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

FORM 10-Q

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

For the quarterly period ended March 31, 2021
OR

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

For the transition period from to

Commission File Number: 001-39562

PULMONX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**77-0424412**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

700 Chesapeake Drive
Redwood City, California 94063
1-650-364-0400
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	LUNG	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

As of April 30, 2021 there were 36,247,816 shares of the Registrant's Common Stock, par value $0.001 per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial condition, business strategy, plans, and objectives of management for future operations and statements that are necessarily dependent upon future events are forward-looking statements. In some cases, you can identify forward-looking statements by words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “design,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “target,” “should,” “will,” or the negative of these terms or other similar expressions, although not all forward-looking statements contain these words.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, and financial needs. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of known and unknown risks, uncertainties, and assumptions, including risks described in the section entitled “Risk Factors.” These risks are not exhaustive. Other sections of this Quarterly Report on Form 10-Q include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in, or implied by, any forward-looking statements.

You should not rely on these forward-looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or to changes in our expectations, whether as a result of any new information, future events, changed circumstances or otherwise. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our ability to design, develop, manufacture and market innovative products to treat patients with challenging medical conditions, particularly those with COPD and emphysema;
- our expectations regarding the impact of the COVID-19 pandemic on our business;
- our expected future growth, including growth in international sales;
- our expected future growth of our sales and marketing organization;
- the size and growth potential of the markets for our products, and our ability to serve those markets;
- the rate and degree of market acceptance of our products;
- coverage and reimbursement for procedures performed using our products;
- the performance of third parties in connection with the development of our products, including third-party suppliers;
- regulatory developments in the United States and foreign countries;
- our ability to obtain and maintain regulatory approval or clearance of our products on expected timelines;

- our plans to research, develop and commercialize our products and any other approved or cleared product;
- our ability to retain and hire our senior management and other highly qualified personnel;
- the development, regulatory approval, efficacy and commercialization of competing products and technologies in our industry;
- our expectations regarding the period during which we qualify as an emerging growth company under the JOBS Act;
- our ability to develop and maintain our corporate infrastructure, including our internal controls;
- our financial performance and capital requirements; and
- our expectations regarding our ability to obtain and maintain intellectual property protection for our products, as well as our ability to operate our business without infringing the intellectual property rights of others.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this report with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Part I. Financial Information

Item 1. Financial Statements

Pulmonx Corporation

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)
(unaudited)

	March 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 209,283	$ 231,561
Restricted cash	231	231
Short-term marketable securities	9,784	—
Accounts receivable, net	5,119	4,228
Inventory	11,916	10,741
Prepaid expenses and other current assets	3,011	3,228
Total current assets	239,344	249,989
Property and equipment, net	1,799	1,474
Goodwill	2,333	2,333
Intangible assets, net	370	400
Right of use assets	8,404	8,976
Long-term marketable securities	2,498	—
Other long-term assets	522	536
Total assets	$ 255,270	$ 263,708
Liabilities, Preferred Stock and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 1,826	$ 1,472
Accrued liabilities	9,756	8,651
Income taxes payable	120	94
Deferred revenue	75	71
Term loan, current	472	—
Current lease liabilities	1,774	2,238
Total current liabilities	14,023	12,526
Deferred tax liability	71	62
Long-term lease liabilities	7,700	7,618
Credit agreement	532	564
Term loan	16,329	16,804
Total liabilities	38,655	37,574
Commitments and contingencies (Note 8)		
Stockholders' equity		

Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding as of March 31, 2021 and December 31, 2020	—	—
Common stock, $0.001 par value, 200,000,000 shares authorized as of March 31, 2021 and December 31, 2020; 35,803,664 shares issued and outstanding as of March 31, 2021 and 35,693,753 shares issued and outstanding as December 31, 2020	36	36
Additional paid-in capital	469,948	467,147
Accumulated other comprehensive income	1,410	1,685
Accumulated deficit	(254,779)	(242,734)
Total stockholders' equity	216,615	226,134
Total liabilities, preferred stock and stockholders' equity	$ 255,270	$ 263,708

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

Pulmonx Corporation

Condensed Consolidated Statements of Operations and Comprehensive Loss

(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Revenue	$ 9,244	$ 8,618
Cost of goods sold	2,633	2,968
Gross profit	6,611	5,650
Operating expenses		
Research and development	3,034	1,565
Selling, general and administrative	15,604	10,189
Total operating expenses	18,638	11,754
Loss from operations	(12,027)	(6,104)
Interest income	105	74
Interest expense	(217)	(899)
Other income (expense), net	161	(147)
Net loss before tax	(11,978)	(7,076)
Income tax expense	67	87
Net loss	(12,045)	(7,163)
Other comprehensive income		
Currency translation adjustment	(272)	282
Change in unrealized losses on marketable securities	(3)	(5)
Total other comprehensive income (loss)	(275)	277
Comprehensive loss	$ (12,320)	$ (6,886)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.34)	$ (3.76)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	35,370,760	1,906,715

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

Pulmonx Corporation

Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)

(in thousands, except share amounts)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances at January 1, 2021	35,693,753	$ 36	$ 467,147	$ 1,685	$ (242,734)	$ 226,134
Issuance of common stock upon exercise of stock options	122,856	—	273	—	—	273
Repurchase of early exercised common stock options	(12,945)	—	—	—	—	—
Change in shares subject to repurchase	—	—	66	—	—	66
Stock-based compensation expense	—	—	2,462	—	—	2,462
Currency translation adjustment	—	—	—	(272)	—	(272)
Change in unrealized losses on marketable securities	—	—	—	(3)	—	(3)
Net loss	—	—	—	—	(12,045)	(12,045)
Balances at March 31, 2021	35,803,664	$ 36	$ 469,948	$ 1,410	$ (254,779)	$ 216,615

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balances at January 1, 2020	17,583,150	$ 205,339	2,100,203	$ 2	$ 21,750	$ 1,373	$ (210,503)	$ (187,378)
Issuance of Series C-1 convertible preferred stock upon exercise of warrants	213,876	2,260	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	7,164	—	11	—	—	11
Change in shares subject to repurchase	—	—	—	—	2	—	—	2
Stock-based compensation expense	—	—	—	—	209	—	—	209
Currency translation adjustment	—	—	—	—	—	282	—	282
Change in unrealized losses on marketable securities	—	—	—	—	—	(5)	—	(5)
Net loss	—	—	—	—	—	—	(7,163)	(7,163)
Balances at March 31, 2020	17,797,026	$ 207,599	2,107,367	$ 2	$ 21,972	$ 1,650	$ (217,666)	$ (194,042)

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

Pulmonx Corporation

Condensed Consolidated Statements of Cash Flows

(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities		
Net loss	$ (12,045)	$ (7,163)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation expense	2,268	209
Change in fair value of derivative liabilities	—	(330)
Allowance for doubtful accounts	(1)	(8)
Inventory write-downs	453	95
Depreciation and amortization expense	141	116
Amortization of debt discount and debt issuance costs	39	211
Amortization of premiums and discounts on short-term marketable securities	4	(33)
Non-cash lease expense	572	213
Net changes in operating assets and liabilities:		
Accounts receivable	(1,014)	912
Inventory	(1,630)	(2,189)
Prepaid expenses and other current assets	404	246
Other assets	8	229
Accounts payable	302	(163)
Accrued liabilities	1,275	(2,049)
Income taxes payable	30	20
Lease liabilities	(496)	(61)
Deferred tax liability	10	19
Deferred revenue	8	(123)
Net cash used in operating activities	(9,672)	(9,849)
Cash flows from investing activities		
Purchases of investments	(12,289)	—
Maturities of short-term marketable securities	—	10,105
Purchases of property and equipment	(242)	(81)
Net cash (used in) provided by investing activities	(12,531)	10,024
Cash flows from financing activities		
Proceeds from borrowing under term loans, net of payment of lender fees and costs	—	16,764
Repayment of term loans	—	(17,248)
Debt issuance cost	(30)	(82)
Payments of deferred offering costs	—	(400)
Proceeds from exercise of warrants for Series C-1 convertible preferred stock	—	2,261
Proceeds from exercise of common stock options	69	13
Payments for the repurchase of early exercised common stock options	(26)	—
Net cash provided by financing activities	13	1,308
Effect of exchange rate changes on cash and cash equivalents	(88)	222
Net (decrease) increase in cash and cash equivalents	(22,278)	1,705
Cash, cash equivalents and restricted cash, at beginning of the period	231,792	14,767
Cash, cash equivalents and restricted cash, at end of the period	$ 209,514	$ 16,472
Reconciliation of cash, cash equivalents and restricted cash to consolidated balance sheets:		
Cash and cash equivalents	$ 209,283	$ 16,241
Restricted cash	231	231
Cash, cash equivalents and restricted cash in consolidated balance sheets	$ 209,514	$ 16,472

Supplemental non-cash items:				
Lapse in repurchase rights of common stock	$	66	$	2
Purchases of property and equipment in accounts payable	$	144	$	18
Amount receivable from exercise of common stock options	$	204	$	—
Supplemental disclosure of cash flow information:				
Cash paid for income taxes	$	23	$	45
Cash paid for interest	$	178	$	2,574

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

1. Formation and Business of the Company

The Company

Pulmonx Corporation (the "Company") was incorporated in the state of California in December 1995 as Pulmonx and reincorporated in the state of Delaware in December 2013. The Company is a commercial-stage medical technology company that provides a minimally invasive treatment for patients with severe emphysema, a form of chronic obstructive pulmonary disease (COPD). The Company's solution, which is comprised of the Zephyr Endobronchial Valve (Zephyr Valve), the Chartis Pulmonary Assessment System (Chartis System) and the StratX Lung Analysis Platform (StratX Platform), is designed to treat a broad pool of patients for whom medical management has reached its limits and either do not want or are ineligible for surgical approaches. The Company has subsidiaries in the Cayman Islands, Germany, Switzerland, Australia, the United Kingdom, the Netherlands, Italy, France and Hong Kong.

Initial Public Offering

On September 30, 2020, the Company's registration statement on Form S-1 (File No. 333-248635) relating to its initial public offering ("IPO") of common stock became effective. The IPO closed on October 5, 2020 at which time the Company issued 11,500,000 shares of its common stock at a price of $19.00 per share, which included the issuance of shares in connection with the exercise by the underwriters of their option to purchase up to 1,500,000 additional shares. The Company received an aggregate of $218.5 million gross proceeds, before underwriting discounts, commissions and offering costs, and approximately $201.4 million in net proceeds after deducting underwriting discounts and commissions and offering costs.

In addition, upon closing the IPO, all outstanding shares of the Company's convertible preferred stock converted into 17,797,026 shares of common stock. Additionally, the $33.0 million aggregate outstanding principal amount and $0.8 million accrued interest of the 2020 Notes converted into 2,561,484 shares of common stock at a conversion price of $13.20 per share. In connection with the completion of its IPO, on October 5, 2020, the Company's certificate of incorporation was amended and restated to provide for 200,000,000 authorized shares of common stock with a par value of $0.001 per share and 10,000,000 authorized shares of preferred stock with a par value of $0.001 per share.

Liquidity and Going Concern

The Company has incurred operating losses and negative cash flows from operations to date and has an accumulated deficit of $254.8 million as of March 31, 2021. During the three months ended March 31, 2021 and March 31, 2020, the Company used $9.7 million and $9.8 million of cash in its operating activities, respectively. As of March 31, 2021, the Company had cash, cash equivalents and marketable securities of $221.6 million. Historically, the Company's activities have been financed through private placements of equity securities, debt and sale of common stock in the IPO.

The Company's condensed consolidated financial statements have been prepared on the basis of the Company continuing as a going concern for the next 12 months. Management believes that the Company's existing cash, cash equivalents and marketable securities will allow the Company to continue its planned operations for at least the next 12 months from the date of the issuance of these unaudited interim condensed consolidated financial statements.

Impact of the COVID-19 Pandemic

The Company has been actively monitoring the novel coronavirus, or COVID-19, situation and its impact. In response to the pandemic, numerous state and local jurisdictions imposed travel bans, restrictions, social distancing requirements, quarantines, stay-at-home orders and other significant measures. In the markets in which we operate, elective, specialty and other procedures and appointments were suspended or canceled. The COVID-19 pandemic has significantly delayed and decreased the number of procedures performed using the Company's products and otherwise adversely impacted sales and operations.

The Company's unaudited interim condensed consolidated financial statements reflect judgments and estimates that could change in the future as a result of the COVID-19 pandemic. The COVID-19 pandemic has adversely impacted the Company's business, financial condition and results of operations by decreasing and delaying substantially all procedures performed using its products, and the Company expects the pandemic to continue to have an adverse impact on its business, financial condition and results of operations for the foreseeable future.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB").

Reverse Stock Split

On September 22, 2020, the Company effected a 1-for-10 reverse stock split of the Company's common stock and convertible preferred stock. The par value and authorized shares of common stock were not adjusted as a result of the reverse stock split. All issued and outstanding common stock, convertible preferred stock, stock options and per share amounts contained in the accompanying financial statements and notes to the financial statements have been retroactively adjusted to give effect to the reverse stock split for all periods presented.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Unaudited Interim Financial Information

The condensed consolidated balance sheet as of December 31, 2020 was derived from the Company's audited financial statements, but does not include all disclosures required by GAAP. The accompanying unaudited condensed consolidated financial statements as of March 31, 2021 and for the three months ended March 31, 2021 and 2020, have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. Accordingly, these financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2020 and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on March 15, 2021. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the Company's condensed consolidated financial position as of March 31, 2021 and condensed consolidated results of operations and cash flows for the three months ended March 31, 2021 and 2020 have been made. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2021.

Use of Estimates

The preparation of unaudited interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Although these

estimates are based on the Company's knowledge of current events and actions it may undertake in the future, actual results may ultimately materially differ from these estimates and assumptions.

Significant estimates and assumptions include reserves and write-downs related to inventories, the recoverability of long term assets, valuation of equity instruments and equity-linked instruments, valuation of common stock, stock-based compensation, valuation of the derivative liability, intangible assets, goodwill, debt and related features, deferred tax assets and related valuation allowances and impact of contingencies.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments consisting of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their relatively short maturities. The derivative liabilities were carried at fair value based on unobservable market inputs. Based on the borrowing rates currently available to the Company for debt with similar terms and consideration of default and credit risk, the carrying value of the term loan approximates their fair value. The fair value of marketable debt securities is estimated using Level 2 inputs based on their quoted market values (Note 4).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of risk consist principally of cash, cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents balances with established financial institutions and, at times, such balances with any one financial institution may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limits. As of March 31, 2021 and December 31, 2020, the Company also had cash on deposit with foreign banks of approximately $5.1 million and $5.6 million, respectively, that was not federally insured.

The Company earns revenue from the sale of its products to distributors and other customers such as hospitals. Sales of Zephyr Valves and delivery catheters accounted for most of the Company's revenue for the three months ended March 31, 2021 and 2020. The Company's accounts receivable are derived from revenue earned from distributors and customers. The Company performs ongoing credit evaluations of its customers' and distributors' financial condition and generally requires no collateral from its customers and distributors. At March 31, 2021 and December 31, 2020, no customer or distributor accounted for more than 10% of accounts receivable. During the three months ended March 31, 2021 and March 31, 2020, no customer or distributor accounted for more than 10% of revenue.

The Company relies on single source suppliers for the components, sub-assemblies and materials for its products. These components, sub-assemblies and materials are critical and there are no or relatively few alternative sources of supply. The Company's suppliers have generally met the Company's demand for their products and services on a timely basis in the past.

Deferred Offering Costs

Deferred offering costs, consisting of legal, accounting and other fees and costs relating to the Company's IPO, are capitalized and recorded on the balance sheet. During the year ended December 31, 2020, the Company wrote off deferred offering costs of $3.0 million as, in May 2020, the Company withdrew its registration statement that was filed with the SEC in February 2020. After the registration statement was withdrawn in May 2020, an additional $1.8 million in deferred offering costs were incurred related to the Company's October 2020 IPO. In connection with the IPO, all deferred offering costs incurred after May 2020 were recorded as reduction of the gross proceeds from the IPO in the additional paid-in capital on the accompanying balance sheet as of December 31, 2020. There were no deferred offering costs capitalized as of March 31, 2021.

Foreign Currency Translation and Transaction Gains and Losses

The functional currencies of the Company's wholly owned subsidiaries in the Cayman Islands and the Netherlands are the U.S. dollar. The functional currencies of the Company's wholly owned subsidiaries in Switzerland, Germany, Australia, the United Kingdom, France and Hong Kong are the Swiss franc. The functional currency of the Company's subsidiary in Italy is the Euro. Accordingly, asset and liability accounts of Switzerland, Germany, Australia, the United Kingdom, Italy and Hong Kong operations are translated into U.S. dollars using the current exchange rate in effect at the balance sheet date and equity accounts are translated into U.S. dollars using historical rates. The revenues and expenses are translated using the average exchange rates in effect during the period, and gains and losses from foreign currency translation adjustments are included as a component of accumulated other comprehensive income in the condensed consolidated balance sheet. Foreign currency translation adjustments are recorded in other comprehensive income (loss) in the condensed consolidated statements of operations and comprehensive loss and was $(0.3) million and $0.3 million during the three months ended March 31, 2021 and 2020, respectively.

Foreign currency transaction gains and losses are included in other income (expense), net in the condensed consolidated statements of operations and comprehensive loss and was $0.2 million and $(0.5) million during the three months ended March 31, 2021 and 2020, respectively.

Net Loss per Share Attributable to Common Stockholders

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common stock outstanding during the period, without consideration of potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common stock and potentially dilutive securities outstanding for the period. For purposes of the diluted net loss per share calculation, convertible preferred stock, stock options, common stock subject to repurchase related to early exercise of stock options, and convertible preferred stock warrants are considered to be potentially dilutive securities. Basic and diluted net loss attributable to common stockholders per share is presented in conformity with the two-class method required for participating securities as the convertible preferred stock is considered a participating security because it participates in dividends with common stock. The Company also considers the shares issued upon the early exercise of stock options subject to repurchase to be participating securities, because holders of such shares have non-forfeitable dividend rights in the event a dividend is paid on common stock. The holders of all series of convertible preferred stock and the holders of the shares issued upon early exercise of stock options subject to repurchase do not have a contractual obligation to share in the Company's losses. As such, the net loss was attributed entirely to common stockholders. Because the Company has reported a net loss for all periods presented, diluted net loss per common share is the same as basic net loss per common share for those periods.

3. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for public business entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company adopted ASU 2019-12 as of January 1, 2021 and the adoption did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848) ("ASU 2020-04"). The amendments in ASU 2020-04 provide optional expedients and exceptions for applying generally accepted

accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in ASU 2020-04 are effective for all entities as of March 12, 2020 through December 31, 2022. An entity may elect to apply the amendments for contract modifications by Topic or Industry Subtopic as of any date from the beginning an interim period that includes or is subsequent to March 12, 2020, or prospectively from the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic, the amendments must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. The Company may elect to apply ASU 2020-04 as its contracts referenced in London Interbank Offered Rate ("LIBOR") are impacted by reference rate reform. The Company is currently evaluating the impact of the adoption of this ASU on the Company's consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)—Accounting For Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"). ASU 2020-06 simplifies accounting for convertible instruments by removing major separation models required under current GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. ASU 2020-06 also simplifies the diluted net income per share calculation in certain areas. This ASU is effective for the Company for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of this principle on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. This new guidance will require financial instruments to be measured at amortized cost, and trade accounts receivable to be presented at the net amount expected to be collected. The new model requires an entity to estimate credit losses based on historical information, current information and reasonable and supportable forecasts, including estimates of prepayments. In November 2019, the FASB issued ASU 2019-10, according to which, the new standard is effective for public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies ("SRC") as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other entities, including the Company, the new standard is effective for fiscal years beginning after December 15, 2022, and interim periods within that fiscal year. Early adoption is permitted. The Company is currently evaluating the impact of the new standard on the Company's consolidated financial statements.

4. Fair Value Measurements

Assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities;

Level 3 – Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis – Financial assets and liabilities held by the Company measured at fair value on a recurring basis include money market funds, marketable securities, convertible preferred stock warrant liability and derivative liabilities.

Assets and Liabilities Measured and Recorded at Fair Value on a Nonrecurring Basis – The Company determines the fair value of long-lived assets held and used, such as intangible assets, by reference to independent appraisals, quoted market prices (e.g. an offer to purchase) and other factors. An impairment charge is recorded when the carrying value of the asset exceeds its fair value. As noted above, there have been no impairment charges recorded to date. Based on the borrowing rates currently available to the Company for debt with similar terms and consideration of default and credit risk, the carrying value of the term loan approximates the fair value and is classified as a Level 2 liability.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

The following tables summarizes the types of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 1,540	$ —	$ —	$ 1,540
Commercial paper	—	1,000	—	1,000
Cash equivalents	1,540	1,000	—	2,540
U.S. Treasury bonds	507	—	—	507
U.S. Government agency bonds	—	3,008	—	3,008
Corporate bonds	—	773	—	773
Commercial paper	—	7,994	—	7,994
Marketable securities	507	11,775	—	12,282
Total financial assets	$ 2,047	$ 12,775	$ —	$ 14,822

There were no liabilities measured at fair value on a recurring and non-recurring basis as of March 31, 2021.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 10,533	$ —	$ —	$ 10,533
Cash equivalents	10,533	—	—	10,533
Total financial assets	$ 10,533	$ —	$ —	$ 10,533

There were no liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2020.

The following table summarizes the cost, unrealized gains and losses and fair value of marketable securities (in thousands):

	March 31, 2021			
	Amortized Cost	Unrealized Losses	Unrealized Gains	Fair Value
U.S. Treasury bonds	$ 507	$ —	$ —	$ 507
U.S. Government agency bonds	3,009	(1)	—	3,008
Corporate bonds	774	(1)	—	773
Commercial paper	7,995	(1)	—	7,994
Marketable securities	$ 12,285	$ (3)	$ —	$ 12,282
Amounts recognized on the consolidated balance sheet				
Cash equivalents				$ 1,000
Short-term marketable securities				9,784
Long-term marketable securities				2,498
Marketable securities				$ 13,282

The Company did not have any marketable securities as of December 31, 2020.

Accrued interest on marketable securities of less than $0.1 million is included in prepaid expenses and other current assets on the condensed consolidated balance sheet.

The Company valued a Success Fee derivative liability based on the Success Fee amount of $1.9 million and the probability and estimated timing of a liquidity event. Changes in the estimated probability may result in an increase or decrease in the fair value of the derivative liability. On October 5, 2020, the Success Fee derivative liability was settled upon the Company paying $1.9 million pursuant to the Success Fee Agreement to Oxford Finance LLC.

The change in fair value of the Success Fee derivative liability is summarized below (in thousands):

	Success Fee Derivative Liability
Beginning fair value, January 1, 2020	$ 1,165
Change in fair value	(330)
Ending fair value, March 31, 2020	$ 835

5. Balance Sheet Components

Cash and Cash Equivalents

The Company's cash and cash equivalents consist of the following (in thousands):

	March 31, 2021	December 31, 2020
Cash	$ 206,743	$ 221,028
Cash equivalents:		
Money market funds	1,540	10,533
Commercial paper	1,000	—
Total cash and cash equivalents	$ 209,283	$ 231,561

Inventory

Inventory consists of the following (in thousands):

	March 31, 2021	December 31, 2020
Raw materials	$ 3,043	$ 3,342
Work in process	313	227
Finished goods	8,560	7,172
Total inventory	$ 11,916	$ 10,741

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	March 31, 2021	December 31, 2020
Prepaid expenses	$ 754	$ 381
Prepaid insurance	1,486	2,131
VAT receivable	224	339
Other current assets	547	377
Total prepaid expenses and other current assets	$ 3,011	$ 3,228

Property and Equipment, Net

Property and equipment, net consist of the following (in thousands):

	March 31, 2021	December 31, 2020
Machinery and equipment	$ 1,511	$ 1,447
Computer equipment and software	1,084	1,062
Furniture and fixtures	228	229
Leasehold improvements	172	57
Construction in progress	660	452
Total	3,655	3,247
Less: accumulated depreciation	(1,856)	(1,773)
Property and equipment, net	$ 1,799	$ 1,474

Depreciation expense for the three months ended March 31, 2021 and March 31, 2020 was $0.1 million and $0.1 million, respectively.

Goodwill

Goodwill was $2.3 million as of March 31, 2021 and December 31, 2020 arising from the Company's acquisition of Emphasys Medical, Inc, in March 2009. No goodwill impairment losses have been recognized since the acquisition. There were no acquisitions or dispositions of goodwill in three months ended March 31, 2021 and 2020. The Company assesses goodwill for impairment annually, or more frequently, when events or changes in circumstances indicate there may be impairment. Through March 31, 2021, there have been no events or changes in circumstances

that indicated that the carrying value of goodwill may not be recoverable. As a result, no impairment charge was recorded during the three months ended March 31, 2021.

Intangible Assets

Intangible assets consist of the following (in thousands):

	March 31, 2021		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Developed technology	$ 1,658	$ (1,326)	$ 332
Trademarks	191	(153)	38
Total intangible assets	$ 1,849	$ (1,479)	$ 370

	December 31, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Developed technology	$ 1,658	$ (1,299)	$ 359
Trademarks	191	(150)	41
Total intangible assets	$ 1,849	$ (1,449)	$ 400

Amortization expense relating to the intangibles totaled less than $0.1 million during each of the three months ended March 31, 2021 and March 31, 2020, respectively.

Future amortization expense is as follows as of March 31, 2021 (in thousands):

2021 (remaining nine months)	$ 93
2022	123
2023	123
2024	31
Total amortization expense	$ 370

Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	March 31, 2021	December 31, 2020
Accrued employee bonuses and commissions	$ 1,989	$ 2,374
Accrued vacation	1,941	1,810
Other accrued personnel related expenses	2,382	1,368
Accrued professional fees	1,781	1,313
Sales taxes, franchise tax and VAT	379	521
Liability for early exercise of stock options	537	629
Inventory in transit	70	57
Other	677	579
Total accrued liabilities	$ 9,756	$ 8,651

6. Long Term Debt and Convertible Notes

Term Loan

Oxford Finance Loan

From August 2014 until February 2020, the Company was party to a Loan and Security Agreement with Oxford, which provided the ability to borrow up to $20.0 million in term loans ("Oxford Finance Loan"). In 2014, the Company borrowed $15.0 million. The term loan bore interest at 8.96% and had a five-year term. The first 36 months were interest only payments followed by 24 months of equal payments of principal and interest. A final payment of 8.50% of the term loan amount was due at maturity and was being accreted using the effective interest rate method. The term loan was collateralized by assets, including cash and cash equivalents, accounts receivable and property and equipment. The Oxford Finance Loan was subsequently amended in 2017 and 2018 to extend the interest only period and to extend the maturity date to July 1, 2020, and at the Company's option, further extend the maturity date to May 1, 2021. In 2019, the Company elected to extend the maturity date to May 2021.

In connection with the original agreement in August 2014, the Company also entered into the Success Fee Agreement. In the event of a sale or other disposition by the Company of all or substantially all of its assets, a merger or consolidation, or an initial public offering (a "Liquidity Event"), before the termination of the agreement on August 28, 2021, the Company was required to pay up to $2.5 million (the "Success Fee") to Oxford Finance LLC, the amount of which would be based on actual borrowings, up to $20.0 million. This agreement was identified as a freestanding derivative under ASC 815, *Derivatives* ("Success Fee") and was remeasured to its fair value at the end of each reporting period and any change in fair value is recognized as change in other income (expense), net in the statements of operations and comprehensive loss (Note 4). On October 5, 2020, in connection with the IPO, the Company paid $1.9 million pursuant to the Success Fee Agreement to Oxford Finance LLC based on the $15.0 million borrowed.

On February 20, 2020, the Company repaid its entire obligation under the term loan agreement with Oxford Finance LLC amounting to $17.3 million, including outstanding loan amount of $15.0 million, final payment of $1.3 million, amendment fees of $0.9 million and accrued interest of $0.1 million. The repayment of the obligation under the term loan agreement with Oxford Finance LLC was accounted as extinguishment and the Company recorded a loss on extinguishment of $0.4 million included in interest expense in the condensed consolidated statements of operations and comprehensive loss.

