and a Participating Company, any of the following: (i) Participant’s material breach or substantial failure to perform any of the duties, responsibilities, representation, warranties, covenants or obligations under this Agreement (other than as a result of Participant’s death or disability), which failure continues unremedied and uncured for a period of thirty (30) days after written notice from the Company requesting such remedy or cure by Participant, (ii) Participant’s conviction for, or plea of guilty or no contest to, or confession of guilt of, any felony or gross misdemeanor (excluding minor traffic violations or similar offenses), (iii) Participant’s commission of any act of fraud, misappropriation, embezzlement, theft or gross malfeasance with respect to the Company or any of its affiliates or any of their assets.

(c) “**Cessation Date**” shall mean the date of Participant’s Termination of Service (regardless of the reason for such termination).

(e) “**Participating Company**” shall mean the Company or any of its Affiliates.

(f) “**Person**” means an individual, corporation, joint venture, partnership, limited liability company, association, joint stock or other company, business trust, trust or other entity or organization, including any national, federal, state, territorial agency, local or foreign judicial, legislative, regulatory or administrative authority, commission, court, tribunal, any political or other subdivision, department or branch of any of the foregoing, and any self-regulatory organization or arbitrator.

Section 1.2 Incorporation of Terms of Plan. The RSUs and the shares of Class A Common Stock issued to Participant hereunder (“**Shares**”) are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.

AWARD OF RESTRICTED STOCK UNITS

Section 2.1 Award of RSUs

(a) In consideration of Participant's past and/or continued employment with or service to a Participating Company and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the "Grant Date"), the Company has granted to Participant the number of RSUs set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustment as provided in Section 12.2 of the Plan. Each RSU represents the right to receive one Share at the times and subject to the conditions set forth herein. However, unless and until the RSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the RSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

Section 2.2 Vesting of RSUs.

(a) Subject to Participant's continued employment with or service to a Participating Company on each applicable vesting date and subject to the terms of this Agreement, including, without limitation, Section 2.2(d), the RSUs shall vest in such amounts and at such times as are set forth in the Grant Notice.

(b) In the event Participant incurs a Termination of Service, except as may be otherwise provided herein or in the Plan or by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs granted under this Agreement that have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs that are not so vested shall lapse and expire.

(c) Notwithstanding the Grant Notice or the provisions of Section 2.2(a) and Section 2.2(b), in the event Participant incurs a Termination of Service for Cause, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs granted under this Agreement (whether or not vested), and Participant's rights in any such RSUs shall lapse and expire.

Section 2.3

(a) Distribution or Payment of RSUs. Participant's RSUs shall be distributed in Shares (either in book-entry form or otherwise) on or within two business days following each applicable vesting date. Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of RSUs if it reasonably determines that such payment or distribution will violate federal securities laws or any other Applicable Law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and *provided further* that no payment or distribution shall be delayed under this Section 2.3(a) if such delay will result in a violation of Section 409A.

(b) All distributions shall be made by the Company in the form of whole Shares, and any fractional share shall be distributed in cash in an amount equal to the value of such fractional share determined based on the Fair Market Value as of the date immediately preceding the date of such distribution.

Section 2.4 Conditions to Issuance of Certificates. The Company shall not be required to issue or deliver any certificate or certificates for any Shares or to cause any Shares to be held in book-entry form prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable, (d) the receipt by the Company of full payment for such Shares, which may be in one or more of the forms of consideration permitted under Section 2.5, and (e) the receipt of full payment of any applicable withholding tax in accordance with Section 2.5 by the Participating Company with respect to which the applicable withholding obligation arises.

Section 2.5 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) As set forth in Section 10.2 of the Plan, the Company shall have the authority and the right to deduct or withhold, or to require the Participant to remit to the Company, an amount sufficient to satisfy all applicable federal, state and local taxes required by law to be withheld with respect to any taxable event arising in connection with the Restricted Stock Units. In satisfaction of such tax withholding obligations and in accordance with the Sell to Cover Election included in the Grant Notice, the Participant has irrevocably elected to sell the portion of the Shares to be delivered under the Restricted Stock Units necessary so as to satisfy the tax withholding obligations and shall execute any letter of instruction or agreement required by the Company's transfer agent (together with any other party the Company determines necessary to execute the Sell to Cover Election, the "Agent") to cause the Agent to irrevocably commit to forward the proceeds necessary to satisfy the tax withholding obligations directly to the Company and/or its Affiliates. In accordance with Participant's Sell to Cover Election pursuant to the Grant Notice, the Participant hereby acknowledges and agrees:

(i) The Participant hereby appoints the Agent as the Participant's agent and authorizes the Agent to (1) sell on the open market at the then prevailing market price(s), on the Participant's behalf, as soon as practicable on or after the Shares are issued upon the vesting of the Restricted Stock Units, that number (rounded up to the next whole number) of the Shares so issued necessary to generate proceeds to cover (x) any tax withholding obligations incurred with respect to such vesting or issuance and (y) all applicable fees and commissions due to, or required to be collected by, the Agent with respect thereto and (2) apply any remaining funds to the Participant's federal tax withholding.

(ii) The Participant hereby authorizes the Company and the Agent to cooperate and communicate with one another to determine the number of Shares that must be sold pursuant to subsection (i) above.

(iii) The Participant understands that the Agent may effect sales as provided in subsection (i) above in one or more sales and that the average price for executions resulting from bunched orders will be assigned to the Participant's account. In addition, the Participant acknowledges that it may not be possible to sell Shares as provided by subsection (i) above due to (1) a legal or contractual restriction applicable to the Participant or the Agent, (2) a market disruption, or (3) rules governing order execution priority on the national exchange where the Shares may be traded. The Participant further agrees and acknowledges that in the event the sale of Shares would result in material adverse harm to the Company, as determined by the Company in its sole discretion, the Company may instruct the Agent not to sell Shares as provided by subsection (i) above. In the event of the Agent's inability to sell Shares, the Participant will continue to be

responsible for the timely payment to the Company and/or its Affiliates of all federal, state, local and foreign taxes that are required by applicable laws and regulations to be withheld, including but not limited to those amounts specified in subsection (i) above.

(iv) The Participant acknowledges that regardless of any other term or condition of this Section 2.5(a), the Agent will not be liable to the Participant for (1) special, indirect, punitive, exemplary, or consequential damages, or incidental losses or damages of any kind, or (2) any failure to perform or for any delay in performance that results from a cause or circumstance that is beyond its reasonable control.

(v) The Participant hereby agrees to execute and deliver to the Agent any other agreements or documents as the Agent reasonably deems necessary or appropriate to carry out the purposes and intent of this Section 2.5(a). The Agent is a third-party beneficiary of this Section 2.5(a).

(vi) This Section 2.5(a) shall terminate not later than the date on which all tax withholding obligations arising in connection with the vesting of the Award have been satisfied.

(b) The Company shall not be obligated to deliver any certificate representing Shares issuable with respect to the RSUs to, or to cause any such Shares to be held in book-entry form by, Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting or settlement of the RSUs or any other taxable event related to the RSUs.

(c) Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any other Participating Company takes with respect to any tax withholding obligations that arise in connection with the RSUs. No Participating Company makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Participating Companies do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

Section 2.6 Rights as Stockholder. Neither Participant nor any Person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

Section 2.7 Restrictive Covenants; Forfeiture. Notwithstanding anything contained in this Agreement to the contrary, in the event the Participant breaches his or her Proprietary Information, Inventions, Non-Solicitation, and Non-Competition Agreement or Restrictive Covenant Agreement, as applicable, or any other written agreement between the Participant and any Participating Company, in addition to any other damages available at law or in equity, then, (i) any portion of the Award that has not been distributed to the Participant prior to the date of such violation shall thereupon be forfeited and (ii) the Participant shall be required to pay to the Company the amount of all RSU Gain (as defined below). "RSU Gain" shall mean an amount equal to the product of (i) the number of shares of Common Stock that are distributed pursuant to this RSU Award and (ii) the Fair Market Value per share of Common Stock on the date of such distribution.

ARTICLE III.**OTHER PROVISIONS**

Section 3.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested Persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

Section 3.2 RSUs Not Transferable. The RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the RSUs have been issued, and all restrictions applicable to such Shares have lapsed. No RSUs or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence. Notwithstanding the foregoing, with the consent of the Administrator, the RSUs may be transferred to Permitted Transferees, pursuant to any such conditions and procedures the Administrator may require.

Section 3.3 Adjustments. The Administrator may accelerate the vesting of all or a portion of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 12.2 of the Plan.

Section 3.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this **Section 3.4**, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service or similar foreign entity.

Section 3.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

Section 3.6 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

Section 3.7 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement, are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all

regulations and rules promulgated thereunder by the Securities and Exchange Commission, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Grant Notice and this Agreement, shall be deemed amended to the extent necessary to conform to Applicable Law.

Section 3.8 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

Section 3.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in [Section 3.2](#) and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

Section 3.10 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the RSUs, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

Section 3.11 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of any Participating Company or shall interfere with or restrict in any way the rights of any Participating Company, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent (i) expressly provided otherwise in a written agreement between a Participating Company and Participant or (ii) where such provisions are not consistent with applicable foreign or local laws, in which case such applicable foreign or local laws shall control.

Section 3.12 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

Section 3.13 Section 409A. The intent of the parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, "[Section 409A](#)") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith.

Section 3.14 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

Section 3.15 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs.

Section 3.16 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

* * * * *

**AMENDMENT AND TERMINATION
OF THE
BIOVENTUS STOCK PLAN**

February 9, 2021

Bioventus LLC, a Delaware limited liability company (the “Company”), has previously adopted the Bioventus Stock Plan (previously known as the Bioventus LLC Phantom Profits Interests Plan), as amended and restated (and as may be amended from time to time, the “Plan”). Section 10 of the Plan allows the Board to amend the Plan in certain respects from time to time.

The Board of Managers of the Company has determined that it is appropriate to amend and terminate the Plan effective as of the date Bioventus Inc.’s registration statement on Form S-1 is declared effective, subject to the consummation of the initial public offering of Bioventus Inc. Class A Common Stock (the “IPO”). In the event that the IPO is not consummated on or prior to December 31, 2021, this amendment and termination shall be void *ab initio*.

The Plan, as revised by this amendment and termination, constitutes the entire Plan as amended to date. Capitalized terms not defined herein shall have the meanings assigned to them under the Plan. Notwithstanding any other provision in the Plan:

1. Section 1(h) of the Plan is hereby amended and restated in its entirety to read as follows:

““**Payment Amount**” means the amount payable with respect to each vested Phantom Profits Interest Unit upon the applicable Payment Event; provided, however, that, notwithstanding the foregoing, if the Payment Event is due to a Plan Termination, the Payment Amount with respect to each Grantee shall mean an amount equal to the value of the Grantee’s Phantom Profits Interest Units as of the date of the Plan Termination, subject to adjustment for any earnings (or loss) with respect to such amount during the period beginning on the Plan Termination and ending on the Plan Termination Distribution Date (as defined in Section 5(b)(iv), below).”

2. Section 1(i) of the Plan is hereby amended and restated in its entirety to read as follows:

““**Phantom Profits Interest Unit**” means the right to receive a payment from the Company in cash or securities of the Company or one of its affiliates or such other form of payment as the Committee may determine in its sole discretion in an amount equal to the Payment Amount upon the Payment Event as set forth in the applicable Award Agreement.”

3. Section 2(b) of the Plan is hereby amended and restated in its entirety to read as follows:

“(b) Administrator Authority. The Administrator shall determine (i) the Grantees to receive Awards, (ii) the size and terms of the Awards, (iii) the time when the Awards will be made, (iv) the applicable Payment Event, (v) the duration of any applicable vesting period, provided that such vesting period shall not be less than four years and that the Award shall vest ratably over the vesting period, and (vi) the Benchmark Amount with respect to any Award.”

4. Section 5(a) of the Plan is hereby amended to add a final sentence that reads as follows:

“In addition, notwithstanding any other provision of the Plan, a Plan Termination (as defined in Section 16, below) shall constitute a Payment Event.”

5. Section 5(b) of the Plan is hereby amended to add the following new subsection (iv):

“(iv) Notwithstanding any other provision of the Plan (including, without limitation Sections 5(b)(i)-(iii), above), if the Payment Event is due to a Plan Termination, the Payment Amount shall be distributed with respect to (a) all Phantom Profits Interest Units that vested prior to or as of the date of the Plan Termination, (b) all Phantom Profits Interest Units that would otherwise vest between the date of the Plan Termination and the 12-month anniversary of the Plan Termination; provided that, in the event of the termination of the Grantee’s employment prior to an applicable vesting date during such 12-month period, the Grantee shall forfeit the right to receive the Payment Amount with respect to the Phantom Profits Interest Units that would have vested on such vesting date, and (c) all Phantom Profits Interest Units that would otherwise vest after the 12-month anniversary of the Plan Termination; provided that, in the event of the termination of the Grantee’s employment prior to the 12-month anniversary of the Plan Termination, the Grantee shall forfeit the right to receive the Payment Amount with respect to such Phantom Profits Interest Units. Such Payment Amount shall be distributed to the Grantee on the first business day following the 12-month anniversary of the Plan Termination (the “**Plan Termination Distribution Date**”); provided that no such distribution shall be made if the Plan Termination Distribution Date and associated distributions are determined by the Administrator to be proximate to a downturn in the Company’s financial health (within the meaning of Treasury Regulation Section 1.409A-3(j)(4)(ix)(C)) if such distribution would result in additional taxes or penalties to the Grantee under Section 409A of the Code, and in such event the distribution shall be made as soon thereafter as permissible without penalty under Section 409A of the Code.”

6. The following new Section 16 shall be added to the Plan:

“16. Plan Termination

The Plan shall be terminated (the “**Plan Termination**”) effective as of the date Bioventus Inc.’s registration statement on Form S-1 is declared effective, subject to the consummation of the initial public offering of Bioventus Inc. Class A Common Stock (the “**IPO**”), and in connection with the Plan Termination distributions shall be made to all eligible Grantees in accordance with Section 5(b)(iv), above. The Plan Termination is intended to comply with Treasury Regulation Section 1.409A-3(j)(4)(ix)(C) and this amendment and termination shall be interpreted accordingly. Notwithstanding the foregoing, no provision of this amendment and termination shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A of the Code from any Grantee or any other individual to the Company or any of its affiliates, employees or agents.”

7. The Plan, and all of the rights, privileges, title, interests, liabilities and obligations of Bioventus LLC under the Phantom Plan, will be assumed by Bioventus Inc. pursuant to that certain Assignment and Assumption Agreement, entered into by and between the Company and Bioventus Inc., effective as of the date set forth therein. Following such assumption (a) “**Company**” shall mean Bioventus Inc., (b) “**Board**” shall mean the Board of Directors of Bioventus Inc., and (c) “**Administrator**” shall mean the Board of Directors of Bioventus Inc., and the Plan shall be interpreted accordingly.

8. The form of payment to be made to the Grantee shall be determined by the Administrator in its sole discretion.

9. This amendment and termination shall be governed in all respects, including as to validity, interpretation and effect, by the internal laws of the State of Delaware, without giving effect to the choice of law principles thereof. Except as set forth in this amendment and termination, the terms and conditions of the Plan shall remain in full force and effect. In accordance with its authority under Section 2 of the Plan, the Administrator has determined that this amendment and termination does not adversely impact the rights of any Grantee under any Award granted to such Grantee under the Plan.

* * * * *

Executed as of the first date set forth above.

BIOVENTUS LLC

By: /s/ Kenneth Reali

Name: Kenneth Reali

Title: Chief Executive Officer

*Signature Page to Amendment to
the Bioventus Stock Plan*

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (this “**Agreement**”), dated as of February 9, 2021, and effective as of the Effective Date (defined below), is hereby entered into by and among Bioventus LLC, a Delaware limited liability company (“**Assignor**”), and Bioventus Inc. (“**Assignee**”).

R E C I T A L S:

WHEREAS, Assignor currently sponsors the Bioventus Stock Plan (previously known as the Bioventus LLC Phantom Profits Interests Plan), as amended and restated (the “**Plan**”);

WHEREAS, Assignor desires to assign all of its rights, privileges, title, interests, liabilities and obligations under the Plan and all awards thereunder to Assignee; and

WHEREAS, Assignee wishes to accept the assignment of such rights, privileges, title and interests and to assume such liabilities and obligations.

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. *Assignment.* Effective as of the date Assignee’s registration statement on Form S-1 is declared effective (the “**Effective Date**”), Assignor hereby assigns, conveys and transfers to Assignee all of its present and future rights, title and interests in, to and under the Plan and all awards thereunder. If Assignee’s registration statement on Form S-1 is not declared effective, this Agreement shall be void *ab initio*.

2. *Assumption.* Effective as of the Effective Date, (a) Assignee hereby accepts the assignment set forth in Section 1 hereto and assumes any and all liabilities and obligations of Assignor arising under the Plan and all awards thereunder and (b) the Plan shall be maintained by Assignee for the benefit of Employees (as defined in the Plan) and Employees shall remain the sole persons eligible to participate in the Plan. Following such assumption (a) “*Company*” shall mean Bioventus Inc., (b) “*Board*” shall mean the Board of Directors of Bioventus Inc., and (c) “*Administrator*” shall mean the Board of Directors of Bioventus Inc., and the Plan shall be interpreted accordingly.

3. *Further Actions.* Each party hereto covenants and agrees to make, execute, acknowledge and deliver such further documents and instruments and to use its reasonable efforts to take such other action as may be reasonably requested by any party hereto to more effectively consummate or perfect the assignments and assumptions contemplated by this Agreement.

4. *Miscellaneous.*

(a) This Assignment shall be governed by and construed in accordance with the law of the State of Delaware, without regard to the conflicts of law rules of such state or any other jurisdiction.

(b) If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other governmental authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

(c) This Assignment shall inure to the benefit of Assignee and its successors and assigns, and shall be binding upon Assignor and its successors and assigns.

(d) This Assignment is not intended to, nor shall it, create any rights in or confer any benefits upon any person other than the parties to this Assignment.

(e) This Assignment may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Any counterpart may be signed and transmitted by facsimile or Portable Document Format (PDF) with the same force and effect as if such counterpart was an ink-signed original.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Assumption Agreement to be duly executed as of the day and year first above written.

ASSIGNOR

BIOVENTUS LLC

By: /s/ Kenneth Reali

Name: Kenneth Reali

Title: Chief Executive Officer

ASSIGNEE

BIOVENTUS INC.

By: /s/ Kenneth Reali

Name: Kenneth Reali

Title: Chief Executive Officer

[Signature page to Assignment and Assumption Agreement re: Bioventus Stock Plan]

BIOVENTUS INC.
NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

Non-employee members of the board of directors (the “**Board**”) of Bioventus Inc. (the “**Company**”) shall be eligible to receive cash and equity compensation as set forth in this Non-Employee Director Compensation Policy (this “**Policy**”). The cash and equity compensation described in this Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, a “**Non-Employee Director**”) who may be eligible to receive such cash or equity compensation, unless such Non-Employee Director declines the receipt of such cash or equity compensation by written notice to the Company. This Policy shall become effective after the effectiveness of the Company’s initial public offering (the “**IPO**”) and shall remain in effect until it is revised or rescinded by further action of the Board. This Policy may be amended, modified or terminated by the Board at any time in its sole discretion. The terms and conditions of this Policy shall supersede any prior cash and/or equity compensation arrangements for service as a member of the Board between the Company and any of its Non-Employee Directors and between any subsidiary of the Company and any of its non-employee directors.

1. Cash Compensation.

(a) Annual Retainers. Each Non-Employee Director shall receive an annual retainer of \$55,000 for service on the Board.

(b) Additional Annual Retainers. In addition, a Non-Employee Director shall receive the following annual retainers:

(i) Chairperson of the Board. A Non-Employee Director serving as Chairperson of the Board shall receive an additional annual retainer of \$50,000 for such service.

(ii) Lead Director of the Board. A Non-Employee Director serving as Lead Director of the Board shall receive an additional annual retainer of \$30,000 for such service.

(iii) Audit Committee. A Non-Employee Director serving as Chairperson of the Audit Committee shall receive an additional annual retainer of \$20,000 for such service. A Non-Employee Director serving as a member of the Audit Committee (other than the Chairperson) shall receive an additional annual retainer of \$10,000 for such service.

(iv) Compensation Committee. A Non-Employee Director serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of \$15,000 for such service. A Non-Employee Director serving as a member of the Compensation Committee (other than the Chairperson) shall receive an additional annual retainer of \$7,500 for such service.

(v) Nominating and Corporate Governance Committee. A Non-Employee Director serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of \$10,000 for such service. A Non-Employee Director serving as a member of the Nominating and Corporate Governance Committee (other than the Chairperson) shall receive an additional annual retainer of \$5,000 for such service.

(vi) **Compliance and Culture Committee.** A Non-Employee Director serving as Chairperson of the Compliance and Culture Committee shall receive an additional annual retainer of \$10,000 for such service. A Non-Employee Director serving as a member of the Compliance and Culture Committee (other than the Chairperson) shall receive an additional annual retainer of \$5,000 for such service.

(c) **Payment of Retainers.** The annual retainers described in Sections 1(a) and 1(b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than the fifteenth day following the end of each calendar quarter. In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described in Section 1(b), for an entire calendar quarter, such Non-Employee Director shall receive a prorated portion of the retainer(s) otherwise payable to such Non-Employee Director for such calendar quarter pursuant to Sections 1(a) and 1(b), with such prorated portion determined by multiplying such otherwise payable retainer(s) by a fraction, the numerator of which is the number of days during which the Non-Employee Director serves as a Non-Employee Director or in the applicable positions described in Section 1(b) during the applicable calendar quarter and the denominator of which is the number of days in the applicable calendar quarter.

2. **Equity Compensation.** Non-Employee Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Company's 2020 Incentive Award Plan or any other applicable Company equity incentive plan then-maintained by the Company (such plan, as may be amended from time to time, the "**Equity Plan**") and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the forms previously approved by the Board. All applicable terms of the Equity Plan apply to this Policy as if fully set forth herein, and all equity grants hereunder are subject in all respects to the terms of the Equity Plan.