During the three months ended March 31, 2020, the Company recorded interest expense related to deferred financing and debt issuance costs of Oxford Finance Loan of less than $0.1 million.

Interest expense on the term loan amounted to $0.4 million during the three months ended March 31, 2020.

CIBC Loan

On February 20, 2020, the Company executed a Loan and Security Agreement (the "CIBC Agreement") with Canadian Imperial Bank of Commerce ("CIBC") to raise up to $32.0 million in debt financing ("CIBC Loan") consisting of $17.0 million advanced at the closing of the agreement (Tranche A), with the option to drawing up to an additional $8.0 million (Tranche B) on or before February 20, 2022. The term loan also provides for an additional financing tranche (Tranche C) of up to $7.0 million on or prior to February 20, 2022, which is conditioned upon achieving a trailing six-month revenue of at least $20.0 million as of the date of any Tranche C borrowing. The availability of Tranche B and Tranche C is further conditioned upon the joining of Pulmonx International Sàrl to the CIBC Agreement and the execution by Pulmonx International Sàrl of Swiss-law collateral documentation in favor of CIBC. The CIBC Loan originally had a five-year term maturing on February 20, 2025, which included 24 months of interest only payments followed by 36 months of equal payments of principal and interest. The interest only period can be extended to 36 months if the Company achieves three-month trailing revenue of at least $20.0 million as of February 20, 2022. The CIBC Loan bears interest at a floating rate equal to 1.0% above the Wall Street Journal Prime Rate at any time. The Tranche C loan will bear interest at a floating rate equal to 1.5% above the Wall Street

Journal Prime Rate at any time. The CIBC Loan is collateralized by substantially all of the Company's assets, including cash and cash equivalents, accounts receivable, intellectual property and equipment. The Company may prepay the loan, subject to certain requirements. The CIBC Agreement includes customary restrictive covenants, financial covenants, events of default and other customary terms and conditions.

In April 2020, the Company entered into a First Amendment to CIBC Agreement that changed the maturity date to March 15, 2022, which shall be automatically extended to February 20, 2025 if the maturity of all outstanding convertible notes (see below) is extended to a date no earlier than May 21, 2025 or all convertible notes have been converted into convertible preferred stock of the Company. An amendment fee of $0.2 million was paid. The Tranche B drawing is conditioned to achieving a trailing six-month revenue of at least $15.0 million as of the date of any Tranche B borrowing. On the date of drawing Tranche B Loan or Tranche C Loan, the Company will pay a structuring fee in an amount equal to 1.0% of the amount of Tranche B Loan or Tranche C Loan. The amendment was accounted for as a debt modification and no gain or loss was recognized.

In December 2020, to address certain post-close covenants for which the Company was not in compliance, the Company entered into a Second Amendment to the CIBC Agreement that extended the compliance of such covenants to June 30, 2021.

In March 2021, the Company entered into a Third Amendment to CIBC Agreement which extended the maturity date from March 15, 2022 to February 20, 2025, and modified certain financial covenants. Per the amended terms, 36 equal payments of principal plus accrued interest will be due beginning March 31, 2022. The beginning of principal repayment can be extended to March 31, 2023 if the Company achieves three-month trailing revenue of at least $20.0 million as of February 20, 2022. In connection with the Third Amendment the Company paid fees to CIBC of less than $0.1 million which were recorded as a discount on the CIBC Loan and are being accreted over the life of the term loan using the effective interest method. The amendment was accounted for as a debt modification and no gain or loss was recognized.

As of March 31, 2021, the CIBC Loan had an annual effective interest rate of 4.78% per year.

The financial covenants in the CIBC Agreement require that, when the cash and cash equivalents of the Company is less than $100.0 million, the Company to have revenue for the trailing three-month period ending on the last day of each fiscal quarter of not less than 80.0% of the revenue for the trailing three-month period, as set forth in the annual projections delivered to the CIBC. Further, the Company is required to maintain unrestricted cash in an aggregate amount equal to or greater than the Adjusted EBITDA loss as defined in the CIBC Agreement for the four-month period ending on any date of determination. As of March 31, 2021, the Company was in compliance with all covenants contained in CIBC Agreement.

The CIBC Loan consists of the following (in thousands):

	March 31, 2021	December 31, 2020
Term loan	$ 17,000	$ 17,000
Less: debt issuance costs	(199)	(196)
Term loan	$ 16,801	$ 16,804

The Company paid $0.4 million fees to the lender and third parties which is reflected as a discount on the CIBC Loan and is being accreted over the life of the term loan using the effective interest method.

During each three months ended March 31, 2021 and 2020, the Company recorded interest expense related to debt discount and debt issuance costs of CIBC Loan of less than $0.1 million, respectively.

Interest expense on the CIBC Loan amounted $0.2 million and $0.1 million during the three months ended March 31, 2021 and 2020, respectively.

Credit Agreement

In April 2020, Pulmonx International Sàrl, a wholly-owned subsidiary of the Company, entered into a COVID-19 Credit Agreement with UBS Switzerland AG to receive up to 0.5 million Swiss Francs ($0.5 million U.S. dollar equivalent) under Swiss Federal Government program to mitigate the economic impact of the spread of the coronavirus. In May 2020, Pulmonx International Sàrl received $0.5 million Swiss Francs ($0.5 million U.S. dollar equivalent) under the COVID-19 Credit Agreement. The COVID-19 Credit Agreement will bear no interest and is payable within 60 months after receipt of funds. As of March 31, 2021, Pulmonx International Sàrl did not make any repayment of credit agreement.

2020 Notes

In April 2020, the Company entered into a Note Purchase Agreement and Convertible Promissory Notes (collectively the "2020 Notes Agreement") with certain investors (the "Lenders") to issue convertible promissory notes (the "2020 Notes") for a maximum aggregate amount of $66.0 million. In April 2020, the Company received $33.0 million in gross proceeds from issuance of the 2020 Notes. Upon meeting customary closing conditions, the Company can draw up to an additional $33.0 million, provided that any such draw be for no less than $5.0 million on or prior to April 17, 2022. All unpaid interest and principal will be due and payable upon request of the majority of Lenders ("Majority Holders") on or after the earlier of April 17, 2022 or an event of default. The 2020 Notes accrue interest at a rate equal to 2.0% above the Wall Street Journal Prime Rate. The Company may prepay the 2020 Notes prior to April 17, 2022 only with the consent of the Majority Holders.

The 2020 Notes included embedded derivatives that are required to be bifurcated from the 2020 Notes and accounted for separately as a single, compound embedded derivative instrument under ASC 815, *Derivatives* ("2020 Notes derivative liability"). The Company determined that a share settled redemption in the case of a financing or an IPO as described in the 2020 Notes represented an embedded derivative that was not clearly and closely related to the debt host and had accounted for these settlement alternatives as separate embedded derivative liability. The fair value of the 2020 derivative liability of $3.9 million was recorded on the issuance date of the 2020 Notes resulting in a debt discount, which was reported as a direct deduction from the face amount of the 2020 Notes. The 2020 derivative liability was remeasured to its fair value at the end of each reporting period and any change in fair value is recognized in other income (expense), net in the statements of operations and comprehensive loss.

Upon the closing of the IPO in October 2020, the $33.0 million aggregate outstanding principal amount and $0.8 million accrued interest of the 2020 Notes converted into 2,561,484 shares of common stock pursuant to the Qualified IPO conversion at the $13.20 per share fixed price. The Company determined that the 2020 Notes derivative had no value upon the closing of the IPO, because value of the notes with and without such derivative was the same.

At March 31, 2021, the Company retained the ability to draw up to an additional $33.0 million under the 2020 Notes Agreement until the maturity date in April 2022. The Company's obligations with respect to the 2020 Notes are unsecured and subordinated to its obligations with respect to the CIBC Loan. The 2020 Notes have customary events of default.

Contractual Maturities of Financing Obligations

As of March 31, 2021, the aggregate future payments under the CIBC Loan and Credit Agreement (including interest payments) are as follows (in thousands):

2021 (remaining nine months)	$	544
2022		5,369
2023		6,078
2024		5,837
2025		1,480
Total		19,308
Less: unamortized debt discount		(198)
Less: interest		(1,777)
Term loan and credit agreement	$	17,333

7. Revenue Recognition

The Company's contract liabilities consist of deferred revenue for remaining performance obligations by the Company to the customer after delivery, which was $0.1 million and $0.1 million as of March 31, 2021 and December 31, 2020, respectively. The deferred revenue as of December 31, 2019 was $0.2 million, which was recognized as revenue during the year ended December 31, 2020. The deferred revenue as of December 31, 2020 was $0.1 million, which was recognized as revenue during the three months ended March 31, 2021.

The Company disaggregates its revenue by major geographic region, which has been disclosed in Note 14, "Segment Information".

8. Leases, Lease Commitments and Contingencies

The Company has a lease for its headquarters location in Redwood City, California. In October 2019, the Company renewed its lease for the headquarters location in Redwood City, California for an additional five years commencing in August 2020 and expiring in July 2025. The monthly base rent during the renewed term is $0.1 million and is subject to an annual increase of 3.5%. The Company is responsible for its share of real estate taxes, common area maintenance and management fees. The Company is eligible to receive a tenant improvement allowance of $0.2 million on commencement of the renewal term in August 2020.

During 2013, the Company entered into a five-year lease for office facilities in Switzerland. The Company had an option to extend the lease through January 2022, which was not exercised by the Company. Per the lease terms, in the event the option to extend is not exercised, the lease remains in force and can be terminated with 12-months' notice.

In April 2020, the Company executed a sublease for another office facility in Redwood City, California for a three-year term commencing on June 1, 2020. The lease agreement provides for early termination if the Company or Sublandlord elects to terminate the lease by providing the other party at least 180 days prior written notice. The early termination may only occur on or after the expiration of the 18th full calendar month of the sublease term. The lease term for this lease is 18 months as the possible exercise of the early termination option by the Sublandlord is not within the Company's control. The monthly base rent during the term is less than $0.1 million and is subject to an annual increase of 3.5%. The Company is responsible for its share of real estate taxes, common area maintenance and management fees.

In September 2020, the Company amended a sublease agreement entered in April 2020, to include additional facility space in Redwood City, California for a four-year term. The amendment was accounted as a separate sublease agreement. The sublease agreement contained a rent free period through February 14, 2021, after which rent is

approximately $0.1 million per month and is subject to an annual increase of 3.5%. The Company is responsible for its share of real estate taxes, common area maintenance and management fees. The Company is eligible to receive a tenant improvement allowance of $0.6 million to fund facility enhancements. The sublease agreement can be extended for an additional twelve month period, at the Company's option. For accounting purposes, the lease term is 4 years as it is not reasonably certain that the Company will exercise the renewal option. The amendment also changed the lease term of sublease agreement entered in April 2020, which was extended until May 31, 2024, but left the early termination clause unchanged.

The Company has leases on two vehicle leases with terms ranging from 2 to 4 years.

Operating lease cost consists of the following (in thousands):

	Three Months Ended March 31,	
	2021	2020
Operating lease cost	$ 728	$ 380
Short-term lease cost	3	3
Variable lease cost	147	60
Total lease cost	$ 878	$ 443

The following table summarizes a maturity analysis of the Company's lease liabilities showing the aggregate lease payments as of March 31, 2021 (in thousands):

2021 (remaining nine months)	$ 2,224
2022	2,069
2023	2,795
2024	2,589
2025	1,007
Total minimum lease payments	10,684
Less: Amount of lease payments representing interest	1,210
Present value of future minimum lease payments	$ 9,474
Less: Current lease liabilities	1,774
Long-term lease liabilities	$ 7,700

The following table summarizes additional information related to the Company's operating leases (in thousands, except weighted average data):

	March 31, 2021	December 31, 2020
Right of use asset	$ 8,404	$ 8,976
Weighted average remaining lease term (years)	3.91	4.13
Weighted average discount rate (percent)	6.1	6.1

The following table summarizes other supplemental information related to the Company's operating leases (in thousands):

	Three Months Ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities included in cash flows used in operating activities	$ 541	$ 228

Contingencies

From time to time, the Company may be a party to various litigation claims in the normal course of business. Legal fees and other costs associated with such actions are expensed as incurred. The Company assesses, in conjunction with legal counsel, the need to record a liability for litigation and contingencies. Accrual estimates are recorded when and if it is determinable that such a liability for litigation and contingencies are both probable and reasonably estimable.

In December 2018, a former distributor outside the United States filed suit alleging the Company's subsidiary, PulmonX International Sàrl, conducted unfair competitive practices and violated the exclusive distribution rights as a result of the subsidiary's termination of its distribution agreement. The complaint seeks pecuniary and non-pecuniary damages. The Company is in the initial stages of evaluating this matter and does not believe the impact of any such matter will be material to the Company's results of operation or financial position.

9. Income Taxes

The income tax expense for the three months ended March 31, 2021 and 2020 was determined based upon estimates of the Company's effective income tax rates in various jurisdictions. The difference between the Company's effective income tax rate and the U.S. federal statutory rate is primarily attributable to state income taxes, foreign income taxes, the effect of certain permanent differences, and full valuation allowance against net deferred tax assets.

The income tax expense for the three months ended March 31, 2021 and 2020 relates primarily to state minimum income tax and income tax on the Company's earnings in foreign jurisdictions.

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act enacted in March 2020 did not provide an income tax benefit for the Company given its historical U.S. losses and a full valuation allowance against its net U.S. deferred tax assets.

10. Warrants for Convertible Preferred Stock

In January and February 2020, warrants to purchase 213,876 shares of Series C-1 convertible preferred stock were exercised at an exercise price of $10.57 per share, yielding $2.3 million cash proceeds. Warrants to purchase 1,415 shares of Series C-1 convertible preferred stock warrants expired unexercised.

As of March 31, 2021 and December 31, 2020, no Series C-1 convertible preferred stock warrants were outstanding.

11. Convertible Preferred Stock

Under the Company's Amended and Restated Certificate of Incorporation, the Company is not authorized to issue any shares of convertible preferred stock.

Upon the closing of the IPO in October 2020, all outstanding shares of the convertible preferred stock converted into 17,797,026 shares of common stock and the related carrying value was reclassified to common stock and additional paid-in capital. There was no issued and outstanding convertible preferred stock as of March 31, 2021 and December 31, 2020.

12. Stockholders' Equity

Common Stock

As of March 31, 2021 and December 31, 2020, the Company's certificate of incorporation authorized the Company to issue up to 200,000,000 shares of common stock. Common stockholders are entitled to dividends as and when declared by the Board of Directors, subject to the rights of holders of all classes of stock outstanding having priority

rights as to dividends. There have been no dividends declared to date. The holder of each share of common stock is entitled to one vote.

Shares Reserved for Future Issuance

The Company has reserved shares of common stock for future issuances as follows:

	March 31 2021	December 31, 2020
Common stock options issued and outstanding	2,759,165	2,923,403
Common stock available for future grants	4,604,812	3,233,794
Common stock available for ESPP	1,076,937	720,000
Total	8,440,914	6,877,197

Stock Option Plan

A summary of stock option activity for the three months ended March 31, 2021 is set forth below:

	Outstanding Options	
	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2021	2,923,403	$ 4.72
Options granted	8,600	62.34
Options exercised	(122,856)	2.22
Options canceled	(49,982)	2.44
Balance, March 31, 2021	2,759,165	$ 5.05

The weighted average exercise price and aggregate intrinsic value of options outstanding at March 31, 2021 was $5.05 per share and $112.5 million, respectively.

	March 31, 2021		
	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (in Years)
Options vested	1,223,414	$ 2.20	4.91
Options vested and expected to vest	2,759,165	$ 5.05	7.30

Total intrinsic value of options vested as of March 31, 2021 was $53.3 million.

Early Exercise of Stock Options

Under the terms of the individual option grants, all options are fully exercisable on the grant date, subject to the Company's repurchase right at the original exercise price. Accordingly, options may be exercised prior to vesting. The shares are subject to the Company's lapsing repurchase right upon termination of employment or over the options' vesting period of generally four years at the original purchase price. The proceeds initially are recorded in other liabilities from the early exercise of stock options and are reclassified to additional paid-in capital as the Company's repurchase right lapses. During the three months ended March 31, 2021, the Company repurchased 12,945 shares of common stock for less than $0.1 million. During the three months ended March 31, 2020, the Company did not repurchase shares of common stock. As of March 31, 2021 and December 31, 2020, 303,899 and

355,677 shares, respectively, were subject to repurchase, with an aggregate exercise price of $0.5 million and $0.6 million, respectively, and were recorded in other current liabilities.

Restricted Stock Units

Activity with respect to restricted stock units was as follows:

	Number of Shares Underlying Outstanding Restricted Stock	Weighted Average Grant Date Fair Value
Unvested, January 1, 2021	—	$ —
Granted	6,300	$ 60.17
Unvested, March 31, 2021	6,300	$ 60.17

Total Stock-Based Compensation

Stock-based compensation expense is reflected in the statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended March 31,	
	2021	2020
Cost of goods sold	$ 90	$ 15
Research and development	318	15
Selling, general and administrative	1,860	179
Total	$ 2,268	$ 209

The above stock-based compensation expense related to the following equity-based awards (in thousands):

	Three Months Ended March 31,	
	2021	2020
Stock options and restricted stock units	$ 1,039	$ 209
ESPP	1,229	—
Total	$ 2,268	$ 209

Stock-based compensation of $0.3 million and $0 was capitalized into inventory for the three months ended March 31, 2021 and 2020, respectively. Stock-based compensation capitalized in prior periods of $0.1 million and $0 was recognized as cost of sales in the three months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021, there was $14.1 million of unrecognized compensation costs related to non-vested common stock options and restricted stock units, expected to be recognized over a weighted-average period of 2.18 years.

As of March 31, 2021, the Company had unrecognized employee stock-based compensation relating to ESPP awards of approximately $0.8 million, which is expected to be recognized over a weighted-average period of 0.2 years.

13. Net Loss per Share Attributable to Common Stockholders

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders which excludes shares which are legally outstanding, but subject to repurchase by the Company (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2021	2020
Numerator		
Net loss attributable to common stockholders	$ (12,045)	$ (7,163)
Denominator		
Weighted-average common stock outstanding	35,702,465	2,104,721
Less: weighted-average common shares subject to repurchase	(331,705)	(198,006)
Weighted-average common shares used to compute basic and diluted net loss per share	35,370,760	1,906,715
Net loss per share attributable to common stockholders, basic and diluted	$ (0.34)	$ (3.76)

The following potentially dilutive securities outstanding have been excluded from the computation of diluted weighted average shares outstanding because such securities have an antidilutive impact due to the Company's net loss, in common stock equivalent shares:

	As of March 31,	
	2021	2020
Convertible preferred stock	—	17,797,026
Options to purchase common stock	2,759,165	3,302,838
Unvested early exercised common stock options	303,899	198,012
Shares committed under ESPP	99,144	—
Total	3,162,208	21,297,876

14. Segment Information

The chief operating decision maker for the Company is the Chief Executive Officer. The Company's Chief Executive Officer reviews financial information presented on a consolidated basis, accompanied by information about revenue by geographic region, for purposes of allocating resources and evaluating financial performance. The Company has one business activity and there are no segment managers who are held accountable for operations, operating results or plans for levels or components below the consolidated unit level. Accordingly, the Company has determined that it has a single reportable and operating segment structure. The Company's Chief Executive Officer evaluates performance based primarily on revenue in the geographic locations in which the Company operates.

Revenue by geographic area is based on the billing address of the customer. The following table sets forth the Company's revenue by geographic area (in thousands):

	Three Months Ended March 31,	
	2021	2020
United States	4,289	4,489
Europe, Middle-East and Africa ("EMEA")	$ 4,044	$ 3,457
Asia Pacific	911	633
Other International	—	39
Total	$ 9,244	$ 8,618

Revenue from Germany and France represented 12% and 11%, respectively of total revenue for the three months ended March 31, 2021. Revenue from Germany and France represented 17% and 9%, respectively of total revenue for the three months ended March 31, 2020.

Long-lived assets by geographic area are based on physical location of those assets. The following table sets forth the Company's long-lived assets by geographic area (in thousands):

	March 31 2021	December 31, 2020
United States	$ 1,749	$ 1,437
EMEA	43	29
Asia Pacific	7	8
Total	$ 1,799	$ 1,474

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q. This discussion and other parts of this report contain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions, that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section of this report entitled "Risk Factors," under Part II, Item 1A and those discussed in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 15, 2021. Please also see the section of this Quarterly Report on Form 10-Q titled "Forward-Looking Statements."

Overview

We are a commercial-stage medical technology company that provides a minimally invasive treatment for patients with severe emphysema, a form of chronic obstructive pulmonary disease (COPD). Our solution, which is comprised of the Zephyr Endobronchial Valve (Zephyr Valve), the Chartis Pulmonary Assessment System (Chartis System) and the StratX Lung Analysis Platform (StratX Platform), is designed to treat severe emphysema patients who, despite medical management, are still profoundly symptomatic and either do not want or are ineligible for surgical approaches. We estimate our solution currently addresses approximately 500,000 patients in the United States and 700,000 patients in select international markets, which represents a global market opportunity of approximately $12 billion.

We have a compelling body of clinical evidence with over 100 scientific articles published regarding the clinical benefits of Zephyr Valves, including in *The New England Journal of Medicine*, *The Lancet* and the *American Journal of Respiratory and Critical Care Medicine*. Multiple randomized controlled clinical trials have demonstrated that patients selected with the Chartis System and successfully treated with Zephyr Valves have shown statistically and clinically significant improvements in lung function, exercise capacity and quality of life compared to medical management alone.

In June 2018, we received pre-market approval (PMA) by the U.S. Food and Drug Administration (FDA) as a result of our breakthrough technology designation. The Zephyr Valve is now commercially available in more than 25 countries, with over 80,000 valves used to treat more than 20,000 patients. We have established reimbursement in major markets in North America, Europe and Asia Pacific and the Zephyr Valve has been included in treatment guidelines for COPD worldwide.

We market and sell our products in the United States through a direct sales organization. Our sales territory managers are focused on promoting awareness and increasing adoption of our solution primarily among the approximately 800 pulmonologists performing interventional pulmonary procedures and across approximately 500 high volume hospitals in the United States. We are expanding our commercial operations in the United States while continuing to foster our international growth. We employ both direct and distributor-based sales models, with over 90% of our revenue generated in markets where we sell directly.

In the United States, our solution is reimbursed based on established Category I Current Procedural Terminology (CPT) and ICD-10 Procedure Coding System (PCS) codes and associated APC and MS-DRG payment groupings. Current reimbursement in the United States is believed to cover the hospital costs of the procedure and related inpatient care. Commercial payors such as Aetna, Humana, Health Care Service Corporation, and Highmark have issued positive coverage policies for the Zephyr Valve, and United Healthcare no longer considers the procedure unproven or experimental. Medicare covers our solution for patients when medically necessary, and other commercial insurers are approving pre-authorization requests on a case-by-case basis. Outside the United States, our solution is covered by major health systems across much of Europe, Australia and South Korea.

We manufacture all our products at our headquarters located in Redwood City, California. This facility supports production and distribution operations, including manufacturing, quality control, raw material and finished goods storage. We have manufactured all our products at this facility for over ten years. We also store finished goods at secondary facilities. We seek to maintain higher levels of inventory to protect ourselves from supply interruptions and have an established distribution system for both U.S. and international customers.

To date, we have financed our operations primarily through the sale of equity securities, debt financing arrangements and sales of our products. We have devoted substantially all of our resources to research and development activities related to our solution, including clinical and regulatory initiatives to obtain marketing approval, sales and marketing activities, and investing in general and administrative infrastructure. We generated revenue of $9.2 million, with a gross margin of 71.5% and a net loss of $12.0 million, for the three months ended March 31, 2021 compared to revenue of $8.6 million, with a gross margin of 65.6% and a net loss of $7.2 million, for the three months ended March 31, 2020. As of March 31, 2021, we had an accumulated deficit of $254.8 million, cash, cash equivalents and marketable securities of $221.6 million, and $17.3 million of outstanding term loans and credit agreements, net of debt discount and debt issuance costs.

On September 30, 2020, our Registration Statement on Form S-1 (File No. 333-248635) relating to our initial public offering (“IPO”), was declared effective by the Securities Exchange Commission, or SEC. Pursuant to the Registration Statement, we issued and sold an aggregate of 11,500,000 shares of common stock (inclusive of 1,500,000 shares pursuant to the exercise by the underwriters of their option) at a price of $19.00 per share for aggregate cash proceeds of $201.4 million, net of underwriting discounts, commissions and offering costs. The sale and issuance of 11,500,000 shares in the IPO closed on October 5, 2020. Upon the closing of our IPO on October 5, 2020, all outstanding shares of convertible preferred stock automatically converted into 17,797,026 shares of common stock. Subsequent to the closing of our IPO, there were no shares of preferred stock outstanding.

We have invested heavily in product development. Our research and development activities have been centered on driving continuous improvements to our solution. We have also made significant investments in clinical studies to demonstrate the safety and efficacy of the Zephyr Valve and to support regulatory submissions. We intend to make significant investments building our sales and marketing organization by increasing the number of sales territory managers and continuing our marketing efforts in existing and new markets throughout the United States, Europe and Asia Pacific. We also intend to continue to make investments in research and development efforts to develop our next generation products and support our future regulatory submissions to increase our addressable market and to expand indications and new markets. Because of these and other factors, we expect to continue to incur net losses for the next several years and we expect to require substantial additional funding, which may include future equity and debt financings.

Management believes that the Company’s existing cash, cash equivalents and marketable securities will allow the Company to continue its operations for at least the next 12 months from the date of the issuance of our condensed consolidated financial statements.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic has resulted in public health responses including travel bans, social distancing requirements, quarantines, stay-at-home orders and other significant measures, which have delayed clinical trials and FDA operations and adversely impacted the number of procedures performed using our products. In the markets in which we operate, elective, specialty and other procedures and appointments have been suspended or canceled to avoid non-essential patient exposure to medical environments and potential infection with COVID-19 and to focus limited resources and personnel capacity toward the treatment of COVID-19 patients. As a result, we experienced a material adverse impact on our business, financial condition and results of operations in 2020 from a decrease and delay of substantially all procedures involving our products.

Beginning in May 2020, we began to see signs of a recovery in our business, and by September 30, 2020 the total number of Zephyr Valves sold in the third quarter exceeded the total number of Zephyr Valves sold during the first quarter of 2020. In November and December 2020, a resurgence of COVID-19 led to a decrease in procedure

volumes and our revenues in the fourth quarter of 2020 declined compared to revenues in the third quarter of 2020. The COVID-19-driven impact on procedure volumes extended into the first quarter of 2021. In March 2021, we observed initial indicators of recovery in our US markets, while the modest recovery in our international markets was stalled by another wave of lockdowns in March in many parts of Europe. Despite the regional variations, we anticipate improving sales in the second half of 2021, assuming the efficacy, availability and delivery of vaccines as well as other societal responses to the pandemic. We are encouraged for the longer term, and we believe the following key indicators are contributing to the stabilization of our business:

- continued opening of new accounts;
- strong physician participation in virtual trainings;
- a strong patient pipeline evidenced by an increase in StratX report activity, a rebound in patient calls into hospitals inquiring about our procedure, and a resumption of patient calls to our reimbursement support service; and
- hospitals and centers accepting patients for elective procedures.

In response to the COVID-19 pandemic, we implemented a variety of measures intended to help us manage through its impact and position us to resume operations quickly and efficiently as restrictions, recommendations, and best practices evolve. These measures include:

- establishing safety protocols, facility enhancements, and work-from-home strategies to protect our employees;
- ensuring that our manufacturing and supply chain operations remain intact and operational, and building over four months of inventory;
- keeping our workforce intact and continuing to build our team, including expansion of our U.S. sales force;
- continuing to focus on new account openings and implementing virtual physician and sales force training programs;
- accelerating our physician education programs and direct-to-patient marketing efforts through social media or other virtual forums;
- increasing our capital base by $201.4 million through our IPO in October 2020; and
- continuing to invest in research and development activities in order to advance our AeriSeal clinical programs.

Despite some signs of recovery of our business, we cannot be certain that any recovery will be sustained, or that a further resurgence of COVID-19 or variants of the virus will not occur. We believe many of the measures adopted in response to, and challenges resulting, from COVID-19 will likely continue for the duration of the pandemic, which is uncertain, and continues to present a substantial public health and economic challenge around the world and is adversely affecting our employees, including our sales force, hospitals, physicians, patients, communities and business operations, as well as contributing to significant volatility and negative pressure on the U.S. and world economy and in financial markets.

We cannot assure you that our recent volume of Zephyr Valves sold are indicative of future results. The number of Zephyr Valves sold in the future may decrease as the backlog of patients who have cancelled or postponed their procedures due to the COVID-19 pandemic is reduced. Further, once the COVID-19 pandemic subsides, there may be a substantial backlog of patients seeking appointments with physicians and surgeries to be performed at hospitals relating to a variety of medical conditions, and as a result, patients seeking treatment with Zephyr Valves may have

to navigate limited provider capacity. We believe this limited provider and hospital capacity could have a material adverse effect on our business, financial condition and results of operations once the pandemic subsides and following the end of the pandemic. Our business, financial condition and results of operations have been, and may in the future be, materially and adversely affected by the COVID-19 pandemic. The extent to which the COVID-19 pandemic impacts our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity and spread of COVID-19 and variant strains, governmental and societal response to contain and treat COVID-19 and variant strains, and vaccination efforts, among others.

Our condensed consolidated financial statements reflect judgments and estimates that could change in the future as a result of the COVID-19 pandemic. For more information regarding these risks and potential impacts, please refer to Part II, Item 1A, “Risk Factors.”

Factors Affecting our Business and Results of Operations

We believe there are several important factors that have impacted and that we expect will continue to impact our business and results of operations. These factors include:

Our Ability to Recruit, Train and Retain Our Sales Force and its Productivity

We have made, and intend to continue to make, significant investments in recruiting, training and retaining our direct sales force. This process requires significant education and training for our sales personnel to achieve the level of technical competency with our products that is expected by physicians and to gain experience building demand for our products. Upon completion of the training, our sales personnel typically require time in the field to grow their network of accounts and increase their productivity to the levels we expect. Successfully recruiting, training and retaining additional sales personnel will be required to achieve growth. In addition, inability to attract qualified sales personnel or the loss of any productive sales personnel would have a negative impact on our ability to grow our business.

We have in the past and expect in the future to enter into different compensation arrangements with our sales professionals, which include minimum guaranteed commissions. This has impacted our compensation expenses in the past and we expect it will do so in the future.

Physician, Patient and Hospital Awareness and Acceptance of Our Solution

Our goal is to establish our solution as a standard of care for severe emphysema. We intend to continue to promote awareness of our solution through training and educating physicians, pulmonary rehabilitation centers, key opinion leaders and various medical societies on the proven clinical benefits of Zephyr Valves. In addition, we intend to continue to publish additional clinical data in various industry and scientific journals and online and to present at various industry conferences. We plan to continue building patient awareness through our direct-to-patient marketing initiatives, which include advertising, social media and online education. We also intend to continue helping physicians in their outreach to patients and other healthcare providers. These efforts require significant investment by our marketing and sales organization, and vary depending upon the physician’s practice specialization, and personal preferences and geographic location of physicians, pulmonary rehabilitation centers and patients. In order to grow our business, we will need to continue to make significant investments in training and educating hospitals, physicians and patients on the advantages of our solution for the treatment of severe emphysema.

Third-Party Reimbursement

Since achieving regulatory approval in the United States in June 2018, we have launched the Zephyr Valve treatment and have made progress securing third-party payor reimbursement. The majority of our patients are Medicare beneficiaries. We estimate that roughly 75% of the potential Zephyr Valve patient population are Medicare/Medicaid beneficiaries, of which approximately 25% have managed Medicare/Medicaid and the

remaining 50% have traditional Medicare/Medicaid. Approximately 25% of the potential Zephyr Valve patient population is under third-party commercial payor policies. A key element of our strategy remains to broaden our coverage by private third-party payor policies. Commercial payors such as Aetna, Humana, Health Care Service Corporation, and Highmark have issued positive coverage policies for the Zephyr Valve, and United Healthcare no longer considers the procedure unproven or experimental. Other commercial payors, such as many plans in the Blue Cross Blue Shield family of plans, do not yet consider our solution medically necessary, but these same plans are approving pre-authorization requests on a case-by-case basis. Medicare, currently without a public coverage policy, covers our solution for patients when medically necessary on a case-by-case basis and other commercial insurers not described above are approving pre-authorization requests on a case-by-case basis.

We have a dedicated patient reimbursement support team in the United States that works collaboratively with patients and providers to help secure the appropriate prior authorization approvals in advance of treatment. We continue to educate private insurers in the United States on our clinical data and patient selection tools in an effort to continue to expand the number of positive coverage policies, in order to increase our revenue. Outside the United States, our solution is covered by major health systems across much of Europe, Australia and South Korea.

Competition

Our industry is highly competitive and subject to rapid change from the introduction of new products and technologies and other activities of industry participants. Our goal is to establish our solution as a standard of care for severe emphysema. Existing treatments include medical management, lung volume reduction surgery (LVRS), lung transplantation as well as other minimally invasive treatments. Some of our competitors have several competitive advantages, including established relationships with pulmonologists who commonly treat patients with emphysema, significantly greater name recognition and significantly greater sales and marketing resources. In addition to competing for market share, we also compete against these companies for personnel, including qualified sales and other personnel that are necessary to grow our business. Certain of our competitors may challenge our intellectual property, may develop additional competing or superior technologies and processes and compete more aggressively and sustain that competition over a longer period of time than we could. In addition to existing competitors, other companies may acquire or in-license competitive products and could directly compete with us. We must continue to successfully compete in light of our competitors' existing and future products and related pricing and their resources to successfully market to the physicians who use our products.

Leveraging Our Manufacturing Capacity is Critical to Improving Our Gross Margin

With our current operating model and infrastructure, we have the capacity to significantly increase our manufacturing production. If we grow our revenue and sell more units, our fixed manufacturing costs will be spread over more units, which we believe will reduce our manufacturing costs on a per-unit basis and in turn improve our gross margin. In addition, we intend to continue investing in manufacturing efficiencies in order to reduce our overall manufacturing costs. However, other factors will continue to impact our gross margins such as geographic mix, pricing and customer discounts, incentives, support services and potential seasonality.

Investing in Research and Development to Foster Innovation to Expand Our Addressable Market

We intend to continue investing in existing and next generation technologies to further improve our products and clinical outcomes, enhance patient selection and broaden the patient population that can be treated with our products. In addition, we are continuing to invest in the accuracy and features of our patient assessment tools. Moreover, we plan to conduct clinical research of AeriSeal, a potential product in development for the treatment of severe emphysema patients who are not qualified for Zephyr Valve treatment due to excessive collateral ventilation.

While research and development and clinical testing are time consuming and costly, we believe that a pipeline of new products and product enhancements that improve efficacy, safety and cost effectiveness is critical to increasing the adoption of our solution.

Seasonality

Historically, we have experienced seasonality outside of the United States, primarily in the first and third quarters and anticipate this trend to continue. In addition, as our sales grow in the United States, we may experience seasonality based on holidays, vacations and other factors because this is an elective procedure.

Components of Our Results of Operations

Revenue

We currently derive substantially all our revenue from the sale of our products to hospitals and distributors. We market and sell our products through a direct sales organization in the United States and through direct sales and several third-party distributors in select markets outside the United States. We currently generate most of our revenue from the sales of Zephyr Valves and delivery catheters. We also generate a smaller amount of our revenue from our Chartis System, which is comprised of sales of the balloon catheters, usage fees and sales of the Chartis console. The StratX Platform, while used to identify patients eligible for treatment with Zephyr Valves, does not independently generate any revenue for us. No single customer accounted for more than 10% of our revenue during the three months ended March 31, 2021 and March 31, 2020.

Revenue from sales of our products fluctuates based on volume of cases (procedures performed), the average number of Zephyr Valves used for a patient, pricing, discounts, incentives and mix of U.S. and international sales. Our revenue also fluctuates and in the future will continue to fluctuate from quarter-to-quarter due to a variety of factors, including the availability of reimbursement, the size and success of our sales force, the number of hospitals and physicians who are aware of and perform the procedures using our solution and seasonality. Our revenue from international sales may also be impacted by fluctuations in foreign currency exchange rates between the U.S. dollar (our reporting currency) and the local currency.

Cost of Goods Sold and Gross Margin

Cost of goods sold consists primarily of payroll and personnel-related expenses for our manufacturing and quality assurance employees, costs related to materials, components and subassemblies, third-party costs, manufacturing overhead, equipment depreciation, charges for excess, obsolete and non-sellable inventories. Overhead costs include the cost of quality assurance, testing, material procurement, inventory control, operations supervision and management and an allocation facilities overhead cost, including rent and utilities. Cost of goods sold also includes certain direct costs such as those incurred for shipping our products and costs related to providing analysis services for patient scans. We record adjustments to our inventory valuation for estimated excess, obsolete and non-sellable inventories based on assumptions about future demand, past usage, changes to manufacturing processes and overall market conditions. We expect cost of goods sold to increase in absolute dollars to the extent more of our products are sold.

We calculate gross margin as gross profit divided by revenue. Our gross margin has been and will continue to be affected by a variety of factors, primarily by our manufacturing costs, pricing pressures and, to a lesser extent, the percentage of products we sell in the United States versus internationally and the percentage of products we sell to distributors versus directly to hospitals. Our gross margin is typically higher on products we sell directly to hospitals as compared to products we sell through distributors.

Our gross margin may increase over the long term to the extent our production volume increases as our fixed manufacturing costs would be spread over a larger number of units, thereby reducing our per-unit manufacturing costs. We expect our gross margin to fluctuate from period to period, however, based upon the factors described above and seasonality.

Operating Expenses

Our operating expenses have consisted solely of research and development costs and selling, general and administrative costs.

Research and Development Expenses

Our research and development activities primarily consist of engineering and research programs associated with our products under development and improvements to our existing products. Research and development expenses include payroll and personnel-related costs for our research and development employees, including expenses related to stock-based compensation for employees engaged in research and development, consulting services, clinical trial expenses, regulatory expenses, prototyping, testing, laboratory supplies, and an allocation of facility overhead costs. Our clinical trial expenses include costs associated with clinical trial design, clinical trial site development and study costs, data management costs, related travel expenses, the cost of products used for clinical activities, and internal and external costs associated with our regulatory compliance. We expense research and development costs as they are incurred. We expect our research and development expenses, including related stock-based compensation expense, to increase in absolute dollars as we hire additional personnel to develop new product offerings and product enhancements.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist of payroll and personnel-related costs for our sales and marketing personnel, including variable sales compensation, travel expenses, consulting, public relations costs, direct marketing, customer training, trade show and promotional expenses, stock-based compensation and allocated facility overhead costs, and for administrative personnel that support our general operations such as information technology, executive management, financial accounting, customer services and human resources personnel. We expense sales variable compensation at the time of the sale. Selling, general and administrative expenses also include costs attributable to professional fees for legal and accounting services, insurance, consulting fees, recruiting fees, travel expense, bad debt expense and depreciation.

We intend to continue to increase the size of our sales force and our marketing spending to generate sales opportunities. We expect our sales and marketing expenses to increase in absolute dollars as we hire additional sales personnel and increase our sales support infrastructure and add additional marketing programs in order to more fully penetrate the global opportunity. We also expect our administrative expenses, including stock-based compensation expense, to increase as we increase our headcount and expand our facilities and information technology to support our operations as a public company. Additionally, we anticipate increased expenses related to audit, legal, regulatory and tax-related services associated with being a public company, compliance with exchange listing and Securities and Exchange Commission (SEC) requirements, director and officer insurance premiums and investor relations costs. We also saw an increase in our stock-based compensation expense with the establishment of our new equity plan and related grants either in the form of restricted stock units or options. Our selling, general and administrative expenses may fluctuate from period to period due to the seasonality of our business and as we continue to add direct sales territory managers in new territories.

Interest Expense and Income

Interest expense consists primarily of interest expense related to our term loan facilities, including amortization of debt discount and issuance costs. Interest income is predominantly derived from investing surplus cash in money market funds and marketable securities.

Other Income (Expense), Net

Other income (expense), net primarily consists of changes in the fair value of our derivative liabilities, changes in the fair value of preferred stock warrants and foreign currency exchange gains and losses. In February 2020, the warrants were partly exercised and partly expired. The final fair value of the warrant liability was reclassified to

stockholders' (equity)/deficit. All of our derivative liabilities were settled during 2020. Upon the closing of our IPO on October 5, 2020, we paid $1.9 million pursuant to the Success Fee Agreement to Oxford Finance LLC. In connection with the closing of our IPO, the 2020 Notes were converted into 2,561,484 shares of common stock.

Results of Operations:

Comparison of the Three Months Ended March 31, 2021 and 2020

The following table summarizes our results of operations for the period indicated:

	Three Months Ended March 31,			
	2021	2020	$ Change	% Change
	(in thousands)			
Revenue	$ 9,244	$ 8,618	$ 626	7.3 %
Costs of goods sold	2,633	2,968	(335)	(11.3)%
Gross profit	6,611	5,650	961	17.0 %
Operating expenses:				
Research and development	3,034	1,565	1,469	93.9 %
Selling, general and administrative	15,604	10,189	5,415	53.1 %
Total operating expenses	18,638	11,754	6,884	58.6 %
Loss from operations	(12,027)	(6,104)	(5,923)	97.0 %
Interest income	105	74	31	41.9 %
Interest expense	(217)	(899)	682	(75.9)%
Other income (expense), net	161	(147)	308	(209.5)%
Net loss before tax	(11,978)	(7,076)	(4,902)	69.3 %
Income tax expense	67	87	(20)	(23.0)%
Net loss	$ (12,045)	$ (7,163)	$ (4,882)	68.2 %

Revenue

Revenue increased by $0.6 million, or 7.3%, to $9.2 million during the three months ended March 31, 2021, compared to $8.6 million during the three months ended March 31, 2020. The sale of products in the United States decreased by $0.2 million to $4.3 million during the three months ended March 31, 2021, compared to $4.5 million for the three months ended March 31, 2020 as the winter surge in COVID-19 impacted the ability of hospitals to schedule procedures. The sale of products in international markets increased by $0.9 million to $5.0 million during the three months ended March 31, 2021, compared to $4.1 million for the three months ended March 31, 2020 driven by a relative recovery in procedures in select markets as compared to the start of the pandemic in 2020.

Cost of Goods Sold and Gross Margin

Cost of goods sold decreased by $0.3 million, or 11.3%, to $2.6 million during the three months ended March 31, 2021, compared to $3.0 million during the three months ended March 31, 2020. The decrease was primarily due to unfavorable variances from lower production in March 2020 resulting from the COVID-19 pandemic. Gross margin was 71.5% during the three months ended March 31, 2021 and 65.6% during the three months ended March 31, 2020.

Research and Development Expenses

Research and development expenses increased by $1.5 million, or 93.9%, to $3.0 million during the three months ended March 31, 2021, compared to $1.6 million during the three months ended March 31, 2020. The increase in

research and development expense was primarily due to an increases of $0.8 million in personnel related expenses as we invested in research and development activities, $0.4 million of costs associated with our clinical trials, including fees paid to contract research organizations (CROs) and $0.3 million of increases in facilities and other expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $5.4 million, or 53.1%, to $15.6 million during the three months ended March 31, 2021, compared to $10.2 million during the three months ended March 31, 2020. The increase in selling, general and administrative expenses was primarily due to $3.9 million of payroll and personnel-related expenses including stock based compensation for our sales, marketing and administrative personnel, an increase of $0.7 million in advertising expenses, an increase of $0.7 million in insurance costs associated with being a public company, and an increase of $0.9 million in facility and other expenses. These increases were offset by a decrease of $0.8 million in global travel and conference related expenses which were impacted by the COVID-19 pandemic.

Interest Expense and Income

Interest expense decreased by $0.7 million to $0.2 million during the three months ended March 31, 2021, compared to $0.9 million during the three months ended March 31, 2020 primarily due to a non-recurring loss on debt extinguishment of $0.4 million in the three months ended March 31, 2020 as we terminated a debt agreement and replaced it with lower interest debt. Interest income increased by less than $0.1 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily due to an increase in interest income as a result of higher balances of our cash, cash equivalents and marketable securities balances.

Other Income (Expense), Net

Other income (expense), net increased by $0.3 million to $0.2 million during the three months ended March 31, 2021, compared to ($0.1) million during the three months ended March 31, 2020, primarily due to foreign currency exchange gains.

Liquidity and Capital Resources; Plan of Operation

To date, we have financed our operations primarily through private placements of equity securities, debt financing arrangements and sales of our products. As of March 31, 2021, we had cash, cash equivalents and marketable securities of $221.6 million, an accumulated deficit of $254.8 million, and $16.8 million outstanding under the CIBC Term Loan, net of debt discount.

Oxford Term Loan

From August 2014 until February 2020, we were party to a Loan and Security Agreement with Oxford (Oxford Agreement), which provided us with the ability to borrow up to $20.0 million in term loans. The Oxford Agreement included a floating interest rate tied to LIBOR and included customary representations and warranties, restrictive covenants, events of default and other customary terms and conditions.

In connection with the closing of the Oxford Agreement in August 2014, we also entered into a Success Fee Agreement, which requires us to pay up to $2.5 million (the Success Fee) in the event of a sale or other disposition by us of all or substantially all of our assets, a merger or consolidation or an initial public offering (a Liquidity Event), in each case before August 28, 2021. We borrowed a total of $15.0 million principal amount of term loans under the Oxford Agreement, which based on the formula in the Success Fee Agreement, obligated us to pay a Success Fee of $1.9 million on the closing of our IPO in October 2020.

In February 2020, we terminated and paid off in full $17.3 million, including the outstanding loan amount of $15.0 million, final payment of $1.3 million, amendment fees of $0.9 million and accrued interest of $0.1 million, outstanding under the Oxford Agreement. The repayment of the loans under the Oxford Agreement was accounted

as extinguishment and the Company recorded a loss on debt extinguishment of $0.4 million. All of our obligations under the Oxford Agreement have been terminated except the indemnity obligation thereunder, which by their terms survive the facility. On October 5, 2020, upon the closing of our IPO, we paid $1.9 million pursuant to the Success Fee Agreement to Oxford Finance LLC.

In the three months ended March 31, 2020, we recorded interest expense on the term loan of $0.4 million.

We incurred fees and legal expenses of $0.1 million in connection with the Oxford Agreement and related Amendments, which were recorded as deferred financing costs and amortized to interest expense. We also paid $0.2 million in fees to Oxford which is reflected as a discount on the debt and was being accreted over the life of the term loan. In the three months ended March 31, 2020, we recorded interest expense related to deferred financing and debt issuance costs of less than $0.1 million.

Loan and Security Agreement with Boston Scientific Corp (BSC)

From May 2017 until January 2020, we were party to a Second Lien Loan and Security Agreement with Boston Scientific Corp (BSC Agreement), which provided us with the ability to borrow up to $30.0 million in term loans. The BSC Agreement included a fixed interest rate of 8.96%. We borrowed $6.0 million in 2017, $12.0 million in 2018 and $6.0 million in January 2019 under the BSC Agreement.

In April 2019, all outstanding indebtedness and accrued interest under the BSC Agreement converted into shares of our Series G-1 preferred stock in accordance with the terms of the agreement. We terminated the BSC Agreement in January 2020, which terminated our ability to draw the remaining $6.0 million under the BSC Agreement and all of our obligations under the BSC Agreement except the indemnity obligation thereunder, which by their terms survive the facility.

CIBC Term Loan

On February 20, 2020, we executed a Loan and Security Agreement with Canadian Imperial Bank of Commerce (CIBC), which we subsequently amended on April 17, 2020, December 28, 2020 and March 29, 2021 (as amended, the CIBC Agreement). The CIBC Agreement provided us with the ability to borrow up to $32.0 million in debt financing consisting of $17.0 million advanced at the closing of the agreement (Tranche A), with the option to draw up to an additional $8.0 million (Tranche B) on or before February 20, 2022 and an additional $7.0 million (Tranche C) on or before February 20, 2022. Tranche B is conditioned upon achieving a trailing six-month revenue of at least $15.0 million as of the date of any Tranche B Borrowing, and Tranche C is conditioned upon achieving a trailing six-month revenue of at least $20.0 million as of the date of any Tranche C borrowing. The availability of Tranche B and Tranche C is further conditioned upon the joining of Pulmonx International Sàrl to the CIBC Agreement and the execution by Pulmonx International Sàrl of Swiss-law collateral documentation in favor of CIBC.

The loan bears interest at a floating rate equal to 1.0% above the Wall Street Journal Prime Rate at any time. The Tranche C loan will bear interest at a floating rate equal to 1.5% above the Wall Street Journal Prime Rate at any time. The loan is collateralized by substantially all of our assets, including cash and cash equivalents, accounts receivable, intellectual property and equipment. We may prepay the loan, subject to certain requirements. The CIBC Agreement includes customary restrictive covenants, financial covenants, events of default and other customary terms and conditions. In December 2020, to address certain post-close covenants for which we were not in compliance, we entered into a Second Amendment to the CIBC Agreement that extended the compliance date for certain post-close covenants to June 30, 2021. In March 2021, we entered into a Third Amendment to the CIBC Agreement which extended the loan maturity date from March 15, 2022 to February 20, 2025, and modified certain financial covenants. Per the amended terms, 36 equal payments of principal plus accrued interest will be due beginning March 31, 2022. The beginning of principal repayment can be extended to March 31, 2023 if the Company achieves three-month trailing revenue of at least $20.0 million as of February 20, 2022. The amendment was accounted for as a debt modification and no gain or loss was recognized.

We paid $0.4 million fees to the lender and third parties which is reflected as a discount on the CIBC Loan and is being accreted over the life of the term loan using the effective interest method. During each three months ended March 31, 2021 and 2020, we recorded interest expense related to debt discount and debt issuance costs of CIBC Loan of less than $0.1 million, respectively.

Interest expense on the CIBC Loan amounted $0.2 million and $0.1 million during the three months ended March 31, 2021 and 2020, respectively.

2020 Notes

In April 2020, we issued and sold the 2020 Notes in the aggregate principal amount of $33.0 million. We have the option to call up to an additional $33.0 million for a maximum aggregate amount of $66.0 million, subject to customary closing conditions, provided that any such call be for no less than $5.0 million on or prior to April 17, 2022. The 2020 Notes accrue interest at a rate equal to 2.0% above the Wall Street Journal Prime Rate. All unpaid interest and principal will be due and payable upon request of the majority of lenders (Majority Holders) on or after the earlier of April 17, 2022 or an event of default. The Company may prepay the 2020 Notes prior to April 17, 2022 only with the consent of the Majority Holders.

The 2020 Notes included embedded derivatives that are required to be bifurcated from the 2020 Notes and accounted for separately as a single, compound embedded derivative instrument under ASC 815, *Derivatives* (2020 Notes derivative liability). We determined that the share settled redemption in the case of a financing or an IPO discussed above represents an embedded derivative that is not clearly and closely related to the debt host and have accounted for these settlement alternatives as separate embedded derivative liability. The fair value of the 2020 derivative liability of $3.9 million was recorded on the issuance date of the 2020 Notes resulting in a debt discount, which is reported as a direct deduction from the face amount of the 2020 Notes. The 2020 derivative liability was remeasured to its fair value at the end of each reporting period and any change in fair value was recognized in other income (expense), net in the statements of operations and comprehensive loss. The fair value of the 2020 derivative liability upon the effectiveness of our IPO was recognized in the consolidated statements of operations and comprehensive loss and the derivative liability was extinguished.

We incurred debt issuance costs of $0.1 million in connection with the 2020 Notes Agreement, which are reported on the balance sheet as a direct deduction from the face amount of the 2020 Notes.

Debt discount of $4.0 million is being amortized using the effective interest rate method over the term of the note and recorded as a non-cash interest expense.

Obligations with respect to the 2020 Notes are unsecured and subordinated to our obligations with respect to the CIBC Loan. The 2020 Notes include customary events of default.

Upon the closing of our IPO in October 2020, the 2020 Notes, including accrued interest thereon, automatically converted into 2,561,484 shares of our common stock at a conversion price of $13.20 per share.

Credit Agreement

In April 2020, Pulmonx International Sàrl, our wholly-owned subsidiary, entered into a COVID-19 Credit Agreement with UBS Switzerland AG to receive up to 0.5 million Swiss Francs ($0.5 million U.S. dollar equivalent) under Swiss Federal Government program to mitigate the economic impact of the spread of the coronavirus. In May 2020, Pulmonx International Sàrl received 0.5 million Swiss Francs ($0.5 million U.S. dollar equivalent) under the COVID-19 Credit Agreement. The COVID-19 Credit Agreement will bear no interest and is payable within 60 months after receipt of funds. As of March 31, 2021, Pulmonx International Sàrl did not make any repayment of credit agreement.

Funding Requirements

We expect to incur continued expenditures in the future in support of our commercial infrastructure, sales force and other commercialization efforts. In addition, we intend to continue to make investments in the development of our products, including ongoing research and development programs. We also expect to incur additional costs associated with operating as a public company. Lastly, we may also undertake additional expenses to further expand our commercial organization and efforts, enhance our research and development efforts and pursue product expansion opportunities.

As of March 31, 2021, we had cash, cash equivalents and marketable securities of $221.6 million. Based on our current planned operations, we expect that our cash and cash equivalents will enable us to fund our operating expenses for at least 12 months from the issuance of our condensed consolidated financial statements as of and for the three months ended March 31, 2021. We have based these estimates on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect.

Because of the numerous risks and uncertainties associated with research, development and commercialization of medical devices, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on many factors, including:

- the costs of commercialization activities related to commercializing our products in the United States and elsewhere, including expanding territories, increasing sales and marketing personnel, actual and anticipated product sales, marketing programs, manufacturing and distribution costs;
- the impact of the COVID-19 pandemic on our business;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the research and development activities we intend to undertake, product enhancements that we intend to pursue;
- whether or not we pursue acquisitions or investments in businesses, products or technologies that are complementary to our current business;
- the degree and rate of market acceptance of our products in the United States and elsewhere;
- changes or fluctuations in our inventory supply needs and forecasts of our supply needs;
- our need to implement additional infrastructure and internal systems;
- our ability to hire additional personnel to support our operations as a public company; and
- the emergence of competing technologies or other adverse market developments.

Until such time, if ever, as we can generate product revenue sufficient to achieve profitability, we expect to finance our cash needs through a combination of public or private equity offerings, debt financings and collaborations or licensing arrangements. There can be no assurance that our efforts to procure additional financing will be successful or that, if they are successful, the terms and conditions of such financing will be favorable to us or our stockholders. If we do raise additional capital through public or private equity or convertible debt offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to 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 capital through collaborations agreements, licensing arrangements or marketing and distribution arrangements, we may have to relinquish valuable

rights to our technologies, future revenue streams, research programs or product candidates or grant licenses that may not be favorable to us. If we are unable to raise capital when needed, we will need to delay, limit, reduce or terminate planned commercialization or product development activities, or grant rights to develop and commercialize products or product candidates that we would otherwise prefer to develop and market ourselves in order to reduce costs.

Summary Statement of Cash Flows

The following table sets forth the primary sources and uses of cash and cash equivalents for the period presented below:

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Net cash (used in) provided by:		
Operating activities	$ (9,672)	$ (9,849)
Investing activities	(12,531)	10,024
Financing activities	13	1,308
Effect of exchange rate changes on cash and cash equivalents	(88)	222
Net increase (decrease) increase in cash and cash equivalents	$ (22,278)	$ 1,705

Cash Flows from Operating Activities

Net cash used in operating activities was $9.7 million for the three months ended March 31, 2021. Cash used in operating activities was primarily a result of the net loss of $12.0 million, an increase in inventory of $1.6 million due to continued production to build inventory to meet projected increase in sales, an increase in accounts receivable of $1.0 million, and a decrease in lease liabilities of $0.5 million due to lease payments partially offset by an increase in accounts payable of $0.3 million due to timing of payments to our vendors, a decrease in prepaid expenses and other current assets of $0.4 million, an increase in accrued liabilities of $1.3 million, stock-based compensation expense of $2.3 million, write-down of inventory of $0.5 million, and non-cash lease expense of $0.6 million.