(a) **IPO Awards.** Each Non-Employee Director who (i) serves on the Board as of the date the IPO price of the shares of the Company's common stock is established in connection with the Company's IPO (the "**Pricing Date**") and (ii) will continue to serve as a Non-Employee Director immediately following the Pricing Date shall be automatically granted, on the Pricing Date, an award of restricted stock units that have an aggregate fair value on the date of grant of \$152,000 (as determined in accordance with FASB Accounting Codification Topic 718 ("**ASC 718**") and subject to adjustment as provided in the Equity Plan in each case). The awards described in this Section 2(a) shall be referred to herein as the "**IPO Awards**").

(b) **Annual Awards.** Each Non-Employee Director who (i) serves on the Board as of the date of any annual meeting of the Company's stockholders (an "**Annual Meeting**") after the Pricing Date and (ii) will continue to serve as a Non-Employee Director immediately following such Annual Meeting shall be automatically granted, on the date of such Annual Meeting, an award of restricted stock units that have an aggregate fair value on the date of grant of \$152,000 (as determined in accordance with ASC 718 and subject to adjustment as provided in the Equity Plan). The awards described in this Section 2(b) shall be referred to as the "**Annual Awards**." For the avoidance of doubt, a Non-Employee Director elected for the first time to the Board at an Annual Meeting shall receive only an Annual Award in connection with such election, and shall not receive any Initial Award on the date of such Annual Meeting as well.

(c) **Initial Awards.** Except as otherwise determined by the Board, each Non-Employee Director who is initially elected or appointed to the Board after the Pricing Date on any date other than the date of an Annual Meeting shall be automatically granted, on the date of such Non-Employee Director's initial election or appointment (such Non-Employee Director's "**Start Date**"), an award of restricted stock units that have an aggregate fair value on such Non-Employee Director's Start Date equal to the product of (i) \$152,000 (as determined in accordance with ASC 718) and (ii) a fraction, the numerator of which is (x) 365 minus (y) the number of days in the period beginning on the date of the Annual Meeting immediately preceding such Non-Employee Director's Start Date (or, if no such Annual Meeting has occurred, the effective date of the Company's IPO) and ending on such Non-Employee Director's Start Date and the denominator of which is 365 (with the number of shares of common stock underlying each such award subject to adjustment as provided in the Equity Plan). The awards described in this Section 2(c) shall be referred to as "**Initial Awards**." For the avoidance of doubt, no Non-Employee Director shall be granted more than one Initial Award.

(d) **Termination of Employment of Employee Directors.** Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with the Company and any parent or subsidiary of the Company and remain on the Board will not receive an Initial Award pursuant to Section 2(c) above, but to the extent that they are otherwise eligible, will be eligible to receive, after termination from employment with the Company and any parent or subsidiary of the Company, Annual Awards as described in Section 2(b) above.

(e) **Vesting of Awards Granted to Non-Employee Directors.** Each IPO Award shall vest and become exercisable on the first anniversary of the date of grant, subject to the Non-Employee Director continuing in service on the Board through the applicable vesting date. Each Annual Award shall vest and become exercisable on the earlier of (i) the day immediately preceding the date of the first Annual Meeting following the date of grant and (ii) the first anniversary of the date of grant, subject to the Non-Employee Director continuing in service on the Board through the applicable vesting date. Each Initial Award shall vest and become exercisable in three equal installments, with the first installment vesting and becoming exercisable on the earlier of (i) the day immediately preceding the date of the first Annual Meeting following the date of grant and (ii) the first anniversary of the date of grant (such earlier date, the "**Installment Vesting Date**") and the second and third installments vesting and becoming exercisable on the first and second anniversaries of the Installment Vesting Date, respectively, in each case subject to the Non-Employee Director continuing in service on the Board through the applicable vesting date. No portion of an IPO Award, Annual Award or Initial Award that is unvested or unexercisable at the time of a Non-Employee Director's termination of service on the Board shall become vested and exercisable thereafter. All of a Non-Employee Director's IPO Awards, Annual Awards and Initial Awards shall vest in full immediately prior to the occurrence of a Change in Control (as defined in the Equity Plan), to the extent outstanding at such time.

3. Expenses

The Company will reimburse each Non-Employee Director for ordinary, necessary and reasonable out-of-pocket travel expenses to cover in-person attendance at and participation in Board meetings and meetings of any committee of the Board; *provided*, that the Non-Employee Director timely submit to the Company appropriate documentation substantiating such expenses in accordance with the Company's travel and expense policy applicable to directors, as in effect from time to time. To the extent that any taxable reimbursements are provided to any Non-Employee Director, they will be provided in accordance with Section 409A of the Internal Revenue Code of 1986, as amended, including, but not limited to, the following provisions: (i) the amount of any such expenses eligible for reimbursement during such individual's taxable year may not affect the expenses eligible for reimbursement in any other taxable year; (ii) the reimbursement of an eligible expense must be made no later than the last day of such individual's taxable year that immediately follows the taxable year in which the expense was incurred; and (iii) the right to any reimbursement may not be subject to liquidation or exchange for another benefit.

* * * * *



Bioventus
 4721 Emperor Blvd., Suite 100
 Durham, NC 27703
 USA

1-919-474-6700
 1-800-396-4325
 www.BioventusGlobal.com

February 5, 2021

Kenneth Reali

Re: Employment Agreement

Dear Ken,

This Employment Letter Agreement (this “**Agreement**”) is entered into by and between you, Bioventus Inc. (the “**Corporation**”) and Bioventus LLC (the “**Partnership**”) and, together with the Corporation and any of the affiliates of the Corporation or the Partnership as may employ you from time to time, “**Bioventus**”). This Agreement is an amendment and restatement of the certain Employment Offer letter dated as of March 12, 2020 and amended on April 24, 2020 by and between you and the Partnership, pursuant to which you are employed as the **Chief Executive Officer** of the Partnership (the “**Prior Agreement**”) and supersedes the Prior Agreement in its entirety, effective as of the date of the consummation of the initial public offering of the Corporation’s common stock (the “**Effective Date**”).

1. Employment and Duties

Effective as of the Effective Date, you will be employed in the role of **Chief Executive Officer** of the Corporation and the Partnership and you shall perform the duties of this role as are customary and as may be required by Bioventus from time to time. You will continue reporting to the Board and you will be based at the headquarters of Bioventus currently located in Durham, NC.

You shall continue to have such duties and responsibilities, commensurate with your position, as may be reasonably assigned to you from time to time by the Board of Directors of the Corporation (the “**Board**”), or which are in accordance with the delegations of authority set out by the Board.

During your employment with Bioventus, you will devote your full-time best efforts and business time and attention to the business of Bioventus.

2. At-Will Employment Relationship

You may terminate your employment with Bioventus at any time and for any reason whatsoever simply by providing Bioventus with thirty (30) days’ advance written notice. Likewise, Bioventus may terminate your employment at any time, with or without Cause, and with or without advance notice, subject to the severance obligations set forth in Section 6. Your employment at-will status can only be modified in a written agreement approved by Bioventus and signed by you and a duly authorized member of Bioventus.

3. Base Salary and Employee Benefits

Your base salary will be paid at the annual rate of **\$700,000** (the “**Annual Base Salary**”) less payroll deductions and withholdings. You will be paid your Annual Base Salary on a bi-weekly basis, on Bioventus’ normal payroll schedule. You will be reimbursed for expenses that are normal and customary for your role and follow applicable Bioventus policies. As an exempt salaried employee, you will be required to work Bioventus’ normal business hours, and such additional time as appropriate for your work assignments and position. You will not be eligible for overtime premiums.

You will be eligible to participate in Bioventus’ equity incentive plans, and the health and welfare, group insurance, retirement and other employee benefit plans, programs and arrangements (pursuant to the terms and conditions of the benefit plans and applicable policies) as are made generally available from time to time to executives of Bioventus. Additionally, on or about the Effective Date, you will receive an equity award under the Bioventus 2021 Equity Incentive Plan in a form and amount to be determined by the Board in its sole discretion.

You will continue to be eligible for **twenty-five** days of vacation per year.

4. Annual Performance Bonus and Merit Planning

You will continue to be eligible to participate in the Bioventus Global Annual Incentive Plan or any sub-plan thereof or any other bonus program as determined by Bioventus from time to time (the “**Annual Incentive Plan**”) at an annual target of one hundred percent (100%) of your Annual Base Salary (your “**Annual Bonus**”). The Annual Incentive Plan may include components of your personal performance as well as Bioventus’ business objectives. The terms and conditions of your Annual Incentive Plan will be set forth in the Annual Incentive Plan documents.

Your performance will be reviewed on a yearly basis by the Board. At that time, your salary will be reviewed along with your performance to determine any adjustment to your Annual Base Salary.

5. Certain Definitions

For purposes of this Agreement, the following definitions will apply:

- a. **Definition of Change in Control.** “**Change in Control**” shall have the meaning provided in the Bioventus 2021 Equity Incentive Plan as of the Effective Date; provided that such Change in Control also constitutes a “change in control event,” as defined in Treasury Regulation Section 1.409A-3(i)(5).
- b. **Definition of Cause.** “**Cause**” for Bioventus to terminate your employment shall exist if any of the following occurs: (A) your being convicted (including a guilty plea or plea of nolo contendere) of any felony or any other crime involving fraud, violence or dishonesty; (B) your commission of or participation in a fraud or act of dishonesty or misrepresentation against Bioventus; (C) your material violation of any written and fully executed contract or agreement between you and Bioventus, including without limitation, breach of your Restrictive Covenant Agreement (as defined below); (D) your gross negligence or willful misconduct; (E) your continued and substantial failure to perform your duties to Bioventus set forth herein at a level commensurate with your position; or (F) your violation of any material policies, practices, or procedures of Bioventus.
- c. **Definition of Good Reason.** “**Good Reason**” for you to terminate your employment shall mean the occurrence of any one of the following events without either (x) your express prior written consent or (y) full cure within 30 days after you give written notice to Bioventus: (i) material diminution in duties or responsibilities; (ii) a material reduction in your salary, except for across-the-board salary reductions similarly affecting all senior executive officers of Bioventus; (iii) the relocation of your principal office, or principal place of employment, to a location more than fifty (50) miles from the location of your principal office or principal place of business as of the Effective Date; or (iv) a failure to pay you earned compensation; provided however, that no event shall constitute grounds for a Good Reason termination unless you provide written notice to Bioventus of the event or condition purported to constitute Good Reason within 90 days of the initial existence of such event or condition and you terminate your employment within 60 days after such notice is provided.

6. Severance Benefits

- a. If, at any time, Bioventus terminates your employment without Cause (other than as a result of your death or disability) or you terminate your employment for Good Reason, then, subject to Section 6(c) and Section 7, you shall receive the following severance benefits (the “**Severance Benefits**”): (i) eighteen (18) months (of your Annual Base Salary in effect on the effective date of termination (the “**Termination Date**”), less applicable taxes and withholdings, payable in equal installments over the eighteen (18) month period immediately following the Termination Date (the “**Severance Period**”) in accordance with Bioventus’ regular payroll practices in effect as of the Termination Date; (ii) one hundred fifty percent (150%) of your target Annual Bonus, less applicable taxes and withholdings, payable in equal installments over the Severance Period in accordance with Bioventus’ regular payroll practices in effect as of the Termination Date; (iii) if you timely elect continued coverage under federal COBRA laws or comparable state insurance laws (“**COBRA**”), then Bioventus shall pay the COBRA premiums necessary to continue your medical and dental insurance coverage in effect for yourself and your eligible dependents during the Severance Period (provided that such COBRA reimbursement shall terminate on such earlier date as you are no longer eligible for COBRA coverage or you become eligible for group health insurance benefits through a new employer).
- b. If, during the two-year period immediately following a Change in Control, Bioventus terminates your employment without Cause (other than as a result of your death or disability) or you terminate your employment for Good Reason, then, subject to Section 6(c) and Section 7, you shall receive the following severance benefits (the “**CIC Severance Benefits**”): (i) twenty four (24) months of your Annual Base Salary in effect on the Termination Date, less applicable taxes and withholdings, payable in a lump sum payment on the first payroll date on or following the 60th day after the Termination Date (the “**CIC Severance Payment Date**”); (ii) two hundred percent (200%) of your target Annual Bonus, less applicable taxes and withholdings, payable in a lump sum on the CIC Severance Payment Date; (iii) a lump sum payment equal to twenty-four (24) months of COBRA premium payments (determined as of the Terminate Date) for your medical and dental insurance coverage in effect for yourself and your eligible dependents as of the Termination Date, less applicable taxes and withholding, payable on the CIC Severance Payment Date; and (iv) full acceleration of all of your outstanding equity awards as of the Termination Date.
- c. Your receipt of the Severance Benefits or CIC Severance Benefits, as applicable, is conditional upon (a) your continuing to comply with your obligations under your Restrictive Covenant Agreement; and (b) your executing and delivering an effective, general release of all known and unknown claims in favor of Bioventus, in Bioventus’ customary form (a “**Release**”) within 45 days following the Termination Date (and not revoking the Release).
- d. The provisions of this Agreement shall supersede in their entirety any severance payment or benefit obligations to you pursuant to the provisions in any severance plan, policy, program or other arrangement maintained by Bioventus.

7. Section 409A

- a. General. The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations thereunder (collectively, “**Section 409A**”). Notwithstanding any provision of this Agreement to the contrary, in the event that Bioventus determines that any amounts payable hereunder will be immediately taxable to you under Section 409A, Bioventus reserves the right (without any obligation to do so or to indemnify you for failure to do so) to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that Bioventus determines to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for Bioventus and/or (ii) take such other actions as Bioventus determines to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from you or any other individual to Bioventus or any of its Affiliates, employees or agents.

- b. Separation from Service under Section 409A. Notwithstanding any provision to the contrary in this Agreement: (i) no Severance Benefits or CIC Severance Benefits shall be payable unless the termination of your employment constitutes a “separation from service” within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) for purposes of Section 409A, your right to receive Severance Benefits in installment payments, if any, shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes “deferred compensation” under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year. Notwithstanding any provision to the contrary in this Agreement, if you are deemed at the time of your separation from service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the termination benefits to which you are entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of your termination benefits shall not be provided to you prior to the earlier of (x) the expiration of the six-month period measured from the date of your “separation from service” with Bioventus (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (y) the date of your death; upon the earlier of such dates, all payments deferred pursuant to this sentence shall be paid in a lump sum to you, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.
- c. Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments of “nonqualified deferred compensation” (within the meaning of Section 409A) due under this Agreement as a result of your termination of employment are subject to your execution and delivery of a Release, (i) the Release shall be reasonable and drafted in good faith, (ii) Bioventus shall deliver the Release to you within ten (10) business days following the Termination Date, and Bioventus’ failure to deliver a Release prior to the expiration of such ten (10) business day period shall constitute a waiver of any requirement to execute a Release, (iii) if you fail to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes his acceptance of the Release thereafter, you shall not be entitled to any payments or benefits otherwise conditioned on the Release, and (iv) in any case where the Termination Date and the Release Expiration Date fall in two separate taxable years, any payments required to be made to you that are conditioned on the Release and are treated as nonqualified deferred compensation for purposes of Section 409A shall be made in the later taxable year. For purposes of this paragraph, “**Release Expiration Date**” shall mean the date that is twenty-one (21) days following the date upon which Bioventus timely delivers the Release to you, or, in the event that your termination of employment is “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of your termination of employment are delayed pursuant to this paragraph, such amounts shall be paid in a lump sum on the first payroll date following the date that you execute and do not revoke the Release (and the applicable revocation period has expired) or, in the case of any payments subject to clause (iv) of this paragraph, on the first payroll period to occur in the subsequent taxable year, if later.

8. Compliance with Restrictive Covenant Agreement and Bioventus Policies

You acknowledge that you are, concurrently with the execution of this Agreement, entering into an agreement with Bioventus containing confidentiality, non-solicitation, non-competition, intellectual property assignment, and other protective covenants (the “**Restrictive Covenant Agreement**” attached hereto as **Exhibit A**) and that you shall be bound by the terms and conditions of the Restrictive Covenant Agreement. In addition, you agree that you will abide by Bioventus’ Code of Conduct and Bioventus’ policies, as may be changed from time to time at Bioventus’ sole discretion.

9. Outside Activities

Throughout your employment with Bioventus, you may engage in civic and not-for-profit activities so long as such activities do not interfere with the performance of your duties hereunder or violate Bioventus’ Conflict of Interest Policy. Specifically, under this provision you may, subject to review and approval by the Board in its sole discretion, serve on boards of directors of not-for-profit entities and/or other boards.

10. Assignment

This Agreement may be assigned by Bioventus to a person or entity which is an affiliate or a successor in interest to substantially all of the business operations of Bioventus. Upon such assignment, the rights and obligations of Bioventus hereunder shall become the rights and obligations of such affiliate or successor person. You may not assign your rights or obligations to another entity or person.

11. Indemnification

You shall be entitled to indemnification to the maximum extent permitted by applicable law and Bioventus’ customary indemnification policies and procedures applicable to Bioventus’ officers and directors. At all times during your employment, Bioventus shall maintain in effect a directors and officers liability insurance policy with you as a covered officer. Bioventus shall further provide and pay for the defense of any action, arbitration or mediation (collectively, an “**Action**”) relative to the lawful performance of your duties or in connection with your employment at Bioventus and the existence of such Action or defense shall not provide grounds for termination of your employment.

12. Whistleblower Protection and Trade Secrets

Notwithstanding anything to the contrary contained herein, nothing in this Agreement prohibits you from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (a) you shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (i) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (b) if you file a lawsuit for retaliation by Bioventus for reporting a suspected violation of law, you may disclose the trade secret to your attorney, and may use the trade secret information in the court proceeding, if you file any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

13. Section 280G Parachute Payments

Notwithstanding any other provision in this Agreement to the contrary, in the event that any payment or benefit received or to be received by you, pursuant to this Agreement or otherwise, in connection with a Change in Control or otherwise would be considered an “excess parachute payment” within the meaning of Section 280G of the Code and the regulations thereunder, then such payments and benefits will either be (i) delivered in full or (ii) reduced by the minimum amount necessary so that all of the remaining payments and benefits will not be subject to the excise tax imposed by Section 4999 of the Code, whichever of the foregoing (i) or (ii) results in the greater net after-tax value of payment and benefits to you. All determinations regarding the application of this paragraph shall be made by an accounting firm or consulting group with experience in performing calculations regarding the applicability of Sections 280G and 4999 of the Code selected by Bioventus, and all associated costs will be borne by Bioventus.

14. Compensation Recovery Policy

You acknowledge and agree that, to the extent Bioventus adopts any clawback or similar policy pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, and any rules and regulations promulgated thereunder, you will take all action necessary or appropriate to comply with such a clawback policy (including, without limitation, entering into any further agreements, amendments or policies necessary or appropriate to implement and/or enforce such policy).

15. Miscellaneous

This Agreement, together with your Restrictive Covenant Agreement and all applicable equity award agreements, forms the complete and exclusive statement of your employment agreement with Bioventus. Changes in your employment terms, other than those changes expressly reserved to Bioventus’ discretion in this Agreement, require a written modification approved by Bioventus. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and Bioventus, and inure to the benefit of both you and Bioventus, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina without regard to conflicts of law principles. The parties hereby irrevocably submit to the jurisdiction of the state and federal courts of North Carolina located in or about Raleigh and waive any claim or defense of inconvenient or improper forum or lack of personal jurisdiction under any applicable law or decision. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement, or rights hereunder, shall be in writing and shall not be deemed to be a waiver of any successive breach or rights hereunder. This Agreement may be executed in counterparts which shall be deemed to be part of one original, and facsimile or pdf signatures shall be equivalent to original signatures.

[Signature pages follow]

THE PARTIES ACKNOWLEDGE BY SIGNING BELOW THAT THEY HAVE READ AND UNDERSTAND THE ABOVE AND INTEND TO BE BOUND THEREBY:

EMPLOYEE

/s/ Kenneth Reali _____
Name: Kenneth Reali
Date: 2/9/2021

BIOVENTUS INC.

/s/ William Hawkins _____
Name: William Hawkins
Its: Chairman of the Board

BIOVENTUS LLC

/s/ William Hawkins _____
Name: William Hawkins
Its: Chairman of the Board

EXHIBIT A

RESTRICTIVE COVENANT AGREEMENT

THIS RESTRICTIVE COVENANTS AGREEMENT (“Agreement”), dated as of the 3rd day of February, 2021, is made between Bioventus Inc. (the “Corporation”), Bioventus LLC, a Delaware limited liability company (the “Partnership” and, together with the Corporation and any subsidiaries, parent companies or affiliates of the Corporation or the Partnership, “Bioventus”), and Kenneth Reali (the “Executive”), a resident of the State of North Carolina.

RECITALS

A. Bioventus and the Executive have entered into that certain Employment Offer Letter dated the date hereof (the “Employment Agreement”).