Net cash used in operating activities was $9.8 million for the three months ended March 31, 2020. Cash used in operating activities was primarily a result of the net loss of $7.2 million, an increase in inventory of $2.2 million primarily due to higher inventory levels required to support the projected increase in sales, a decrease in accrued liabilities of $2.0 million, a decrease of $0.2 million in accounts payable, and a non-cash credit resulting from the change in the fair value of derivative liabilities of $0.3 million partially offset by a decrease in accounts receivable of $0.9 million due to lower sales, a decrease in prepaid expenses and other current assets of $0.2 million, a decrease in other assets of $0.2 million, stock-based compensation expense of $0.2 million, amortization of debt discount and debt issuance costs of $0.2 million, and non-cash lease expense of $0.2 million.

Cash Flows from Investing Activities

Net cash used in investing activities in the three months ended March 31, 2021 was $12.5 million consisting of purchases of marketable securities of $12.3 million and purchases of property and equipment of $0.2 million.

Net cash provided by investing activities in the three months ended March 31, 2020 was $10.0 million primarily consisting of maturities of short-term marketable securities of $10.1 million offset by purchases of property and equipment of $0.1 million.

Cash Flows from Financing Activities

Net cash provided by financing activities in the three months ended March 31, 2021 of less than $0.1 million primarily relates to proceeds from the exercise of stock options, offset by the repurchase of early exercised stock options and payment of debt issuance costs.

Net cash provided by financing activities in the three months ended March 31, 2020 of $1.3 million primarily relates to proceeds of $16.8 million from borrowing under the CIBC Agreement, net of lender fees and costs and proceeds of $2.3 million from the exercise of warrants for Series C-1 preferred stock partially offset by repayment of debt obligations of $17.2 million under the Oxford Agreement and payment of deferred offering costs of $0.4 million.

Contractual Obligations and Commitments

There have been no material changes to our contractual obligations as of March 31, 2021, as compared to those disclosed in in our Annual Report on Form 10-K filed with the SEC on March 15, 2021.

Off-Balance Sheet Arrangements

Through March 31, 2021, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies, Significant Judgments and Use of Estimates

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses incurred during the reporting periods. Our estimates are based on our knowledge of current events and actions we may undertake in the future and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Our critical accounting policies are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies, Significant Judgments and Use of Estimates" in our Annual Report on Form 10-K filed with the SEC on March 15, 2021, and the notes to the unaudited condensed consolidated financial statements included in "Part I, Item 1 — Financial Statements" of this Quarterly Report on Form 10-Q. During the three months ended March 31, 2021, except as described in Note 2 to the unaudited interim condensed financial statements appearing elsewhere in this Quarterly Report on Form 10-Q, there were no material changes to our critical accounting policies from those discussed in our Annual Report on Form 10-K filed with the SEC on March 15, 2021.

JOBS Act Accounting Election

The Jumpstart Our Business Startups Act of 2012 (JOBS Act) permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. However, we have chosen to irrevocably "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.

Recent Accounting Pronouncements

See "Recent Accounting Pronouncements" in Note 3 to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to interest rate risks related to our cash, cash equivalents and borrowings. We had cash, cash equivalents and marketable securities of $221.6 million as of March 31, 2021, which consist of cash, money market funds, U.S. treasury bonds, U.S. government agency bonds, corporate bonds and commercial paper. We held cash in foreign banks of approximately $5.1 million at March 31, 2021 that was not federally insured. Interest-earning money market funds carry a degree of interest rate risk; however, historical fluctuations in interest income have not been significant.

We had outstanding debt of $16.8 million under the CIBC Agreement with interest rate of 4.25% as of March 31, 2021. In the ordinary course of business, we may enter into contractual arrangements to reduce our exposure to interest rate risks. We believe that a 10% change in interest rates would not have a significant impact on our consolidated financial statements.

Foreign Currency Exchange Risk

We operate in countries other than the United States and are exposed to foreign currency risks. Revenue from sales outside of the United States represented 53.6% and 47.9% of our total revenue for the three months ended March 31, 2021 and 2020, respectively. We bill most direct sales outside of the United States in local currencies, which are mostly comprised of the Swiss franc, the Euro, the British pound, and the Australian dollar. Operating expenses related to these sales are largely denominated in the same respective currency, thereby limiting our transaction risk exposure. We therefore believe that the risk of a significant impact on our operating income from foreign currency fluctuations is not significant. The risk of a significant impact on our operating income from foreign currency fluctuations will further diminish as revenue from sales to customers in the United States increases and represents a greater proportion of total revenues. A 10% change in weighted average foreign currency exchange rates would have changed our revenues and operating expenses for the three months ended March 31, 2021 by approximately $0.5 million and $0.4 million, respectively, with a net impact of $0.1 million on our net income. A 10% change in weighted average foreign currency exchange rates would have changed our revenues and operating expenses for the three months ended March 31, 2020 by approximately $0.4 million and $0.3 million, respectively, with a net impact of $0.1 million on our net income. We do not currently hedge our exposure to foreign currency exchange rate fluctuations; however, we may choose to hedge our exposure in the future.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q, and have concluded that, based on such evaluation, our disclosure controls and procedures were effective as of March 31, 2021 at the reasonable assurance level to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which could have a material adverse effect on our results of operations, financial condition or cash flows.

Item 1A. Risk Factors

Our business involves significant risks, some of which are described below. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Quarterly Report on Form 10-Q, including the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and the related notes. Any of these events could cause the trading price of our common stock to decline, which would cause you to lose all or part of your investment. Our business, results of operations, financial condition, ability to accomplish our strategic objectives or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this Quarterly Report on Form 10-Q.

This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this Quarterly Report on Form 10-Q.

Summary Risk Factor

Our business involves significant risks, some of which are described below. The principal factors and uncertainties that make investing in our common stock risky include, among others:

- We have a history of significant net losses, which we expect to continue, and we may not be able to achieve or sustain profitability in the future;
- We have limited experience marketing and selling our solution;
- We currently rely on a single product, the Zephyr Valve, which can only be marketed for limited indications, and if we are not successful in commercializing the Zephyr Valve, our business, financial condition and results of operations will be negatively affected;
- Our business is dependent on hospital, physician and patient adoption of our solution as a treatment for severe emphysema. If hospitals, physicians or patients are unwilling to change current practices to adopt our solution, it will negatively affect our business, financial condition and results of operations;
- If we fail to receive access to hospital facilities our sales may decrease;
- A pandemic, epidemic or outbreak of an infectious disease in the United States or worldwide, including the outbreak of the novel strain of coronavirus disease, COVID-19, has adversely affected our business;
- Use of the Zephyr Valve involves risks and may result in complications, including pneumothorax or death, and is contraindicated in certain patients, which may limit adoption and negatively affect our business, financial condition and results of operations;
- If we are unable to achieve and maintain adequate levels of coverage or reimbursement for our solution, or any future products we may seek to commercialize, or if patients are left with significant out-of-pocket costs, our commercial success may be severely hindered;
- If we fail to retain marketing and sales personnel and, as we grow, fail to increase our marketing and sales capabilities or develop broad awareness of our solution in a cost-effective manner, we may not be able to generate revenue growth;
- We have limited long-term data regarding the safety and effectiveness of our solution, including the Zephyr Valve. The only safety and effectiveness data of our solution, including the Zephyr Valve, is limited to one year following placement and we are required to conduct extension studies to follow up on safety and effectiveness out to five years;
- We have limited experience manufacturing our products in significant commercial quantities and we face manufacturing risks that may adversely affect our ability to manufacture our products, reduce our gross margins and negatively affect our business, financial condition and results of operations;
- Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or any guidance we may provide;
- The sizes of the markets for our current and future products have not been established with precision and may be smaller than we estimate and may decline. Certain patients may not have regions of the lung with

little to no collateral ventilation, making them poor candidates for the Zephyr Valve. In addition, if the overall rate of smokers continues to decline, this may eventually decrease the number of patients suffering from COPD and emphysema and, accordingly, who would benefit from our solution;
- We expect to continue to incur net losses for the next several years and we expect to require substantial additional capital to finance our planned operations, which may include future equity and debt financings. This additional capital may not be available to us on acceptable terms or at all. Our failure to obtain additional financing when needed on acceptable terms, or at all, could force us to delay, limit, reduce or eliminate our commercialization, sales and marketing efforts, product development programs or other operations;
- Our products and operations are subject to extensive government regulation and oversight both in the United States and abroad. If we fail to obtain and maintain necessary regulatory approvals for the Zephyr Valve and related products, or if approvals for future products and indications are delayed or not issued, it will negatively affect our business, financial condition and results of operations; and
- We may become a party to intellectual property litigation or administrative proceedings that could be costly and could interfere with our ability to sell and market our products.

Risks Related to Our Business and Strategy

We have a history of significant net losses, which we expect to continue, and we may not be able to achieve or sustain profitability in the future.

We have incurred net losses since our inception. For the three months ended March 31, 2021 and March 31, 2020, we had net losses of $12.0 million and $7.2 million, respectively, and we expect to continue to incur additional losses. As of March 31, 2021, we had an accumulated deficit of $254.8 million. We expect to continue to incur significant sales and marketing, research and development, regulatory and other expenses as we grow our sales force and expand our marketing efforts to increase adoption of our products, expand existing relationships with our customers, obtain regulatory clearances or approvals for our planned or future products, conduct clinical trials on our existing and planned or future products and develop new products or add new features to our existing products. The net losses that we incur may fluctuate significantly from period to period. We will need to generate significant additional revenue in order to achieve and sustain profitability. Even if we achieve profitability, we cannot be sure that we will remain profitable for any substantial period of time.

We have limited experience marketing and selling our solution.

We began commercializing our solution and the Zephyr Valve in the United States in 2018 and, through our predecessors, in Europe in 2003. Our limited commercialization experience and limited number of approved or cleared products make it difficult to evaluate our current business and predict our future prospects. These factors also make it difficult for us to forecast our future financial performance and growth, and such forecasts are subject to a number of uncertainties, including our ability to successfully complete clinical trials and obtain pre-market approval or 510(k) clearance by the FDA for future planned products in the United States or in key international markets. Our commercialization efforts will depend on the efforts of our management and sales team, our third-party suppliers, physicians and hospitals, and general economic conditions, among other factors, including the following:

- the effectiveness of our marketing and sales efforts in the United States and internationally;
- our success in educating physicians and patients about the benefits, administration and use of the Zephyr Valves;
- the acceptance by physicians, patients and payors of the safety and effectiveness of the Zephyr Valves, including the long-term data;
- our third-party suppliers' ability to supply the components of the Zephyr Valves in a timely manner, in accordance with our specifications and in compliance with applicable regulatory requirements, and to remain in good standing with regulatory agencies;

- the impact of the COVID-19 pandemic on our business;
- the availability, perceived advantages, relative cost, relative safety and relative efficacy of alternative and competing therapies;
- our ability to obtain, maintain and enforce our intellectual property rights in and to the Zephyr Valves;
- the emergence of competing technologies and other adverse market developments, and our need to enhance the Zephyr Valves or develop new products to maintain market share in response to such competing technologies or market developments;
- our ability to raise additional capital on acceptable terms, or at all, if needed to support the commercialization of the Zephyr Valves; and
- our ability to achieve and maintain compliance with all regulatory requirements applicable to the Zephyr Valves.

If our assumptions regarding the risks and uncertainties we face, which we use to plan our business, are incorrect or change due to circumstances in our business or our markets, or if we do not address these risks successfully, it will negatively affect our business, financial condition and results of operations.

We currently rely on a single product, the Zephyr Valve, which can only be marketed for limited indications, and if we are not successful in commercializing the Zephyr Valve, our business, financial condition and results of operations will be negatively affected.

Our business currently depends entirely on our ability to successfully commercialize the Zephyr Valve, as well as our overall solution, in a timely manner. We have no other therapeutic products currently approved for sale in the United States and we may never be able to develop additional marketable products or enhancements to the Zephyr Valve solution. Currently, our solution is only available to treat patients with severe emphysema in the United States and additional limited indications internationally where we have obtained the necessary regulatory approvals or clearances. Therefore, we are dependent on widespread market adoption of our solution for this limited use-case and we will continue to be dependent on this use-case for the foreseeable future. There can be no assurance that our solution will gain a substantial degree of market acceptance among specialty physicians, patients or healthcare providers. Our failure to successfully increase sales of our solution or develop solutions that address forms of COPD beyond severe emphysema and obtain any necessary regulatory approvals or clearances in connection therewith could negatively affect our business, financial condition and results of operations.

Our success depends in large part on the success of the Zephyr Valve. If we are unable to successfully market and sell the Zephyr Valves, as well as our overall solution, to patients with severe emphysema, it will negatively affect our business, financial condition and results of operations.

Our success will depend on our ability to bring awareness to our solution, and the Zephyr Valve in particular, and educate hospitals and physicians regarding the benefits of our solution over existing products and services and to encourage those parties to recommend our solution to their patients. Sales of Zephyr Valves and delivery catheters accounted for most of our revenue for the three months ended March 31, 2021 and 2020 and we expect that sales of Zephyr Valves and delivery catheters will continue to account for most of our revenue going forward. We do not know if our solution will be successful over the long term. Moreover, market acceptance may be hindered if physicians are not presented with compelling data demonstrating the efficacy of our solution compared to alternative procedures and technologies. Any studies we, or third parties which we sponsor, may conduct comparing our solution with alternative treatments for severe emphysema will be expensive, time consuming and may not yield positive results. Additionally, adoption will be directly influenced by a number of financial factors, including the ability of providers to obtain sufficient reimbursement from payors for deploying our solution. The safety, efficacy, performance and cost-effectiveness of our solution, on a stand-alone basis and relative to competing treatments and services, will determine the willingness of payors to cover the procedure. While we have established positive

coverage policies with major national private payors, such as Aetna, Humana, Health Care Service Corporation, and Highmark, other commercial payors, including other plans in the Blue Cross Blue Shield family of plans, do not currently consider our solution medically necessary. No matter the level of coverage by the commercial payor, each patient is generally considered on a case-by-case basis. In addition, Medicare, currently without a public coverage policy, covers our solution for patients when medically necessary on a case-by-case basis. Physicians may be reluctant to recommend our solution to patients covered by such plans with no specific policies because of the uncertainty surrounding reimbursement, rates and the administrative burden of interfacing with patients to answer their questions and support their efforts to obtain adequate reimbursement for our solution. If physicians do not adopt and recommend our solution, it will negatively affect our business, financial condition and results of operations.

Our business is dependent on hospital, physician and patient adoption of our solution as a treatment for severe emphysema. If hospitals, physicians or patients are unwilling to change current practices to adopt our solution, it will negatively affect our business, financial condition and results of operations.

Our primary strategy to grow our revenue is to take a stepwise approach to market development across key stakeholders in severe emphysema treatment, such as hospitals, physicians and patients. To succeed, our sales force must build deep relationships with pulmonary physicians to encourage them and their hospitals to develop emphysema centers of excellence, where physicians are instructed in the workup of advanced COPD and performance of bronchoscopic lung volume reduction using our solution, that offer our solution as a treatment for severe emphysema. In addition, we utilize direct-to-patient marketing initiatives to increase demand through patient empowerment. While the number of hospitals incorporating our solution has increased in recent years, there is a significant group of hospitals and physicians who have not yet adopted our solution, and additional hospitals and physicians may choose not to adopt our solution for a number of reasons, including:

- inadequate recruiting or training of talented sales force in existing and new markets to facilitate outreach and further adoption and awareness of Zephyr Valve;
- lack of experience with our solution and the Zephyr Valve as a treatment alternative;
- the failure of key opinion leaders to continue to provide recommendations regarding the Zephyr Valve, or to assure physicians, patients and healthcare payors of the benefits of the Zephyr Valve as an attractive alternative to other treatment options;
- perceived inadequacy of evidence supporting clinical benefits or cost-effectiveness of our solution over existing alternatives;
- a perception among some physicians of patients' inability to tolerate the procedure required to implant our solution;
- liability risks generally associated with the use of new products and procedures;
- the training required to use new products;
- lack of availability of adequate third-party payor coverage or reimbursement;
- access to hospital bidding processes;
- a decrease or delay in the number of procedures performed using our solution as a result of the COVID-19 pandemic;
- competing products and alternatives; and
- introduction of other novel alternative therapies to treat severe emphysema.

We focus our sales, marketing and training efforts primarily on pulmonologists. However, physicians from other disciplines, including primary care physicians, as well as other medical professionals, such as nurse practitioners, respiratory technicians, radiologists and community physicians, are often the initial point of contact for patients with severe emphysema.

These physicians and other medical professionals commonly screen and treat patients with severe emphysema, and are likely to recommend medical management, inhaled medications, pulmonary rehabilitation and supplemental oxygen, or more invasive LVRS or lung transplantations. We believe that educating physicians in these disciplines and other medical professionals about the clinical merits and patient benefits of our solution as a minimally invasive treatment for severe emphysema is a key element of increasing the adoption of our solution. If additional physicians or other medical professionals do not adopt, or existing physician customers cease referring patients to, our solution for any reason, including those listed above, our ability to execute our growth strategy will be impaired, and it will negatively affect our business, financial condition and results of operations.

In addition, patients will not qualify for our solution if, among other potential reasons, their lung anatomy has collateral ventilation that does not allow for effective treatment with the Zephyr Valve. Patients may not adopt our solution if they are reluctant to undergo a minimally invasive procedure, if they are worried about potential adverse effects of our solution, such as infection, discomfort or weakness, or if they are unable to obtain adequate third-party coverage or reimbursement.

If we fail to receive access to hospital facilities, our sales may decrease.

In the United States, in order for physicians to use the Zephyr Valve, we expect that the hospital facilities where these physicians treat patients will typically require us to enter into purchasing contracts setting forth the terms and conditions under which the hospital facilities will purchase Zephyr Valves. This process can be lengthy and time-consuming and require extensive negotiations and management time, and potentially result in delays and increases to the sales cycle before we can sell the Zephyr Valve to these hospitals. In the European Union, certain institutions may 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 via these contracting processes or otherwise, or if we are unable to secure contracts or tender successful bids, our sales may 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.

A pandemic, epidemic or outbreak of an infectious disease in the United States or worldwide, including the outbreak of the novel strain of coronavirus disease, COVID-19, has had a material adverse impact on our business.

If a pandemic, epidemic or outbreak of an infectious disease occurs in the United States or worldwide, our business may be adversely affected. The COVID-19 pandemic has had a material adverse impact on our business, financial condition and results of operations by decreasing and delaying substantially all procedures performed using our products, and we expect the pandemic to continue to adversely impact our business, financial condition and results of operations for the foreseeable future. Similar to the general trend in elective and other surgical procedures, the number of procedures performed using our products have been substantially impacted as healthcare organizations across the globe have prioritized the treatment of patients with COVID-19 or have altered their operations to respond to the pandemic. For example, in the United States, governmental authorities have recommended, and, in certain cases, required, that elective, specialty and other procedures and appointments be suspended or canceled to avoid non-essential patient exposure to medical environments and potential infection with COVID-19 and to focus limited resources and personnel capacity toward the treatment of COVID-19 patients. As a result, the COVID-19 pandemic has adversely impacted the number of procedures using the Zephyr Valve as hospitals have had to focus on COVID-19 and as patients generally sought to postpone healthcare visits and treatments. The COVID-19 pandemic and related governmental and societal responses to mitigate its impact have caused, and may in the future

cause, decreased demand for procedures using our products, a global slowdown of economic activity, volatility and disruption of financial markets, and changes in behavior of healthcare organizations.

The COVID-19-driven impact on procedure volumes extended into January and February of 2021. In March 2021, we observed initial indicators of recovery in our U.S. markets, while a modest recovery in our international markets was stalled by another wave of lockdowns in March in many parts of Europe. We cannot be certain that any recovery will be sustained, or that a further resurgence of COVID-19 will not occur in 2021. We believe many of the measures adopted in response to, and challenges resulting, from COVID-19 will likely continue for the duration of the pandemic, which is uncertain, and are expected to continue to significantly reduce our revenue and adversely impact our business, financial condition and results of operations for the duration of the pandemic. As a result, we cannot assure you that our recent volume of Zephyr Valves sold are indicative of future results or that we will not experience additional adverse or materially adverse impacts associated with the COVID-19 pandemic. Once the COVID-19 pandemic subsides, there may be a substantial backlog of patients seeking appointments with physicians and surgeries to be performed at hospitals relating to a variety of medical conditions, and as a result, patients seeking treatment with Zephyr Valves may have to navigate limited provider capacity. We believe this limited provider and hospital capacity could have a material adverse effect on our business, financial condition and results of operations once the pandemic subsides and following the end of the pandemic.

The severity, magnitude and duration of the COVID-19 pandemic, the public health responses and its economic consequences, as well as the efficacy, availability and distribution of vaccines, remain uncertain, rapidly changing and difficult to predict. The pandemic's impact on our financial condition and results of operations performance, as well as its impact on our ability to successfully execute our business strategies and initiatives, also remains uncertain and difficult to predict. To the extent the pandemic continues to disrupt economic activity globally, it could adversely affect our ability to access capital, which could in the future negatively affect our liquidity. In addition, depressed economic activity resulting from the COVID-19 pandemic could have a material adverse effect on our long-term business as hospitals curtail and reduce capital and overall spending. For example, economic market disruptions may result in significant job losses and reductions in disposable income. If patients are unable to obtain or maintain health insurance policies, it may significantly impact their ability to pay for the procedures utilizing our products, further negatively impacting our business, financial condition and results of operations.

We continue to monitor the rapidly evolving situation and guidance from domestic and international authorities, including federal, state and local public health authorities, and there may be developments outside our control requiring us to adjust our business strategies and operating plan. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

Use of our solution requires appropriate physician training, and inadequate training may lead to negative patient outcomes and negatively affect our business, financial condition and results of operations.

The successful implantation of the Zephyr Valve depends in part on the training and skill of the physician performing the procedure and on adherence to appropriate patient selection and proper techniques provided in training sessions conducted by our training faculty. For example, we train physicians to ensure correct patient selection and treatment planning using the StratX Platform and Chartis System, and proper placement of the Zephyr Valve. Physicians could experience difficulty with the technique necessary to successfully implant the valve and may not achieve the technical competency necessary to complete the training program, or they could fail to properly learn how to interpret our StratX Platform or Chartis System. Moreover, physicians rely on their previous medical training and experience when using our solution, and we cannot guarantee that all such physicians will have the necessary skills to properly identify ideal candidates and to perform the procedure. We do not control which physicians use our solution or how much training they receive, and physicians who have not completed our training sessions may nonetheless attempt to use our solution. If physicians implant the Zephyr Valve incorrectly, or do so in a manner that is inconsistent with its labeled indications, with components that are not our products, in patients who are not good candidates, or without adhering to or completing our training sessions, their patient outcomes may not be consistent with the outcomes achieved in our clinical trials. This result may negatively impact the perception of

patient benefit and safety, and limit adoption of our solution as a treatment for severe emphysema and our products that facilitate the procedure, which will negatively affect our business, financial condition and results of operations.

In addition, we may experience difficulty growing the number of physicians who complete our training program if patient demand is low, if the length of time necessary to train each physician is longer than expected, if the capacity of our commercial organization to train physicians is less than expected or if we are unable to sufficiently grow our sales force. All these events would lead to fewer trained physicians qualified to implant the Zephyr Valve, which could negatively affect our business, financial condition and results of operations.

Use of the Zephyr Valve involves risks and may result in complications, including pneumothorax or death, and is contraindicated in certain patients, which may limit adoption and negatively affect our business, financial condition and results of operations.

The most common serious complications relating to the use of the Zephyr Valve include pneumothoraces, worsening of COPD symptoms, hemoptysis, pneumonia, dyspnea, respiratory failure and, in rare cases, death. Pneumothoraces occur when a lung collapses due to an air leak inside the lung and may result from rapid shifts in air volume in the chest as the target lobe deflates and the neighboring lobe expands following the Zephyr Valve treatment. A pneumothorax typically requires placement of a chest tube to manage the air leak. While most pneumothoraces can be readily managed with standard medical care, in rare cases they can be life-threatening, particularly if left untreated. In the event the pneumothorax does not resolve with standard management, one or more valves can be removed to re-inflate the lung; these are typically replaced later when the pneumothorax has resolved.

In our clinical trials, pneumothoraces occurred in 18-34% of patients treated with the Zephyr Valve, and in the LIBERATE study, 17% of the pneumothorax events required no intervention and resolved on their own. Patients who have had their pneumothoraces successfully treated had comparable outcomes to those who did not experience a pneumothorax, other than that their hospital stays were extended by approximately a week compared to the three nights for patients without pneumothoraces.

In the LIBERATE study, the majority of pneumothoraces (76%) occurred within three days following a bronchoscopy procedure. During the Treatment Period (day of procedure to 45 days), there were a total of four deaths (3.1%) in the Zephyr Valve Group (which received Zephyr Valves plus medical management) and none in the Control Group (which received medical management alone). Three of the four deaths were deemed by the investigators to be definitely related to treatment with Zephyr Valves and the remaining one was deemed by the investigators to be probably related to treatment with Zephyr Valves. Each patient that died experienced pneumothorax, with three deaths directly attributed to the pneumothorax and the fourth death the result of respiratory failure, after the pneumothorax had resolved. Two of the pneumothorax-related deaths occurred early in the study when patients were being kept in the hospital for one night after the procedure. In order to more closely monitor patients, the study protocol was subsequently amended to keep patients in the hospital for five nights. Based on the full study data, current practice is to keep patients in the hospital for a minimum of three nights post-treatment. Post-hoc analysis has helped to identify risk factors for the group of patients at a higher risk of having a complex pneumothorax event (complex pneumothorax defined as requiring removal of all valves or resulting in death) should one occur. Such high-risk patients include those who are not treated in the most diseased lobe and have greater than 60% destruction of the untreated lung. All four patients who experienced a pneumothorax and died were within this high-risk group. This learning is incorporated in our physician training program for physicians to identify such high-risk patients and to consider alternative targets or other risk mitigation strategies. During the Longer-Term Period (46 days after procedure to 12 months), there was one death (0.8%) in the Zephyr Valve Group from a COPD exacerbation, deemed by the investigators not to be related to treatment with Zephyr Valves, and one cardiac arrhythmia related death in the Control Group (1.6%).

Outside of clinical trials, patients treated with the Zephyr Valve have also experienced serious complications, including pneumothoraces and death related to the Zephyr Valve.

Serious complications as a result of treatment with Zephyr Valves, and any increase in the rate of complications in or outside of clinical trials, could cause doctors, hospitals and patients to limit adoption of our solution and subject

us to costly litigation, require us to pay substantial amounts of money to patients, delay, negatively impact or end our opportunity to receive or maintain regulatory approval to market our products, or require us to suspend or abandon our commercialization efforts, which may negatively impact adoption as well as our business, financial condition and results of operations. Even in a circumstance in which we do not believe that a complication is related to the Zephyr Valve or treatment with the Zephyr Valve, the investigation into the circumstance may be time-consuming or inconclusive and may interrupt our sales efforts or impact and limit the type of regulatory approvals the Zephyr Valve receives or maintains and any related claims may negatively impact adoption as well as our business, financial condition and results of operations. Moreover, perceptions regarding the safety of the Zephyr Valve could be affected even if such complications are unrelated to the Zephyr Valve or treatment with the Zephyr Valve.

Further, our current products are contraindicated, and therefore should not be used, in certain patients, including those for whom bronchoscopic procedures are contraindicated, with evidence of active pulmonary infection, with known allergies to Nitinol (nickel-titanium) or its constituent metals (nickel or titanium) or silicone, who have not quit smoking, or with large bullae encompassing greater than 30% of either lung, and such contraindication may limit adoption and, as a result, negatively impact our business, financial condition and results of operations.

If we are unable to achieve and maintain adequate levels of coverage or reimbursement for our solution, or any future products we may seek to commercialize, or if patients are left with significant out-of-pocket costs, our commercial success may be severely hindered.

We currently derive substantially all of our revenue from the sale of our products to hospitals and distributors and expect this to continue for the foreseeable future. We primarily sell Zephyr Valves through a direct sales force that primarily engages with pulmonologists in the United States, Europe and Asia Pacific. Hospitals typically bill various third-party payors to cover all or a portion of the costs and fees associated with the procedures in which our solution is used and bill patients for any deductibles or co-payments. As of March 31, 2021, commercial payors such as Aetna, Humana, Health Care Service Corporation, Highmark, Priority Health and Emblem Health have issued positive coverage policies for endobronchial valve procedures. United Healthcare removed the endobronchial valve codes from their non-covered list, and as such no longer considers the procedure unproven or experimental. Other commercial payors, including other plans in the Blue Cross Blue Shield family of plans, do not yet consider our solution medically necessary. Medicare, currently without a public coverage policy, covers our solution for patients when medically necessary on a case-by-case basis, and other commercial insurers not described above are approving pre-authorization requests on a case-by-case basis.