B. The Executive possesses extensive knowledge and experience regarding the business of Bioventus and shall benefit from the Employment Agreement.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, which includes Bioventus’ agreement to employ or continue to employ Executive under the Employment Agreement and all payments and benefits available to Executive under the Employment Agreement, and in specific consideration for Bioventus’ agreement to provide the bonus payments set forth in the Employment Agreement, which Executive acknowledges and agrees is valid and sufficient consideration for the following covenants in this Agreement, the parties hereto agree as follows:

1. Confidential Information; Non-Disclosure.

a. Non-Use and Non-Disclosure of Confidential Information. Executive acknowledges that Executive currently holds and has access to proprietary and confidential information of Bioventus and its subsidiaries. Executive hereby covenants and agrees that neither Executive nor any of Executive’s Affiliates (as hereinafter defined) will, at any time, divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of Bioventus or its subsidiaries, any confidential, proprietary or secret knowledge or information of Bioventus that Executive has acquired or shall acquire about Bioventus or its subsidiaries, whether developed by Executive or by others, including, without limitation, knowledge or information concerning (i) any trade secrets, (ii) any confidential, proprietary or secret designs, programs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of Bioventus or its subsidiaries, (iii) any customer or supplier lists, (iv) any confidential, proprietary or secret development or research work, (v) any strategic or other business, marketing or sales plans, (vi) any financial data or plans, or (vii) any other confidential or proprietary information or secret aspects of the business of Bioventus or its subsidiaries. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of Bioventus and its subsidiaries and represents a substantial investment of time and expense by Bioventus and its subsidiaries, and that any disclosure or other use of such knowledge or information other than for the sole benefit of Bioventus or its subsidiaries would be wrongful and may cause irreparable harm to Bioventus and its subsidiaries (“Confidential Information”). Executive shall take reasonable steps to protect the confidentiality of all Confidential Information. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a result of the breach of this Agreement, (ii) is independently made available to Executive in good faith by a third party who has not violated a confidential relationship with Bioventus or any of its subsidiaries, or (iii) is required to be disclosed by law or legal process. Executive understands and agrees that his obligations under this Agreement to maintain the confidentiality of Bioventus’ and its subsidiaries’ Confidential Information are in addition to any obligations of Executive under applicable statutory or common law. For purposes of this Agreement, “Affiliate” shall mean any person or entity directly or indirectly controlled by the Executive.

b. Company Property. As between Bioventus and Executive, all Confidential Information will remain the exclusive property of Bioventus, including, but not limited to, all financial, commercial, operational, technical or business information or data received, obtained, or prepared by Executive in connection with Executive's employment or engagement and concerning Bioventus' business, and all copies and abstracts thereof. Upon the termination of Executive's employment or engagement with Bioventus for any reason, Executive will not retain, take, remove, or copy any such property of Bioventus or any materials containing any Confidential Information whatsoever, and Executive will promptly return all such property and materials to Bioventus no later than Executive's termination date or earlier upon Bioventus' request.

c. Exceptions; Notice of Legal Obligation to Disclose. Nothing in this Agreement prohibits Executive from filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or otherwise cooperating with any governmental agency or from making other disclosures that are protected under the whistleblower provisions of applicable law or regulation. Further, nothing herein prevents Executive from disclosing Confidential Information if and to the extent required pursuant to any valid subpoena, court order, or other legal obligation; provided, however, Executive agrees to provide prompt written notice of any such subpoena, court order, or other legal obligation prior to disclosing any Confidential Information (unless such notice to Bioventus is prohibited by applicable law), enclosing a copy of the subpoena, court order or other documents describing the legal obligation. In the event that Bioventus objects to the disclosure of Confidential Information, by way of a motion to quash or otherwise, Executive agrees to not disclose any Confidential Information while any such objection is pending.

d. Defend Trade Secrets Act Disclaimer. In compliance with the requirements of the Defend Trade Secrets Act, Executive understands that: (i) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if Executive files a lawsuit for retaliation by Bioventus for reporting a suspected violation of law, Executive may disclose trade secrets to Executive's attorney and use the trade secret information in the court proceeding if Executive: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

2. Noncompetition and Nonsolicitation Covenants.

a. Agreement Not to Compete. Except for Executive's direct and indirect ownership of Bioventus, for a period starting as of the date hereof and ending on such date which is eighteen (18) months after Executive's Termination Date (as defined in the Employment Agreement) or, in the event of a Change of Control Termination (as defined in the Employment Agreement), such date which is twenty-four (24) months after Executive's Termination Date (the "Restricted Period"), Executive shall not, directly or indirectly, own, invest in, lend money to, acquire or hold any interest in, render services to, act as agent for, or otherwise engage in any business, in the United States or in any other location in which Bioventus is then doing business, that is competitive with any business conducted by or under active consideration by Bioventus or its subsidiaries at any time during the period that the Executive is an employee, director or direct or indirect shareholder of Bioventus or any of its subsidiaries (the "Protected Business"), it being acknowledged by Executive that the Protected Business includes the design, sale, marketing, or distribution of Bioventus' and its subsidiaries' products and services. Ownership by Executive, as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 2(a).

b. Agreement Not to Solicit Employees. Executive represents and warrants that Executive has not, directly or indirectly, solicited for employment for any entity or person (other than for Bioventus) any current employee, consultant or other independent contractor of Bioventus. For the Restricted Period, Executive shall not, directly or indirectly, hire, engage, solicit or attempt to solicit any person who is then an employee, consultant or independent contractor of Bioventus or any subsidiary of Bioventus.

c. Agreement Not to Solicit Others. Executive represents and warrants that Executive has not, directly or indirectly, solicited any customer, supplier, distributor or other business contact referred to below for the purposes set forth below (other than on behalf of Bioventus). For the Restricted Period, Executive shall not, directly or indirectly, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, (x) solicit or attempt to solicit any person or entity who was a customer of Bioventus during the last twelve (12) months immediately preceding the date hereof or is a customer of Bioventus or any subsidiary of Bioventus during the Restricted Period, for the purposes of selling, marketing or distributing products or services similar to the products or services designed, sold, marketed or distributed by Bioventus or any of its subsidiaries, and (y) solicit, request, advise or induce any supplier, distributor or other business contact of Bioventus or any subsidiary to cancel, curtail or otherwise adversely change its relationship with Bioventus or its subsidiaries as it relates, directly or indirectly, to the Protected Business.

d. Acknowledgment. Executive hereby acknowledges that the provisions of this Section 2 are reasonable and necessary to protect the legitimate interests of Bioventus and that any violation of this Section 2 by Executive may cause substantial and irreparable harm to Bioventus to such an extent that monetary damages alone would be an inadequate remedy therefor.

e. Assistance is Prohibited. Executive further agrees that Executive will not, directly or indirectly, assist or encourage any other person in carrying out, directly or indirectly, any activity that would be prohibited by the above provisions of this Section 2 if such activity were carried out by Executive, directly or indirectly, or induce any employee, or former employee of Bioventus to carry out, directly or indirectly, any such activity.

f. Blue Pencil Doctrine. If the duration of, the scope of or any business activity covered by any provision of this Section 2 is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 2 shall be given the construction which renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

3. Non-Disparagement. The Executive agrees not to disparage Bioventus, any of its products, services, or practices, or any of its directors, officers, agents, representatives, partners, members, equity holders, or affiliates, either orally or in writing, at any time; provided, that the Executive may confer in confidence with the Executive's legal representatives and make truthful statements as required by law.

4. Ownership of Inventions.

a. Inventions. Subject to the limitations in Section 4(c) below, Bioventus will own all rights, title and interest in and to (i) any invention, innovation, manufacturing process, trade secret, design, idea or improvement related, directly or indirectly, to Bioventus' business, or any part thereof, and (ii) all copyrights, patents, trademarks and trade names which Executive develops or creates, in whole or in part in the course of Executive's employment or engagement with Bioventus (referred to as "Inventions"). Subject to the limitations in Section 4(c) below, Executive will, and hereby does, assign to Bioventus, without requirement of further writing and without royalty or any other further consideration, my entire right, title and interest throughout the world in and to all Inventions created, conceived, made, developed, and/or reduced to practice by Executive in the course of Executive's employment or engagement with Bioventus and all intellectual property rights therein. Executive will promptly tell Bioventus about and give Bioventus all information relating to any such Inventions. Executive acknowledges that all original works of authorship which are made by Executive (solely or jointly with others) within the scope of Executive's employment or engagement with Bioventus and which are eligible for copyright protection are "works made for hire" as that term is defined in the United States Copyright Act (17 U.S.C., Section 101). Executive hereby waives, and agrees to waive, any moral rights Executive may have in any copyrightable work Executive creates or has created on behalf of Bioventus. Executive will make and maintain adequate and current written records of all Inventions covered by this Section 4(a). These records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, notebooks and any other format. These records shall be and remain the property of Bioventus at all times and shall be made available to Bioventus at all times.

b. Cooperation. Executive will cooperate with Bioventus in obtaining, maintaining and enforcing copyright, patent, trademark or other relevant protections for Inventions covered by Section 4(a), including executing such documents as Bioventus may request as necessary for such protection.

c. Executive Inventions. Executive acknowledges that Bioventus will not own, and the assignment of Inventions set forth in Section 4(a) above does not apply to, Inventions for which no equipment, supplies, facility, or trade secret information of Bioventus were used and which was developed entirely on Executive's own time ("Executive Inventions"), unless (i) the Invention relates (a) to Bioventus' business or (b) to Bioventus' actual or demonstrably anticipated research or development, or (ii) the Invention results from any work performed by Executive for Bioventus. If Executive believes an Invention qualifies as an Executive Invention, Executive will provide Bioventus at the time of creation written evidence to substantiate such belief. If Executive incorporates any Executive Inventions or portions thereof into any Inventions created or developed for Bioventus, Executive hereby grants Bioventus a perpetual, irrevocable, royalty-free, transferable license to copy, modify, prepare derivative works of, use, perform, and display such Executive Invention solely in connection with the Invention.

5. Enforcement. Executive hereby specifically acknowledges and agrees that the scope of the restrictions set forth in this Agreement is reasonable and necessary to ensure that Bioventus receives the value of the Employment Agreement and that violation of this Agreement will harm Bioventus to such an extent that monetary damages alone would be an inadequate remedy. Therefore, in the event of any violation by Executive or any Affiliate:

a. Bioventus (in addition to all other remedies Bioventus may have) shall be entitled to a temporary restraining order, injunction and other equitable relief (without posting any bond or other security) restraining the violator from committing or continuing such violation,

b. in the case of any violation of Section 2 hereof, as determined by a final judgment of court of competent jurisdiction, the duration of the non-compete period referred to therein shall be extended beyond its then-scheduled termination date for a period equal to the duration of the violation, and

c. in the event that Bioventus must enforce this Agreement pursuant to this Section 5, Bioventus shall be entitled to recover from Executive its reasonable costs associated therewith, including all reasonable attorneys' and court fees.

6. Use of Name. Neither Executive nor any Affiliate shall use the name "Bioventus," any variants thereof, or any confusingly similar name, in any business (other than Bioventus) in which any of them is associated as shareholder, investor, lender, partner, co-venturer, co-marketer, sole proprietor, director, officer, employee, agent, consultant, independent contractor or in any other capacity.

7. No Violation of Other Agreements. Executive hereby represents and agrees that neither (a) Executive's entering into this Agreement nor (b) Executive's carrying out the provisions of this Agreement, will violate any other agreement (oral, written or other) to which Executive is a party or by which Executive is bound.

8. At-Will Employment; No Contract of Employment. Nothing herein shall be deemed to create a contract of employment for any term. Executive acknowledges and agrees that Executive's employment with Bioventus is and shall remain at all times at will, unless otherwise specified by the Employment Agreement.

9. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Executive, Bioventus and their respective heirs, personal representatives, successors and assigns (including without limitation any assignee of substantially all of the assets of Bioventus); provided, however, that this Agreement may not be assigned by Executive.

10. Complete Agreement. This Agreement contains the complete agreement between the parties hereto with respect to the matters covered herein, and supersedes all prior agreements and understandings between the parties hereto with respect to such matters. This Agreement may be amended, terminated or superseded only by an agreement in writing executed by both parties hereto.

11. Partial Invalidity. If any covenant or other provision of this Agreement is deemed invalid, illegal or incapable of being enforced by reason of any rule of law or of any public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision unless so expressed herein.

12. No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

13. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original but both of which shall constitute but one instrument.

14. Headings. The headings contained in this Agreement are for reference purposes only and shall not be deemed to be a part of this Agreement or to affect the meaning or interpretation of this Agreement.

15. Notices. All notices, requests, demands and other communications provided for in this Agreement shall be in writing delivered personally or sent by registered or certified mail, postage prepaid, as follows:

If to Bioventus:	Bioventus, Inc. 4721 Emperor Blvd., Suite 100 Durham, NC 27703 Attn: Leigh Ann Stradford
with a copy to:	Latham & Watkins, LLP 885 Third Avenue New York, NY 10022 Attn: Rifka Singer
If to Executive:	To the address in Bioventus' records
with a copy to:	_____ _____ _____

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without giving effect to any choice or conflict of law provision or rule, whether of the State of North Carolina or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of North Carolina.

17. Action of Affiliates. Executive shall cause his Affiliates not to take any action that is prohibited to be taken by such Affiliates under the terms of this Agreement.

[Signature Pages Follow]

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

BIOVENTUS INC.

By: /s/ Leigh Ann Stradford
Name: Leigh Ann Stradford
Its: SVP & Chief Human Resources Officer

BIOVENTUS LLC

By: /s/ Leigh Ann Stradford
Name: Leigh Ann Stradford
Its: SVP & Chief Human Resources Officer

EXECUTIVE

/s/ Kenneth Reali
Kenneth Reali



Bioventus
4721 Emperor Blvd., Suite 100
Durham, NC 27703
USA

1-919-474-6700
1-800-396-4325
www.BioventusGlobal.com

February 8, 2021

Gregory Anglum
6833 Palaver Lane
Cary, NC 27519

Re: Employment Agreement

Dear Greg,

This Employment Letter Agreement (this "**Agreement**") is entered into by and between you, Bioventus Inc. (the "**Corporation**") and Bioventus LLC (the "**Partnership**") and, together with the Corporation and any of the affiliates of the Corporation or the Partnership as may employ you from time to time, "**Bioventus**"). This Agreement is an amendment and restatement of the certain Employment Offer letter dated as of

August 2, 2017 by and between you and the Partnership, pursuant to which you are employed as the

Chief Financial Officer of the Partnership (the "**Prior Agreement**") and supersedes the Prior Agreement in its entirety, effective as of the date of the consummation of the initial public offering of the Corporation's common stock (the "**Effective Date**").

1. Employment and Duties

Effective as of the Effective Date, you will be employed in the role of **Chief Financial Officer** of the Corporation and the Partnership and you shall perform the duties of this role as are customary and as may be required by Bioventus from time to time. You will continue reporting to the Chief Executive Officer and you will be based at the headquarters of Bioventus currently located in Durham, NC.

You shall continue to have such duties and responsibilities, commensurate with your position, as may be reasonably assigned to you from time to time by me or the Board of Directors of the Corporation (the "**Board**"), or which are in accordance with the delegations of authority set out by the Board.

During your employment with Bioventus, you will devote your full-time best efforts and business time and attention to the business of Bioventus.

2. At-Will Employment Relationship

You may terminate your employment with Bioventus at any time and for any reason whatsoever simply by providing Bioventus with thirty (30) days' advance written notice. Likewise, Bioventus may terminate your employment at any time, with or without Cause, and with or without advance notice, subject to the severance obligations set forth in Section 6. Your employment at-will status can only be modified in a written agreement approved by Bioventus and signed by you and a duly authorized member of Bioventus.

3. Base Salary and Employee Benefits

Your base salary will be paid at the annual rate of **\$430,000** (the "**Annual Base Salary**") less payroll deductions and withholdings. You will be paid your Annual Base Salary on a bi-weekly basis, on Bioventus' normal payroll schedule. You will be reimbursed for expenses that are normal and customary for your role and follow applicable Bioventus policies. As an exempt salaried employee, you will be required to work Bioventus' normal business hours, and such additional time as appropriate for your work assignments and position. You will not be eligible for overtime premiums.

You will be eligible to participate in Bioventus' equity incentive plans, and the health and welfare, group insurance, retirement and other employee benefit plans, programs and arrangements (pursuant to the terms and conditions of the benefit plans and applicable policies) as are made generally available from time to time to executives of Bioventus. Additionally, on or about the Effective Date, you will receive an equity award under the Bioventus 2021 Equity Incentive Plan in a form and amount to be determined by the Board in its sole discretion.

You will continue to be eligible for **twenty-five** days of vacation per year.

4. Annual Performance Bonus and Merit Planning

You will continue to be eligible to participate in the Bioventus Global Annual Incentive Plan or any sub-plan thereof or any other bonus program as determined by Bioventus from time to time (the “**Annual Incentive Plan**”) at an annual target of fifty percent (50%) of your Annual Base Salary (your “**Annual Bonus**”). The Annual Incentive Plan may include components of your personal performance as well as Bioventus’ business objectives. The terms and conditions of your Annual Incentive Plan will be set forth in the Annual Incentive Plan documents.

Your performance will be reviewed on a yearly basis by the Chief Executive Officer. At that time, your salary will be reviewed along with your performance to determine any adjustment to your Annual Base Salary.

5. Certain Definitions

For purposes of this Agreement, the following definitions will apply:

- a. **Definition of Change in Control.** “**Change in Control**” shall have the meaning provided in the Bioventus 2021 Equity Incentive Plan as of the Effective Date; provided that such Change in Control also constitutes a “change in control event,” as defined in Treasury Regulation Section 1.409A-3(i)(5).
- b. **Definition of Cause.** “**Cause**” for Bioventus to terminate your employment shall exist if any of the following occurs: (A) your being convicted (including a guilty plea or plea of nolo contendere) of any felony or any other crime involving fraud, violence or dishonesty; (B) your commission of or participation in a fraud or act of dishonesty or misrepresentation against Bioventus; (C) your material violation of any written and fully executed contract or agreement between you and Bioventus, including without limitation, breach of your Restrictive Covenant Agreement (as defined below); (D) your gross negligence or willful misconduct; (E) your continued and substantial failure to perform your duties to Bioventus set forth herein at a level commensurate with your position; or (F) your violation of any material policies, practices, or procedures of Bioventus.
- c. **Definition of Good Reason.** “**Good Reason**” for you to terminate your employment shall mean the occurrence of any one of the following events without either (x) your express prior written consent or (y) full cure within 30 days after you give written notice to Bioventus: (i) material diminution in duties or responsibilities; (ii) a material reduction in your salary, except for across-the-board salary reductions similarly affecting all senior executive officers of Bioventus; (iii) the relocation of your principal office, or principal place of employment, to a location more than fifty (50) miles from the location of your principal office or principal place of business as of the Effective Date; or (iv) a failure to pay you earned compensation; provided however, that no event shall constitute grounds for a Good Reason termination unless you provide written notice to Bioventus of the event or condition purported to constitute Good Reason within 90 days of the initial existence of such event or condition and you terminate your employment within 60 days after such notice is provided.

6. Severance Benefits

- a. If, at any time, Bioventus terminates your employment without Cause (other than as a result of your death or disability) or you terminate your employment for Good Reason, then, subject to Section 6(c) and Section 7, you shall receive the following severance benefits (the “**Severance Benefits**”): (i) twelve (12) months (of your Annual Base Salary in effect on the effective date of termination (the “**Termination Date**”), less applicable taxes and withholdings, payable in equal installments over the twelve (12) month period immediately following the Termination Date (the “**Severance Period**”) in accordance with Bioventus’ regular payroll practices in effect as of the Termination Date; (ii) one hundred percent (100%) of your target Annual Bonus, less applicable taxes and withholdings, payable in equal installments over the Severance Period in accordance with Bioventus’ regular payroll practices in effect as of the Termination Date; (iii) if you timely elect continued coverage under federal COBRA laws or comparable state insurance laws (“**COBRA**”), then Bioventus shall pay the COBRA premiums necessary to continue your medical and dental insurance coverage in effect for yourself and your eligible dependents during the Severance Period (provided that such COBRA reimbursement shall terminate on such earlier date as you are no longer eligible for COBRA coverage or you become eligible for group health insurance benefits through a new employer).
- b. If, during the two-year period immediately following a Change in Control, Bioventus terminates your employment without Cause (other than as a result of your death or disability) or you terminate your employment for Good Reason, then, subject to Section 6(c) and Section 7, you shall receive the following severance benefits (the “**CIC Severance Benefits**”): (i) eighteen (18) months of your Annual Base Salary in effect on the Termination Date, less applicable taxes and withholdings, payable in a lump sum payment on the first payroll date on or following the 60th day after the Termination Date (the “**CIC Severance Payment Date**”); (ii) one hundred fifty percent (150%) of your target Annual Bonus, less applicable taxes and withholdings, payable in a lump sum on the CIC Severance Payment Date; (iii) a lump sum payment equal to eighteen (18) months of COBRA premium payments (determined as of the Termination Date) for your medical and dental insurance coverage in effect for yourself and your eligible dependents as of the Termination Date, less applicable taxes and withholding, payable on the CIC Severance Payment Date; and (iv) full acceleration of all of your outstanding equity awards as of the Termination Date.
- c. Your receipt of the Severance Benefits or CIC Severance Benefits, as applicable, is conditional upon (a) your continuing to comply with your obligations under your Restrictive Covenant Agreement; and (b) your executing and delivering an effective, general release of all known and unknown claims in favor of Bioventus, in Bioventus’ customary form (a “**Release**”) within 45 days following the Termination Date (and not revoking the Release).
- d. The provisions of this Agreement shall supersede in their entirety any severance payment or benefit obligations to you pursuant to the provisions in any severance plan, policy, program or other arrangement maintained by Bioventus.

7. Section 409A

- a. General. The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations thereunder (collectively, “**Section 409A**”). Notwithstanding any provision of this Agreement to the contrary, in the event that Bioventus determines that any amounts payable hereunder will be immediately taxable to you under Section 409A, Bioventus reserves the right (without any obligation to do so or to indemnify you for failure to do so) to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that Bioventus determines to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for Bioventus and/or (ii) take such other actions as Bioventus determines to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from you or any other individual to Bioventus or any of its Affiliates, employees or agents.

- b. Separation from Service under Section 409A. Notwithstanding any provision to the contrary in this Agreement: (i) no Severance Benefits or CIC Severance Benefits shall be payable unless the termination of your employment constitutes a “separation from service” within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) for purposes of Section 409A, your right to receive Severance Benefits in installment payments, if any, shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes “deferred compensation” under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year. Notwithstanding any provision to the contrary in this Agreement, if you are deemed at the time of your separation from service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the termination benefits to which you are entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of your termination benefits shall not be provided to you prior to the earlier of (x) the expiration of the six-month period measured from the date of your “separation from service” with Bioventus (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (y) the date of your death; upon the earlier of such dates, all payments deferred pursuant to this sentence shall be paid in a lump sum to you, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.
- c. Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments of “nonqualified deferred compensation” (within the meaning of Section 409A) due under this Agreement as a result of your termination of employment are subject to your execution and delivery of a Release, (i) the Release shall be reasonable and drafted in good faith, (ii) Bioventus shall deliver the Release to you within ten (10) business days following the Termination Date, and Bioventus’ failure to deliver a Release prior to the expiration of such ten (10) business day period shall constitute a waiver of any requirement to execute a Release, (iii) if you fail to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes his acceptance of the Release thereafter, you shall not be entitled to any payments or benefits otherwise conditioned on the Release, and (iv) in any case where the Termination Date and the Release Expiration Date fall in two separate taxable years, any payments required to be made to you that are conditioned on the Release and are treated as nonqualified deferred compensation for purposes of Section 409A shall be made in the later taxable year. For purposes of this paragraph, “**Release Expiration Date**” shall mean the date that is twenty-one (21) days following the date upon which Bioventus timely delivers the Release to you, or, in the event that your termination of employment is “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of your termination of employment are delayed pursuant to this paragraph, such amounts shall be paid in a lump sum on the first payroll date following the date that you execute and do not revoke the Release (and the applicable revocation period has expired) or, in the case of any payments subject to clause (iv) of this paragraph, on the first payroll period to occur in the subsequent taxable year, if later.