The Centers for Medicare & Medicaid Services (CMS) have established guidelines for the coverage and reimbursement of certain products and procedures by Medicare. In general, in order to be reimbursed by Medicare, a healthcare procedure furnished to a Medicare beneficiary must be reasonable and necessary for the diagnosis or treatment of an illness or injury, or to improve the functioning of a malformed body part. The methodology for determining coverage status and the amount of Medicare reimbursement varies based upon, among other factors, the setting in which a Medicare beneficiary received healthcare products and services. Any changes in federal legislation, regulations and policy affecting CMS coverage and reimbursement relative to the procedure using our products could have a material effect on our performance. While no national coverage determination (NCD) or local coverage determination (LCD) exists for endobronchial valves currently, CMS could develop an NCD, or one or more Medicare contractors could develop an LCD that either restricts coverage or restricts the patient population deemed appropriate for the treatment.

Physicians that insert the Zephyr Valve, or the hospitals for which they work, may be subject to reimbursement claim denials upon submission of the claim. Physicians or hospitals may also be subject to recovery of overpayments if a payor makes payment for the claim and subsequently determines that the payor’s coding, billing or coverage policies were not followed. Whenever possible, pre-authorization for coverage for the procedure is recommended before the procedure is performed. When pre-authorization is not obtained or not allowed, and the procedure is performed and not covered by third-party payors, physicians or hospitals typically directly bill patients enrolled with these third-party payors for the costs and fees associated with the procedures in which our products are used. Moreover, because there is often no separate reimbursement for supplies used in surgical procedures, the additional

cost associated with the use of our solution can affect the profit margin of the hospital or surgery center where the procedure is performed. Some of our target physicians and hospitals may be unwilling to adopt our products in light of the additional associated cost. Further, any decline in the amount payors are willing to reimburse physicians and hospitals could make it difficult for existing physicians and hospitals to continue using or to adopt our solution and could create additional pricing pressure for us. If we are forced to lower the price we charge for our solution, our gross margins will decrease, which will negatively affect our business, financial condition and results of operations.

Outside of the United States, reimbursement levels vary significantly by country and by patient. Reimbursement is obtained from a variety of sources, including government sponsors, hospital budgets, or private health insurance plans, or combinations thereof. We have established reimbursement access in countries across Europe and Asia Pacific, including Australia, Belgium, France, Germany, the Netherlands, South Korea, the United Kingdom and other countries. Even if we succeed in bringing our products to market in additional foreign countries, uncertainties regarding future healthcare policy, legislation and regulation, as well as private market practices, could affect our ability to sell our products in commercially acceptable quantities at acceptable prices.

Third-party payors, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In addition, no uniform policy of coverage and reimbursement for procedures using our solution exists among third-party payors. Therefore, coverage and reimbursement for procedures using our products can differ significantly from payor to payor. Payors continually review new and existing technologies for possible coverage and can, without notice, deny or reverse coverage for new or existing products and procedures. There can be no assurance that third-party payor policies will provide coverage for procedures in which our products are used. If we are not successful in reversing existing non-coverage policies, if third-party payors that currently cover or reimburse our products and related procedures reverse or limit their coverage in the future or if other third-party payors issue similar policies, this will negatively affect our business, financial condition and results of operations. Further, coverage policies and third-party payor reimbursement rates may change at any time. Therefore, even if favorable coverage is established on one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Further, we believe that future coverage and reimbursement may be subject to increased restrictions, such as additional prior authorization requirements, both in the United States and in international markets. Third-party coverage and reimbursement for procedures using our solution or any of our products in development for which we may receive regulatory approval may not be available or adequate in either the United States or international markets, which will negatively affect our business, financial condition and results of operations.

Third-party payors and physicians who do not cover or use the Zephyr Valve may require additional clinical data prior to maintaining coverage of or adopting the Zephyr Valve.

Our success depends on physician and third-party payor acceptance of our solution as an effective treatment option for patients with severe emphysema. If physicians or payors do not find our body of published clinical evidence and data compelling or wish to wait for additional studies, they may choose not to use or provide coverage and reimbursement for our solution.

In addition, the long-term effects of use of the Zephyr Valve to treat severe emphysema are not yet known. Certain physicians, hospitals and payors may prefer to see longer-term safety and efficacy data published than we have produced. Further, we cannot provide assurance that any data that we or others may generate in the future will be consistent with that observed in our existing clinical studies.

If we fail to retain marketing and sales personnel and, as we grow, fail to increase our marketing and sales capabilities or develop broad awareness of our solution in a cost-effective manner, we may not be able to generate revenue growth.

We have limited experience marketing and selling our solution. We currently rely on our direct sales force to sell our solution in targeted geographic regions and distributors in certain regions outside the United States, and any failure

to maintain and grow our direct sales force will negatively affect our business, financial condition and results of operations. The members of our direct sales force are highly trained and possess substantial technical expertise, which we believe is critical in increasing adoption of our solution. The members of our U.S. sales force are at-will employees. The loss of these personnel to competitors, or otherwise, will negatively affect our business, financial condition and results of operations. If we are unable to retain our direct sales force personnel or replace them with individuals of equivalent technical expertise and qualifications, or if we are unable to successfully instill such technical expertise in replacement personnel, it may negatively affect our business, financial condition and results of operations.

In order to generate future growth, we plan to continue to expand and leverage our sales and marketing infrastructure to increase the number of customers and emphysema centers of excellence. Identifying and recruiting qualified sales and marketing personnel and training them on our solution, on applicable federal and state laws and regulations and on our internal policies and procedures requires significant time, expense and attention. It often takes several months or more before a sales representative is fully trained and productive. Our sales force may subject us to higher fixed costs than those of companies with competing techniques or products that utilize independent third parties, which could place us at a competitive disadvantage. It will negatively affect our business, financial condition and results of operations if our efforts to expand and train our sales force do not generate a corresponding increase in revenue, and our higher fixed costs may slow our ability to reduce costs in the face of a sudden decline in demand for our solution. Any failure to hire, develop and retain talented sales personnel, to achieve desired productivity levels in a reasonable period of time or timely reduce fixed costs, could negatively affect our business, financial condition and results of operations. Our ability to increase our customer base and achieve broader market acceptance of our solution will depend to a significant extent on our ability to expand our marketing efforts. We plan to dedicate significant resources to our marketing programs. It will negatively affect our business, financial condition and results of operations if our marketing efforts and expenditures do not generate a corresponding increase in revenue. In addition, we believe that developing and maintaining broad awareness of our solution in a cost-effective manner is critical to achieving broad acceptance of our solution and expanding domestically and internationally. Promotion activities may not generate patient or physician awareness or increase revenue, and even if they do, any increase in revenue may not offset the costs and expenses we incur in building our brand. If we fail to successfully promote, maintain and protect our brand, we may fail to attract or retain the physician acceptance necessary to realize a sufficient return on our brand building efforts, or to achieve the level of brand awareness that is critical for broad adoption of our solution.

We have limited long-term data regarding the safety and effectiveness of our solution, including the Zephyr Valve. The only safety and effectiveness data of our solution, including the Zephyr Valve, is limited to one year following placement and we are required to conduct extension studies to follow up on safety and effectiveness out to five years.

Although we have demonstrated the safety, effectiveness and clinical advantages of our solution in multiple clinical trials in approximately 450 patients selected using the Chartis System, the Zephyr Valve is still a relatively new treatment for severe emphysema. The long-term effects of using our solution in a large number of patients have not been studied and the results of short-term clinical use of such products do not necessarily predict long-term clinical benefits or reveal long-term adverse effects. We are required to conduct the LIBERATE extension study to follow up on safety and effectiveness out to five years. After the completion of the one-year follow up, 115 Zephyr Valve patients and 47 crossover patients (162 total patients) entered the LIBERATE extension study. The results of this extension study will not be available until February 2023. Our ability to interpret the data from this long-term follow-up of patients with this progressive disease may be limited by the fact that the matched control group exited the study after one year. The results of clinical trials of our solution conducted to date and ongoing or future studies and trials of our current, planned or future products may not be predictive of the results of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Our interpretation of data and results from our clinical trials do not ensure that we will achieve similar results in future clinical trials in other patient populations. In addition, pre-clinical and clinical data are often susceptible to various interpretations and analyses, and many companies that have believed their products performed satisfactorily in pre-clinical studies and earlier clinical trials have nonetheless failed to replicate results in later clinical trials and subsequently failed to obtain

marketing approval. Products in later stages of clinical trials may fail to show the desired safety and efficacy despite having progressed through nonclinical studies and earlier clinical trials.

The continuing development of our products depends upon our maintaining strong working relationships with physicians.

The research, development, marketing and sale of our current products and potential new and improved products or future product indications for which we receive regulatory clearance or approval depend upon our maintaining working relationships with physicians. We rely on these professionals to provide us with considerable knowledge and experience regarding the development, marketing and sale of our products. Physicians assist us in clinical trials and in marketing, and as researchers, product consultants and public speakers. If we cannot maintain our strong working relationships with these professionals and continue to receive their advice and input, the development and marketing of our products could suffer, which could negatively affect our business, financial condition and results of operations. At the same time, the medical device industry's relationship with physicians is under increasing scrutiny by the U.S. Department of Health and Human Services Office of Inspector General (OIG), the U.S. Department of Justice (DOJ), the state attorneys general and other foreign and domestic government agencies. Our failure to comply with requirements governing the industry's relationships with physicians or an investigation into our compliance by the OIG, the DOJ, state attorneys general and other government agencies, could negatively affect our business, financial condition and results of operations. Additional information regarding the laws impacting our relationships with physicians and other healthcare professionals can be found below under "Risks Related to Government Regulation and Our Industry."

We rely on third parties to perform certain aspects of the CT scan analysis within the StratX Platform.

We rely on third-party service providers to upload and analyze CT scan data on the StratX Platform. In order to make the StratX Platform available to physicians, we contract with a third-party cloud service. This third-party cloud service enables physicians to upload CT scan data while removing protected health information (PHI) of patients from that data, in case the physicians have, inadvertently, not removed the PHI themselves. We also contract with additional third-party service providers to analyze the CT scan data using their proprietary software, and provide quantitative results via an easy-to-read report that we designed for our solution (StratX Lung Report). The StratX Lung Report is then made available to physicians in the third-party cloud service.

This service is critical and there are relatively few alternatives. These third-party service providers may be unwilling or unable to provide the necessary services reliably and at the levels we anticipate or that are required by the market. While these third-party service providers have generally met our demand for their services on a timely basis in the past, we cannot guarantee that they will in the future be able to meet our demand for their services, either because of acts of nature, the nature of our agreements or potential disputes with those service providers or our relative importance to them as a customer, and our service providers may decide in the future to discontinue or reduce the level of business they conduct with us. If we are required to change service providers for any reason, including due to any change in or termination of our relationships with these third parties, we may lose sales, experience delays, incur increased costs or otherwise experience impairment to our customer relationships. We cannot guarantee that we will be able to establish alternative relationships on similar terms, without delay or at all.

We depend on a limited number of single-source suppliers to manufacture our products, which makes us vulnerable to supply shortages and price fluctuations that could negatively affect our business, financial condition and results of operations.

We rely on single-source suppliers for the components, sub-assemblies and materials for our products. These components, sub-assemblies and materials are critical and there are no or relatively few alternative sources of supply. These single-source suppliers may be unwilling or unable to supply the necessary materials and components or manufacture and assemble our products reliably and at the levels we anticipate or that are required by the market. While our suppliers have generally met our demand for their products and services on a timely basis in the past, we cannot guarantee that they will in the future be able to meet our demand for their products, either because of acts of nature, the nature of our agreements with those manufacturers or our relative importance to them as a customer, and

our suppliers may decide in the future to discontinue or reduce the level of business they conduct with us. If we are required to change suppliers due to any change in or termination of our relationships with these third parties, or if our suppliers are unable to obtain the materials they need to produce our products at consistent prices or at all, we may lose sales, experience manufacturing or other delays, incur increased costs or otherwise experience impairment to our customer relationships. We cannot guarantee that we will be able to establish alternative relationships on similar terms, without delay or at all.

We have not qualified or obtained necessary regulatory approvals for additional suppliers for most of these components, sub-assemblies and materials, and we do not carry a significant inventory of these items. While we believe that alternative sources of supply may be available, we cannot be certain whether they will be available if and when we need them, or that any alternative suppliers would be able to provide the quantity and quality of components and materials that we would need to manufacture our products if our existing suppliers were unable to satisfy our supply requirements. To utilize other supply sources, we would need to identify and qualify new suppliers to our quality standards and obtain any additional regulatory approvals required to change suppliers, which could result in manufacturing delays and increase our expenses.

Although we require our third-party suppliers to supply us with components that meet our specifications and comply with applicable provisions of the FDA's Quality System Regulation (QSR) and other applicable legal and regulatory requirements in our agreements and contracts, and we perform incoming inspection, testing or other acceptance activities to ensure the components meet our requirements, there is a risk that our suppliers will not always act consistent with our best interests, and may not always supply components that meet our requirements or supply components in a timely manner.

We have limited experience manufacturing our products in significant commercial quantities and we face manufacturing risks that may adversely affect our ability to manufacture our products, reduce our gross margins and negatively affect our business, financial condition and results of operations.

Our business strategy depends on our ability to manufacture our current and future products in sufficient quantities and on a timely basis to meet customer demand, while adhering to product quality standards, complying with regulatory quality system requirements and managing manufacturing costs. We have a facility located in Redwood City, California, where we assemble, inspect, package, release and ship our products. We currently produce the Zephyr Valve and Chartis System at this facility, and we do not have redundant facilities. We also store finished goods at secondary facilities in Redwood City, California, Memphis, Tennessee and the Netherlands. If these facilities suffer damage, or a force majeure event, this could materially impact our ability to operate.

We are also subject to numerous other risks relating to our manufacturing capabilities, including:

- quality and reliability of components, sub-assemblies and materials that we source from third-party suppliers, that are required to meet our quality specifications, many of whom are our single source suppliers for the products they supply;
- our inability to secure components, sub-assemblies and materials in a timely manner, in sufficient quantities or on commercially reasonable terms;
- our inability to maintain compliance with quality system requirements or pass regulatory quality inspections;
- disruptions in our production schedule and ability to manufacture and assemble products due to the COVID-19 pandemic;
- our failure to increase production capacity or volumes to meet demand;
- our inability to design or modify production processes to enable us to produce future products efficiently or implement changes in current products in response to design or regulatory requirements; and

- difficulty identifying and qualifying, and obtaining new regulatory approvals, for alternative suppliers for components in a timely manner.

These risks are likely to be exacerbated by our limited experience with our current products and manufacturing processes. As demand for our solution increases, we will have to invest additional resources to purchase components, sub-assemblies and materials, hire and train employees and enhance our manufacturing processes. If we fail to increase our production capacity efficiently, we may not be able to fill customer orders on a timely basis, our sales may not increase in line with our expectations and our operating margins could fluctuate or decline. In addition, even if future products in development share product features, components, sub-assemblies and materials with our existing products, the manufacture of these products may require modification of our current production processes or unique production processes, the hiring of specialized employees, the identification of new suppliers for specific components, sub-assemblies and materials or the development of new manufacturing technologies. It may not be possible for us to manufacture these products at a cost or in quantities sufficient to make these products commercially viable or to maintain current operating margins, all of which will negatively affect our business, financial condition and results of operations.

Our results of operations will be materially harmed if we are unable to accurately forecast customer demand for our solution and manage our inventory.

To ensure adequate inventory supply, we must forecast inventory needs and manufacture the Zephyr Valve and Chartis System based on our estimates of future demand for our solution. Our ability to accurately forecast demand for our solution could be negatively affected by many factors, including our failure to accurately manage our expansion strategy, product introductions by competitors, an increase or decrease in customer demand for our solution or for products of our competitors, our failure to accurately forecast customer acceptance of new products, unanticipated changes in general market conditions or regulatory matters and weakening of economic conditions or consumer confidence in future economic conditions. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs, which would cause our gross margin to be adversely affected and could impair the strength of our brand. Conversely, if we underestimate customer demand for our solution, our internal manufacturing team may not be able to deliver products to meet our requirements, and this could result in damage to our reputation and customer relationships. In addition, if we experience a significant increase in demand, additional supplies of raw materials or additional manufacturing capacity may not be available when required on terms that are acceptable to us, or at all, or suppliers or may not be able to allocate sufficient capacity in order to meet our increased requirements, which will negatively affect our business, financial condition and results of operations.

We seek to maintain sufficient levels of inventory in order to protect ourselves from supply interruptions. As a result, we are subject to the risk that a portion of our inventory will become obsolete or expire, which could have a material adverse effect on our earnings and cash flows due to the resulting costs associated with the inventory impairment charges and costs required to replace such inventory.

Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or any guidance we may provide.

Our quarterly and annual operating results may fluctuate significantly, which makes it difficult for us to predict our future operating results. Accordingly, the results of any one quarter or period should not be relied upon as an indication of future performance. Our quarterly and annual operating results may fluctuate as a result of a variety of factors, many of which are outside our control and, as a result, may not fully reflect the underlying performance of our business. These fluctuations may occur due to a variety of factors, many of which are outside of our control, including, but not limited to:

- the level of demand for our products and any future products, which may vary significantly;

- expenditures that we may incur to acquire, develop or commercialize additional products and technologies;

- the timing and cost of obtaining regulatory approvals or clearances for planned or future products or indications;
- unanticipated pricing pressures;
- the rate at which we grow our sales force and the speed at which newly hired salespeople become effective, and the cost and level of investment therein;
- our ability to expand the geographic reach of our sales force;
- the degree of competition in our industry and any change in the competitive landscape of our industry, including consolidation among our competitors or future partners;
- coverage and reimbursement policies with respect to our products, and potential future products that compete with our products;
- the timing and success or failure of pre-clinical studies or clinical trials for our products or any future products we develop or competing products;
- positive or negative coverage in the media or clinical publications of our products or products of our competitors or our industry;
- the timing of customer orders or medical procedures using our products and the number of available selling days in any quarterly period, which can be impacted by holidays, the mix of products sold and the geographic mix of where products are sold, including any related foreign currency impact;
- seasonality, including possible seasonal slowing of demand for our products in the beginning and end of the year and summer months based on the elective nature of procedures performed using our products, and which may become more pronounced in the future as our business grows;
- the ongoing and global impact that the COVID-19 pandemic had and may continue to have on our business and the number of patients treated with Zephyr Valves, or any other pandemic, epidemic or outbreak of an infectious disease;
- the timing and cost of, and level of investment in, research, development, licenses, regulatory approval, commercialization activities, acquisitions and other strategic transactions, or other significant events relating to our products, which may change from time to time;
- the cost of manufacturing our products, which may vary depending on the quantity of production and the terms of our agreements with third-party suppliers and manufacturers;
- the average number of Zephyr Valves used for a patient, pricing, discounts and incentives; and
- future accounting pronouncements or changes in our accounting policies.

The cumulative effects of these factors could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Further, our historical results are not necessarily indicative of results expected for any future period, and quarterly results are not necessarily indicative of the results to be expected for the full year or any other period, and accordingly should not be relied upon as indicative of future performance.

This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenue or operating results fall below the expectations of analysts or

investors or below any forecasts we may provide to the market, it will negatively affect our business, financial condition and results of operations.

The sizes of the markets for our current and future products have not been established with precision and may be smaller than we estimate and may decline. Certain patients may not have regions of the lung with little to no collateral ventilation, making them poor candidates for the Zephyr Valve. In addition, if the overall rate of smokers continues to decline, this may eventually decrease the number of patients suffering from COPD and emphysema and, accordingly, who would benefit from our solution.

Our estimates of the annual total addressable markets for our current solution and products under development are based on a number of internal and third-party estimates, including, without limitation, the number of patients with severe emphysema treatable by our solution and the assumed prices at which we can sell our solution in markets that have not yet been established. While we believe our assumptions and the data underlying our estimates are reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors.

For example, certain of these patients may not have regions of the lung with little to no collateral ventilation, making them poor candidates for the Zephyr Valve. As a result, our estimates of the annual total addressable market for our current or future products may prove to be incorrect.

Further, cigarette smoking is one of the leading causes of COPD and emphysema. It is estimated that smoking accounts for as many as 80% of COPD-related deaths and 38% of the nearly 16 million adults in the United States diagnosed with COPD report being current smokers. The overall rate of smoking among the U.S. adult population has been steadily declining from 42.4% in 1965 to a record low of 13.7% in 2018 and there are increased efforts to decrease the rate of smoking globally. If the overall rate of smokers continues to decline, this may eventually decrease the number of patients suffering from COPD and emphysema and, accordingly, who would benefit from our solution.

If the actual number of patients who would benefit from our solution, the price at which we can sell future products, or the annual total addressable market for our solution is smaller than we have estimated, it may impair our sales growth and negatively affect our business, financial condition and results of operations.

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

We depend on our information technology systems for the efficient functioning of our business, including the manufacture, distribution and maintenance of our products, as well as for accounting, data storage, compliance, purchasing and inventory management. We also depend on the information technology systems of third parties for the analysis, data storage and communication associated with the StratX Platform. We currently do not have redundant information technology systems. Our information technology systems, and those of third parties, may be subject to computer viruses, ransomware or other malware, attacks by computer hackers, failures during the process of upgrading or replacing software, databases or components thereof, power outages, damage or interruption from fires or other natural disasters, hardware failures, telecommunication failures and user errors, among other malfunctions. We, or the third parties we rely upon, could be subject to an unintentional event that involves a third party gaining unauthorized access to our or its systems, which could disrupt our operations, corrupt our data or result in release of our confidential information. Technological interruptions would disrupt our operations, including our ability to timely ship and track product orders, project inventory requirements, manage our supply chain and otherwise adequately service our customers or disrupt our customers' ability use our products for treatments. Moreover, a disruption in access to the system that controls the StratX Platform would prevent physicians using our solution from receiving the StratX Lung Report indicating whether their patients are good candidates for the Zephyr Valve. In the event we experience significant disruptions, we may be unable to repair our systems in an efficient and timely manner. Accordingly, such events may disrupt or reduce the efficiency of our entire operation and negatively affect our business, financial condition and results of operations. Currently, we carry business interruption coverage to mitigate certain potential losses but this insurance is limited in amount, and we cannot be certain that such

potential losses will not exceed our policy limits. Further, we do not carry any cyber insurance, which may expose us to certain potential losses for damages or result in penalization with fines in an amount exceeding our resources. We are increasingly dependent on complex information technology to manage our infrastructure. Our information systems require an ongoing commitment of significant resources to maintain, protect and enhance our existing systems. Failure to maintain or protect our information systems and data integrity effectively could negatively affect our business, financial condition and results of operations.

Litigation against us could be costly and time-consuming to defend and could result in additional liabilities.

We may from time to time be subject to legal proceedings and claims that arise in the ordinary course of business or otherwise, such as claims brought by our customers in connection with commercial disputes and employment claims made by our current or former employees. Claims may also be asserted by or on behalf of a variety of other parties, including government agencies, patients or vendors of our customers, or stockholders. For example, our Swiss subsidiary is currently party to a lawsuit with a former distributor outside the United States alleging that our Swiss subsidiary conducted unfair competitive practices and violated the exclusive distribution rights as a result of its termination of its distribution agreement. Our Swiss subsidiary is also currently party to a lawsuit with a former distributor outside the United States alleging that our Swiss subsidiary terminated the agreement without proper compensation. While we believe these claims are meritless and, if successful, we do not believe the impact of such claims will be material to the Company's results of operations or financial position, an unfavorable outcome in this litigation could harm our business. Further, in the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities, and this risk is especially relevant to industries that experience significant stock price volatility. Any litigation involving us may result in substantial costs, operationally restrict our business, and may divert management's attention and resources, which may negatively affect our business, financial condition and results of operations.

We face the risk of product liability claims that would 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 medical devices. This risk exists even if a device is cleared or approved for commercial sale by the FDA and manufactured in facilities licensed and regulated by the FDA or an applicable foreign regulatory authority. The Zephyr Valve is 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 the Zephyr Valve 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 offer any assurance that we will not face product liability suits. There were procedure-related deaths in our LIBERATE Study and we may be subject to product liability claims if the Zephyr Valve causes, or merely appears to have caused, patient injury or death. In addition, an injury that is caused by the activities of our suppliers, such as those who provide us with components and raw materials, may be the basis for a claim against us. Product liability claims may be brought against us by patients, physicians, or others selling or otherwise coming into contact with the Zephyr Valve, 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 our solution or new products;
- decreased demand for our products;
- damage to our business reputation;
- product recalls or withdrawals from the market;

- withdrawal of clinical trial participants;
- substantial monetary awards to patients or other claimants; or
- loss of 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. We can provide no assurance 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 safety or be perceived by patients as a safety risk when considering the use of our solution, either of which could negatively affect our business, financial condition and results of operations.

Our insurance policies are expensive and protect us only from some business risks, which leaves us exposed to significant uninsured liabilities.

We do not carry insurance for all categories of risk that our business may encounter. 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 negatively affect our business, financial condition and results of operations. We do not carry specific hazardous waste insurance coverage, and our property, casualty and general liability insurance policies specifically exclude coverage for damages and fines arising from hazardous waste exposure or contamination. Accordingly, in the event of contamination or injury, we could be held liable for damages or be penalized with fines in an amount exceeding our resources, and our clinical trials or regulatory approvals could be suspended. Additionally, we do not carry cyber insurance, which may expose us to certain potential losses for damages or result in penalization with fines in an amount exceeding our resources.

We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors, on our board committees or as executive officers. We do not know, however, if we will be able to maintain existing insurance with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would negatively affect our business, financial condition and results of operations.

Our indebtedness may limit our flexibility in operating our business and negatively affect our business, financial condition, results of operations and competitive position.

In February 2020, we executed a Loan and Security Agreement (the CIBC Agreement) with Canadian Imperial Bank of Commerce (CIBC), which provided us with the ability to borrow up to $32.0 million in debt financing. As of March 31, 2021, we have borrowed $17.0 million under the CIBC Agreement. See the sections entitled "Management’s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources; Plan of Operation 2020 Notes", “Management’s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources; Plan of Operation CIBC Term Loan" and the notes to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

In order to service this indebtedness and any additional indebtedness we may incur in the future, we need to generate cash from our operating activities. Our ability to generate cash is subject, in part, to our ability to successfully

execute our business strategy, as well as general economic, financial, competitive, regulatory and other factors beyond our control. We cannot assure you that our business will be able to generate sufficient cash flow from operations or that future borrowings or other financings will be available to us in an amount sufficient to enable us to service our indebtedness and fund our other liquidity needs. To the extent we are required to use cash from operations or the proceeds of any future financing to service our indebtedness instead of funding working capital, capital expenditures or other general corporate purposes, we will be less able to plan for, or react to, changes in our business, industry and in the economy generally. This will place us at a competitive disadvantage compared to our competitors that have less indebtedness.

In addition, the CIBC Agreement contains, and any agreements evidencing or governing other future indebtedness may contain, certain covenants that limit our ability to engage in certain transactions that may be in our long-term best interests. Subject to certain limited exceptions, these covenants limit our ability to, among other things:

- convey, sell, lease, transfer, assign, dispose of or otherwise make cash payments consisting of all or any part of our business or property;
- effect certain changes in our business, management, ownership or business locations;
- merge or consolidate with, or acquire all or substantially all of the capital stock or assets of, any other company;
- create, incur, assume or be liable for any additional indebtedness, or create, incur, allow or permit to exist any additional liens;
- pay cash dividends on, make any other distributions in respect of, or redeem, retire or repurchase, any shares of our capital stock;
- make certain investments;
- enter into transactions with our affiliates; and
- under certain circumstances, settle pending or threatened litigation for greater amounts than are disclosed to CIBC in writing from time to time.