8. Compliance with Restrictive Covenant Agreement and Bioventus Policies

You acknowledge that you are, concurrently with the execution of this Agreement, entering into an agreement with Bioventus containing confidentiality, non-solicitation, non-competition, intellectual property assignment, and other protective covenants (the “**Restrictive Covenant Agreement**” attached hereto as **Exhibit A**) and that you shall be bound by the terms and conditions of the Restrictive Covenant Agreement. In addition, you agree that you will abide by Bioventus’ Code of Conduct and Bioventus’ policies, as may be changed from time to time at Bioventus’ sole discretion.

9. Outside Activities

Throughout your employment with Bioventus, you may engage in civic and not-for-profit activities so long as such activities do not interfere with the performance of your duties hereunder or violate Bioventus’ Conflict of Interest Policy. Specifically, under this provision you may, subject to review and approval by the Board in its sole discretion, serve on boards of directors of not-for-profit entities and/or other boards.

10. Assignment

This Agreement may be assigned by Bioventus to a person or entity which is an affiliate or a successor in interest to substantially all of the business operations of Bioventus. Upon such assignment, the rights and obligations of Bioventus hereunder shall become the rights and obligations of such affiliate or successor person. You may not assign your rights or obligations to another entity or person.

11. Indemnification

You shall be entitled to indemnification to the maximum extent permitted by applicable law and Bioventus’ customary indemnification policies and procedures applicable to Bioventus’ officers and directors. At all times during your employment, Bioventus shall maintain in effect a directors and officers liability insurance policy with you as a covered officer. Bioventus shall further provide and pay for the defense of any action, arbitration or mediation (collectively, an “**Action**”) relative to the lawful performance of your duties or in connection with your employment at Bioventus and the existence of such Action or defense shall not provide grounds for termination of your employment.

12. Whistleblower Protection and Trade Secrets

Notwithstanding anything to the contrary contained herein, nothing in this Agreement prohibits you from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (a) you shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (i) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (b) if you file a lawsuit for retaliation by Bioventus for reporting a suspected violation of law, you may disclose the trade secret to your attorney, and may use the trade secret information in the court proceeding, if you file any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

13. Section 280G Parachute Payments

Notwithstanding any other provision in this Agreement to the contrary, in the event that any payment or benefit received or to be received by you, pursuant to this Agreement or otherwise, in connection with a Change in Control or otherwise would be considered an “excess parachute payment” within the meaning of Section 280G of the Code and the regulations thereunder, then such payments and benefits will either be (i) delivered in full or (ii) reduced by the minimum amount necessary so that all of the remaining payments and benefits will not be subject to the excise tax imposed by Section 4999 of the Code, whichever of the foregoing (i) or (ii) results in the greater net after-tax value of payment and benefits to you. All determinations regarding the application of this paragraph shall be made by an accounting firm or consulting group with experience in performing calculations regarding the applicability of Sections 280G and 4999 of the Code selected by Bioventus, and all associated costs will be borne by Bioventus.

14. Compensation Recovery Policy

You acknowledge and agree that, to the extent Bioventus adopts any clawback or similar policy pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, and any rules and regulations promulgated thereunder, you will take all action necessary or appropriate to comply with such a clawback policy (including, without limitation, entering into any further agreements, amendments or policies necessary or appropriate to implement and/or enforce such policy).

15. Miscellaneous

This Agreement, together with your Restrictive Covenant Agreement and all applicable equity award agreements, forms the complete and exclusive statement of your employment agreement with Bioventus. Changes in your employment terms, other than those changes expressly reserved to Bioventus’ discretion in this Agreement, require a written modification approved by Bioventus. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and Bioventus, and inure to the benefit of both you and Bioventus, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina without regard to conflicts of law principles. The parties hereby irrevocably submit to the jurisdiction of the state and federal courts of North Carolina located in or about Raleigh and waive any claim or defense of inconvenient or improper forum or lack of personal jurisdiction under any applicable law or decision. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement, or rights hereunder, shall be in writing and shall not be deemed to be a waiver of any successive breach or rights hereunder. This Agreement may be executed in counterparts which shall be deemed to be part of one original, and facsimile or pdf signatures shall be equivalent to original signatures.

[Signature pages follow]

THE PARTIES ACKNOWLEDGE BY SIGNING BELOW THAT THEY HAVE READ AND UNDERSTAND THE ABOVE AND INTEND TO BE BOUND THEREBY:

EMPLOYEE

/s/ Gregory Anglum

Name: Gregory Anglum
Date: 2/9/2021

BIOVENTUS INC.

/s/ Kenneth Reali

Name: Kenneth Reali
Its: Chief Executive Officer

BIOVENTUS LLC

/s/ Kenneth Reali

Name: Kenneth Reali
Its: Chief Executive Officer

EXHIBIT A

RESTRICTIVE COVENANT AGREEMENT

THIS RESTRICTIVE COVENANTS AGREEMENT (“Agreement”), dated as of the 8th day of February, 2021, is made between Bioventus Inc. (the “Corporation”), Bioventus LLC, a Delaware limited liability company (the “Partnership” and, together with the Corporation and any subsidiaries, parent companies or affiliates of the Corporation or the Partnership, “Bioventus”), and Gregory Anglum (the “Executive”), a resident of the State of North Carolina.

RECITALS

- A. Bioventus and the Executive have entered into that certain Employment Offer Letter dated the date hereof (the “Employment Agreement”).
- B. The Executive possesses extensive knowledge and experience regarding the business of Bioventus and shall benefit from the Employment Agreement.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, which includes Bioventus’ agreement to employ or continue to employ Executive under the Employment Agreement and all payments and benefits available to Executive under the Employment Agreement, and in specific consideration for Bioventus’ agreement to provide the bonus payments set forth in the Employment Agreement, which Executive acknowledges and agrees is valid and sufficient consideration for the following covenants in this Agreement, the parties hereto agree as follows:

1. Confidential Information; Non-Disclosure.

a. Non-Use and Non-Disclosure of Confidential Information. Executive acknowledges that Executive currently holds and has access to proprietary and confidential information of Bioventus and its subsidiaries. Executive hereby covenants and agrees that neither Executive nor any of Executive’s Affiliates (as hereinafter defined) will, at any time, divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of Bioventus or its subsidiaries, any confidential, proprietary or secret knowledge or information of Bioventus that Executive has acquired or shall acquire about Bioventus or its subsidiaries, whether developed by Executive or by others, including, without limitation, knowledge or information concerning (i) any trade secrets, (ii) any confidential, proprietary or secret designs, programs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of Bioventus or its subsidiaries, (iii) any customer or supplier lists, (iv) any confidential, proprietary or secret development or research work, (v) any strategic or other business, marketing or sales plans, (vi) any financial data or plans, or (vii) any other confidential or proprietary information or secret aspects of the business of Bioventus or its subsidiaries. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of Bioventus and its subsidiaries and represents a substantial investment of time and expense by Bioventus and its subsidiaries, and that any disclosure or other use of such knowledge or information other than for the sole benefit of Bioventus or its subsidiaries would be wrongful and may cause irreparable harm to Bioventus and its subsidiaries (“Confidential Information”). Executive shall take reasonable steps to protect the confidentiality of all Confidential Information. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a result of the breach of this Agreement, (ii) is independently made available to Executive in good faith by a third party who has not violated a confidential relationship with Bioventus or any of its subsidiaries, or (iii) is required to be disclosed by law or legal process. Executive understands and agrees that his obligations under this Agreement to maintain the confidentiality of Bioventus’ and its subsidiaries’ Confidential Information are in addition to any obligations of Executive under applicable statutory or common law. For purposes of this Agreement, “Affiliate” shall mean any person or entity directly or indirectly controlled by the Executive.

b. Company Property. As between Bioventus and Executive, all Confidential Information will remain the exclusive property of Bioventus, including, but not limited to, all financial, commercial, operational, technical or business information or data received, obtained, or prepared by Executive in connection with Executive's employment or engagement and concerning Bioventus' business, and all copies and abstracts thereof. Upon the termination of Executive's employment or engagement with Bioventus for any reason, Executive will not retain, take, remove, or copy any such property of Bioventus or any materials containing any Confidential Information whatsoever, and Executive will promptly return all such property and materials to Bioventus no later than Executive's termination date or earlier upon Bioventus' request.

c. Exceptions; Notice of Legal Obligation to Disclose. Nothing in this Agreement prohibits Executive from filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or otherwise cooperating with any governmental agency or from making other disclosures that are protected under the whistleblower provisions of applicable law or regulation. Further, nothing herein prevents Executive from disclosing Confidential Information if and to the extent required pursuant to any valid subpoena, court order, or other legal obligation; provided, however, Executive agrees to provide prompt written notice of any such subpoena, court order, or other legal obligation prior to disclosing any Confidential Information (unless such notice to Bioventus is prohibited by applicable law), enclosing a copy of the subpoena, court order or other documents describing the legal obligation. In the event that Bioventus objects to the disclosure of Confidential Information, by way of a motion to quash or otherwise, Executive agrees to not disclose any Confidential Information while any such objection is pending.

d. Defend Trade Secrets Act Disclaimer. In compliance with the requirements of the Defend Trade Secrets Act, Executive understands that: (i) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if Executive files a lawsuit for retaliation by Bioventus for reporting a suspected violation of law, Executive may disclose trade secrets to Executive's attorney and use the trade secret information in the court proceeding if Executive: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

2. Noncompetition and Nonsolicitation Covenants.

a. Agreement Not to Compete. Except for Executive's direct and indirect ownership of Bioventus, for a period starting as of the date hereof and ending on such date which is twelve (12) months after Executive's Termination Date (as defined in the Employment Agreement) or, in the event of a Change of Control Termination (as defined in the Employment Agreement), such date which is eighteen (18) months after Executive's Termination Date (the "Restricted Period"), Executive shall not, directly or indirectly, own, invest in, lend money to, acquire or hold any interest in, render services to, act as agent for, or otherwise engage in any business, in the United States or in any other location in which Bioventus is then doing business, that is competitive with any business conducted by or under active consideration by Bioventus or its subsidiaries at any time during the period that the Executive is an employee, director or direct or indirect shareholder of Bioventus or any of its subsidiaries (the "Protected Business"), it being acknowledged by Executive that the Protected Business includes the design, sale, marketing, or distribution of Bioventus' and its subsidiaries' products and services. Ownership by Executive, as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 2(a).

b. Agreement Not to Solicit Employees. Executive represents and warrants that Executive has not, directly or indirectly, solicited for employment for any entity or person (other than for Bioventus) any current employee, consultant or other independent contractor of Bioventus. For the Restricted Period, Executive shall not, directly or indirectly, hire, engage, solicit or attempt to solicit any person who is then an employee, consultant or independent contractor of Bioventus or any subsidiary of Bioventus.

c. Agreement Not to Solicit Others. Executive represents and warrants that Executive has not, directly or indirectly, solicited any customer, supplier, distributor or other business contact referred to below for the purposes set forth below (other than on behalf of Bioventus). For the Restricted Period, Executive shall not, directly or indirectly, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, (x) solicit or attempt to solicit any person or entity who was a customer of Bioventus during the last twelve (12) months immediately preceding the date hereof or is a customer of Bioventus or any subsidiary of Bioventus during the Restricted Period, for the purposes of selling, marketing or distributing products or services similar to the products or services designed, sold, marketed or distributed by Bioventus or any of its subsidiaries, and (y) solicit, request, advise or induce any supplier, distributor or other business contact of Bioventus or any subsidiary to cancel, curtail or otherwise adversely change its relationship with Bioventus or its subsidiaries as it relates, directly or indirectly, to the Protected Business.

d. Acknowledgment. Executive hereby acknowledges that the provisions of this Section 2 are reasonable and necessary to protect the legitimate interests of Bioventus and that any violation of this Section 2 by Executive may cause substantial and irreparable harm to Bioventus to such an extent that monetary damages alone would be an inadequate remedy therefor.

e. Assistance is Prohibited. Executive further agrees that Executive will not, directly or indirectly, assist or encourage any other person in carrying out, directly or indirectly, any activity that would be prohibited by the above provisions of this Section 2 if such activity were carried out by Executive, directly or indirectly, or induce any employee, or former employee of Bioventus to carry out, directly or indirectly, any such activity.

f. Blue Pencil Doctrine. If the duration of, the scope of or any business activity covered by any provision of this Section 2 is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 2 shall be given the construction which renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

3. Non-Disparagement. The Executive agrees not to disparage Bioventus, any of its products, services, or practices, or any of its directors, officers, agents, representatives, partners, members, equity holders, or affiliates, either orally or in writing, at any time; provided, that the Executive may confer in confidence with the Executive's legal representatives and make truthful statements as required by law.

4. Ownership of Inventions.

a. Inventions. Subject to the limitations in Section 4(c) below, Bioventus will own all rights, title and interest in and to (i) any invention, innovation, manufacturing process, trade secret, design, idea or improvement related, directly or indirectly, to Bioventus' business, or any part thereof, and (ii) all copyrights, patents, trademarks and trade names which Executive develops or creates, in whole or in part in the course of Executive's employment or engagement with Bioventus (referred to as "Inventions"). Subject to the limitations in Section 4(c) below, Executive will, and hereby does, assign to Bioventus, without requirement of further writing and without royalty or any other further consideration, my entire right, title and interest throughout the world in and to all Inventions created, conceived, made, developed, and/or reduced to practice by Executive in the course of Executive's employment or engagement with Bioventus and all intellectual property rights therein. Executive will promptly tell Bioventus about and give Bioventus all information relating to any such Inventions. Executive acknowledges that all original works of authorship which are made by Executive (solely or jointly with others) within the scope of Executive's employment or engagement with Bioventus and which are eligible for copyright protection are "works made for hire" as that term is defined in the United States Copyright Act (17 U.S.C., Section 101). Executive hereby waives, and agrees to waive, any moral rights Executive may have in any copyrightable work Executive creates or has created on behalf of Bioventus. Executive will make and maintain adequate and current written records of all Inventions covered by this Section 4(a). These records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, notebooks and any other format. These records shall be and remain the property of Bioventus at all times and shall be made available to Bioventus at all times.

b. Cooperation. Executive will cooperate with Bioventus in obtaining, maintaining and enforcing copyright, patent, trademark or other relevant protections for Inventions covered by Section 4(a), including executing such documents as Bioventus may request as necessary for such protection.

c. Executive Inventions. Executive acknowledges that Bioventus will not own, and the assignment of Inventions set forth in Section 4(a) above does not apply to, Inventions for which no equipment, supplies, facility, or trade secret information of Bioventus were used and which was developed entirely on Executive's own time ("Executive Inventions"), unless (i) the Invention relates (a) to Bioventus' business or (b) to Bioventus' actual or demonstrably anticipated research or development, or (ii) the Invention results from any work performed by Executive for Bioventus. If Executive believes an Invention qualifies as an Executive Invention, Executive will provide Bioventus at the time of creation written evidence to substantiate such belief. If Executive incorporates any Executive Inventions or portions thereof into any Inventions created or developed for Bioventus, Executive hereby grants Bioventus a perpetual, irrevocable, royalty-free, transferable license to copy, modify, prepare derivative works of, use, perform, and display such Executive Invention solely in connection with the Invention.

5. Enforcement. Executive hereby specifically acknowledges and agrees that the scope of the restrictions set forth in this Agreement is reasonable and necessary to ensure that Bioventus receives the value of the Employment Agreement and that violation of this Agreement will harm Bioventus to such an extent that monetary damages alone would be an inadequate remedy. Therefore, in the event of any violation by Executive or any Affiliate:

a. Bioventus (in addition to all other remedies Bioventus may have) shall be entitled to a temporary restraining order, injunction and other equitable relief (without posting any bond or other security) restraining the violator from committing or continuing such violation,

b. in the case of any violation of Section 2 hereof, as determined by a final judgment of court of competent jurisdiction, the duration of the non-compete period referred to therein shall be extended beyond its then-scheduled termination date for a period equal to the duration of the violation, and

c. in the event that Bioventus must enforce this Agreement pursuant to this Section 5, Bioventus shall be entitled to recover from Executive its reasonable costs associated therewith, including all reasonable attorneys' and court fees.

6. Use of Name. Neither Executive nor any Affiliate shall use the name "Bioventus," any variants thereof, or any confusingly similar name, in any business (other than Bioventus) in which any of them is associated as shareholder, investor, lender, partner, co-venturer, co-marketer, sole proprietor, director, officer, employee, agent, consultant, independent contractor or in any other capacity.

7. No Violation of Other Agreements. Executive hereby represents and agrees that neither (a) Executive's entering into this Agreement nor (b) Executive's carrying out the provisions of this Agreement, will violate any other agreement (oral, written or other) to which Executive is a party or by which Executive is bound.

8. At-Will Employment; No Contract of Employment. Nothing herein shall be deemed to create a contract of employment for any term. Executive acknowledges and agrees that Executive's employment with Bioventus is and shall remain at all times at will, unless otherwise specified by the Employment Agreement.

9. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Executive, Bioventus and their respective heirs, personal representatives, successors and assigns (including without limitation any assignee of substantially all of the assets of Bioventus); provided, however, that this Agreement may not be assigned by Executive.

10. Complete Agreement. This Agreement contains the complete agreement between the parties hereto with respect to the matters covered herein, and supersedes all prior agreements and understandings between the parties hereto with respect to such matters. This Agreement may be amended, terminated or superseded only by an agreement in writing executed by both parties hereto.

11. Partial Invalidity. If any covenant or other provision of this Agreement is deemed invalid, illegal or incapable of being enforced by reason of any rule of law or of any public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision unless so expressed herein.

12. No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

13. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original but both of which shall constitute but one instrument.

14. Headings. The headings contained in this Agreement are for reference purposes only and shall not be deemed to be a part of this Agreement or to affect the meaning or interpretation of this Agreement.

15. Notices. All notices, requests, demands and other communications provided for in this Agreement shall be in writing delivered personally or sent by registered or certified mail, postage prepaid, as follows:

If to Bioventus:	Bioventus, Inc. 4721 Emperor Blvd., Suite 100 Durham, NC 27703 Attn: Leigh Ann Stradford
with a copy to:	Latham & Watkins, LLP 885 Third Avenue New York, NY 10022 Attn: Rifka Singer
If to Executive:	To the address in Bioventus' records
with a copy to:	<u>Bioventus, Inc.</u> <u>4721 Emperor Blvd, Suite 100</u> <u>Durham, NC 27703</u>

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without giving effect to any choice or conflict of law provision or rule, whether of the State of North Carolina or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of North Carolina.

17. Action of Affiliates. Executive shall cause his Affiliates not to take any action that is prohibited to be taken by such Affiliates under the terms of this Agreement.

[Signature Pages Follow]

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

BIOVENTUS INC.

By: /s/ Leigh Ann Stradford
Name: Leigh Ann Stradford
Its: SVP & Chief Human Resources Officer

BIOVENTUS LLC

By: /s/ Leigh Ann Stradford
Name: Leigh Ann Stradford
Its: SVP & Chief Human Resources Officer

EXECUTIVE

/s/ Gregory Anglum
Gregory Anglum



Bioventus
4721 Emperor Blvd., Suite 100
Durham, NC 27703
USA

1-919-474-6700
1-800-396-4325
www.BioventusGlobal.com

February 9, 2021

John Nosenzo

Re: Employment Agreement

Dear John,

This Employment Letter Agreement (this "**Agreement**") is entered into by and between you, Bioventus Inc. (the "**Corporation**") and Bioventus LLC (the "**Partnership**") and, together with the Corporation and any of the affiliates of the Corporation or the Partnership as may employ you from time to time, "**Bioventus**"). This Agreement is an amendment and restatement of the certain Employment Offer letter dated as of November 18, 2016 by and between you and the Partnership, pursuant to which you are employed as the **Chief Commercial Officer** of the Partnership (the "**Prior Agreement**") and supersedes the Prior Agreement in its entirety, effective as of the date of the consummation of the initial public offering of the Corporation's common stock (the "**Effective Date**").

1. Employment and Duties

Effective as of the Effective Date, you will be employed in the role of **Chief Commercial Officer** of the Corporation and the Partnership and you shall perform the duties of this role as are customary and as may be required by Bioventus from time to time. You will continue reporting to the Chief Executive Officer and you will be based at the headquarters of Bioventus currently located in Durham, NC.

You shall continue to have such duties and responsibilities, commensurate with your position, as may be reasonably assigned to you from time to time by me or the Board of Directors of the Corporation (the "**Board**"), or which are in accordance with the delegations of authority set out by the Board.

During your employment with Bioventus, you will devote your full-time best efforts and business time and attention to the business of Bioventus.

2. At-Will Employment Relationship

You may terminate your employment with Bioventus at any time and for any reason whatsoever simply by providing Bioventus with thirty (30) days' advance written notice. Likewise, Bioventus may terminate your employment at any time, with or without Cause, and with or without advance notice, subject to the severance obligations set forth in Section 6. Your employment at-will status can only be modified in a written agreement approved by Bioventus and signed by you and a duly authorized member of Bioventus.

3. Base Salary and Employee Benefits

Your base salary will be paid at the annual rate of **\$518,450.63** (the "**Annual Base Salary**") less payroll deductions and withholdings. You will be paid your Annual Base Salary on a bi-weekly basis, on Bioventus' normal payroll schedule. You will be reimbursed for expenses that are normal and customary for your role and follow applicable Bioventus policies. As an exempt salaried employee, you will be required to work Bioventus' normal business hours, and such additional time as appropriate for your work assignments and position. You will not be eligible for overtime premiums.

You will be eligible to participate in Bioventus' equity incentive plans, and the health and welfare, group insurance, retirement and other employee benefit plans, programs and arrangements (pursuant to the terms and conditions of the benefit plans and applicable policies) as are made generally available from time to time to executives of Bioventus. Additionally, on or about the Effective Date, you will receive an equity award under the Bioventus 2021 Equity Incentive Plan in a form and amount to be determined by the Board in its sole discretion.

You will continue to be eligible for **twenty-five** days of vacation per year.

4. Annual Performance Bonus and Merit Planning

You will continue to be eligible to participate in the Bioventus Global Annual Incentive Plan or any sub-plan thereof or any other bonus program as determined by Bioventus from time to time (the “**Annual Incentive Plan**”) at an annual target of seventy-five percent (75%) of your Annual Base Salary (your “**Annual Bonus**”). The Annual Incentive Plan may include components of your personal performance as well as Bioventus’ business objectives. The terms and conditions of your Annual Incentive Plan will be set forth in the Annual Incentive Plan documents.

Your performance will be reviewed on a yearly basis by the Chief Executive Officer. At that time, your salary will be reviewed along with your performance to determine any adjustment to your Annual Base Salary.

5. Certain Definitions

For purposes of this Agreement, the following definitions will apply:

- a. **Definition of Change in Control.** “**Change in Control**” shall have the meaning provided in the Bioventus 2021 Equity Incentive Plan as of the Effective Date; provided that such Change in Control also constitutes a “change in control event,” as defined in Treasury Regulation Section 1.409A-3(i)(5).
- b. **Definition of Cause.** “**Cause**” for Bioventus to terminate your employment shall exist if any of the following occurs: (A) your being convicted (including a guilty plea or plea of nolo contendere) of any felony or any other crime involving fraud, violence or dishonesty; (B) your commission of or participation in a fraud or act of dishonesty or misrepresentation against Bioventus; (C) your material violation of any written and fully executed contract or agreement between you and Bioventus, including without limitation, breach of your Restrictive Covenant Agreement (as defined below); (D) your gross negligence or willful misconduct; (E) your continued and substantial failure to perform your duties to Bioventus set forth herein at a level commensurate with your position; or (F) your violation of any material policies, practices, or procedures of Bioventus.
- c. **Definition of Good Reason.** “**Good Reason**” for you to terminate your employment shall mean the occurrence of any one of the following events without either (x) your express prior written consent or (y) full cure within 30 days after you give written notice to Bioventus: (i) material diminution in duties or responsibilities; (ii) a material reduction in your salary, except for across-the-board salary reductions similarly affecting all senior executive officers of Bioventus; (iii) the relocation of your principal office, or principal place of employment, to a location more than fifty (50) miles from the location of your principal office or principal place of business as of the Effective Date; or (iv) a failure to pay you earned compensation; provided however, that no event shall constitute grounds for a Good Reason termination unless you provide written notice to Bioventus of the event or condition purported to constitute Good Reason within 90 days of the initial existence of such event or condition and you terminate your employment within 60 days after such notice is provided.

6. Severance Benefits

- a. If, at any time, Bioventus terminates your employment without Cause (other than as a result of your death or disability) or you terminate your employment for Good Reason, then, subject to Section 6(c) and Section 7, you shall receive the following severance benefits (the “**Severance Benefits**”): (i) twelve (12) months (of your Annual Base Salary in effect on the effective date of termination (the “**Termination Date**”), less applicable taxes and withholdings, payable in equal installments over the twelve (12) month period immediately following the Termination Date (the “**Severance Period**”) in accordance with Bioventus’ regular payroll practices in effect as of the Termination Date; (ii) one hundred percent (100%) of your target Annual Bonus, less applicable taxes and withholdings, payable in equal installments over the Severance Period in accordance with Bioventus’ regular payroll practices in effect as of the Termination Date; (iii) if you timely elect continued coverage under federal COBRA laws or comparable state insurance laws (“**COBRA**”), then Bioventus shall pay the COBRA premiums necessary to continue your medical and dental insurance coverage in effect for yourself and your eligible dependents during the Severance Period (provided that such COBRA reimbursement shall terminate on such earlier date as you are no longer eligible for COBRA coverage or you become eligible for group health insurance benefits through a new employer).
- b. If, during the two-year period immediately following a Change in Control, Bioventus terminates your employment without Cause (other than as a result of your death or disability) or you terminate your employment for Good Reason, then, subject to Section 6(c) and Section 7, you shall receive the following severance benefits (the “**CIC Severance Benefits**”): (i) eighteen (18) months of your Annual Base Salary in effect on the Termination Date, less applicable taxes and withholdings, payable in a lump sum payment on the first payroll date on or following the 60th day after the Termination Date (the “**CIC Severance Payment Date**”); (ii) one hundred fifty percent (150%) of your target Annual Bonus, less applicable taxes and withholdings, payable in a lump sum on the CIC Severance Payment Date; (iii) a lump sum payment equal to eighteen (18) months of COBRA premium payments (determined as of the Termination Date) for your medical and dental insurance coverage in effect for yourself and your eligible dependents as of the Termination Date, less applicable taxes and withholding, payable on the CIC Severance Payment Date; and (iv) full acceleration of all of your outstanding equity awards as of the Termination Date.
- c. Your receipt of the Severance Benefits or CIC Severance Benefits, as applicable, is conditional upon (a) your continuing to comply with your obligations under your Restrictive Covenant Agreement; and (b) your executing and delivering an effective, general release of all known and unknown claims in favor of Bioventus, in Bioventus’ customary form (a “**Release**”) within 45 days following the Termination Date (and not revoking the Release).
- d. The provisions of this Agreement shall supersede in their entirety any severance payment or benefit obligations to you pursuant to the provisions in any severance plan, policy, program or other arrangement maintained by Bioventus.

7. Section 409A

- a. General. The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations thereunder (collectively, “Section 409A”). Notwithstanding any provision of this Agreement to the contrary, in the event that Bioventus determines that any amounts payable hereunder will be immediately taxable to you under Section 409A, Bioventus reserves the right (without any obligation to do so or to indemnify you for failure to do so) to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that Bioventus determines to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for Bioventus and/or (ii) take such other actions as Bioventus determines to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from you or any other individual to Bioventus or any of its Affiliates, employees or agents.
- b. Separation from Service under Section 409A. Notwithstanding any provision to the contrary in this Agreement: (i) no Severance Benefits or CIC Severance Benefits shall be payable unless the termination of your employment constitutes a “separation from service” within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) for purposes of Section 409A, your right to receive Severance Benefits in installment payments, if any, shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes “deferred compensation” under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year. Notwithstanding any provision to the contrary in this Agreement, if you are deemed at the time of your separation from service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the termination benefits to which you are entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of your termination benefits shall not be provided to you prior to the earlier of (x) the expiration of the six-month period measured from the date of your “separation from service” with Bioventus (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (y) the date of your death; upon the earlier of such dates, all payments deferred pursuant to this sentence shall be paid in a lump sum to you, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.
- c. Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments of “nonqualified deferred compensation” (within the meaning of Section 409A) due under this Agreement as a result of your termination of employment are subject to your execution and delivery of a Release, (i) the Release shall be reasonable and drafted in good faith, (ii) Bioventus shall deliver the Release to you within ten (10) business days following the Termination Date, and Bioventus’ failure to deliver a Release prior to the expiration of such ten (10) business day period shall constitute a waiver of any requirement to execute a Release, (iii) if you fail to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes his acceptance of the Release thereafter, you shall not be entitled to any payments or benefits otherwise conditioned on the Release, and (iv) in any case where the Termination Date and the Release Expiration Date fall in two separate taxable years, any payments required to be made to you that are conditioned on the Release and are treated as nonqualified deferred compensation for purposes of Section 409A shall be made in the later taxable year. For purposes of this paragraph, “**Release Expiration Date**” shall mean the date that is twenty-one (21) days following the date upon which Bioventus timely delivers the Release to you, or, in the event that your termination of employment is “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of your termination of employment are delayed pursuant to this paragraph, such amounts shall be paid in a lump sum on the first payroll date following the date that you execute and do not revoke the Release (and the applicable revocation period has expired) or, in the case of any payments subject to clause (iv) of this paragraph, on the first payroll period to occur in the subsequent taxable year, if later.

8. Compliance with Restrictive Covenant Agreement and Bioventus Policies

You acknowledge that you are, concurrently with the execution of this Agreement, entering into an agreement with Bioventus containing confidentiality, non-solicitation, non-competition, intellectual property assignment, and other protective covenants (the “**Restrictive Covenant Agreement**” attached hereto as **Exhibit A**) and that you shall be bound by the terms and conditions of the Restrictive Covenant Agreement. In addition, you agree that you will abide by Bioventus’ Code of Conduct and Bioventus’ policies, as may be changed from time to time at Bioventus’ sole discretion.

9. Outside Activities

Throughout your employment with Bioventus, you may engage in civic and not-for-profit activities so long as such activities do not interfere with the performance of your duties hereunder or violate Bioventus’ Conflict of Interest Policy. Specifically, under this provision you may, subject to review and approval by the Board in its sole discretion, serve on boards of directors of not-for-profit entities and/or other boards.

10. Assignment

This Agreement may be assigned by Bioventus to a person or entity which is an affiliate or a successor in interest to substantially all of the business operations of Bioventus. Upon such assignment, the rights and obligations of Bioventus hereunder shall become the rights and obligations of such affiliate or successor person. You may not assign your rights or obligations to another entity or person.

11. Indemnification

You shall be entitled to indemnification to the maximum extent permitted by applicable law and Bioventus’ customary indemnification policies and procedures applicable to Bioventus’ officers and directors. At all times during your employment, Bioventus shall maintain in effect a directors and officers liability insurance policy with you as a covered officer. Bioventus shall further provide and pay for the defense of any action, arbitration or mediation (collectively, an “**Action**”) relative to the lawful performance of your duties or in connection with your employment at Bioventus and the existence of such Action or defense shall not provide grounds for termination of your employment.

12. Whistleblower Protection and Trade Secrets

Notwithstanding anything to the contrary contained herein, nothing in this Agreement prohibits you from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (a) you shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (i) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (b) if you file a lawsuit for retaliation by Bioventus for reporting a suspected violation of law, you may disclose the trade secret to your attorney, and may use the trade secret information in the court proceeding, if you file any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

13. Section 280G Parachute Payments

Notwithstanding any other provision in this Agreement to the contrary, in the event that any payment or benefit received or to be received by you, pursuant to this Agreement or otherwise, in connection with a Change in Control or otherwise would be considered an “excess parachute payment” within the meaning of Section 280G of the Code and the regulations thereunder, then such payments and benefits will either be (i) delivered in full or (ii) reduced by the minimum amount necessary so that all of the remaining payments and benefits will not be subject to the excise tax imposed by Section 4999 of the Code, whichever of the foregoing (i) or (ii) results in the greater net after-tax value of payment and benefits to you. All determinations regarding the application of this paragraph shall be made by an accounting firm or consulting group with experience in performing calculations regarding the applicability of Sections 280G and 4999 of the Code selected by Bioventus, and all associated costs will be borne by Bioventus.

14. Compensation Recovery Policy

You acknowledge and agree that, to the extent Bioventus adopts any clawback or similar policy pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, and any rules and regulations promulgated thereunder, you will take all action necessary or appropriate to comply with such a clawback policy (including, without limitation, entering into any further agreements, amendments or policies necessary or appropriate to implement and/or enforce such policy).

15. Miscellaneous

This Agreement, together with your Restrictive Covenant Agreement and all applicable equity award agreements, forms the complete and exclusive statement of your employment agreement with Bioventus. Changes in your employment terms, other than those changes expressly reserved to Bioventus' discretion in this Agreement, require a written modification approved by Bioventus. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and Bioventus, and inure to the benefit of both you and Bioventus, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina without regard to conflicts of law principles. The parties hereby irrevocably submit to the jurisdiction of the state and federal courts of North Carolina located in or about Raleigh and waive any claim or defense of inconvenient or improper forum or lack of personal jurisdiction under any applicable law or decision. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement, or rights hereunder, shall be in writing and shall not be deemed to be a waiver of any successive breach or rights hereunder. This Agreement may be executed in counterparts which shall be deemed to be part of one original, and facsimile or pdf signatures shall be equivalent to original signatures.

[Signature pages follow]

THE PARTIES ACKNOWLEDGE BY SIGNING BELOW THAT THEY HAVE READ AND UNDERSTAND THE ABOVE AND INTEND TO BE BOUND THEREBY:

EMPLOYEE

/s/ John Nosenzo

Name: John Nosenzo
Date: 2/9/2021

BIOVENTUS INC.

/s/ Kenneth Reali

Name: Kenneth Reali
Its: Chief Executive Officer

BIOVENTUS LLC

/s/ Kenneth Reali

Name: Kenneth Reali
Its: Chief Executive Officer

EXHIBIT A

RESTRICTIVE COVENANT AGREEMENT

THIS RESTRICTIVE COVENANTS AGREEMENT (“Agreement”), dated as of the 9th day of February, 2021, is made between Bioventus Inc. (the “Corporation”), Bioventus LLC, a Delaware limited liability company (the “Partnership” and, together with the Corporation and any subsidiaries, parent companies or affiliates of the Corporation or the Partnership, “Bioventus”), and John Nosenzo (the “Executive”), a resident of the State of New Jersey.

RECITALS

A. Bioventus and the Executive have entered into that certain Employment Offer Letter dated the date hereof (the “Employment Agreement”).

B. The Executive possesses extensive knowledge and experience regarding the business of Bioventus and shall benefit from the Employment Agreement.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, which includes Bioventus’ agreement to employ or continue to employ Executive under the Employment Agreement and all payments and benefits available to Executive under the Employment Agreement, and in specific consideration for Bioventus’ agreement to provide the bonus payments set forth in the Employment Agreement, which Executive acknowledges and agrees is valid and sufficient consideration for the following covenants in this Agreement, the parties hereto agree as follows:

1. Confidential Information; Non-Disclosure.

a. Non-Use and Non-Disclosure of Confidential Information. Executive acknowledges that Executive currently holds and has access to proprietary and confidential information of Bioventus and its subsidiaries. Executive hereby covenants and agrees that neither Executive nor any of Executive’s Affiliates (as hereinafter defined) will, at any time, divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of Bioventus or its subsidiaries, any confidential, proprietary or secret knowledge or information of Bioventus that Executive has acquired or shall acquire about Bioventus or its subsidiaries, whether developed by Executive or by others, including, without limitation, knowledge or information concerning (i) any trade secrets, (ii) any confidential, proprietary or secret designs, programs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of Bioventus or its subsidiaries, (iii) any customer or supplier lists, (iv) any confidential, proprietary or secret development or research work, (v) any strategic or other business, marketing or sales plans, (vi) any financial data or plans, or (vii) any other confidential or proprietary information or secret aspects of the business of Bioventus or its subsidiaries. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of Bioventus and its subsidiaries and represents a substantial investment of time and expense by Bioventus and its subsidiaries, and that any disclosure or other use of such knowledge or information other than for the sole benefit of Bioventus or its subsidiaries would be wrongful and may cause irreparable harm to Bioventus and its subsidiaries (“Confidential Information”). Executive shall take reasonable steps to protect the confidentiality of all Confidential Information. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a result of the breach of this Agreement, (ii) is independently made available to Executive in good faith by a third party who has not violated a confidential relationship with Bioventus or any of its subsidiaries, or (iii) is required to be disclosed by law or legal process. Executive understands and agrees that his obligations under this Agreement to maintain the confidentiality of Bioventus’ and its subsidiaries’ Confidential Information are in addition to any obligations of Executive under applicable statutory or common law. For purposes of this Agreement, “Affiliate” shall mean any person or entity directly or indirectly controlled by the Executive.

b. Company Property. As between Bioventus and Executive, all Confidential Information will remain the exclusive property of Bioventus, including, but not limited to, all financial, commercial, operational, technical or business information or data received, obtained, or prepared by Executive in connection with Executive's employment or engagement and concerning Bioventus' business, and all copies and abstracts thereof. Upon the termination of Executive's employment or engagement with Bioventus for any reason, Executive will not retain, take, remove, or copy any such property of Bioventus or any materials containing any Confidential Information whatsoever, and Executive will promptly return all such property and materials to Bioventus no later than Executive's termination date or earlier upon Bioventus' request.

c. Exceptions; Notice of Legal Obligation to Disclose. Nothing in this Agreement prohibits Executive from filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or otherwise cooperating with any governmental agency or from making other disclosures that are protected under the whistleblower provisions of applicable law or regulation. Further, nothing herein prevents Executive from disclosing Confidential Information if and to the extent required pursuant to any valid subpoena, court order, or other legal obligation; provided, however, Executive agrees to provide prompt written notice of any such subpoena, court order, or other legal obligation prior to disclosing any Confidential Information (unless such notice to Bioventus is prohibited by applicable law), enclosing a copy of the subpoena, court order or other documents describing the legal obligation. In the event that Bioventus objects to the disclosure of Confidential Information, by way of a motion to quash or otherwise, Executive agrees to not disclose any Confidential Information while any such objection is pending.

d. Defend Trade Secrets Act Disclaimer. In compliance with the requirements of the Defend Trade Secrets Act, Executive understands that: (i) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if Executive files a lawsuit for retaliation by Bioventus for reporting a suspected violation of law, Executive may disclose trade secrets to Executive's attorney and use the trade secret information in the court proceeding if Executive: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

2. Noncompetition and Nonsolicitation Covenants.

a. Agreement Not to Compete. Except for Executive's direct and indirect ownership of Bioventus, for a period starting as of the date hereof and ending on such date which is twelve (12) months after Executive's Termination Date (as defined in the Employment Agreement) or, in the event of a Change of Control Termination (as defined in the Employment Agreement), such date which is eighteen (18) months after Executive's Termination Date (the "Restricted Period"), Executive shall not, directly or indirectly, own, invest in, lend money to, acquire or hold any interest in, render services to, act as agent for, or otherwise engage in any business, in the United States or in any other location in which Bioventus is then doing business, that is competitive with any business conducted by or under active consideration by Bioventus or its subsidiaries at any time during the period that the Executive is an employee, director or direct or indirect shareholder of Bioventus or any of its subsidiaries (the "Protected Business"), it being acknowledged by Executive that the Protected Business includes the design, sale, marketing, or distribution of Bioventus' and its subsidiaries' products and services. Ownership by Executive, as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 2(a).

b. Agreement Not to Solicit Employees. Executive represents and warrants that Executive has not, directly or indirectly, solicited for employment for any entity or person (other than for Bioventus) any current employee, consultant or other independent contractor of Bioventus. For the Restricted Period, Executive shall not, directly or indirectly, hire, engage, solicit or attempt to solicit any person who is then an employee, consultant or independent contractor of Bioventus or any subsidiary of Bioventus.

c. Agreement Not to Solicit Others. Executive represents and warrants that Executive has not, directly or indirectly, solicited any customer, supplier, distributor or other business contact referred to below for the purposes set forth below (other than on behalf of Bioventus). For the Restricted Period, Executive shall not, directly or indirectly, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, (x) solicit or attempt to solicit any person or entity who was a customer of Bioventus during the last twelve (12) months immediately preceding the date hereof or is a customer of Bioventus or any subsidiary of Bioventus during the Restricted Period, for the purposes of selling, marketing or distributing products or services similar to the products or services designed, sold, marketed or distributed by Bioventus or any of its subsidiaries, and (y) solicit, request, advise or induce any supplier, distributor or other business contact of Bioventus or any subsidiary to cancel, curtail or otherwise adversely change its relationship with Bioventus or its subsidiaries as it relates, directly or indirectly, to the Protected Business.

d. Acknowledgment. Executive hereby acknowledges that the provisions of this Section 2 are reasonable and necessary to protect the legitimate interests of Bioventus and that any violation of this Section 2 by Executive may cause substantial and irreparable harm to Bioventus to such an extent that monetary damages alone would be an inadequate remedy therefor.

e. Assistance is Prohibited. Executive further agrees that Executive will not, directly or indirectly, assist or encourage any other person in carrying out, directly or indirectly, any activity that would be prohibited by the above provisions of this Section 2 if such activity were carried out by Executive, directly or indirectly, or induce any employee, or former employee of Bioventus to carry out, directly or indirectly, any such activity.

f. Blue Pencil Doctrine. If the duration of, the scope of or any business activity covered by any provision of this Section 2 is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 2 shall be given the construction which renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

3. Non-Disparagement. The Executive agrees not to disparage Bioventus, any of its products, services, or practices, or any of its directors, officers, agents, representatives, partners, members, equity holders, or affiliates, either orally or in writing, at any time; provided, that the Executive may confer in confidence with the Executive's legal representatives and make truthful statements as required by law.

4. Ownership of Inventions.

a. Inventions. Subject to the limitations in Section 4(c) below, Bioventus will own all rights, title and interest in and to (i) any invention, innovation, manufacturing process, trade secret, design, idea or improvement related, directly or indirectly, to Bioventus' business, or any part thereof, and (ii) all copyrights, patents, trademarks and trade names which Executive develops or creates, in whole or in part in the course of Executive's employment or engagement with Bioventus (referred to as "Inventions"). Subject to the limitations in Section 4(c) below, Executive will, and hereby does, assign to Bioventus, without requirement of further writing and without royalty or any other further consideration, my entire right, title and interest throughout the world in and to all Inventions created, conceived, made, developed, and/or reduced to practice by Executive in the course of Executive's employment or engagement with Bioventus and all intellectual property rights therein. Executive will promptly tell Bioventus about and give Bioventus all information relating to any such Inventions. Executive acknowledges that all original works of authorship which are made by Executive (solely or jointly with others) within the scope of Executive's employment or engagement with Bioventus and which are eligible for copyright protection are "works made for hire" as that term is defined in the United States Copyright Act (17 U.S.C., Section 101). Executive hereby waives, and agrees to waive, any moral rights Executive may have in any copyrightable work Executive creates or has created on behalf of Bioventus. Executive will make and maintain adequate and current written records of all Inventions covered by this Section 4(a). These records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, notebooks and any other format. These records shall be and remain the property of Bioventus at all times and shall be made available to Bioventus at all times.

b. Cooperation. Executive will cooperate with Bioventus in obtaining, maintaining and enforcing copyright, patent, trademark or other relevant protections for Inventions covered by Section 4(a), including executing such documents as Bioventus may request as necessary for such protection.

c. Executive Inventions. Executive acknowledges that Bioventus will not own, and the assignment of Inventions set forth in Section 4(a) above does not apply to, Inventions for which no equipment, supplies, facility, or trade secret information of Bioventus were used and which was developed entirely on Executive's own time ("Executive Inventions"), unless (i) the Invention relates (a) to Bioventus' business or (b) to Bioventus' actual or demonstrably anticipated research or development, or (ii) the Invention results from any work performed by Executive for Bioventus. If Executive believes an Invention qualifies as an Executive Invention, Executive will provide Bioventus at the time of creation written evidence to substantiate such belief. If Executive incorporates any Executive Inventions or portions thereof into any Inventions created or developed for Bioventus, Executive hereby grants Bioventus a perpetual, irrevocable, royalty-free, transferable license to copy, modify, prepare derivative works of, use, perform, and display such Executive Invention solely in connection with the Invention.