There can be no guarantee that we will not breach these covenants. Our ability to comply with these covenants may be affected by events and factors beyond our control. In the event that we breach one or more covenants, our lender may choose to declare an event of default and require that we immediately repay all amounts outstanding, terminate any commitment to extend further credit and foreclose on the collateral granted to it to collateralize such indebtedness. The occurrence of any of these events could negatively affect our business, financial condition and results of operations.

Our industry is highly competitive, and we may not be able to compete successfully with larger companies, companies with longer operating histories or more established products, or companies with greater resources.

Our industry is subject to rapid change from the introduction of new products and technologies and other activities of industry participants. Our goal is to establish our solution as a standard of care for severe emphysema. Existing treatments include medical management, LVRS, lung transplantation as well as other minimally invasive treatments. The major competitive products include the Spiration Valve System (Olympus Corporation) and the InterVapor System (Broncus Medical, Inc.; not approved for use in the United States). The Spiration Valve System is an endobronchial technology designed to offer patients with severe emphysema a minimally invasive treatment option for lung volume reduction by redirecting air away from diseased areas of the lung to healthier tissue so that patients may breathe easier. Like Zephyr Valves, the Spiration Valve System is indicated to treat patients with heterogeneous emphysema; however, the Spiration Valve System is contraindicated for patients with homogeneous emphysema. The InterVapor System offers a non-surgical and non-implant therapy developed for lung disease including

emphysema and lung cancer where vapor ablation is simply the application of heated pure water to tissue. These technologies, other products that are in current clinical trials, new drugs or additional indications for existing drugs could demonstrate better safety, effectiveness, clinical results, lower costs or greater physician and patient acceptance.

We compete, or may compete in the future, against other companies which have longer operating histories, more established products and greater resources, which may prevent us from achieving significant market penetration or improved operating results. These companies enjoy several competitive advantages, including established relationships with pulmonologists who commonly treat patients with emphysema, significantly greater name recognition and significantly greater sales and marketing resources.

In addition to existing competitors, other larger and more established companies may acquire or in-license competitive products and could directly compete with us. These competitors may also try to compete with us on price both directly, through rebates and promotional programs to high volume physicians and coupons to patients, and indirectly, through attractive product bundling with complementary products that offer convenience and an effectively lower price compared to the total price of purchasing each product separately. Larger competitors may also be able to offer greater customer loyalty benefits to encourage repeat use of their products and finance a sustained global advertising campaign to compete with commercialization efforts of our products. Our competitors may seek to discredit our products by challenging our short operating history or relatively limited number of scientific studies and publications. Smaller companies could also launch new or enhanced products and services that we do not offer and that could gain market acceptance quickly. Additionally, certain of our competitors may challenge our intellectual property, may develop additional competing or superior technologies and processes and compete more aggressively and sustain that competition over a longer period of time than we could. Our technologies and products may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by one or more of our competitors. As more companies develop new intellectual property in our market, there is the possibility of a competitor acquiring patents or other rights that may limit our ability to update our technologies and products which may impact demand for our products.

We have increased the size of our organization and expect to further increase it in the future. If we are unable to manage the anticipated growth, our business, financial condition and results of operations will be negatively affected.

Any growth that we experience in the future will require us to expand our sales personnel and manufacturing operations and general and administrative infrastructure. As a public company, we will need to support managerial, operational, financial and other resources. In addition to the need to scale our organization, future growth will impose significant added responsibilities on management, including the need to identify, recruit, train and integrate additional employees. Rapid expansion in personnel could mean that less experienced people manufacture, market and sell our solution, which could result in inefficiencies and unanticipated costs, reduced quality and disruptions to our operations. In addition, rapid and significant growth may strain our administrative and operational infrastructure. Our ability to manage our business and growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. If we are unable to manage our growth effectively, it may be difficult for us to execute our business strategy and negatively affect our business, financial condition and results of operations.

As demand for our solution or any of our future products increases, we will need to continue to scale our capacity, expand customer service, billing and systems processes and enhance our internal quality assurance program. We cannot assure you that any increases in scale, related improvements and quality assurance will be successfully implemented or that appropriate personnel will be available to facilitate the growth of our business. Failure to implement necessary procedures, transition to new processes or hire the necessary personnel could result in higher costs of processing data or inability to meet increased demand. If we encounter difficulty meeting market demand, quality standards or physician expectations, our reputation will be harmed and negatively affect our business, financial condition and results of operations.

We expect to continue to incur net losses for the next several years and we expect to require substantial additional capital to finance our planned operations, which may include future equity and debt financings. This additional capital may not be available to us on acceptable terms or at all. Our failure to obtain additional financing when needed on acceptable terms, or at all, could force us to delay, limit, reduce or eliminate our commercialization, sales and marketing efforts, product development programs or other operations.

Since inception, we have incurred significant net losses and expect to continue to incur net losses for the foreseeable future. Since our inception, our operations have been financed primarily through private placements of equity securities, debt financing arrangements and sales of our products. As of March 31, 2021, we had $221.6 million in cash, cash equivalents and short-term marketable securities, and an accumulated deficit of $254.8 million. Based on our current planned operations, we expect our cash, cash equivalents and short-term marketable securities, together with available borrowings under the CIBC Agreement, will enable us to fund our operating expenses for at least the next twelve months. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect.

We expect to continue to make substantial investments in clinical trials that are designed to provide clinical evidence of the safety and efficacy of our solution. We intend to continue to make significant investments in our sales and marketing organization by increasing the number of U.S. sales territory managers and expanding our international sales and marketing programs to help promote awareness and increase adoption of our solution primarily among the approximately 800 pulmonologists performing interventional pulmonary procedures across approximately 500 high volume hospitals. In order to continue to grow our business, we will need to hire additional sales personnel to efficiently serve the market. We also expect to continue to make investments in research and development, regulatory affairs and clinical studies to develop future generations of our solution, broaden the addressable market and expand indications, support regulatory submissions and demonstrate the clinical efficacy of our solution. Moreover, we expect to incur additional expenses associated with operating as a public company, including legal, accounting, insurance, exchange listing and Securities and Exchange Commission (SEC) compliance, investor relations and other expenses. Because of these and other factors, we expect to continue to incur substantial net losses and negative cash flows from operations for the foreseeable future. Our future capital requirements will depend on many factors, including:

- the cost, timing and results of our clinical trials and regulatory reviews;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the impact of the COVID-19 pandemic on our business;
- the terms and timing of any other collaborative, licensing and other arrangements that we may establish;
- the timing, receipt and amount of sales from our current solution and potential future products;
- the degree of success we experience in continuing to commercialize our solution;
- the emergence of competing or complementary technologies;
- the cost of preparing, filing, prosecuting, maintaining, defending and enforcing any patent claims and other intellectual property rights; and
- the extent to which we acquire or invest in businesses, products or technologies, although we currently have no commitments or agreements relating to any of these types of transactions.

We will require additional financing to fund working capital and pay our obligations. We may seek to raise any necessary additional capital through a combination of public or private equity offerings or debt financings. There can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable to us. If adequate funds are not available on acceptable terms when needed, we may

be required to significantly reduce operating expenses, which may negatively affect our business, financial condition and results of operations. If we do raise additional capital through public or private equity or convertible debt offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Additional capital may not be available on reasonable terms, or at all.

If the quality of our solution does not meet the expectations of physicians or patients, then our business and reputation may be harmed.

In the course of conducting our business, we must adequately address quality issues that may arise with our solution, including defects in third-party components included in our solution. Although we have established internal procedures designed to minimize risks that may arise from quality issues, there can be no assurance that we will be able to eliminate or mitigate occurrences of these issues and associated liabilities. In addition, even in the absence of quality issues, we may be subject to claims and liability if the performance of the Zephyr Valves does not live up to the expectations of physicians or patients as a result of the physician's implantation of the valve. For example, a physician may improperly implant the Zephyr Valve. If the quality of our solution does not meet the expectations of physicians or patients, then our business and reputation with those physicians or patients may negatively affect our business, financial condition and results of operations.

If our facilities become damaged or inoperable, we will be unable to continue to research, develop and supply our solution which could negatively affect our business, financial condition and results of operations until we are able to secure a new facility and rebuild our inventory.

We do not have redundant facilities. We perform substantially all of our manufacturing, research and development and back office activity in a single location at our headquarters in Redwood City, California. We store our finished goods inventory at our headquarters and secondary facilities in Redwood City, California, Memphis, Tennessee, and the Netherlands. Our facilities, equipment and inventory would be costly to replace and could require substantial lead time to repair or replace. The facilities will be harmed or rendered inoperable by natural or man-made disasters, including, but not limited to, earthquakes, flooding, fire and power outages, which may render it difficult or impossible for us to perform our research, development and commercialization activities for some period of time. The inability to perform those activities, combined with the time it may take to rebuild our manufacturing capabilities, inventory of finished product, may result in the loss of customers or harm to our reputation. Although we possess insurance for damage to our property 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.

Performance issues, service interruptions or price increases by our shipping carriers could negatively affect our business, financial condition and results of operations and harm our reputation and the relationship between us and the hospitals with which we work.

Expedited, reliable shipping is essential to our operations. We rely heavily on providers of transport services for reliable and secure point-to-point transport of the Zephyr Valve and Chartis System to our customers and for tracking of these shipments. Should a carrier encounter delivery performance issues such as loss, damage or destruction of any systems, it would be costly to replace such systems in a timely manner and such occurrences may damage our reputation and lead to decreased demand for our solution and increased cost and expense to our business. In addition, any significant increase in shipping rates could adversely affect our operating margins and results of operations. Similarly, strikes, severe weather, natural disasters or other service interruptions affecting delivery services we use would adversely affect our ability to process orders for the Zephyr Valve on a timely basis.

We depend on our senior management team and the loss of one or more key employees or an inability to attract and retain highly skilled employees will negatively affect our business, financial condition and results of operations.

Our success depends in part on our continued ability to attract, retain and motivate highly qualified management, clinical and other personnel. We are highly dependent upon our management team, particularly our Chief Executive Officer, and the rest of our senior management, and other key personnel. Although we have entered into employment letter agreements with all of our executive officers, each of them may terminate their employment with us at any time. 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 negatively affect our business, financial condition and results of operations. In addition, we do not carry any key person insurance policies that could offset potential loss of service under applicable circumstances.

In addition, our research and development programs and clinical operations depend on our ability to attract and retain highly skilled engineers and medical researchers. We may not be able to attract or retain qualified engineers and medical researchers in the future due to the competition for qualified personnel. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than us. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached legal obligations, resulting in a diversion of our time and resources and, potentially, damages.

Further, job candidates and existing employees, particularly in the San Francisco Bay Area, often consider the value of the stock awards they receive in connection with their employment. If the perceived value of our stock awards declines, it may harm our ability to recruit and retain highly skilled employees. Many of our employees have become or will soon become vested in a substantial amount of our common stock or a number of common stock options. Our employees may be more likely to leave us if the shares they own have significantly appreciated in value relative to the original purchase prices of the shares, or if the exercise prices of the options that they hold are significantly below the market price of our common stock, particularly after the expiration of the lock-up agreements described herein. Our future success also depends on our ability to continue to attract and retain additional executive officers and other key employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, it will negatively affect our business, financial condition and results of operations.

We have significant international operations, and to successfully market and sell our products in such international markets we must address international business risks with which we have limited experience.

Sales in markets outside of the United States accounted for approximately 53.6% and 47.9% of our revenue for the three months ended March 31, 2021 and March 31, 2020, respectively. We currently focus our international sales and marketing efforts in Australia, Austria, Belgium, China, Denmark, France, Germany, Ireland, Italy, the Netherlands, South Korea, Spain, Switzerland and the United Kingdom. International sales are subject to a number of risks, including:

- difficulties in staffing and managing our international operations;
- increased competition as a result of more products and procedures receiving regulatory approval or otherwise free to market in international markets;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- reduced or varied protection for intellectual property rights in some countries;
- export restrictions, trade regulations and foreign tax laws;
- fluctuations in currency exchange rates;

- foreign certification and regulatory clearance or approval requirements;
- difficulties in developing effective marketing campaigns in unfamiliar foreign countries;
- customs clearance and shipping delays;
- political, social, and economic instability abroad, global health epidemics or other contagious diseases (including the impact of the COVID-19 pandemic), terrorist attacks and security concerns in general;
- preference for locally produced products;
- potentially adverse tax consequences, including the complexities of foreign value-added tax systems, tax inefficiencies related to our corporate structure, and restrictions on the repatriation of earnings;
- differing payment and reimbursement regimes;
- the burdens of complying with a wide variety of foreign laws and different legal standards; and
- increased financial accounting and reporting burdens and complexities.

For example, the COVID-19 pandemic significantly decreased and may continue to have an adverse impact on the sale of our products and the number of patients treated with our solution. The outbreak has also resulted in disruptions or restrictions on physicians, hospitals and other healthcare providers from treating patients that are eligible for our products due to the uncertain health effects of the coronavirus on the respiratory system and resources that are diverted to prioritize treatment and containment of the coronavirus outbreak. In addition, the COVID-19 pandemic has also resulted in business closures and disruptions that may continue to affect various suppliers of ancillary products used in the delivery of our product (e.g. gowns, face masks or gloves), including disruptions and restrictions on transportation of our products and could result in significant delays. In addition, a significant outbreak of coronavirus and other contagious diseases could result in a widespread health crisis that could adversely affect the economies and financial markets worldwide, resulting in an economic downturn that could affect demand for our products and impact our business, financial condition and results of operations.

If one or more of these risks are realized, it will negatively affect our business, financial condition and results of operations.

Security breaches, loss of data and other disruptions could compromise sensitive information related to our business or the physicians who use our solution and the patients they treat, or prevent us from assessing critical information and expose us to liability, which could negatively affect our business, financial condition and results of operations and our reputation.

In the ordinary course of our business, we may become exposed to, or collect and store sensitive data, including procedure-based information and legally PHI, credit card, and other financial information, insurance information, and other potentially personally identifiable information. For example, we may fail to remove all PHI from CT scan data on the StratX Platform. We also store sensitive intellectual property and other proprietary business information. Although we are in the process of implementing policies and procedures designed to ensure compliance with applicable data security and privacy-related laws and regulations and we take measures to protect sensitive information from unauthorized access or disclosure, our information technology (IT) and infrastructure, and other technology partners and providers, may be vulnerable to cyber-attacks by hackers or viruses or breaches due to employee error, malfeasance or other disruptions. We rely extensively on IT systems, networks and services, including internet sites, data hosting and processing facilities and tools, physical security systems and other hardware, software and technical applications and platforms, some of which are managed, hosted, provided or used by third-parties or their vendors, to assist in conducting our business. A significant breakdown, invasion, corruption, destruction or interruption of critical information technology systems or infrastructure, by our workforce, others with authorized access to our systems or unauthorized persons could negatively impact operations. The use of cloud-

based computing creates opportunities for the unintentional dissemination or intentional destruction of confidential information stored in our or our third-party providers' systems, portable media or storage devices. For example, companies have recently experienced an increase in phishing and social engineering attacks from third-parties. We could also experience a business interruption, theft of confidential information or reputational damage from industrial espionage attacks, malware or other cyber-attacks, which may compromise our system infrastructure or lead to data leakage, either internally or at our third-party providers and we do not carry cyber insurance, which may expose us to certain potential losses for damages or result in penalization with fines in an amount exceeding our resources. Although the aggregate impact on our operations and financial condition has not been material to date, we have occasionally been the target of events of this nature and expect them to continue as cybersecurity threats have been rapidly evolving in sophistication and becoming more prevalent in the industry. We are investing in protections and monitoring practices of our data and IT to reduce these risks and continue to monitor our systems on an ongoing basis for any current or potential threats. We cannot assure you, however, that our efforts will prevent breakdowns or breaches to our or our third-party providers' databases or systems, and such breakdowns and breaches could negatively affect our business, financial condition and results of operations and our reputation.

We may enter into collaborations, in-licensing arrangements, joint ventures, strategic alliances or partnerships with third parties that may not result in the development of commercially viable products, product improvements or the generation of significant future revenues.

In the ordinary course of our business, we may enter into collaborations, in-licensing arrangements, joint ventures, strategic alliances, partnerships or other arrangements to develop new products or product improvements and to pursue new markets. Proposing, negotiating and implementing collaborations, in-licensing arrangements, joint ventures, strategic alliances or partnerships may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology or other business resources, may compete with us for these opportunities or arrangements. We may not identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms or at all. We have limited institutional knowledge and experience with respect to these business development activities, and we may also not realize the anticipated benefits of any such transaction or arrangement. In particular, these collaborations may not result in the development of products that achieve commercial success or viable product improvements or result in significant revenues and could be terminated prior to developing any products.

Additionally, we may not be in a position to exercise sole decision making authority regarding the transaction or arrangement, which could create the potential risk of creating impasses on decisions, and our future collaborators may have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals. It is possible that conflicts may arise with our collaborators, such as conflicts concerning the achievement of performance milestones, or the interpretation of significant terms under any agreement, such as those related to financial obligations or the ownership or control of intellectual property developed during the collaboration. If any conflicts arise with any future collaborators, they may act in their self-interest, which may be adverse to our best interest, and they may breach their obligations to us. In addition, we may have limited control over the amount and timing of resources that any future collaborators devote to our or their future products.

Disputes between us and our collaborators may result in litigation or arbitration which would increase our expenses and divert the attention of our management. Further, these transactions and arrangements will be contractual in nature and will generally be terminable under the terms of the applicable agreements and, in such event, we may not continue to have rights to the products relating to such transaction or arrangement or may need to purchase such rights at a premium. If we enter into in-bound intellectual property license agreements, we may not be able to fully protect the licensed intellectual property rights or maintain those licenses. Future licensors could retain the right to prosecute and defend the intellectual property rights licensed to us, in which case we would depend on the ability of our licensors to obtain, maintain and enforce intellectual property protection for the licensed intellectual property. These licensors may determine not to pursue litigation against other companies or may pursue such litigation less aggressively than we would. Further, entering into such license agreements could impose various diligence, commercialization, royalty or other obligations on us. Future licensors may allege that we have breached our license agreement with them, and accordingly seek to terminate our license, which could adversely affect our competitive business position and harm our business prospects.

Unfavorable global economic conditions could negatively affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A severe or prolonged economic downturn, such as the global financial crisis of 2008, could result in a variety of risks to our business, including weakened demand for our solution, and our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy, including due to the impact of the COVID-19 pandemic, could also strain our suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for our services. Any of the foregoing will negatively affect our business, financial condition and results of operations and we cannot anticipate all of the ways in which the economic climate and financial market conditions could negatively affect our business, financial condition and results of operations.

We may acquire other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise negatively affect our business, financial condition and results of operations.

We may in the future seek to acquire or invest in businesses, applications or technologies that we believe could complement or expand our current business, enhance our technical capabilities or otherwise offer growth opportunities. Accordingly, although we have no current commitments with respect to any acquisition or investment, we may in the future pursue the acquisition of, or joint ventures relating to, complementary businesses, applications or technologies instead of developing them ourselves. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various costs and expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. We may not be able to identify desirable acquisition targets or be successful in entering into an agreement with any particular target or obtain the expected benefits of any acquisition or investment.

We may not be able to successfully integrate acquired personnel, operations and technologies, or effectively manage the combined business following an acquisition. Acquisitions could also result in dilutive issuances of equity securities, the use of our available cash, or the incurrence of debt, which will harm our operating results. In addition, if an acquired business fails to meet our expectations, it will negatively affect our business, financial condition and results of operations.

Consolidation in the healthcare industry or group purchasing organizations could lead to demands for price concessions, which may affect our ability to sell our products at prices necessary to support our current business strategies.

The commercial payor industry is undergoing significant consolidation. When payors combine their operations, the combined company may elect to reimburse our products at the lowest rate paid by any of the participants in the consolidation or use its increased size to negotiate reduced rates. If one of the payors participating in the consolidation does not reimburse for the Zephyr Valve and our solution at all, the combined company may elect not to reimburse for the same, which would adversely impact our operating results.

Our long-term growth depends on our ability to enhance our solution, expand our indications and develop and commercialize additional products. If we fail to identify, acquire and develop other products, we may be unable to grow our business.

It is important to our business that we continue to enhance the Zephyr Valve, Chartis System and StratX Platform and develop and introduce new products. Developing products is expensive and time-consuming and could divert management's attention away from our core business. The success of any new product offering or product enhancements to our solution will depend on several factors, including our ability to:

- assemble sufficient resources to acquire or discover additional products;
- properly identify and anticipate physician and patient needs;

- develop and introduce new products and product enhancements in a timely manner;
- avoid infringing upon the intellectual property rights of third parties;
- demonstrate, if required, the safety and efficacy of new products with data from pre-clinical studies and clinical trials;
- obtain the necessary regulatory clearances or approvals for expanded indications, new products or product modifications;
- be fully FDA-compliant with marketing of new devices or modified products;
- produce new products in commercial quantities at an acceptable cost;
- provide adequate training to potential users of our products;
- receive adequate coverage and reimbursement for procedures performed with our products; and
- develop an effective and dedicated sales and marketing team.

If we are not successful in expanding our indications and developing and commercializing new products and product enhancements, our ability to increase our revenue may be impaired, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, we may choose to focus our efforts and resources on a potential products or indication that ultimately prove to be unsuccessful, or to license or purchase a marketed product that does not meet our financial expectations. As a result, we may fail to capitalize on viable commercial products or profitable market opportunities, be required to forego or delay pursuit of opportunities with other potential products or other diseases that may later prove to have greater commercial potential, or relinquish valuable rights to such potential products through collaboration, licensing or other royalty arrangements in cases in which it would have been advantageous for us to retain sole development and commercialization rights, which could adversely impact our business, financial condition and results of operations.

We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we focus on research programs and products and product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other products or product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to timely capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and products and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product or product candidate, we may relinquish valuable rights to that product or product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate.

We are subject to anti-bribery, anti-corruption, and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act, as well as export control laws, customs laws, sanctions laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial

measures and legal expenses, which could negatively affect our business, financial condition and results of operations.

As we grow our international presence and global operations, we will be increasingly exposed to trade and economic sanctions and other restrictions imposed by the United States, the European Union and other governments and organizations. The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, the U.S. Foreign Corrupt Practices Act (FCPA), and other federal statutes and regulations, including those established by the Office of Foreign Assets Control (OFAC). In addition, the U.K. Bribery Act of 2010 (Bribery Act) prohibits both domestic and international bribery, as well as bribery across both private and public sectors. An organization that fails to prevent bribery by anyone associated with the organization can be charged under the Bribery Act unless the organization can establish the defense of having implemented adequate procedures to prevent bribery. Under these laws and regulations, as well as other anti-corruption laws, anti-money laundering laws, export control laws, customs laws, sanctions laws and other laws governing our operations, various government agencies may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of these laws or regulations would negatively affect our business, financial condition and results of operations.

We are in the process of enhancing policies and procedures designed to ensure compliance by us and our directors, officers, employees, representatives, consultants and agents with the FCPA, OFAC restrictions, the Bribery Act and other export control, anti-corruption, anti-money-laundering and anti-terrorism laws and regulations. We cannot assure you, however, that our policies and procedures are or will be sufficient or that directors, officers, employees, representatives, consultants and agents have not engaged and will not engage in conduct for which we may be held responsible, nor can we assure you that our business partners have not engaged and will not engage in conduct that could materially affect their ability to perform their contractual obligations to us or even result in our being held liable for such conduct. Violations of the FCPA, OFAC restrictions, the Bribery Act or other export control, anti-corruption, anti-money laundering and anti-terrorism laws or regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, financial condition and results of operations.

Our results may be impacted by changes in foreign currency exchange rates.

A significant proportion of our sales are outside of the United States, and a majority of those are denominated in foreign currencies, which exposes us to foreign currency risks, including changes in currency exchange rates. We do not currently engage in any hedging transactions. If we are unable to address these risks and challenges effectively, our international operations may not be successful, and our business could be harmed.

Our ability to utilize our net operating loss carryforwards and research and development credit may be limited.

In general, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (Code) a corporation that undergoes an ownership change, generally defined as a greater than 50% change by value in its equity ownership over a three-year period, is subject to limitations on its ability to utilize its pre-change net operating losses (NOLs) and its research and development credit carryforwards to offset future taxable income. Our existing NOLs and research and development credit carryforwards may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change, our ability to utilize NOLs and research and development credit carryforwards could be further limited by Sections 382 and 383 of the Code. In addition, our ability to deduct net interest expense may be limited if we have insufficient taxable income for the year during which the interest is incurred, and any carryovers of such disallowed interest would be subject to the limitation rules similar to those applicable to NOLs and other attributes. Future changes in our stock ownership, some of which might be beyond our control, could result in an ownership change under Section 382 of the Code. For these reasons, in the event we experience a change of control, we may not be able to utilize a material portion of the NOLs, research and development credit carryforwards or disallowed interest expense carryovers, even if we attain profitability.

We may not be able to achieve or maintain satisfactory pricing and margins for our products.

Manufacturers of medical devices have a history of price competition, and we can give no assurance that we will be able to achieve satisfactory prices for our solution or maintain prices at the levels we have historically achieved. Any decline in the amount that payers reimburse our customers for the Zephyr Valve and related products could make it difficult for customers to continue using, or to adopt, our solution and could create additional pricing pressure for us. If we are forced to lower the price we charge for our solution, our gross margins will decrease, which will adversely affect our ability to invest in and grow our business. If we are unable to maintain our prices, or if our costs increase and we are unable to offset such increase with an increase in our prices, our margins could erode. We will continue to be subject to significant pricing pressure, which will negatively affect our business, financial condition and results of operations.

Governmental export or import controls could limit our ability to compete in foreign markets and subject us to liability if we violate them.

Our products may be subject to U.S. export controls. Governmental regulation of the import or export of our products, or our failure to obtain any required import or export authorization for our products, when applicable, will harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our products may create delays in the introduction of our products in international markets or, in some cases, prevent the export of our products to some countries altogether. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments and persons targeted by U.S. sanctions. If we fail to comply with export and import regulations and such economic sanctions, we may be fined or other penalties could be imposed, including a denial of certain export privileges. Moreover, any new export or import restrictions, new legislation or shifting approaches in the enforcement or scope of existing regulations, or in the countries, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export our products to existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell access to our products would likely negatively affect our business, financial condition and results of operations.

Risks Related to Government Regulation and Our Industry

Our products and operations are subject to extensive government regulation and oversight both in the United States and abroad. If we fail to obtain and maintain necessary regulatory approvals for the Zephyr Valve and related products, or if approvals for future products and indications are delayed or not issued, it will negatively affect our business, financial condition and results of operations.

The Zephyr Valve is subject to extensive regulation by the FDA in the United States and by our Notified Body in the European Union. Government regulations specific to medical devices are wide ranging and govern, among other things:

- product design, development, manufacture, and release;
- laboratory, pre-clinical and clinical testing, labeling, packaging, storage and distribution;
- product safety and efficacy;
- premarketing clearance or approval;
- service operations;
- record keeping;
- product marketing, promotion and advertising, sales and distribution;

- post-marketing surveillance, including reporting of deaths or serious injuries and recalls and correction and removals;
- post-market approval studies; and
- product import and export.

Before a new medical device or service, or a new intended use for an existing product or service, can be marketed in the United States, a company must first submit and receive either 510(k) clearance or PMA from the FDA, unless an exemption applies. 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 (pre-amendments device), a device that was originally on the U.S. market pursuant to an approved PMA and later down-classified, 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 process of obtaining PMA approval, which was required for the Zephyr Valve, the FDA must determine that a proposed device is safe and effective for its intended use based, in part, on extensive data, including, but not limited to, technical, pre-clinical, clinical trial, manufacturing and labeling data. The PMA process is typically required for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices.

Either the 510(k) or PMA process can be expensive, lengthy and unpredictable. We may not be able to obtain any necessary clearances or approval or may be unduly delayed in doing so, which will negatively affect our business, financial condition and results of operations. Furthermore, even if we are granted regulatory clearances or approvals, they may include significant limitations on the indicated uses for the product, which may limit the market for the product. Although we have obtained PMA approval to market the Zephyr Valve, our approval can be revoked if safety or efficacy problems develop.

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

- our inability to demonstrate to the satisfaction of the FDA or the applicable regulatory entity or notified body that our products are safe or effective for their intended uses;
- the disagreement of the FDA or the applicable foreign regulatory body with the design or implementation of our clinical trials or the interpretation of data from pre-clinical studies or clinical trials;
- serious and unexpected adverse device effects experienced by participants in our clinical trials;
- the data from our pre-clinical studies and clinical trials may be insufficient to support clearance or approval, where required;
- our inability to demonstrate that the clinical and other benefits of the device outweigh the risks;
- the manufacturing process or facilities we use may not meet applicable requirements; and
- the potential for approval policies or regulations of the FDA or applicable foreign regulatory bodies to change significantly in a manner rendering our clinical data or regulatory filings insufficient for clearance or approval.

In order to sell our products in member countries of the European Economic Area (EEA), our products must comply with the essential requirements of the European Union Medical Devices Directive (Council Directive 93/42/EEC) (MDD) and the Active Implantable Medical Devices Directive (Council Directive 90/385/EEC). Compliance with

these requirements is a prerequisite to be able to affix the Conformité Européene (CE) mark to our products, without which they cannot be sold or marketed in the EEA. To demonstrate compliance with the essential requirements we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low-risk medical devices (Class I non-sterile, non-measuring devices), where the manufacturer can issue an European Commission Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the MDD, a conformity assessment procedure requires the intervention by a Notified Body. Depending on the relevant conformity assessment procedure, the Notified Body would typically audit and examine the technical file and the quality system for the manufacture, design and final inspection of our devices. The Notified Body issues a certificate of conformity following successful completion of a conformity assessment procedure conducted in relation to the medical device and its manufacturer and their conformity with the essential requirements. This certificate entitles the manufacturer to affix the CE mark to its medical devices after having prepared and signed a related EC Declaration of Conformity. If we fail to remain in compliance with applicable European laws and directives, we would be unable to continue to affix the CE mark to our products, which would prevent us from selling them within the EEA.

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

- adverse publicity, warning letters, fines, injunctions, consent decrees and civil penalties;
- repair, replacement, refunds, recall or seizure of our products;
- operating restrictions, partial suspension or total shutdown of production;
- denial of our requests for regulatory clearance or premarket approval of new products or services, new intended uses or modifications to existing products or services;
- withdrawal of regulatory clearance or premarket approvals that have already been granted; or
- criminal prosecution.

If any of these events were to occur, it will negatively affect our business, financial condition and results of operations.

Changes in the regulatory environment may constrain or require us to restructure our operations, which may harm our revenue and operating results.

Healthcare laws and regulations change frequently and may change significantly in the future. We may not be able to adapt our operations to address every new regulation, and new regulations may negatively affect our business, financial condition and results of operations. We cannot assure you that a review of our business by courts or regulatory authorities would not result in a determination that adversely affects our revenue and operating results, or that the healthcare regulatory environment will not change in a way that restricts our operations. In addition, there is risk that the U.S. Congress may implement changes in laws and regulations governing healthcare service providers, including measures to control costs, or reductions in reimbursement levels, which may negatively affect our business, financial condition and results of operations.

The federal government is considering ways to change, and has changed, the manner in which healthcare services are paid for in the United States. CMS establishes Medicare payment levels for hospitals and physicians on an annual basis, which can increase or decrease payment to such entities. CMS, as well as insurers, have increased their efforts to control the cost, utilization and delivery of healthcare services. From time to time, the U.S. Congress has considered and implemented changes in the CMS fee schedules in conjunction with budgetary legislation. Further reductions of reimbursement by CMS for services or changes in policy regarding coverage of tests or other services provided or other requirements for payment, such as prior authorization or a physician’s or qualified practitioner’s

signature on test/service requisitions, may be implemented from time to time. Individual states may also enact legislation that impacts Medicaid payments to hospitals and physicians. Reductions in the reimbursement rates and changes in payment policies of other third-party payors may occur as well. Similar changes in the past have resulted in reduced payments as well as added costs and have added more complex regulatory and administrative requirements. Further changes in federal, state, local and third-party payor regulations or policies may negatively affect our business, financial condition and results of operations. Actions by agencies regulating insurance or changes in other laws, regulations, or policies may also negatively affect our business, financial condition and results of operations.

On April 5, 2017, the European Parliament passed the Medical Devices Regulation (Regulation 2017/745), which repeals and replaces the MDD and the Active Implantable Medical Devices Directive. Unlike directives, which must be implemented into the national laws of the EEA member states, the regulations would be directly applicable, i.e., 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 ensure a high level of safety and health while supporting innovation.

The Medical Devices Regulation will become applicable in 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 of 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;
- set up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the European Union; 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 modifications may have an effect on the way we conduct our business in the EEA.

Changes in funding for, or disruptions caused by global health concerns impacting, the FDA and other government agencies could hinder their ability to hire and retain key leadership and other personnel, or otherwise prevent new products and services from being developed, cleared or approved or commercialized in a timely manner, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees, statutory, regulatory, and policy changes and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new devices to be reviewed and/or approved or cleared by necessary government agencies, which would adversely affect our business. For example, over the last several years, including for 35 days beginning on December 22, 2018, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical FDA employees and stop critical activities. Separately, in response to the COVID-19 pandemic, in March 2020, the FDA announced

its intention to postpone inspections of foreign manufacturing facilities and products, and routine surveillance inspections of domestic manufacturing facilities. In July 2020, the FDA resumed inspections on a risk-based basis. Other regulatory authorities may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic. If a prolonged government shutdown occurs, or if global health concerns continue to prevent the FDA or other regulatory authorities from conducting business as usual or conducting inspections, reviews or other regulatory activities, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

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 that leads to corrective actions, could have a significant adverse impact on 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 design or manufacture of a product or in the event that a product poses an unacceptable risk to health. The FDA's authority to require a recall must be based on an FDA finding that there is reasonable probability that the device would cause serious injury or death. Manufacturers may also, under their own initiative, recall a product if any material deficiency in a device is found or withdraw a product to improve device performance or for other reasons. The FDA requires that certain classifications of recalls be reported to the FDA within ten working days after the recall is initiated. A government-mandated or voluntary recall by us 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. Similar regulatory agencies in other countries have similar authority to recall devices because of material deficiencies or defects in design or manufacture that could endanger health. Any recall would divert management attention and financial resources and could cause the price of our stock to decline, expose us to product liability or other claims and harm our reputation with customers. A future recall announcement will harm our reputation with customers and negatively affect our sales. In addition, the FDA or a foreign governmental authority could take enforcement action for failing to report the recalls when they were conducted.

In addition, under the FDA's medical device reporting regulations (MDRs), we are required to report to the FDA any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. Repeated product malfunctions may result in a voluntary or involuntary product recall. We are also required to follow detailed recordkeeping requirements for all firm-initiated medical device corrections and removals, and to report such corrective and removal actions to FDA if they are carried out in response to a risk to health and have not otherwise been reported under the MDRs. Depending on the corrective action we take to redress a product's deficiencies or defects, the FDA may require, or we may decide, that we will need to obtain new approvals or clearances for the device before we may market or distribute the corrected device. Seeking such approvals or clearances may delay our ability to replace the recalled devices in a timely manner. Moreover, if we do not adequately address problems associated with our devices, we may face additional regulatory enforcement action, including FDA warning letters, product seizure, injunctions, administrative penalties, or civil or criminal fines. We may also be required to bear other costs or take other actions that may have a negative impact on our sales as well as face significant adverse publicity or regulatory consequences, which will negatively affect our business, financial condition and results of operations, including our ability to market our products in the future.

Any adverse event involving our products, whether in the United States or abroad, could result in future voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in

a lawsuit, will require the dedication of our time and capital, distract management from operating our business and may harm our reputation and financial results.

We are subject to certain federal, state and foreign fraud and abuse laws, health information privacy and security laws and transparency laws, which, if violated, could subject us to substantial penalties and negatively affect our business, financial condition and results of operations.

The products and services we offer are highly regulated, and there can be no assurance that the regulatory environment in which we operate will not change significantly and adversely in the future. Our arrangements with physicians, hospitals and clinics may expose us to broadly applicable fraud and abuse and other laws and regulations that may restrict the financial arrangements and relationships through which we market, sell and distribute our products and services. Federal and state healthcare laws and regulations that may affect our ability to conduct business, include, without limitation:

- federal and state laws and regulations regarding billing and claims payment applicable to our solution and regulatory agencies enforcing those laws and regulations;
- the federal Anti-Kickback Statute, which prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs, such as Medicare and Medicaid;
- the federal false claims laws, including the False Claims Act, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, false claims, or knowingly using false statements, to obtain payment from the federal government;
- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the federal Physician Payments Sunshine Act (Open Payments), created under the Patient Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Affordable Care Act) and its implementing regulations, which requires certain manufacturers of drugs, medical devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to CMS, information related to payments or other transfers of value made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Beginning in 2022, applicable manufacturers also will be required to report information regarding payments and other transfers of value provided during the previous year to physician assistants, nurse practitioners, clinical nurse specialists, anesthesiologist assistants, certified registered nurse anesthetists and certified nurse midwives;
- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;
- the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH), and its implementing regulations, which impose certain requirements relating to the privacy, security and transmission of individually identifiable health information on covered entities, including certain healthcare providers, health plans and healthcare clearinghouses, and their respective business associates that create, receive, maintain or transmit individually identifiable health information for or on behalf of a covered entity as well as their covered subcontractors; HIPAA also created criminal liability for, among other things, knowingly and willfully falsifying or concealing a material fact or making a materially false statement in connection with the delivery of or payment for healthcare benefits, items or services;

- the Federal Drug & Cosmetic Act (FDCA), which prohibits, among other things, the adulteration or misbranding of drugs, biologics and medical devices;

- the federal physician self-referral prohibition, commonly known as the Stark Law , which prohibits, among other things, physicians who have a financial relationship, including an investment, ownership or compensation relationship with an entity, from referring Medicare and Medicaid patients to that entity for designated health services, which include clinical laboratory services, unless an exception applies. Similarly, entities may not bill Medicare, Medicaid or any other party for services furnished pursuant to a prohibited referral;

- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers, and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and

- similar healthcare laws and regulations in the European Union and other jurisdictions, including reporting requirements detailing interactions with and payments to healthcare providers and laws governing the privacy and security of certain protected information, such as the General Data Protection Regulation (GDPR), which imposes obligations and restrictions on the collection and use of personal data relating to individuals located in the European Union (including health data).

The Affordable Care Act was enacted in 2010. The Affordable Care Act, among other things, amended the intent requirement of the federal Anti-Kickback Statute and criminal healthcare fraud statutes, including those created under HIPAA. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the Affordable Care Act provides that 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 Act.

To enforce compliance with the healthcare regulatory laws, certain enforcement bodies have continued their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Responding to investigations can be time and resource-consuming and can divert management's attention from the business. Additionally, as a result of these investigations, healthcare providers and entities may have to agree to additional compliance and reporting requirements as part of a consent decree or corporate integrity agreement. Any such investigation or settlement could increase our costs or otherwise negatively affect our business, financial condition and results of operations. Even an unsuccessful challenge or investigation into our practices could cause adverse publicity and be costly to respond to.

Although we have adopted policies and procedures designed to comply with these laws and regulations and conduct internal reviews of our compliance with these laws, our activities, including those relating to the reporting of discount and rebate information and other information affecting federal, state and third-party reimbursement of our products (such as our patient reimbursement support program) and the sale and marketing of our products, may be subject to scrutiny by under these laws. Because of the breadth of these laws and the narrowness of available statutory exceptions and regulatory safe harbors, it is possible that some of our activities could be subject to challenge under one or more such laws. The growth of our business and sales organization and our expansion outside of the United States may increase the potential of violating these laws or our internal policies and procedures. Any action brought against us for violation of these or other laws or regulations, 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 federal, state and foreign laws described above or any other current or future fraud and abuse or other healthcare laws and regulations that apply to us, we may be subject to significant penalties, including significant criminal, civil, and administrative penalties, damages, fines, imprisonment for individuals, additional oversight and reporting obligations, exclusion from participation in government programs, such as Medicare and Medicaid, imprisonment, contractual damages,

reputation harm and disgorgement and we could be required to curtail or cease our operations. Any of the foregoing consequences will negatively affect our business, financial condition and results of operations.

If we modify the Zephyr Valve, we may need to seek additional clearances or approvals, which, if not granted, would prevent us from selling our modified products.

In the United States, the Zephyr Valve is marketed pursuant to a PMA order issued by the FDA. Any modifications to a PMA-approved device that could significantly affect its safety or effectiveness, including significant design and manufacturing changes, or that would constitute a major change in its intended use, manufacture, design, components, or technology requires approval of a new PMA application or PMA supplement. However, certain changes to a PMA-approved device do not require submission and approval of a new PMA or PMA supplement and may only require notice to FDA in a PMA 30-Day Notice, Special PMA Supplement - Changes Being Effected or PMA Annual Report. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review any manufacturer's decision. The FDA may not agree with our decisions regarding whether new approvals are necessary. If the FDA disagrees with our determination and requires us to seek new PMA approvals for modifications to our previously approved products for which we have concluded that new approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties. Furthermore, our products could be subject to recall if the FDA determines, for any reason, that our products are not safe or effective or that appropriate regulatory submissions were not made. Delays in receipt or failure to receive approvals, the loss of previously received approvals, or the failure to comply with any other existing or future regulatory requirements, could reduce our sales, profitability and future growth prospects.

Failure to comply with post-marketing regulatory requirements could subject us to enforcement actions, including substantial penalties, and might require us to recall or withdraw a product from the market.

Even though we have obtained approval for the Zephyr Valve, we are subject to ongoing and pervasive regulatory requirements governing, among other things, the manufacture, marketing, advertising, medical device reporting, sale, promotion, registration, and listing of devices. For example, we must submit periodic reports to the FDA as a condition of PMA approval. These reports include safety and effectiveness information about the device after its approval. Failure to submit such reports, or failure to submit the reports in a timely manner, could result in enforcement action by the FDA. Following its review of the periodic reports, the FDA might ask for additional information or initiate further investigation.

In addition, the PMA approval for the Zephyr Valve was subject to several conditions of approval, including extended follow-up of the pre-market study cohort and post market study. Though we believe we have complied with these conditions to date, any failure to comply with the conditions of approval could result in the withdrawal of PMA approval and the inability to continue to market the device. Failure to conduct the required studies in accordance with Institutional Review Board (IRB) and informed consent requirements, or adverse findings in these studies, could also be grounds for withdrawal of approval of the PMA.

The regulations to which we are subject are complex and have become more stringent over time. Regulatory changes could result in restrictions on our ability to continue or expand our operations, higher than anticipated costs, or lower than anticipated sales. Even after we have obtained the proper regulatory approval to market a device, we have ongoing responsibilities under FDA regulations and applicable foreign laws and regulations. Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA, state or foreign regulatory authorities, which will negatively affect our business, financial condition and results of operations.

If treatment guidelines for severe emphysema or the standard of care evolves, we may need to redesign and seek new marketing authorization from the FDA for one or more of our products.

If treatment guidelines for severe emphysema changes or the standard of care for this condition evolves, we may need to redesign the applicable product and seek new approvals from the FDA. Our PMA approvals from the FDA are based on current treatment guidelines. If treatment guidelines change so that different treatments become

desirable, the clinical utility of one or more of our products could be diminished and will negatively affect our business, financial condition and results of operations.

If we or our suppliers fail to comply with the FDA's QSR or the European Union Medical Devices Directive, our manufacturing or distribution operations could be delayed or shut down and our revenue could suffer.

Our manufacturing and design processes and those of our third-party suppliers are required to comply with the FDA's QSR and the European Union Medical Devices Directive (Council Directive 93/42/EEC) (MDD), both of which cover procedures and documentation of the design, testing, production, control, quality assurance, labeling, packaging, storage and shipping of Zephyr Valves. We are also subject to similar state requirements and licenses, and to ongoing International Organization for Standardization (ISO) compliance in all operations, including design, manufacturing, and service, to maintain our CE Mark. In addition, we must engage in extensive recordkeeping and reporting and must make available our facilities and records for periodic unannounced inspections by governmental agencies, including the FDA, state authorities, European Union Notified Bodies and comparable agencies in other countries. If we fail a regulatory inspection, our operations could be disrupted and our manufacturing interrupted. Failure to take adequate corrective action in response to an adverse regulatory inspection could result in, among other things, a shutdown of our manufacturing or product distribution operations, significant fines, suspension of marketing clearances and approvals, seizures or recalls of our device, operating restrictions and criminal prosecutions, any of which would negatively affect our business, financial condition and results of operations. Furthermore, our key component suppliers may not currently be or may not continue to be in compliance with applicable regulatory requirements, which may result in manufacturing delays for our product and cause our revenue to decline.

We are registered with the FDA as a manufacturer. The FDA has broad post-market and regulatory enforcement powers. We are subject to unannounced inspections by the FDA and the Food and Drug Branch of the California Department of Public Health (CDPH) to determine our compliance with the QSR and other regulations at our manufacturing facility, and these inspections may include the manufacturing facilities of our suppliers. Our design facilities in Redwood City, California were most recently audited by the FDA in November 2016 and no observations resulting in a warning letter were identified. We believe that we are in compliance, in all material respects, with the QSR.

We also maintain a certificate of registration for the design, manufacture, service, and distribution of our product from British Standards Institution (BSI) in the Netherlands, our European Notified Body. Most recently, BSI completed an ISO 13485 surveillance audit of our design, manufacturing and service operations in April 2020 and we believe that we are in compliance, in all material respects, with the MDD.

We can provide no assurance that we will continue to remain in compliance with the QSR or MDD. If the FDA, CDPH or BSI inspect any of our facilities and discover compliance problems, we may have to cease manufacturing and product distribution until we can take the appropriate remedial steps to correct the audit findings. Taking corrective action may be expensive, time consuming and a distraction for management and if we experience a delay at our manufacturing facility, we may be unable to produce our solutions, which will negatively affect our business, financial condition and results of operations.

The misuse or off-label use of our solution will harm our image in the marketplace, result in injuries that lead to product liability suits or result in costly investigations and sanctions by regulatory bodies if we are deemed to have engaged in the promotion of these uses, any of which will negatively affect our business, financial condition and results of operations.

Our solution has been approved by the FDA for specific indications. We train our marketing and direct sales force to not promote our products for uses outside of the FDA-approved indications for use, known as "off-label" uses. We cannot, however, prevent a physician from using our products off-label, when in the physician's independent professional medical judgment, he or she deems it appropriate. 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 approved by the FDA or any foreign regulatory body may not effectively treat such conditions, which will harm our reputation in the marketplace among physicians and patients.

Physicians may also 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 sizable damage awards against us that may not be covered by insurance. In addition, if the FDA or any foreign regulatory body determines that our promotional materials or training constitute promotion of an off-label use, it could request that we modify our training or 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, including, but not limited to, criminal, civil and administrative penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs, and the curtailment of our operations. Any of these events will negatively affect our business, financial condition and results of operations and cause our stock price to decline.

We may be subject to regulatory or enforcement actions if we engage in improper marketing or promotion of our products.

Our educational and promotional activities and training methods must comply with FDA and other applicable laws, including the prohibition of the promotion of a medical device for a use that has not been cleared or approved by the FDA. Use of a device outside of its cleared or approved indications is known as "off-label" use. Physicians may use our products off-label in their professional medical judgment, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. However, if the FDA determines that our educational and promotional activities or training constitutes promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of warning letters, untitled letters, fines, penalties, injunctions, or seizures, which could have an adverse impact on our reputation and financial results. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our educational and promotional activities or training methods to constitute promotion of an off-label use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. In that event, our reputation could be damaged, and adoption of the products could be impaired. Although our policy is to refrain from statements that could be considered off-label promotion of our products, the FDA or another regulatory agency could disagree and conclude that we have engaged in off-label promotion. It is also possible that other federal, state or foreign enforcement authorities might take action, such as federal prosecution under the federal civil False Claims Act, if they consider our business activities constitute promotion of an off-label use, which could result in significant penalties, including, but not limited to, criminal, civil or administrative penalties, 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. In addition, the off-label use of our products may increase the risk of product liability claims. Product liability claims are expensive to defend and could divert our management's attention, result in substantial damage awards against us, and harm our reputation.

The clinical trial process required to obtain regulatory approvals is lengthy and expensive with uncertain outcomes. If clinical studies of our future products do not produce results necessary to support regulatory clearance or approval in the United States or, with respect to our current or future products, elsewhere, we will be unable to expand the indications for or commercialize these products and may incur additional costs or experience delays in completing, or ultimately be unable to complete, the commercialization of those products.

We have obtained PMA approval for the Zephyr Valve. In order to obtain PMA approval for a device, the sponsor must conduct well-controlled clinical trials designed to assess the safety and efficacy of the product candidate. Conducting clinical trials is a complex and expensive process, can take many years, and outcomes are inherently uncertain. We incur substantial expense for, and devote significant time to, clinical trials but cannot be certain that

the trials will ever result in commercial revenue. We may experience significant setbacks in clinical trials, even after earlier clinical trials showed promising results, and failure can occur at any time during the clinical trial process. Any of our products may malfunction or may produce undesirable adverse effects that could cause us or regulatory authorities to interrupt, delay or halt clinical trials. We, the FDA, or another regulatory authority may suspend or terminate clinical trials at any time to avoid exposing trial participants to unacceptable health risks.

Successful results of pre-clinical studies are not necessarily indicative of future clinical trial results, and predecessor clinical trial results may not be replicated in subsequent clinical trials. Additionally, the FDA may disagree with our interpretation of the data from our pre-clinical studies and clinical trials, or may find the clinical trial design, conduct or results inadequate to prove safety or efficacy, and may require us to pursue additional pre-clinical studies or clinical trials, which could further delay the clearance or approval of our products. The data we collect from our pre-clinical studies and clinical trials may not be sufficient to support FDA clearance or approval, and if we are unable to demonstrate the safety and efficacy of our future products in our clinical trials, we will be unable to obtain regulatory clearance or approval to market our products.

In addition, we may estimate and publicly announce the anticipated timing of the accomplishment of various clinical, regulatory and other product development goals, which are often referred to as milestones. These milestones could include the obtainment of the right to affix the CE mark in the European Union; the submission to the FDA of an Investigational Device Exemption (IDE) application to commence a pivotal clinical trial for a new product candidate; the enrollment of patients in clinical trials; the release of data from clinical trials; and other clinical and regulatory events. The actual timing of these milestones could vary dramatically compared to our estimates, in some cases for reasons beyond our control. We cannot assure you that we will meet our projected milestones and if we do not meet these milestones as publicly announced, the commercialization of our products may be delayed and, as a result, our stock price may decline.

Clinical trials are necessary to support PMA applications and may be necessary to support PMA supplements for modified versions of our marketed device products. This would require the enrollment of large numbers of suitable subjects, which may be difficult to identify, recruit and maintain as participants in the clinical trial. Adverse outcomes in the post-approval studies could also result in restrictions or withdrawal of approval of the PMA. We will likely need to conduct additional clinical studies in the future to support new indications for our products or for approvals or clearances of new product lines, or for the approval of the use of our products in some foreign countries. Clinical testing is difficult to design and implement, 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. We may experience a number of events that could adversely affect the costs, timing or successful completion of our clinical trials, including:

- we may be required to submit an IDE application to the FDA, which must become effective prior to commencing human clinical trials, and the FDA may reject our IDE application and notify us that we may not begin investigational trials;
- regulators and other comparable foreign regulatory authorities may disagree as to the design or implementation of our clinical trials;
- regulators, IRBs or other reviewing bodies may not authorize us or our investigators to commence a clinical trial, or to conduct or continue a clinical trial at a prospective or specific trial site;
- we may not reach agreement on acceptable terms with prospective contract research organizations (CROs) and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;

- the number of subjects or patients required for clinical trials may be larger than we anticipate, enrollment in these clinical trials may be insufficient or slower than we anticipate, and the number of clinical trials being conducted at any given time may be high and result in fewer available patients for any given clinical trial, or patients may drop out of these clinical trials at a higher rate than we anticipate;

- our third-party contractors, including those manufacturing products or conducting clinical trials on our behalf, may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- we might have to suspend or terminate clinical trials for various reasons, including a finding that the subjects are being exposed to unacceptable health risks;

- we may have to amend clinical trial protocols or conduct additional studies to reflect changes in regulatory requirements or guidance, which we may be required to submit to an IRB or regulatory authority for re-examination;

- regulators, IRBs, or other parties may require or recommend that we or our investigators suspend or terminate clinical research for various reasons, including safety signals or noncompliance with regulatory requirements;

- the cost of clinical trials may be greater than we anticipate;

- clinical sites may not adhere to the clinical protocol or may drop out of a clinical trial;

- we may be unable to recruit a sufficient number of clinical trial sites;

- regulators, IRBs, or other reviewing bodies may fail to approve or subsequently find fault with our manufacturing processes or facilities of third-party supplier with which we enter into agreement for clinical and commercial supplies, the supply of devices or other materials necessary to conduct clinical trials may be insufficient, inadequate or not available at an acceptable cost, or we may experience interruptions in supply;

- approval policies or regulations of the FDA or applicable foreign regulatory agencies may change in a manner rendering our clinical data insufficient for approval; and

- our current or future products may have undesirable side effects or other unexpected characteristics.

Patient enrollment in clinical trials and completion of patient follow-up depend on many factors, including the size of the patient population, the nature of the trial protocol, the proximity of patients to clinical sites, the eligibility criteria for the clinical trial, patient compliance, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new treatments that may be approved for the indications we are investigating. 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 efficacy of a product candidate, or they may be persuaded to participate in contemporaneous clinical trials of a competitor's product candidate or provider's competing clinical trial. In addition, patients participating in our clinical trials may drop out before completion of the trial or experience adverse medical events unrelated to our products. Delays in patient enrollment or failure of patients to continue to participate in a clinical trial may delay commencement or completion of the clinical trial, cause an increase in the costs of the clinical trial and delays, or result in the failure of the clinical trial.

Clinical trials must be conducted in accordance with the laws and regulations of the FDA and other applicable regulatory authorities' legal requirements, regulations or guidelines, and are subject to oversight by these governmental agencies and IRBs at the medical institutions where the clinical trials are conducted. In addition, clinical trials must be conducted with supplies of our devices produced under current good manufacturing practice,

or Current Good Manufacturing Practices, requirements and other regulations. Furthermore, we may rely on CROs, and clinical trial sites to ensure the proper and timely conduct of our clinical trials and we may have limited influence over their actual performance. We depend on our collaborators and on medical institutions and CROs to conduct our clinical trials in compliance with good clinical practice, or GCP, requirements. To the extent our collaborators or the CROs fail to enroll participants for our clinical trials, fail to conduct the study to GCP standards or are delayed for a significant time in the execution of trials, including achieving full enrollment, we may be affected by increased costs, program delays or both. In addition, clinical trials that are conducted in countries outside the United States may subject us to further delays and expenses as a result of increased shipment costs, additional regulatory requirements and the engagement of non-U.S. CROs, as well as expose us to risks associated with clinical investigators who are unknown to the FDA, and different standards of diagnosis, screening and medical care.

Even if our future products are cleared or approved in the United States, commercialization of our products in foreign countries would require clearance or approval by regulatory authorities in those countries. Clearance or 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 have an adverse effect on our business, financial condition and results of operations.

Our products may cause or contribute to adverse medical events or be subject to failures or malfunctions that we are required to report to the FDA, and if we fail to do so, we would be subject to sanctions that could negatively affect our business, financial condition and results of operations.

We are required to file various reports with the FDA and European regulators, including reports required by the MDRs that require that we report to the regulatory authorities if our solutions 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 the malfunction were to recur and we have filed such reports in the past. The timing of our obligation to report 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 the product. If these reports are not filed in a timely manner, regulators may impose sanctions and we may be subject to product liability or regulatory enforcement actions, all of which will negatively affect our business, financial condition and results of operations.

If we initiate a correction or removal for the Zephyr Valve to reduce a risk to health posed by it, we would be required to submit a publicly available correction and removal report to the FDA and, in many cases, similar reports to other regulatory agencies. This report could be classified by the FDA as a device recall which could lead to increased scrutiny by the FDA, other international regulatory agencies and our customers regarding the quality and safety of our solutions. Furthermore, the submission of these reports could be used by competitors against us and cause physicians to delay or cancel prescriptions, which will harm our reputation.

If we assess a potential quality issue or complaint as not requiring either field action or notification, respectively, regulators may review documentation of that decision during a subsequent audit. If regulators disagree with our decision, or take issue with either our investigation process or the resulting documentation, regulatory agencies may impose sanctions and we may be subject to regulatory enforcement actions, including warning letters, all of which will negatively affect our business, financial condition and results of operations.