5. Enforcement. Executive hereby specifically acknowledges and agrees that the scope of the restrictions set forth in this Agreement is reasonable and necessary to ensure that Bioventus receives the value of the Employment Agreement and that violation of this Agreement will harm Bioventus to such an extent that monetary damages alone would be an inadequate remedy. Therefore, in the event of any violation by Executive or any Affiliate:

a. Bioventus (in addition to all other remedies Bioventus may have) shall be entitled to a temporary restraining order, injunction and other equitable relief (without posting any bond or other security) restraining the violator from committing or continuing such violation,

b. in the case of any violation of Section 2 hereof, as determined by a final judgment of court of competent jurisdiction, the duration of the non-compete period referred to therein shall be extended beyond its then-scheduled termination date for a period equal to the duration of the violation, and

c. in the event that Bioventus must enforce this Agreement pursuant to this Section 5, Bioventus shall be entitled to recover from Executive its reasonable costs associated therewith, including all reasonable attorneys' and court fees.

6. Use of Name. Neither Executive nor any Affiliate shall use the name "Bioventus," any variants thereof, or any confusingly similar name, in any business (other than Bioventus) in which any of them is associated as shareholder, investor, lender, partner, co-venturer, co-marketer, sole proprietor, director, officer, employee, agent, consultant, independent contractor or in any other capacity.

7. No Violation of Other Agreements. Executive hereby represents and agrees that neither (a) Executive's entering into this Agreement nor (b) Executive's carrying out the provisions of this Agreement, will violate any other agreement (oral, written or other) to which Executive is a party or by which Executive is bound.

8. At-Will Employment; No Contract of Employment. Nothing herein shall be deemed to create a contract of employment for any term. Executive acknowledges and agrees that Executive's employment with Bioventus is and shall remain at all times at will, unless otherwise specified by the Employment Agreement.

9. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Executive, Bioventus and their respective heirs, personal representatives, successors and assigns (including without limitation any assignee of substantially all of the assets of Bioventus); provided, however, that this Agreement may not be assigned by Executive.

10. Complete Agreement. This Agreement contains the complete agreement between the parties hereto with respect to the matters covered herein, and supersedes all prior agreements and understandings between the parties hereto with respect to such matters. This Agreement may be amended, terminated or superseded only by an agreement in writing executed by both parties hereto.

11. Partial Invalidity. If any covenant or other provision of this Agreement is deemed invalid, illegal or incapable of being enforced by reason of any rule of law or of any public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision unless so expressed herein.

12. No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

13. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original but both of which shall constitute but one instrument.

14. Headings. The headings contained in this Agreement are for reference purposes only and shall not be deemed to be a part of this Agreement or to affect the meaning or interpretation of this Agreement.

15. Notices. All notices, requests, demands and other communications provided for in this Agreement shall be in writing delivered personally or sent by registered or certified mail, postage prepaid, as follows:

If to Bioventus:	Bioventus, Inc. 4721 Emperor Blvd., Suite 100 Durham, NC 27703 Attn: Leigh Ann Stradford
with a copy to:	Latham & Watkins, LLP 885 Third Avenue New York, NY 10022 Attn: Rifka Singer
If to Executive:	To the address in Bioventus' records
with a copy to:	<u>Bioventus, Inc.</u> 4721 Emperor Blvd, Suite 100 Durham, NC 27703

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without giving effect to any choice or conflict of law provision or rule, whether of the State of North Carolina or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of North Carolina.

17. Action of Affiliates. Executive shall cause his Affiliates not to take any action that is prohibited to be taken by such Affiliates under the terms of this Agreement.

[Signature Pages Follow]

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

BIOVENTUS INC.

By: /s/ Leigh Ann Stardford
Name: Leigh Ann Stradford
Its: SVP & Chief Human Resources Officer

BIOVENTUS LLC

By: /s/ Leigh Ann Stardford
Name: Leigh Ann Stradford
Its: SVP & Chief Human Resources Officer

EXECUTIVE

/s/ John Nosenzo
John Nosenzo



Bioventus
4721 Emperor Blvd., Suite 100
Durham, NC 27703
USA

1-919-474-6700
1-800-396-4325
www.BioventusGlobal.com

February 9, 2021

Anthony D'Adamio

Re: Employment Agreement

Dear Tony,

This Employment Letter Agreement (this "**Agreement**") is entered into by and between you, Bioventus Inc. (the "**Corporation**") and Bioventus LLC (the "**Partnership**") and, together with the Corporation and any of the affiliates of the Corporation or the Partnership as may employ you from time to time, "**Bioventus**"). This Agreement is an amendment and restatement of the certain Employment Offer letter dated as of July 11, 2017 by and between you and the Partnership, pursuant to which you are employed as the **SVP and General Counsel** of the Partnership (the "**Prior Agreement**") and supersedes the Prior Agreement in its entirety, effective as of the date of the consummation of the initial public offering of the Corporation's common stock (the "**Effective Date**").

1. Employment and Duties

Effective as of the Effective Date, you will be employed in the role of **SVP and General Counsel** of the Corporation and the Partnership and you shall perform the duties of this role as are customary and as may be required by Bioventus from time to time. You will continue reporting to the Chief Executive Officer and you will be based at the headquarters of Bioventus currently located in Durham, NC.

You shall continue to have such duties and responsibilities, commensurate with your position, as may be reasonably assigned to you from time to time by me or the Board of Directors of the Corporation (the "**Board**"), or which are in accordance with the delegations of authority set out by the Board.

During your employment with Bioventus, you will devote your full-time best efforts and business time and attention to the business of Bioventus.

2. At-Will Employment Relationship

You may terminate your employment with Bioventus at any time and for any reason whatsoever simply by providing Bioventus with thirty (30) days' advance written notice. Likewise, Bioventus may terminate your employment at any time, with or without Cause, and with or without advance notice, subject to the severance obligations set forth in Section 6. Your employment at-will status can only be modified in a written agreement approved by Bioventus and signed by you and a duly authorized member of Bioventus.

3. Base Salary and Employee Benefits

Your base salary will be paid at the annual rate of **\$420,000** (the "**Annual Base Salary**") less payroll deductions and withholdings. You will be paid your Annual Base Salary on a bi-weekly basis, on Bioventus' normal payroll schedule. You will be reimbursed for expenses that are normal and customary for your role and follow applicable Bioventus policies. As an exempt salaried employee, you will be required to work Bioventus' normal business hours, and such additional time as appropriate for your work assignments and position. You will not be eligible for overtime premiums.

You will be eligible to participate in Bioventus' equity incentive plans, and the health and welfare, group insurance, retirement and other employee benefit plans, programs and arrangements (pursuant to the terms and conditions of the benefit plans and applicable policies) as are made generally available from time to time to executives of Bioventus. Additionally, on or about the Effective Date, you will receive an equity award under the Bioventus 2021 Equity Incentive Plan in a form and amount to be determined by the Board in its sole discretion.

You will continue to be eligible for **twenty-five** days of vacation per year.

4. Annual Performance Bonus and Merit Planning

You will continue to be eligible to participate in the Bioventus Global Annual Incentive Plan or any sub-plan thereof or any other bonus program as determined by Bioventus from time to time (the "**Annual Incentive Plan**") at an annual target of fifty percent (50%) of your Annual Base Salary (your "**Annual Bonus**"). The Annual Incentive Plan may include components of your personal performance as well as Bioventus' business objectives. The terms and conditions of your Annual Incentive Plan will be set forth in the Annual Incentive Plan documents.

Your performance will be reviewed on a yearly basis by the Chief Executive Officer. At that time, your salary will be reviewed along with your performance to determine any adjustment to your Annual Base Salary.

5. Certain Definitions

For purposes of this Agreement, the following definitions will apply:

- a. **Definition of Change in Control. "Change in Control"** shall have the meaning provided in the Bioventus 2021 Equity Incentive Plan as of the Effective Date; provided that such Change in Control also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).
- b. **Definition of Cause. "Cause"** for Bioventus to terminate your employment shall exist if any of the following occurs: (A) your being convicted (including a guilty plea or plea of nolo contendere) of any felony or any other crime involving fraud, violence or dishonesty; (B) your commission of or participation in a fraud or act of dishonesty or misrepresentation against Bioventus; (C) your material violation of any written and fully executed contract or agreement between you and Bioventus, including without limitation, breach of your Restrictive Covenant Agreement (as defined below); (D) your gross negligence or willful misconduct; (E) your continued and substantial failure to perform your duties to Bioventus set forth herein at a level commensurate with your position; or (F) your violation of any material policies, practices, or procedures of Bioventus.
- c. **Definition of Good Reason. "Good Reason"** for you to terminate your employment shall mean the occurrence of any one of the following events without either (x) your express prior written consent or (y) full cure within 30 days after you give written notice to Bioventus: (i) material diminution in duties or responsibilities; (ii) a material reduction in your salary, except for across-the-board salary reductions similarly affecting all senior executive officers of Bioventus; (iii) the relocation of your principal office, or principal place of employment, to a location more than fifty (50) miles from the location of your principal office or principal place of business as of the Effective Date; or (iv) a failure to pay you earned compensation; provided however, that no event shall constitute grounds for a Good Reason termination unless you provide written notice to Bioventus of the event or condition purported to constitute Good Reason within 90 days of the initial existence of such event or condition and you terminate your employment within 60 days after such notice is provided.

Severance Benefits

- d. If, at any time, Bioventus terminates your employment without Cause (other than as a result of your death or disability) or you terminate your employment for Good Reason, then, subject to Section 6(c) and Section 7, you shall receive the following severance benefits (the "**Severance Benefits**"): (i) twelve (12) months (of your Annual Base Salary in effect on the effective date of termination (the "**Termination Date**"), less applicable taxes and withholdings, payable in equal installments over the twelve (12) month period immediately following the Termination Date (the "**Severance Period**") in accordance with Bioventus' regular payroll practices in effect as of the Termination Date; (ii) one hundred percent (100%) of your target Annual Bonus, less applicable taxes and withholdings, payable in equal installments over the Severance Period in accordance with Bioventus' regular payroll practices in effect as of the Termination Date; (iii) if you timely elect continued coverage under federal COBRA laws or comparable state insurance laws ("**COBRA**"), then Bioventus shall pay the COBRA premiums necessary to continue your medical and dental insurance coverage in effect for yourself and your eligible dependents during the Severance Period (provided that such COBRA reimbursement shall terminate on such earlier date as you are no longer eligible for COBRA coverage or you become eligible for group health insurance benefits through a new employer).
- e. If, during the two-year period immediately following a Change in Control, Bioventus terminates your employment without Cause (other than as a result of your death or disability) or you terminate your employment for Good Reason, then, subject to Section 6(c) and Section 7, you shall receive the following severance benefits (the "**CIC Severance Benefits**"): (i) eighteen (18) months of your Annual Base Salary in effect on the Termination Date, less applicable taxes and withholdings, payable in a lump sum payment on the first payroll date on or following the 60th day after the Termination Date (the "**CIC Severance Payment Date**"); (ii) one hundred fifty percent (150%) of your target Annual Bonus, less applicable taxes and withholdings, payable in a lump sum on the CIC Severance Payment Date; (iii) a lump sum payment equal to eighteen (18) months of COBRA premium payments (determined as of the Termination Date) for your medical and dental insurance coverage in effect for yourself and your eligible dependents as of the Termination Date, less applicable taxes and withholding, payable on the CIC Severance Payment Date; and (iv) full acceleration of all of your outstanding equity awards as of the Termination Date.
- f. Your receipt of the Severance Benefits or CIC Severance Benefits, as applicable, is conditional upon (a) your continuing to comply with your obligations under your Restrictive Covenant Agreement; and (b) your executing and delivering an effective, general release of all known and unknown claims in favor of Bioventus, in Bioventus' customary form (a "**Release**") within 45 days following the Termination Date (and not revoking the Release).
- g. The provisions of this Agreement shall supersede in their entirety any severance payment or benefit obligations to you pursuant to the provisions in any severance plan, policy, program or other arrangement maintained by Bioventus.

6. Section 409A

- a. General. The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations thereunder (collectively, “Section 409A”). Notwithstanding any provision of this Agreement to the contrary, in the event that Bioventus determines that any amounts payable hereunder will be immediately taxable to you under Section 409A, Bioventus reserves the right (without any obligation to do so or to indemnify you for failure to do so) to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that Bioventus determines to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for Bioventus and/or (ii) take such other actions as Bioventus determines to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from you or any other individual to Bioventus or any of its Affiliates, employees or agents.
- b. Separation from Service under Section 409A. Notwithstanding any provision to the contrary in this Agreement: (i) no Severance Benefits or CIC Severance Benefits shall be payable unless the termination of your employment constitutes a “separation from service” within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) for purposes of Section 409A, your right to receive Severance Benefits in installment payments, if any, shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes “deferred compensation” under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year. Notwithstanding any provision to the contrary in this Agreement, if you are deemed at the time of your separation from service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the termination benefits to which you are entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of your termination benefits shall not be provided to you prior to the earlier of (x) the expiration of the six-month period measured from the date of your “separation from service” with Bioventus (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (y) the date of your death; upon the earlier of such dates, all payments deferred pursuant to this sentence shall be paid in a lump sum to you, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.
- c. Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments of “nonqualified deferred compensation” (within the meaning of Section 409A) due under this Agreement as a result of your termination of employment are subject to your execution and delivery of a Release, (i) the Release shall be reasonable and drafted in good faith, (ii) Bioventus shall deliver the Release to you within ten (10) business days following the Termination Date, and Bioventus’ failure to deliver a Release prior to the expiration of such ten (10) business day period shall constitute a waiver of any requirement to execute a Release, (iii) if you fail to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes his acceptance of the Release thereafter, you shall not be entitled to any payments or benefits otherwise conditioned on the Release, and (iv) in any case where the Termination Date and the Release Expiration Date fall in two separate taxable years, any payments required to be made to you that are conditioned on the Release and are treated as nonqualified deferred compensation for purposes of Section 409A shall be made in the later taxable year. For purposes of this paragraph, “**Release Expiration Date**” shall mean the date that is twenty-one (21) days following the date upon which Bioventus timely delivers the Release to you, or, in the event that your termination of employment is “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of your termination of employment are delayed pursuant to this paragraph, such amounts shall be paid in a lump sum on the first payroll date following the date that you execute and do not revoke the Release (and the applicable revocation period has expired) or, in the case of any payments subject to clause (iv) of this paragraph, on the first payroll period to occur in the subsequent taxable year, if later.

7. Compliance with Restrictive Covenant Agreement and Bioventus Policies

You acknowledge that you are, concurrently with the execution of this Agreement, entering into an agreement with Bioventus containing confidentiality, non-solicitation, non-competition, intellectual property assignment, and other protective covenants (the "**Restrictive Covenant Agreement**" attached hereto as **Exhibit A**) and that you shall be bound by the terms and conditions of the Restrictive Covenant Agreement. In addition, you agree that you will abide by Bioventus' Code of Conduct and Bioventus' policies, as may be changed from time to time at Bioventus' sole discretion.

8. Outside Activities

Throughout your employment with Bioventus, you may engage in civic and not-for-profit activities so long as such activities do not interfere with the performance of your duties hereunder or violate Bioventus' Conflict of Interest Policy. Specifically, under this provision you may, subject to review and approval by the Board in its sole discretion, serve on boards of directors of not-for-profit entities and/or other boards.

9. Assignment

This Agreement may be assigned by Bioventus to a person or entity which is an affiliate or a successor in interest to substantially all of the business operations of Bioventus. Upon such assignment, the rights and obligations of Bioventus hereunder shall become the rights and obligations of such affiliate or successor person. You may not assign your rights or obligations to another entity or person.

10. Indemnification

You shall be entitled to indemnification to the maximum extent permitted by applicable law and Bioventus' customary indemnification policies and procedures applicable to Bioventus' officers and directors. At all times during your employment, Bioventus shall maintain in effect a directors and officers liability insurance policy with you as a covered officer. Bioventus shall further provide and pay for the defense of any action, arbitration or mediation (collectively, an "**Action**") relative to the lawful performance of your duties or in connection with your employment at Bioventus and the existence of such Action or defense shall not provide grounds for termination of your employment.

11. Whistleblower Protection and Trade Secrets

Notwithstanding anything to the contrary contained herein, nothing in this Agreement prohibits you from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (a) you shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (i) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (b) if you file a lawsuit for retaliation by Bioventus for reporting a suspected violation of law, you may disclose the trade secret to your attorney, and may use the trade secret information in the court proceeding, if you file any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

12. Section 280G Parachute Payments

Notwithstanding any other provision in this Agreement to the contrary, in the event that any payment or benefit received or to be received by you, pursuant to this Agreement or otherwise, in connection with a Change in Control or otherwise would be considered an "excess parachute payment" within the meaning of Section 280G of the Code and the regulations thereunder, then such payments and benefits will either be (i) delivered in full or (ii) reduced by the minimum amount necessary so that all of the remaining payments and benefits will not be subject to the excise tax imposed by Section 4999 of the Code, whichever of the foregoing (i) or (ii) results in the greater net after-tax value of payment and benefits to you. All determinations regarding the application of this paragraph shall be made by an accounting firm or consulting group with experience in performing calculations regarding the applicability of Sections 280G and 4999 of the Code selected by Bioventus, and all associated costs will be borne by Bioventus.

13. Compensation Recovery Policy

You acknowledge and agree that, to the extent Bioventus adopts any clawback or similar policy pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, and any rules and regulations promulgated thereunder, you will take all action necessary or appropriate to comply with such a clawback policy (including, without limitation, entering into any further agreements, amendments or policies necessary or appropriate to implement and/or enforce such policy).

14. Miscellaneous

This Agreement, together with your Restrictive Covenant Agreement and all applicable equity award agreements, forms the complete and exclusive statement of your employment agreement with Bioventus. Changes in your employment terms, other than those changes expressly reserved to Bioventus' discretion in this Agreement, require a written modification approved by Bioventus. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and Bioventus, and inure to the benefit of both you and Bioventus, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina without regard to conflicts of law principles. The parties hereby irrevocably submit to the jurisdiction of the state and federal courts of North Carolina located in or about Raleigh and waive any claim or defense of inconvenient or improper forum or lack of personal jurisdiction under any applicable law or decision. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement, or rights hereunder, shall be in writing and shall not be deemed to be a waiver of any successive breach or rights hereunder. This Agreement may be executed in counterparts which shall be deemed to be part of one original, and facsimile or pdf signatures shall be equivalent to original signatures.

[Signature pages follow]

THE PARTIES ACKNOWLEDGE BY SIGNING BELOW THAT THEY HAVE READ AND UNDERSTAND THE ABOVE AND INTEND TO BE BOUND THEREBY:

EMPLOYEE

/s/ Anthony D'Adamio _____
Name: Anthony D'Adamio
Date: 2/9/2021

BIOVENTUS INC.

/s/ Kenneth Reali _____
Name: Kenneth Reali
Its: Chief Executive Officer

BIOVENTUS LLC

/s/ Kenneth Reali _____
Name: Kenneth Reali
Its: Chief Executive Officer

EXHIBIT A

RESTRICTIVE COVENANT AGREEMENT

THIS RESTRICTIVE COVENANTS AGREEMENT ("Agreement"), dated as of the 9th day of February, 2021, is made between Bioventus Inc. (the "Corporation"), Bioventus LLC, a Delaware limited liability company (the "Partnership" and, together with the Corporation and any subsidiaries, parent companies or affiliates of the Corporation or the Partnership, "Bioventus"), and Anthony D'Adamio (the "Executive"), a resident of the State of North Carolina.

RECITALS

A. Bioventus and the Executive have entered into that certain Employment Offer Letter dated the date hereof (the "Employment Agreement").

B. The Executive possesses extensive knowledge and experience regarding the business of Bioventus and shall benefit from the Employment Agreement.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, which includes Bioventus' agreement to employ or continue to employ Executive under the Employment Agreement and all payments and benefits available to Executive under the Employment Agreement, and in specific consideration for Bioventus' agreement to provide the bonus payments set forth in the Employment Agreement, which Executive acknowledges and agrees is valid and sufficient consideration for the following covenants in this Agreement, the parties hereto agree as follows:

1. Confidential Information; Non-Disclosure.

a. Non-Use and Non-Disclosure of Confidential Information. Executive acknowledges that Executive currently holds and has access to proprietary and confidential information of Bioventus and its subsidiaries. Executive hereby covenants and agrees that neither Executive nor any of Executive's Affiliates (as hereinafter defined) will, at any time, divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of Bioventus or its subsidiaries, any confidential, proprietary or secret knowledge or information of Bioventus that Executive has acquired or shall acquire about Bioventus or its subsidiaries, whether developed by Executive or by others, including, without limitation, knowledge or information concerning (i) any trade secrets, (ii) any confidential, proprietary or secret designs, programs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of Bioventus or its subsidiaries, (iii) any customer or supplier lists, (iv) any confidential, proprietary or secret development or research work, (v) any strategic or other business, marketing or sales plans, (vi) any financial data or plans, or (vii) any other confidential or proprietary information or secret aspects of the business of Bioventus or its subsidiaries. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of Bioventus and its subsidiaries and represents a substantial investment of time and expense by Bioventus and its subsidiaries, and that any disclosure or other use of such knowledge or information other than for the sole benefit of Bioventus or its subsidiaries would be wrongful and may cause irreparable harm to Bioventus and its subsidiaries ("Confidential Information"). Executive shall take reasonable steps to protect the confidentiality of all Confidential Information. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a result of the breach of this Agreement, (ii) is independently made available to Executive in good faith by a third party who has not violated a confidential relationship with Bioventus or any of its subsidiaries, or (iii) is required to be disclosed by law or legal process. Executive understands and agrees that his obligations under this Agreement to maintain the confidentiality of Bioventus' and its subsidiaries' Confidential Information are in addition to any obligations of Executive under applicable statutory or common law. For purposes of this Agreement, "Affiliate" shall mean any person or entity directly or indirectly controlled by the Executive.

b. Company Property. As between Bioventus and Executive, all Confidential Information will remain the exclusive property of Bioventus, including, but not limited to, all financial, commercial, operational, technical or business information or data received, obtained, or prepared by Executive in connection with Executive's employment or engagement and concerning Bioventus' business, and all copies and abstracts thereof. Upon the termination of Executive's employment or engagement with Bioventus for any reason, Executive will not retain, take, remove, or copy any such property of Bioventus or any materials containing any Confidential Information whatsoever, and Executive will promptly return all such property and materials to Bioventus no later than Executive's termination date or earlier upon Bioventus' request.

c. Exceptions; Notice of Legal Obligation to Disclose. Nothing in this Agreement prohibits Executive from filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or otherwise cooperating with any governmental agency or from making other disclosures that are protected under the whistleblower provisions of applicable law or regulation. Further, nothing herein prevents Executive from disclosing Confidential Information if and to the extent required pursuant to any valid subpoena, court order, or other legal obligation; provided, however, Executive agrees to provide prompt written notice of any such subpoena, court order, or other legal obligation prior to disclosing any Confidential Information (unless such notice to Bioventus is prohibited by applicable law), enclosing a copy of the subpoena, court order or other documents describing the legal obligation. In the event that Bioventus objects to the disclosure of Confidential Information, by way of a motion to quash or otherwise, Executive agrees to not disclose any Confidential Information while any such objection is pending.

d. Defend Trade Secrets Act Disclaimer. In compliance with the requirements of the Defend Trade Secrets Act, Executive understands that: (i) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if Executive files a lawsuit for retaliation by Bioventus for reporting a suspected violation of law, Executive may disclose trade secrets to Executive's attorney and use the trade secret information in the court proceeding if Executive: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

2. Noncompetition and Nonsolicitation Covenants.

a. Agreement Not to Compete. Except for Executive's direct and indirect ownership of Bioventus, for a period starting as of the date hereof and ending on such date which is twelve (12) months after Executive's Termination Date (as defined in the Employment Agreement) or, in the event of a Change of Control Termination (as defined in the Employment Agreement), such date which is eighteen (18) months after Executive's Termination Date (the "Restricted Period"), Executive shall not, directly or indirectly, own, invest in, lend money to, acquire or hold any interest in, render services to, act as agent for, or otherwise engage in any business, in the United States or in any other location in which Bioventus is then doing business, that is competitive with any business conducted by or under active consideration by Bioventus or its subsidiaries at any time during the period that the Executive is an employee, director or direct or indirect shareholder of Bioventus or any of its subsidiaries (the "Protected Business"), it being acknowledged by Executive that the Protected Business includes the design, sale, marketing, or distribution of Bioventus' and its subsidiaries' products and services. Ownership by Executive, as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 2(a).

b. Agreement Not to Solicit Employees. Executive represents and warrants that Executive has not, directly or indirectly, solicited for employment for any entity or person (other than for Bioventus) any current employee, consultant or other independent contractor of Bioventus. For the Restricted Period, Executive shall not, directly or indirectly, hire, engage, solicit or attempt to solicit any person who is then an employee, consultant or independent contractor of Bioventus or any subsidiary of Bioventus.

c. Agreement Not to Solicit Others. Executive represents and warrants that Executive has not, directly or indirectly, solicited any customer, supplier, distributor or other business contact referred to below for the purposes set forth below (other than on behalf of Bioventus). For the Restricted Period, Executive shall not, directly or indirectly, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, (x) solicit or attempt to solicit any person or entity who was a customer of Bioventus during the last twelve (12) months immediately preceding the date hereof or is a customer of Bioventus or any subsidiary of Bioventus during the Restricted Period, for the purposes of selling, marketing or distributing products or services similar to the products or services designed, sold, marketed or distributed by Bioventus or any of its subsidiaries, and (y) solicit, request, advise or induce any supplier, distributor or other business contact of Bioventus or any subsidiary to cancel, curtail or otherwise adversely change its relationship with Bioventus or its subsidiaries as it relates, directly or indirectly, to the Protected Business.

d. Acknowledgment. Executive hereby acknowledges that the provisions of this Section 2 are reasonable and necessary to protect the legitimate interests of Bioventus and that any violation of this Section 2 by Executive may cause substantial and irreparable harm to Bioventus to such an extent that monetary damages alone would be an inadequate remedy therefor.

e. Assistance is Prohibited. Executive further agrees that Executive will not, directly or indirectly, assist or encourage any other person in carrying out, directly or indirectly, any activity that would be prohibited by the above provisions of this Section 2 if such activity were carried out by Executive, directly or indirectly, or induce any employee, or former employee of Bioventus to carry out, directly or indirectly, any such activity.

f. Blue Pencil Doctrine. If the duration of, the scope of or any business activity covered by any provision of this Section 2 is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 2 shall be given the construction which renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

3. Non-Disparagement. The Executive agrees not to disparage Bioventus, any of its products, services, or practices, or any of its directors, officers, agents, representatives, partners, members, equity holders, or affiliates, either orally or in writing, at any time; provided, that the Executive may confer in confidence with the Executive's legal representatives and make truthful statements as required by law.

4. Ownership of Inventions.

a. Inventions. Subject to the limitations in Section 4(c) below, Bioventus will own all rights, title and interest in and to (i) any invention, innovation, manufacturing process, trade secret, design, idea or improvement related, directly or indirectly, to Bioventus' business, or any part thereof, and (ii) all copyrights, patents, trademarks and trade names which Executive develops or creates, in whole or in part in the course of Executive's employment or engagement with Bioventus (referred to as "Inventions"). Subject to the limitations in Section 4(c) below, Executive will, and hereby does, assign to Bioventus, without requirement of further writing and without royalty or any other further consideration, my entire right, title and interest throughout the world in and to all Inventions created, conceived, made, developed, and/or reduced to practice by Executive in the course of Executive's employment or engagement with Bioventus and all intellectual property rights therein. Executive will promptly tell Bioventus about and give Bioventus all information relating to any such Inventions. Executive acknowledges that all original works of authorship which are made by Executive (solely or jointly with others) within the scope of Executive's employment or engagement with Bioventus and which are eligible for copyright protection are "works made for hire" as that term is defined in the United States Copyright Act (17 U.S.C., Section 101). Executive hereby waives, and agrees to waive, any moral rights Executive may have in any copyrightable work Executive creates or has created on behalf of Bioventus. Executive will make and maintain adequate and current written records of all Inventions covered by this Section 4(a). These records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, notebooks and any other format. These records shall be and remain the property of Bioventus at all times and shall be made available to Bioventus at all times.

b. Cooperation. Executive will cooperate with Bioventus in obtaining, maintaining and enforcing copyright, patent, trademark or other relevant protections for Inventions covered by Section 4(a), including executing such documents as Bioventus may request as necessary for such protection.

c. Executive Inventions. Executive acknowledges that Bioventus will not own, and the assignment of Inventions set forth in Section 4(a) above does not apply to, Inventions for which no equipment, supplies, facility, or trade secret information of Bioventus were used and which was developed entirely on Executive's own time ("Executive Inventions"), unless (i) the Invention relates (a) to Bioventus' business or (b) to Bioventus' actual or demonstrably anticipated research or development, or (ii) the Invention results from any work performed by Executive for Bioventus. If Executive believes an Invention qualifies as an Executive Invention, Executive will provide Bioventus at the time of creation written evidence to substantiate such belief. If Executive incorporates any Executive Inventions or portions thereof into any Inventions created or developed for Bioventus, Executive hereby grants Bioventus a perpetual, irrevocable, royalty-free, transferable license to copy, modify, prepare derivative works of, use, perform, and display such Executive Invention solely in connection with the Invention.

5. Enforcement. Executive hereby specifically acknowledges and agrees that the scope of the restrictions set forth in this Agreement is reasonable and necessary to ensure that Bioventus receives the value of the Employment Agreement and that violation of this Agreement will harm Bioventus to such an extent that monetary damages alone would be an inadequate remedy. Therefore, in the event of any violation by Executive or any Affiliate:

a. Bioventus (in addition to all other remedies Bioventus may have) shall be entitled to a temporary restraining order, injunction and other equitable relief (without posting any bond or other security) restraining the violator from committing or continuing such violation,

b. in the case of any violation of Section 2 hereof, as determined by a final judgment of court of competent jurisdiction, the duration of the non-compete period referred to therein shall be extended beyond its then-scheduled termination date for a period equal to the duration of the violation, and

c. in the event that Bioventus must enforce this Agreement pursuant to this Section 5, Bioventus shall be entitled to recover from Executive its reasonable costs associated therewith, including all reasonable attorneys' and court fees.

6. Use of Name. Neither Executive nor any Affiliate shall use the name "Bioventus," any variants thereof, or any confusingly similar name, in any business (other than Bioventus) in which any of them is associated as shareholder, investor, lender, partner, co-venturer, co-marketer, sole proprietor, director, officer, employee, agent, consultant, independent contractor or in any other capacity.

7. No Violation of Other Agreements. Executive hereby represents and agrees that neither (a) Executive's entering into this Agreement nor (b) Executive's carrying out the provisions of this Agreement, will violate any other agreement (oral, written or other) to which Executive is a party or by which Executive is bound.

8. At-Will Employment; No Contract of Employment. Nothing herein shall be deemed to create a contract of employment for any term. Executive acknowledges and agrees that Executive's employment with Bioventus is and shall remain at all times at will, unless otherwise specified by the Employment Agreement.

9. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Executive, Bioventus and their respective heirs, personal representatives, successors and assigns (including without limitation any assignee of substantially all of the assets of Bioventus); provided, however, that this Agreement may not be assigned by Executive.

10. Complete Agreement. This Agreement contains the complete agreement between the parties hereto with respect to the matters covered herein, and supersedes all prior agreements and understandings between the parties hereto with respect to such matters. This Agreement may be amended, terminated or superseded only by an agreement in writing executed by both parties hereto.

11. Partial Invalidity. If any covenant or other provision of this Agreement is deemed invalid, illegal or incapable of being enforced by reason of any rule of law or of any public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision unless so expressed herein.

12. No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

13. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original but both of which shall constitute but one instrument.

14. Headings. The headings contained in this Agreement are for reference purposes only and shall not be deemed to be a part of this Agreement or to affect the meaning or interpretation of this Agreement.

15. Notices. All notices, requests, demands and other communications provided for in this Agreement shall be in writing delivered personally or sent by registered or certified mail, postage prepaid, as follows:

If to Bioventus:	Bioventus, Inc. 4721 Emperor Blvd., Suite 100 Durham, NC 27703 Attn: Leigh Ann Stradford
with a copy to:	Latham & Watkins, LLP 885 Third Avenue New York, NY 10022 Attn: Rifka Singer
If to Executive:	To the address in Bioventus' records
with a copy to:	<u>Bioventus, Inc.</u> 4721 Emperor Blvd, Suite 100 Durham, NC 27703

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without giving effect to any choice or conflict of law provision or rule, whether of the State of North Carolina or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of North Carolina.

17. Action of Affiliates. Executive shall cause his Affiliates not to take any action that is prohibited to be taken by such Affiliates under the terms of this Agreement.

[Signature Pages Follow]

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

BIOVENTUS INC.

By: /s/ Leigh Ann Stradford
Name: Leigh Ann Stradford
Its: SVP and Chief Human Resources Officer

BIOVENTUS LLC

By: /s/ Leigh Ann Stradford
Name: Leigh Ann Stradford
Its: SVP and Chief Human Resources Officer

EXECUTIVE

/s/ Anthony D'Adamio
Anthony D'Adamio



Bioventus
4721 Emperor Blvd., Suite 100
Durham, NC 27703
USA

1-919-474-6700
1-800-396-4325
www.BioventusGlobal.com

February 9, 2021

Alessandra Pavesio

Re: Employment Agreement

Dear Alessandra,

This Employment Letter Agreement (this "**Agreement**") is entered into by and between you, Bioventus Inc. (the "**Corporation**") and Bioventus LLC (the "**Partnership**") and, together with the Corporation and any of the affiliates of the Corporation or the Partnership as may employ you from time to time, "**Bioventus**"). This Agreement is an amendment and restatement of the certain Employment Offer letter dated as of June 13, 2013 by and between you and the Partnership, pursuant to which you are employed as the **SVP and Chief Science Officer** of the Partnership (the "**Prior Agreement**") and supersedes the Prior Agreement in its entirety, effective as of the date of the consummation of the initial public offering of the Corporation's common stock (the "**Effective Date**").

1. Employment and Duties

Effective as of the Effective Date, you will be employed in the role of **SVP and Chief Science Officer** of the Corporation and the Partnership and you shall perform the duties of this role as are customary and as may be required by Bioventus from time to time. You will continue reporting to the Chief Executive Officer and you will be based at the headquarters of Bioventus currently located in Durham, NC.

You shall continue to have such duties and responsibilities, commensurate with your position, as may be reasonably assigned to you from time to time by me or the Board of Directors of the Corporation (the "**Board**"), or which are in accordance with the delegations of authority set out by the Board.

During your employment with Bioventus, you will devote your full-time best efforts and business time and attention to the business of Bioventus.

2. At-Will Employment Relationship

You may terminate your employment with Bioventus at any time and for any reason whatsoever simply by providing Bioventus with thirty (30) days' advance written notice. Likewise, Bioventus may terminate your employment at any time, with or without Cause, and with or without advance notice, subject to the severance obligations set forth in Section 6. Your employment at-will status can only be modified in a written agreement approved by Bioventus and signed by you and a duly authorized member of Bioventus.

3. Base Salary and Employee Benefits

Your base salary will be paid at the annual rate of **\$430,000** (the "**Annual Base Salary**") less payroll deductions and withholdings. You will be paid your Annual Base Salary on a bi-weekly basis, on Bioventus' normal payroll schedule. You will be reimbursed for expenses that are normal and customary for your role and follow applicable Bioventus policies. As an exempt salaried employee, you will be required to work Bioventus' normal business hours, and such additional time as appropriate for your work assignments and position. You will not be eligible for overtime premiums.

You will be eligible to participate in Bioventus' equity incentive plans, and the health and welfare, group insurance, retirement and other employee benefit plans, programs and arrangements (pursuant to the terms and conditions of the benefit plans and applicable policies) as are made generally available from time to time to executives of Bioventus. Additionally, on or about the Effective Date, you will receive an equity award under the Bioventus 2021 Equity Incentive Plan in a form and amount to be determined by the Board in its sole discretion.

You will continue to be eligible for **twenty-five** days of vacation per year.

4. Annual Performance Bonus and Merit Planning

You will continue to be eligible to participate in the Bioventus Global Annual Incentive Plan or any sub-plan thereof or any other bonus program as determined by Bioventus from time to time (the “**Annual Incentive Plan**”) at an annual target of fifty percent (50%) of your Annual Base Salary (your “**Annual Bonus**”). The Annual Incentive Plan may include components of your personal performance as well as Bioventus’ business objectives. The terms and conditions of your Annual Incentive Plan will be set forth in the Annual Incentive Plan documents.

Your performance will be reviewed on a yearly basis by the Chief Executive Officer. At that time, your salary will be reviewed along with your performance to determine any adjustment to your Annual Base Salary.

5. Certain Definitions

For purposes of this Agreement, the following definitions will apply:

- a. **Definition of Change in Control.** “**Change in Control**” shall have the meaning provided in the Bioventus 2021 Equity Incentive Plan as of the Effective Date; provided that such Change in Control also constitutes a “change in control event,” as defined in Treasury Regulation Section 1.409A-3(i)(5).
- b. **Definition of Cause.** “**Cause**” for Bioventus to terminate your employment shall exist if any of the following occurs: (A) your being convicted (including a guilty plea or plea of nolo contendere) of any felony or any other crime involving fraud, violence or dishonesty; (B) your commission of or participation in a fraud or act of dishonesty or misrepresentation against Bioventus; (C) your material violation of any written and fully executed contract or agreement between you and Bioventus, including without limitation, breach of your Restrictive Covenant Agreement (as defined below); (D) your gross negligence or willful misconduct; (E) your continued and substantial failure to perform your duties to Bioventus set forth herein at a level commensurate with your position; or (F) your violation of any material policies, practices, or procedures of Bioventus.
- c. **Definition of Good Reason.** “**Good Reason**” for you to terminate your employment shall mean the occurrence of any one of the following events without either (x) your express prior written consent or (y) full cure within 30 days after you give written notice to Bioventus: (i) material diminution in duties or responsibilities; (ii) a material reduction in your salary, except for across-the-board salary reductions similarly affecting all senior executive officers of Bioventus; (iii) the relocation of your principal office, or principal place of employment, to a location more than fifty (50) miles from the location of your principal office or principal place of business as of the Effective Date; or (iv) a failure to pay you earned compensation; provided however, that no event shall constitute grounds for a Good Reason termination unless you provide written notice to Bioventus of the event or condition purported to constitute Good Reason within 90 days of the initial existence of such event or condition and you terminate your employment within 60 days after such notice is provided.

6. Severance Benefits

- a. If, at any time, Bioventus terminates your employment without Cause (other than as a result of your death or disability) or you terminate your employment for Good Reason, then, subject to Section 6(c) and Section 7, you shall receive the following severance benefits (the “**Severance Benefits**”): (i) twelve (12) months (of your Annual Base Salary in effect on the effective date of termination (the “**Termination Date**”), less applicable taxes and withholdings, payable in equal installments over the twelve (12) month period immediately following the Termination Date (the “**Severance Period**”) in accordance with Bioventus’ regular payroll practices in effect as of the Termination Date; (ii) one hundred percent (100%) of your target Annual Bonus, less applicable taxes and withholdings, payable in equal installments over the Severance Period in accordance with Bioventus’ regular payroll practices in effect as of the Termination Date; (iii) if you timely elect continued coverage under federal COBRA laws or comparable state insurance laws (“**COBRA**”), then Bioventus shall pay the COBRA premiums necessary to continue your medical and dental insurance coverage in effect for yourself and your eligible dependents during the Severance Period (provided that such COBRA reimbursement shall terminate on such earlier date as you are no longer eligible for COBRA coverage or you become eligible for group health insurance benefits through a new employer).
- b. If, during the two-year period immediately following a Change in Control, Bioventus terminates your employment without Cause (other than as a result of your death or disability) or you terminate your employment for Good Reason, then, subject to Section 6(c) and Section 7, you shall receive the following severance benefits (the “**CIC Severance Benefits**”): (i) eighteen (18) months of your Annual Base Salary in effect on the Termination Date, less applicable taxes and withholdings, payable in a lump sum payment on the first payroll date on or following the 60th day after the Termination Date (the “**CIC Severance Payment Date**”); (ii) one hundred fifty percent (150%) of your target Annual Bonus, less applicable taxes and withholdings, payable in a lump sum on the CIC Severance Payment Date; (iii) a lump sum payment equal to eighteen (18) months of COBRA premium payments (determined as of the Termination Date) for your medical and dental insurance coverage in effect for yourself and your eligible dependents as of the Termination Date, less applicable taxes and withholding, payable on the CIC Severance Payment Date; and (iv) full acceleration of all of your outstanding equity awards as of the Termination Date.
- c. Your receipt of the Severance Benefits or CIC Severance Benefits, as applicable, is conditional upon (a) your continuing to comply with your obligations under your Restrictive Covenant Agreement; and (b) your executing and delivering an effective, general release of all known and unknown claims in favor of Bioventus, in Bioventus’ customary form (a “**Release**”) within 45 days following the Termination Date (and not revoking the Release).
- d. The provisions of this Agreement shall supersede in their entirety any severance payment or benefit obligations to you pursuant to the provisions in any severance plan, policy, program or other arrangement maintained by Bioventus.

7. Section 409A

- a. General. The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations thereunder (collectively, “**Section 409A**”). Notwithstanding any provision of this Agreement to the contrary, in the event that Bioventus determines that any amounts payable hereunder will be immediately taxable to you under Section 409A, Bioventus reserves the right (without any obligation to do so or to indemnify you for failure to do so) to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that Bioventus determines to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for Bioventus and/or (ii) take such other actions as Bioventus determines to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from you or any other individual to Bioventus or any of its Affiliates, employees or agents.

- b. Separation from Service under Section 409A. Notwithstanding any provision to the contrary in this Agreement: (i) no Severance Benefits or CIC Severance Benefits shall be payable unless the termination of your employment constitutes a “separation from service” within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) for purposes of Section 409A, your right to receive Severance Benefits in installment payments, if any, shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes “deferred compensation” under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year. Notwithstanding any provision to the contrary in this Agreement, if you are deemed at the time of your separation from service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the termination benefits to which you are entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of your termination benefits shall not be provided to you prior to the earlier of (x) the expiration of the six-month period measured from the date of your “separation from service” with Bioventus (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (y) the date of your death; upon the earlier of such dates, all payments deferred pursuant to this sentence shall be paid in a lump sum to you, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.
- c. Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments of “nonqualified deferred compensation” (within the meaning of Section 409A) due under this Agreement as a result of your termination of employment are subject to your execution and delivery of a Release, (i) the Release shall be reasonable and drafted in good faith, (ii) Bioventus shall deliver the Release to you within ten (10) business days following the Termination Date, and Bioventus’ failure to deliver a Release prior to the expiration of such ten (10) business day period shall constitute a waiver of any requirement to execute a Release, (iii) if you fail to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes his acceptance of the Release thereafter, you shall not be entitled to any payments or benefits otherwise conditioned on the Release, and (iv) in any case where the Termination Date and the Release Expiration Date fall in two separate taxable years, any payments required to be made to you that are conditioned on the Release and are treated as nonqualified deferred compensation for purposes of Section 409A shall be made in the later taxable year. For purposes of this paragraph, “**Release Expiration Date**” shall mean the date that is twenty-one (21) days following the date upon which Bioventus timely delivers the Release to you, or, in the event that your termination of employment is “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of your termination of employment are delayed pursuant to this paragraph, such amounts shall be paid in a lump sum on the first payroll date following the date that you execute and do not revoke the Release (and the applicable revocation period has expired) or, in the case of any payments subject to clause (iv) of this paragraph, on the first payroll period to occur in the subsequent taxable year, if later.

8. Compliance with Restrictive Covenant Agreement and Bioventus Policies

You acknowledge that you are, concurrently with the execution of this Agreement, entering into an agreement with Bioventus containing confidentiality, non-solicitation, non-competition, intellectual property assignment, and other protective covenants (the “**Restrictive Covenant Agreement**” attached hereto as **Exhibit A**) and that you shall be bound by the terms and conditions of the Restrictive Covenant Agreement. In addition, you agree that you will abide by Bioventus’ Code of Conduct and Bioventus’ policies, as may be changed from time to time at Bioventus’ sole discretion.

9. Outside Activities

Throughout your employment with Bioventus, you may engage in civic and not-for-profit activities so long as such activities do not interfere with the performance of your duties hereunder or violate Bioventus’ Conflict of Interest Policy. Specifically, under this provision you may, subject to review and approval by the Board in its sole discretion, serve on boards of directors of not-for-profit entities and/or other boards.

10. Assignment

This Agreement may be assigned by Bioventus to a person or entity which is an affiliate or a successor in interest to substantially all of the business operations of Bioventus. Upon such assignment, the rights and obligations of Bioventus hereunder shall become the rights and obligations of such affiliate or successor person. You may not assign your rights or obligations to another entity or person.

11. Indemnification

You shall be entitled to indemnification to the maximum extent permitted by applicable law and Bioventus’ customary indemnification policies and procedures applicable to Bioventus’ officers and directors. At all times during your employment, Bioventus shall maintain in effect a directors and officers liability insurance policy with you as a covered officer. Bioventus shall further provide and pay for the defense of any action, arbitration or mediation (collectively, an “**Action**”) relative to the lawful performance of your duties or in connection with your employment at Bioventus and the existence of such Action or defense shall not provide grounds for termination of your employment.

12. Whistleblower Protection and Trade Secrets

Notwithstanding anything to the contrary contained herein, nothing in this Agreement prohibits you from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (a) you shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (i) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (b) if you file a lawsuit for retaliation by Bioventus for reporting a suspected violation of law, you may disclose the trade secret to your attorney, and may use the trade secret information in the court proceeding, if you file any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

13. Section 280G Parachute Payments

Notwithstanding any other provision in this Agreement to the contrary, in the event that any payment or benefit received or to be received by you, pursuant to this Agreement or otherwise, in connection with a Change in Control or otherwise would be considered an “excess parachute payment” within the meaning of Section 280G of the Code and the regulations thereunder, then such payments and benefits will either be (i) delivered in full or (ii) reduced by the minimum amount necessary so that all of the remaining payments and benefits will not be subject to the excise tax imposed by Section 4999 of the Code, whichever of the foregoing (i) or (ii) results in the greater net after-tax value of payment and benefits to you. All determinations regarding the application of this paragraph shall be made by an accounting firm or consulting group with experience in performing calculations regarding the applicability of Sections 280G and 4999 of the Code selected by Bioventus, and all associated costs will be borne by Bioventus.

14. Compensation Recovery Policy

You acknowledge and agree that, to the extent Bioventus adopts any clawback or similar policy pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, and any rules and regulations promulgated thereunder, you will take all action necessary or appropriate to comply with such a clawback policy (including, without limitation, entering into any further agreements, amendments or policies necessary or appropriate to implement and/or enforce such policy).

15. Miscellaneous

This Agreement, together with your Restrictive Covenant Agreement and all applicable equity award agreements, forms the complete and exclusive statement of your employment agreement with Bioventus. Changes in your employment terms, other than those changes expressly reserved to Bioventus' discretion in this Agreement, require a written modification approved by Bioventus. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and Bioventus, and inure to the benefit of both you and Bioventus, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this Agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina without regard to conflicts of law principles. The parties hereby irrevocably submit to the jurisdiction of the state and federal courts of North Carolina located in or about Raleigh and waive any claim or defense of inconvenient or improper forum or lack of personal jurisdiction under any applicable law or decision. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement, or rights hereunder, shall be in writing and shall not be deemed to be a waiver of any successive breach or rights hereunder. This Agreement may be executed in counterparts which shall be deemed to be part of one original, and facsimile or pdf signatures shall be equivalent to original signatures.

[Signature pages follow]

THE PARTIES ACKNOWLEDGE BY SIGNING BELOW THAT THEY HAVE READ AND UNDERSTAND THE ABOVE AND INTEND TO BE BOUND THEREBY:

EMPLOYEE

/s/ Alessandra Pavesio

Name: Alessandra Pavesio
Date: 2/9/2021

BIOVENTUS INC.

/s/ Kenneth Reali

Name: Kenneth Reali
Its: Chief Executive Officer

BIOVENTUS LLC

By: /s/ Kenneth Reali

Name: Kenneth Reali
Its: Chief Executive Officer

EXHIBIT A

RESTRICTIVE COVENANT AGREEMENT

THIS RESTRICTIVE COVENANTS AGREEMENT (“Agreement”), dated as of the 9th day of February, 2021, is made between Bioventus Inc. (the “Corporation”), Bioventus LLC, a Delaware limited liability company (the “Partnership” and, together with the Corporation and any subsidiaries, parent companies or affiliates of the Corporation or the Partnership, “Bioventus”), and Alessandra Pavesio (the “Executive”), a resident of the State of North Carolina.

RECITALS

A. Bioventus and the Executive have entered into that certain Employment Offer Letter dated the date hereof (the “Employment Agreement”).

B. The Executive possesses extensive knowledge and experience regarding the business of Bioventus and shall benefit from the Employment Agreement.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, which includes Bioventus’ agreement to employ or continue to employ Executive under the Employment Agreement and all payments and benefits available to Executive under the Employment Agreement, and in specific consideration for Bioventus’ agreement to provide the bonus payments set forth in the Employment Agreement, which Executive acknowledges and agrees is valid and sufficient consideration for the following covenants in this Agreement, the parties hereto agree as follows:

1. Confidential Information; Non-Disclosure.

a. Non-Use and Non-Disclosure of Confidential Information. Executive acknowledges that Executive currently holds and has access to proprietary and confidential information of Bioventus and its subsidiaries. Executive hereby covenants and agrees that neither Executive nor any of Executive’s Affiliates (as hereinafter defined) will, at any time, divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of Bioventus or its subsidiaries, any confidential, proprietary or secret knowledge or information of Bioventus that Executive has acquired or shall acquire about Bioventus or its subsidiaries, whether developed by Executive or by others, including, without limitation, knowledge or information concerning (i) any trade secrets, (ii) any confidential, proprietary or secret designs, programs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of Bioventus or its subsidiaries, (iii) any customer or supplier lists, (iv) any confidential, proprietary or secret development or research work, (v) any strategic or other business, marketing or sales plans, (vi) any financial data or plans, or (vii) any other confidential or proprietary information or secret aspects of the business of Bioventus or its subsidiaries. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of Bioventus and its subsidiaries and represents a substantial investment of time and expense by Bioventus and its subsidiaries, and that any disclosure or other use of such knowledge or information other than for the sole benefit of Bioventus or its subsidiaries would be wrongful and may cause irreparable harm to Bioventus and its subsidiaries (“Confidential Information”). Executive shall take reasonable steps to protect the confidentiality of all Confidential Information. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a result of the breach of this Agreement, (ii) is independently made available to Executive in good faith by a third party who has not violated a confidential relationship with Bioventus or any of its subsidiaries, or (iii) is required to be disclosed by law or legal process. Executive understands and agrees that his obligations under this Agreement to maintain the confidentiality of Bioventus’ and its subsidiaries’ Confidential Information are in addition to any obligations of Executive under applicable statutory or common law. For purposes of this Agreement, “Affiliate” shall mean any person or entity directly or indirectly controlled by the Executive.

b. Company Property. As between Bioventus and Executive, all Confidential Information will remain the exclusive property of Bioventus, including, but not limited to, all financial, commercial, operational, technical or business information or data received, obtained, or prepared by Executive in connection with Executive's employment or engagement and concerning Bioventus' business, and all copies and abstracts thereof. Upon the termination of Executive's employment or engagement with Bioventus for any reason, Executive will not retain, take, remove, or copy any such property of Bioventus or any materials containing any Confidential Information whatsoever, and Executive will promptly return all such property and materials to Bioventus no later than Executive's termination date or earlier upon Bioventus' request.

c. Exceptions; Notice of Legal Obligation to Disclose. Nothing in this Agreement prohibits Executive from filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or otherwise cooperating with any governmental agency or from making other disclosures that are protected under the whistleblower provisions of applicable law or regulation. Further, nothing herein prevents Executive from disclosing Confidential Information if and to the extent required pursuant to any valid subpoena, court order, or other legal obligation; provided, however, Executive agrees to provide prompt written notice of any such subpoena, court order, or other legal obligation prior to disclosing any Confidential Information (unless such notice to Bioventus is prohibited by applicable law), enclosing a copy of the subpoena, court order or other documents describing the legal obligation. In the event that Bioventus objects to the disclosure of Confidential Information, by way of a motion to quash or otherwise, Executive agrees to not disclose any Confidential Information while any such objection is pending.

d. Defend Trade Secrets Act Disclaimer. In compliance with the requirements of the Defend Trade Secrets Act, Executive understands that: (i) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if Executive files a lawsuit for retaliation by Bioventus for reporting a suspected violation of law, Executive may disclose trade secrets to Executive's attorney and use the trade secret information in the court proceeding if Executive: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

2. Noncompetition and Nonsolicitation Covenants.

a. Agreement Not to Compete. Except for Executive's direct and indirect ownership of Bioventus, for a period starting as of the date hereof and ending on such date which is twelve (12) months after Executive's Termination Date (as defined in the Employment Agreement) or, in the event of a Change of Control Termination (as defined in the Employment Agreement), such date which is eighteen (18) months after Executive's Termination Date (the "Restricted Period"), Executive shall not, directly or indirectly, own, invest in, lend money to, acquire or hold any interest in, render services to, act as agent for, or otherwise engage in any business, in the United States or in any other location in which Bioventus is then doing business, that is competitive with any business conducted by or under active consideration by Bioventus or its subsidiaries at any time during the period that the Executive is an employee, director or direct or indirect shareholder of Bioventus or any of its subsidiaries (the "Protected Business"), it being acknowledged by Executive that the Protected Business includes the design, sale, marketing, or distribution of Bioventus' and its subsidiaries' products and services. Ownership by Executive, as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 2(a).

b. Agreement Not to Solicit Employees. Executive represents and warrants that Executive has not, directly or indirectly, solicited for employment for any entity or person (other than for Bioventus) any current employee, consultant or other independent contractor of Bioventus. For the Restricted Period, Executive shall not, directly or indirectly, hire, engage, solicit or attempt to solicit any person who is then an employee, consultant or independent contractor of Bioventus or any subsidiary of Bioventus.

c. Agreement Not to Solicit Others. Executive represents and warrants that Executive has not, directly or indirectly, solicited any customer, supplier, distributor or other business contact referred to below for the purposes set forth below (other than on behalf of Bioventus). For the Restricted Period, Executive shall not, directly or indirectly, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, (x) solicit or attempt to solicit any person or entity who was a customer of Bioventus during the last twelve (12) months immediately preceding the date hereof or is a customer of Bioventus or any subsidiary of Bioventus during the Restricted Period, for the purposes of selling, marketing or distributing products or services similar to the products or services designed, sold, marketed or distributed by Bioventus or any of its subsidiaries, and (y) solicit, request, advise or induce any supplier, distributor or other business contact of Bioventus or any subsidiary to cancel, curtail or otherwise adversely change its relationship with Bioventus or its subsidiaries as it relates, directly or indirectly, to the Protected Business.

d. Acknowledgment. Executive hereby acknowledges that the provisions of this Section 2 are reasonable and necessary to protect the legitimate interests of Bioventus and that any violation of this Section 2 by Executive may cause substantial and irreparable harm to Bioventus to such an extent that monetary damages alone would be an inadequate remedy therefor.

e. Assistance is Prohibited. Executive further agrees that Executive will not, directly or indirectly, assist or encourage any other person in carrying out, directly or indirectly, any activity that would be prohibited by the above provisions of this Section 2 if such activity were carried out by Executive, directly or indirectly, or induce any employee, or former employee of Bioventus to carry out, directly or indirectly, any such activity.

f. Blue Pencil Doctrine. If the duration of, the scope of or any business activity covered by any provision of this Section 2 is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 2 shall be given the construction which renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

3. Non-Disparagement. The Executive agrees not to disparage Bioventus, any of its products, services, or practices, or any of its directors, officers, agents, representatives, partners, members, equity holders, or affiliates, either orally or in writing, at any time; provided, that the Executive may confer in confidence with the Executive's legal representatives and make truthful statements as required by law.

4. Ownership of Inventions.

a. Inventions. Subject to the limitations in Section 4(c) below, Bioventus will own all rights, title and interest in and to (i) any invention, innovation, manufacturing process, trade secret, design, idea or improvement related, directly or indirectly, to Bioventus' business, or any part thereof, and (ii) all copyrights, patents, trademarks and trade names which Executive develops or creates, in whole or in part in the course of Executive's employment or engagement with Bioventus (referred to as "Inventions"). Subject to the limitations in Section 4(c) below, Executive will, and hereby does, assign to Bioventus, without requirement of further writing and without royalty or any other further consideration, my entire right, title and interest throughout the world in and to all Inventions created, conceived, made, developed, and/or reduced to practice by Executive in the course of Executive's employment or engagement with Bioventus and all intellectual property rights therein. Executive will promptly tell Bioventus about and give Bioventus all information relating to any such Inventions. Executive acknowledges that all original works of authorship which are made by Executive (solely or jointly with others) within the scope of Executive's employment or engagement with Bioventus and which are eligible for copyright protection are "works made for hire" as that term is defined in the United States Copyright Act (17 U.S.C., Section 101). Executive hereby waives, and agrees to waive, any moral rights Executive may have in any copyrightable work Executive creates or has created on behalf of Bioventus. Executive will make and maintain adequate and current written records of all Inventions covered by this Section 4(a). These records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, notebooks and any other format. These records shall be and remain the property of Bioventus at all times and shall be made available to Bioventus at all times.

b. Cooperation. Executive will cooperate with Bioventus in obtaining, maintaining and enforcing copyright, patent, trademark or other relevant protections for Inventions covered by Section 4(a), including executing such documents as Bioventus may request as necessary for such protection.

c. Executive Inventions. Executive acknowledges that Bioventus will not own, and the assignment of Inventions set forth in Section 4(a) above does not apply to, Inventions for which no equipment, supplies, facility, or trade secret information of Bioventus were used and which was developed entirely on Executive's own time ("Executive Inventions"), unless (i) the Invention relates (a) to Bioventus' business or (b) to Bioventus' actual or demonstrably anticipated research or development, or (ii) the Invention results from any work performed by Executive for Bioventus. If Executive believes an Invention qualifies as an Executive Invention, Executive will provide Bioventus at the time of creation written evidence to substantiate such belief. If Executive incorporates any Executive Inventions or portions thereof into any Inventions created or developed for Bioventus, Executive hereby grants Bioventus a perpetual, irrevocable, royalty-free, transferable license to copy, modify, prepare derivative works of, use, perform, and display such Executive Invention solely in connection with the Invention.

5. Enforcement. Executive hereby specifically acknowledges and agrees that the scope of the restrictions set forth in this Agreement is reasonable and necessary to ensure that Bioventus receives the value of the Employment Agreement and that violation of this Agreement will harm Bioventus to such an extent that monetary damages alone would be an inadequate remedy. Therefore, in the event of any violation by Executive or any Affiliate:

a. Bioventus (in addition to all other remedies Bioventus may have) shall be entitled to a temporary restraining order, injunction and other equitable relief (without posting any bond or other security) restraining the violator from committing or continuing such violation,

b. in the case of any violation of Section 2 hereof, as determined by a final judgment of court of competent jurisdiction, the duration of the non-compete period referred to therein shall be extended beyond its then-scheduled termination date for a period equal to the duration of the violation, and

c. in the event that Bioventus must enforce this Agreement pursuant to this Section 5, Bioventus shall be entitled to recover from Executive its reasonable costs associated therewith, including all reasonable attorneys' and court fees.

6. Use of Name. Neither Executive nor any Affiliate shall use the name "Bioventus," any variants thereof, or any confusingly similar name, in any business (other than Bioventus) in which any of them is associated as shareholder, investor, lender, partner, co-venturer, co-marketer, sole proprietor, director, officer, employee, agent, consultant, independent contractor or in any other capacity.

7. No Violation of Other Agreements. Executive hereby represents and agrees that neither (a) Executive's entering into this Agreement nor (b) Executive's carrying out the provisions of this Agreement, will violate any other agreement (oral, written or other) to which Executive is a party or by which Executive is bound.

8. At-Will Employment; No Contract of Employment. Nothing herein shall be deemed to create a contract of employment for any term. Executive acknowledges and agrees that Executive's employment with Bioventus is and shall remain at all times at will, unless otherwise specified by the Employment Agreement.

9. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Executive, Bioventus and their respective heirs, personal representatives, successors and assigns (including without limitation any assignee of substantially all of the assets of Bioventus); provided, however, that this Agreement may not be assigned by Executive.

10. Complete Agreement. This Agreement contains the complete agreement between the parties hereto with respect to the matters covered herein, and supersedes all prior agreements and understandings between the parties hereto with respect to such matters. This Agreement may be amended, terminated or superseded only by an agreement in writing executed by both parties hereto.

11. Partial Invalidity. If any covenant or other provision of this Agreement is deemed invalid, illegal or incapable of being enforced by reason of any rule of law or of any public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision unless so expressed herein.

12. No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

13. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original but both of which shall constitute but one instrument.

14. Headings. The headings contained in this Agreement are for reference purposes only and shall not be deemed to be a part of this Agreement or to affect the meaning or interpretation of this Agreement.

15. Notices. All notices, requests, demands and other communications provided for in this Agreement shall be in writing delivered personally or sent by registered or certified mail, postage prepaid, as follows:

If to Bioventus:	Bioventus, Inc. 4721 Emperor Blvd., Suite 100 Durham, NC 27703 Attn: Leigh Ann Stradford
with a copy to:	Latham & Watkins, LLP 885 Third Avenue New York, NY 10022 Attn: Rifka Singer
If to Executive:	To the address in Bioventus' records
with a copy to:	Bioventus, Inc. 4721 Emperor Blvd, Suite 100 Durham, NC 27703

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without giving effect to any choice or conflict of law provision or rule, whether of the State of North Carolina or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of North Carolina.

17. Action of Affiliates. Executive shall cause his Affiliates not to take any action that is prohibited to be taken by such Affiliates under the terms of this Agreement.

[Signature Pages Follow]

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

BIOVENTUS INC.

By: /s/ Leigh Ann Stradford
Name: Leigh Ann Stradford
Its: SVP and Chief Human Resources Officer

BIOVENTUS LLC

By: /s/ Leigh Ann Stradford
Name: Leigh Ann Stradford
Its: SVP and Chief Human Resources Officer

EXECUTIVE

/s/ Alessandra Pavesio
Alessandra Pavesio



Bioventus
4721 Emperor Blvd., Suite 100
Durham, NC 27703
USA

1-919-474-6700
1-800-396-4325
www.BioventusGlobal.com

February 3, 2021

Ken Reali
c/o Bioventus LLC
4721 Emperor Boulevard, Suite 100
Durham, NC 27703

Dear Ken:

As discussed, for ten dollars (\$10) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the date hereof, you hereby agree to forfeit the option to purchase 5,935 common or profit interest units in Bioventus LLC (the "Company") or an equivalent number of equity interests of a successor entity (the "Option") that was granted to you in that certain letter agreement dated July 30, 2020 (the "Option Letter Agreement").

Following such forfeiture, you will no longer hold any equity interest, or any right to acquire any equity interest, in the Company or any of its subsidiaries, affiliates or successors pursuant to the Option, and you and the Company will not have any rights or obligations under the Option Letter Agreement following the date hereof.

Please kindly acknowledge your acceptance of this letter by signing where your name appears below. By signing below, you acknowledge that you have reviewed this letter, have had the opportunity to raise questions with the Company regarding the forfeiture of the Option, and voluntarily and knowingly accept and agree to the provisions set forth herein. Following your acceptance of this letter, the Company and its transfer agent will make any and all appropriate adjustments to its books and records to reflect the foregoing. This letter shall be governed and construed under the internal laws of the State of Delaware and may be executed in several counterparts.

Very truly yours,

Bioventus LLC

By: /s/ Leigh Ann Stradford
Name: Leigh Ann Stradford
Title: SVP & Chief Human Resources Officer

ACCEPTED AND AGREED:

/s/ Ken Reali
Ken Reali

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated October 6, 2020, with respect to the consolidated financial statements of Bioventus LLC contained in the Registration Statement and Prospectus of Bioventus Inc. We consent to the use of the aforementioned report in the Registration Statement and Prospectus of Bioventus Inc., and to the use of our name as it appears under the caption “Experts.”

/s/ GRANT THORNTON LLP

Raleigh, North Carolina
February 10, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Amendment No. 2 to the Registration Statement on Form S-1 of Bioventus Inc. of our report dated August 16, 2019, except for the effects of disclosing net loss per unit information discussed in Note 14 and the effects of discontinued operations discussed in Note 17 to the consolidated financial statements, as to which the date is October 6, 2020, relating to the financial statements of Bioventus LLC, which appears in this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
Raleigh, North Carolina
February 10, 2021