If we do not obtain and maintain international regulatory registrations or approvals for our products, we will be unable to market and sell our products outside of the United States.

Sales of our products outside of the United States are subject to foreign regulatory requirements that vary widely from country to country. In addition, the FDA regulates exports of medical devices from the United States. While the regulations of some countries may not impose barriers to marketing and selling our products or only require notification, others require that we obtain the approval of a specified regulatory body. Complying with foreign regulatory requirements, including obtaining registrations or approvals, can be expensive and time-consuming, and we may not receive regulatory approvals in each country in which we plan to market our products, or we may be

unable to do so on a timely basis. The time required to obtain registrations or approvals, if required by other countries, may be longer than that required for FDA approval, and requirements for such registrations, clearances or approvals may significantly differ from FDA requirements. If we modify our products, we may need to apply for additional regulatory approvals before we are permitted to sell the modified product. In addition, we may not continue to meet the quality and safety standards required to maintain the authorizations that we have received. If we are unable to maintain our authorizations in a particular country, we will no longer be able to sell the applicable product in that country.

Regulatory approval by the FDA does not ensure registration, clearance or approval by regulatory authorities in other countries, and registration, clearance or approval by one or more foreign regulatory authorities does not ensure registration, clearance or approval by regulatory authorities in other foreign countries or by the FDA. However, a failure or delay in obtaining registration or regulatory clearance or approval in one country may have a negative effect on the regulatory process in others.

Healthcare reform measures could hinder or prevent the commercial success of our solutions.

In the United States, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system in ways that will harm our future revenues and profitability and the demand for our solutions. Federal and state lawmakers regularly propose and, at times, enact legislation that would result in significant changes to the healthcare system, some of which are intended to contain or reduce the costs of medical products and services. Current and future legislative proposals to further reform healthcare or reduce healthcare costs may limit coverage of or lower reimbursement for the procedures associated with the use of our products. The cost containment measures that payers and providers are instituting and the effect of any healthcare reform initiative implemented in the future could impact our revenue from the sale of our products. For example, the Affordable Care Act contains a number of provisions, including those governing enrollment in federal healthcare programs, reimbursement changes and fraud and abuse measures, all of which will impact existing government healthcare programs and will result in the development of new programs. The Affordable Care Act, among other things, imposed an excise tax of 2.3% on the sale of most medical devices, including ours, and any failure to pay this amount could result in the imposition of an injunction on the sale of our products, fines and penalties. However, the 2020 federal spending package permanently eliminated this medical device excise tax effective January 1, 2020.

There have been executive, judicial and Congressional challenges to certain aspects of the Affordable Care Act. For example, President Trump signed several Executive Orders and other directives designed to delay the implementation of certain provisions of the Affordable Care Act. Concurrently, Congress considered legislation to repeal or repeal and replace all or part of the Affordable Care Act. While Congress has not passed comprehensive repeal legislation, it has enacted laws that modify certain provisions of the Affordable Care Act such as removing penalties, starting January 1, 2019, for not complying with the Affordable Care Act's individual mandate to carry health insurance and delaying the implementation of certain fees mandated by the Affordable Care Act. On December 14, 2018, a Texas U.S. District Court Judge ruled that the Affordable Care Act is unconstitutional in its entirety because the individual mandate was repealed by Congress as part of the Tax Cuts and Jobs Act of 2017. Additionally, 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. The United States Supreme Court is currently reviewing this case, but it is unknown when a decision will be reached. Although the Supreme Court has not yet ruled on the constitutionality of the Affordable Care Act, on January 28, 2021, President Biden issued an executive order to initiate a special enrollment period from February 15, 2021 through May 15, 2021 for purposes of obtaining health insurance coverage through the Affordable Care Act marketplace. The executive order also instructs certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the Affordable Care Act. It is unclear how the Supreme Court ruling, other such litigation and the healthcare reform measures of the Biden administration will impact the Affordable Care Act and negatively affect our business, financial condition and results of operations.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. For example, the Budget Control Act of 2011, among other things, included reductions to CMS payments to providers of 2% per fiscal year, which went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2030 unless additional Congressional action is taken. However, COVID-19 relief legislation suspended the 2% Medicare sequester from May 1, 2020 through March 31, 2021. Additionally, the American Taxpayer Relief Act of 2012, among other things, reduced CMS payments to several providers, including hospitals, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

The current presidential administration and Congress may pursue significant changes to the current healthcare laws. We face uncertainties that might result from modifications or repeal of any of the provisions of the Affordable Care Act, including as a result of current and future executive orders and legislative actions. The impact of those changes on us and potential effect on the medical device industry as a whole is currently unknown. Any changes to the Affordable Care Act are likely to have an impact on our results of operations, and may negatively affect our business, financial condition and results of operations. We cannot predict what other healthcare programs and regulations will ultimately be implemented at the federal or state level or the effect of any future legislation or regulation in the United States may negatively affect our business, financial condition and results of operations.

The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare will harm:

- our ability to set a price that we believe is fair for the Zephyr Valve;
- our ability to generate revenue and achieve or maintain profitability; and
- the availability of capital.

We expect that additional state and federal healthcare reform measures will be adopted in the future, particularly in light of the new presidential administration. Changes in healthcare policy could increase our costs and subject us to additional regulatory requirements that may interrupt commercialization of our current and future solutions. Changes in healthcare policy could increase our costs, decrease our revenue and impact sales of and reimbursement for our current and future products. Further, it is possible that additional governmental action is taken in response to the COVID-19 pandemic.

Legal, political and economic uncertainty surrounding the exit of the United Kingdom from the European Union may be a source of instability in international markets, create significant currency fluctuations, adversely affect our operations in the United Kingdom and pose additional risks to our business, financial condition and results of operations.

The United Kingdom ceased to be a member state of the European Union on January 31, 2020 (commonly referred to as “Brexit”), and the transition period provided for in the withdrawal agreement entered by the United Kingdom and the European Union ended on December 31, 2020. In December 2020, the United Kingdom and the European Union agreed on a trade and cooperation agreement that applies provisionally until it is ratified by the parties to the agreement. The trade and cooperation agreement covers the general objectives and framework of the relationship between the United Kingdom and the European Union, including with respect to trade, transport, visas, judicial matters, law enforcement and security matters, and provides for continued participation in community programs and mechanisms for dispute resolution. Because the trade and cooperation agreement merely sets forth a framework in many respects and will require complex additional bilateral negotiations between the United Kingdom and the European Union as both parties continue to work on the rules for implementation, significant political and economic uncertainty remains about how the precise terms of the relationship between the parties will differ from the terms before withdrawal.

Uncertainties remain regarding the application of the terms of the trade and cooperation agreement and the other potential impacts of Brexit, and the lack of clarity about future laws and regulations as the United Kingdom

determines which European Union rules and regulations to replace or replicate, including financial laws and regulations, tax and free trade agreements, intellectual property rights, supply chain logistics, environmental, health and safety laws and regulations, immigration laws and employment laws, could decrease foreign direct investment in the United Kingdom, increase costs, depress economic activity and restrict access to capital. Possible changes to the rules and regulations relating to quality, safety and efficacy of products, clinical trials, marketing authorization, commercial sales and distribution of products could materially impact the regulatory regime with respect to products and approval of any product candidates in the United Kingdom or the European Union and we may be forced to restrict or delay efforts to sell our products or seek regulatory approval of product candidates in the United Kingdom and/or the European Union, which could negatively affect our business, financial condition and results of operations. The long-term effects of Brexit will depend on the implementation of the trade and cooperation agreement and any other agreements (or lack thereof) between the United Kingdom and the European Union and, in particular, any arrangements for the United Kingdom to retain access to European Union markets following the expiry of the Transition Period.

We are subject to governmental regulation and other legal and contractual obligations, particularly related to privacy, data protection and information security, and we are subject to consumer protection laws that regulate our consumer-facing 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, HIPAA and, in the European Union and the EEA, the General Data Protection Regulation (GDPR). New privacy rules are being enacted in the United States and globally, and existing ones are being updated and strengthened. For example, the California Consumer Privacy Act (CCPA) took effect on January 1, 2020 and creates individual privacy rights for California consumers and increases the privacy and security obligations of entities handling certain personal information.

The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. 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 negatively affect our business, financial condition and results of operations, including but not limited to: investigation costs, material fines and penalties; compensatory, special, punitive and statutory damages; litigation; consent orders regarding our privacy and security practices; requirements that we provide notices, credit monitoring services or credit restoration services or other relevant services to impacted individuals; adverse actions against our licenses to do business; and injunctive relief.

The privacy laws in the European Union have also been significantly reformed. On May 25, 2018, the GDPR entered into force and became directly applicable in all European Union 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, require 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 European Union, 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 or adverse publicity, which could negatively affect our business, financial condition and results of operations.

Although there are legal mechanisms to allow for the transfer of personal data from the United Kingdom, EEA and Switzerland to the United States, uncertainty about compliance with such data protection laws remains and such mechanisms may not be available or applicable with respect to the personal data processing activities necessary to research, develop and market our products and services. For example, legal challenges in Europe to the mechanisms

allowing companies to transfer personal data from the EEA to the United States could result in further limitations on the ability to transfer personal data across borders, particularly if governments are unable or unwilling to reach new or maintain existing agreements that support cross-border data transfers, such as the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks, or the Privacy Shield Frameworks. Specifically, on July 16, 2020, the Court of Justice of the European Union invalidated Decision 2016/1250 which had deemed the protection provided by the EU-U.S. Privacy Shield Framework adequate under EU privacy law, specifically under the GDPR. To the extent that we or any of our vendors, contractors, or consultants have been relying on the EU-U.S. Privacy Shield Framework, we will not be able to do so in the future, which could increase our costs and may limit our ability to process personal data from the EU. The same decision also cast doubt on the ability to use one of the primary alternatives to the Privacy Shield Frameworks, namely, the European Commission's Standard Contractual Clauses, to lawfully transfer personal data from Europe to the United States and most other countries. At present, there are few if any viable alternatives to the Privacy Shield Frameworks and the Standard Contractual Clauses for the foregoing purposes.

Further, Brexit has created uncertainty with regard to data protection regulation in the United Kingdom. In particular, while the Data Protection Act of 2018, that implements and complements the GDPR achieved Royal Assent on May 23, 2018 and is now effective in the United Kingdom, it is still unclear whether transfer of data from the EEA to the United Kingdom will remain lawful under the GDPR. During the period of "transition" (i.e., until December 31, 2020), EU law will continue to apply in the United Kingdom, including the GDPR, after which the GDPR will be converted into UK law. Beginning in 2021, the United Kingdom will be a "third country" under the GDPR. We may, however, incur liabilities, expenses, costs, and other operational losses under the GDPR and privacy laws of the applicable EU Member States and the United Kingdom in connection with any measures we take to comply with them.

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, which could in turn adversely affect our business, results of operations and financial condition. We cannot assure you that our 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. Increasing use of social media could also give rise to liability, breaches of data security or reputational damage.

Moreover, complying with the various cybersecurity or privacy laws that are applicable to us could require us to take on more onerous obligations in our contracts, restrict our ability to collect, use and disclose data, or in some cases, impact our ability to operate in certain jurisdictions. Any failure to comply could result in government enforcement actions (which could include civil or criminal penalties), private litigation and/or adverse publicity and could negatively affect our operating results and business. Claims that we have violated individuals' privacy rights, failed to comply with data protection laws, or breached our contractual obligations, even if we are not found liable, could be expensive and time consuming to defend, could result in adverse publicity and could have a material adverse effect on our business, financial condition, and results of operations.

We face potential liability related to the privacy of health information we obtain.

Most healthcare providers, including hospitals from which we obtain patient health information, are subject to privacy and security regulations promulgated under HIPAA, as amended by the HITECH. We are not currently classified as a covered entity or business associate under HIPAA and thus are not subject to its requirements or penalties. However, any person may be prosecuted under HIPAA's criminal provisions either directly or under aiding-and-abetting or conspiracy principles. Consequently, depending on the facts and circumstances, we could face substantial criminal penalties if we knowingly receive individually identifiable health information from a HIPAA-covered healthcare provider or research institution that has not satisfied HIPAA's requirements for disclosure of individually identifiable health information. In addition, we may maintain sensitive personally identifiable information, including health information, that we receive throughout the clinical trial process, in the course of our research collaborations, and directly from individuals (or their healthcare providers) who enroll in our

patient reimbursement support programs. As such, we may be subject to state laws requiring notification of affected individuals and state regulators in the event of a breach of personal information, which is a broader class of information than the health information protected by HIPAA. Our clinical trial programs outside the United States may implicate international data protection laws, including the European Union Data Protection Directive and legislation of the European Union member states implementing it.

Our activities outside the United States impose additional compliance requirements and generate additional risks of enforcement for noncompliance. Failure by third-party contractors to comply with the strict rules on the transfer of personal data outside of the European Union into the United States may result in the imposition of criminal and administrative sanctions on such collaborators, which could adversely affect our business. Furthermore, certain health privacy laws, data breach notification laws, consumer protection laws and genetic testing laws may apply directly to our operations or those of our collaborators and may impose restrictions on our collection, use and dissemination of individuals' health information.

Moreover, patients about whom we or our collaborators obtain health information, as well as the providers who share this information with us, may have statutory or contractual rights that limit our ability to use and disclose the information. We may be required to expend significant capital and other resources to ensure ongoing compliance with applicable privacy and data security laws. Claims that we have violated individuals' privacy rights or breached our contractual obligations, even if we are not found liable, could be expensive and time consuming to defend and could result in adverse publicity that could negatively affect our business, financial condition and results of operations. If we or third-party contractors or consultants fail to comply with applicable federal, state or local regulatory requirements, we could be subject to a range of regulatory actions that could affect our or our contractors' ability to develop and commercialize our product candidates and could harm or prevent sales of any affected products that we are able to commercialize, or could substantially increase the costs and expenses of developing, commercializing and marketing our products. Any threatened or actual government enforcement action could also generate adverse publicity and require that we devote substantial resources that could otherwise be used in other aspects of our business.

Our employees, consultants, and other commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.

We are exposed to the risk that our employees, consultants, and other commercial partners and business associates may engage in fraudulent or illegal activity. Misconduct by these parties could include intentional, reckless or negligent conduct or other unauthorized activities that violate the regulations of the FDA and non-U.S. regulators, including those laws requiring the reporting of true, complete and accurate information to such regulators, manufacturing standards, healthcare fraud and abuse laws and regulations in the United States and internationally or laws that require the true, complete and accurate reporting of financial information or data. In particular, sales, marketing and business arrangements in the healthcare industry, including the sale of medical devices, are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. It is not always possible to identify and deter misconduct by our employees, consultants 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 comply with these laws or regulations. If any such actions are instituted against us and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant fines or other sanctions, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of operations, any of which could adversely affect our ability to operate our business and our results of operations. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees and reputational harm, and divert the attention of management in defending ourselves against any of these claims or investigations.

Compliance with environmental laws and regulations could be expensive, and the failure to comply with these laws and regulations could subject us to significant liability.

Our research, development and manufacturing operations involve the use of hazardous substances, and we are subject to a variety of federal, state, local and foreign environmental laws and regulations relating to the storage, use, handling, generation, manufacture, treatment, discharge and disposal of hazardous substances. Our products may also contain hazardous substances, and they are subject laws and regulations relating to labeling requirements and to their sale, collection, recycling, treatment, storage and disposal. Compliance with these laws and regulations may be expensive and noncompliance could result in substantial fines and penalties. Environmental laws and regulations also impose liability for the remediation of releases of hazardous substances into the environment and for personal injuries resulting from exposure to hazardous substances, and they can give rise to substantial remediation costs and to third-party claims, including for property damage and personal injury. Liability under environmental laws and regulations can be joint and several and without regard to fault or negligence, and they tend to become more stringent over time, imposing greater compliance costs and increased risks and penalties associated with violations. We cannot assure you that violations of these laws and regulations, or releases of or exposure to hazardous substances, will not occur in the future or have not occurred in the past, including as a result of human error, accidents, equipment failure or other causes. The costs of complying with environmental laws and regulations, and liabilities that may be imposed for violating them, or for remediation obligations or responding to third-party claims, could negatively affect our business, financial condition and results of operations.

Risks Related to Our Intellectual Property

We may become a party to intellectual property litigation or administrative proceedings that could be costly and could interfere with our ability to sell and market our products.

The medical device industry has been characterized by extensive litigation regarding patents, trademarks, trade secrets, and other intellectual property rights, and companies in the industry have used intellectual property litigation to gain a competitive advantage. It is possible that U.S. and foreign patents and pending patent applications or trademarks controlled by third parties may be alleged to cover our products, or that we may be accused of misappropriating third parties' trade secrets. Additionally, our products include components that we purchase from vendors, and may include design components that are outside of our direct control. Our competitors, many of which have substantially greater resources and have made substantial investments in patent portfolios, trade secrets, trademarks, and competing technologies, may have applied for or obtained, or may in the future apply for or obtain, patents or trademarks that will prevent, limit or otherwise interfere with our ability to make, use, sell or export our products or to use our technologies or product names. Moreover, in recent years, individuals and groups that are non-practicing entities, commonly referred to as patent trolls, have purchased patents and other intellectual property assets for the purpose of making claims of infringement in order to extract settlements. From time to time, we may receive threatening letters, notices or invitations to license, or may be the subject of claims that our products and business operations infringe or violate the intellectual property rights of others. The defense of these matters can be time consuming, costly to defend in litigation, divert management's attention and resources, damage our reputation and brand and cause us to incur significant expenses or make substantial payments. Vendors from whom we purchase hardware or software may not indemnify us in the event that such hardware or software is accused of infringing a third-party's patent or trademark or of misappropriating a third-party's trade secret.

Since patent applications are confidential for a period of time after filing, we cannot be certain that we were the first to file any patent application related to our products. Competitors may also contest our patents, if issued, by showing the patent examiner that the invention was not original, was not novel or was obvious. In litigation, a competitor could claim that our patents, if issued, are not valid for a number of reasons. If a court agrees, we would lose our rights to those challenged patents. Because we have not conducted a formal freedom to operate analysis for patents related to our products, we may not be aware of issued patents that a third party might assert are infringed by one of our current products or future product candidates, which could materially impair our ability to commercialize our products or product candidates. Even if we diligently search third-party patents for potential infringement by our products or product candidates, we may not successfully find patents that our products or product candidates may

infringe. If we are unable to secure and maintain freedom to operate, others could preclude us from commercializing our products or product candidates.

In addition, we may in the future be subject to claims by our former employees or consultants asserting an ownership right in our patents, patent applications or other intellectual property, as a result of the work they performed on our behalf. Although we generally require all of our employees and consultants and any other partners or collaborators who have access to our proprietary know-how, information or technology to assign or grant similar rights to their inventions to us, we cannot be certain that we have executed such agreements with all parties who may have contributed to our intellectual property, nor can we be certain that our agreements with such parties will be upheld in the face of a potential challenge, or that they will not be breached, for which we may not have an adequate remedy.

Any lawsuits relating to intellectual property rights could subject us to significant liability for damages and invalidate our proprietary rights. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop making, selling or using products or technologies that allegedly infringe the asserted intellectual property;
- lose the opportunity to license our intellectual property to others or to collect royalty payments based upon successful protection and assertion of our intellectual property rights against others; incur significant legal expenses;
- pay substantial damages or royalties to the party whose intellectual property rights we may be found to be infringing;
- pay the attorney's fees and costs of litigation to the party whose intellectual property rights we may be found to be infringing;
- redesign those products or technologies that contain the allegedly infringing intellectual property, which could be costly, disruptive and infeasible; and
- attempt to obtain a license to the relevant intellectual property from third parties, which may not be available on reasonable terms or at all, or from third parties who may attempt to license rights that they do not have.

In addition, if we are found to willfully infringe third-party patents or trademarks or to have misappropriated trade secrets, we could be required to pay treble damages in addition to other penalties. Although patent, trademark, trade secret, and other intellectual property disputes in the medical device area have often been settled through licensing or similar arrangements, costs associated with such arrangements may be substantial and could include ongoing royalties. We may be unable to obtain necessary licenses on satisfactory terms, if at all. If we do not obtain necessary licenses, we may not be able to redesign our products to avoid infringement.

Any litigation or claim against us, even those without merit and even those where we prevail, may cause us to incur substantial costs, and could place a significant strain on our financial resources, divert the attention of management from our core business and harm our reputation. If we are found to infringe the intellectual property rights of third parties, we could be required to pay substantial damages (which may be increased up to three times of awarded damages) or substantial royalties and could be prevented from selling our products unless we obtain a license or are able to redesign our products to avoid infringement. Any such license may not be available on reasonable terms, if at all, and there can be no assurance that we would be able to redesign our products in a way that would not infringe the intellectual property rights of others. We could encounter delays in product introductions while we attempt to develop alternative methods or products. If we fail to obtain any required licenses or make any necessary changes to our products or technologies, we may have to withdraw existing products from the market or may be unable to commercialize one or more of our products.

In addition, we generally indemnify our customers with respect to infringement by our products of the proprietary rights of third parties. Third parties may assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed or settle, we may be forced to pay damages or settlement payments on behalf of our customers or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products.

Similarly, interference or derivation proceedings provoked by third parties or brought by the U.S. Patent and Trademark Office (USPTO) may be necessary to determine priority with respect to our patents, patent applications, trademarks or trademark applications. We may also become involved in other proceedings, such as reexamination, inter parties review, derivation or opposition proceedings before the USPTO or other jurisdictional body relating to our intellectual property rights or the intellectual property rights of others. Adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing our products or using product names, which would have a significant adverse impact on our business, financial condition and results of operations.

Additionally, we may file lawsuits or initiate other proceedings to protect or enforce our patents or other intellectual property rights, which could be expensive, time consuming and unsuccessful. Competitors may infringe our issued patents or other intellectual property. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property. In addition, in a patent or other intellectual property infringement proceeding, a court may decide that a patent or other intellectual property of ours is invalid or unenforceable, in whole or in part, construe the patent's claims or other intellectual property narrowly or refuse to stop the other party from using the technology at issue on the grounds that our patents or other intellectual property do not cover the technology in question. Furthermore, even if our patents or other intellectual property are found to be valid and infringed, a court may refuse to grant injunctive relief against the infringer and instead grant us monetary damages or ongoing royalties. Such monetary compensation may be insufficient to adequately offset the damage to our business caused by the infringer's competition in the market. An adverse result in any litigation proceeding could put one or more of our patents or other intellectual property at risk of being invalidated or interpreted narrowly, which could adversely affect our competitive business position, financial condition and results of operations.

Our success will depend on our, and any of our current and future licensors', ability to obtain, maintain and protect our intellectual property rights.

In order to remain competitive, we must develop, maintain and protect the proprietary aspects of our brands, technologies and data. We rely on a combination of contractual provisions, confidentiality procedures and patent, copyright, trademark, trade secret and other intellectual property laws to protect the proprietary aspects of our brands, technologies and data. These legal measures afford only limited protection, and competitors or others may gain access to or use our intellectual property and proprietary information. Our success will depend, in part, on preserving our trade secrets, maintaining the security of our data and know-how and obtaining and maintaining other intellectual property rights by us and our current and future licensors. We, and our current and future licensors, may not be able to obtain or maintain intellectual property or other proprietary rights necessary to our business or in a form that provides us with a competitive advantage.

In addition, our trade secrets, data and know-how could be subject to unauthorized use, misappropriation, or disclosure to unauthorized parties, despite our efforts to enter into confidentiality agreements with our employees, consultants, clients and other vendors who have access to such information, and could otherwise become known or be independently discovered by third parties. Our intellectual property, including trademarks, could be challenged, invalidated, infringed, and circumvented by third parties, and our trademarks could also be diluted, declared generic or found to be infringing on other marks. If any of the foregoing occurs, we could be forced to re-brand our products, resulting in loss of brand recognition and requiring us to devote resources to advertising and marketing new brands, and suffer other competitive harm. Third parties may also adopt trademarks similar to ours, which could harm our brand identity and lead to market confusion. Failure to obtain and maintain intellectual property rights

necessary to our business and failure to protect, monitor and control the use of our intellectual property rights could negatively impact our ability to compete and cause us to incur significant expenses. The intellectual property laws and other statutory and contractual arrangements in the United States and other jurisdictions we depend upon may not provide sufficient protection in the future to prevent the infringement, use, violation or misappropriation of our trademarks, data, technology and other intellectual property and services, and may not provide an adequate remedy if our intellectual property rights are infringed, misappropriated or otherwise violated.

We rely, in part, on our ability to obtain, maintain, expand, enforce, and defend the scope of our intellectual property portfolio or other proprietary rights, including the amount and timing of any payments we may be required to make in connection with the licensing, filing, defense and enforcement of any patents or other intellectual property rights. The process of applying for and obtaining a patent is expensive, time consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost, in a timely manner, or in all jurisdictions where protection may be commercially advantageous, or we may not be able to protect our proprietary rights at all. Despite our efforts to protect our proprietary rights, unauthorized parties may be able to obtain and use information that we regard as proprietary. In addition, the issuance of a patent does not ensure that it is valid or enforceable, so even if we obtain patents, they may not be valid or enforceable against third parties. Our patent applications may not result in issued patents and our patents may not be sufficiently broad to protect our technology.

The degree of future protection for our proprietary rights is uncertain, and we cannot ensure that:

- any of our patents, or any of our pending patent applications, if issued, will include claims having a scope sufficient to protect our products;
- any of our pending patent applications will issue as patents;
- we will be able to successfully commercialize our products on a substantial scale, if approved, before our relevant patents we may have expire;
- we were the first to make the inventions covered by each of our patents and pending patent applications;
- we were the first to file patent applications for these inventions;
- others will not develop similar or alternative technologies that do not infringe our patents; any of our patents will be found to ultimately be valid and enforceable;
- any patents issued to us will provide a basis for an exclusive market for our commercially viable products, will provide us with any competitive advantages or will not be challenged by third parties;
- we will develop additional proprietary technologies or products that are separately patentable; or
- our commercial activities or products will not infringe upon the patents of others.

Moreover, even if we are able to obtain patent protection, such patent protection may be of insufficient scope to achieve our business objectives. Issued patents may be challenged, narrowed, invalidated or circumvented. Decisions by courts and governmental patent agencies may introduce uncertainty in the enforceability or scope of patents owned by or licensed to us. Furthermore, the issuance of a patent does not give us the right to practice the patented invention. Third parties may have blocking patents that could prevent us from marketing our own products and practicing our own technology. Alternatively, third parties may seek approval to market their own products similar to or otherwise competitive with our products. In these circumstances, we may need to defend or assert our patents, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or agency with jurisdiction may find our patents invalid, unenforceable or not infringed; competitors may then be able to market products and use manufacturing and analytical processes that are substantially similar to ours. Even if we

have valid and enforceable patents, these patents still may not provide protection against competing products or processes sufficient to achieve our business objectives.

If we are unable to protect the confidentiality of our other proprietary information, our business and competitive position may be harmed.

In addition to patent protection, we also rely on other proprietary rights, including protection of trade secrets, and other proprietary information that is not patentable or that we elect not to patent. However, trade secrets can be difficult to protect, and some courts are less willing or unwilling to protect trade secrets. To maintain the confidentiality of our trade secrets and proprietary information, we rely heavily on confidentiality provisions that we have in contracts with our employees, consultants, collaborators and others upon the commencement of their relationship with us. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technology and processes. We may not be able to prevent the unauthorized disclosure or use of our technical knowledge or other trade secrets by such third parties, despite the existence generally of these confidentiality restrictions. These contracts may not provide meaningful protection for our trade secrets, know-how, or other proprietary information in the event of any unauthorized use, misappropriation, or disclosure of such trade secrets, know-how, or other proprietary information. There can be no assurance that such third parties will not breach their agreements with us, that we will have adequate remedies for any breach, or that our trade secrets will not otherwise become known or independently developed by competitors. Despite the protections we do place on our intellectual property or other proprietary rights, monitoring unauthorized use and disclosure of our intellectual property is difficult, and we do not know whether the steps we have taken to protect our intellectual property or other proprietary rights will be adequate. In addition, the laws of many foreign countries will not protect our intellectual property or other proprietary rights to the same extent as the laws of the United States. Consequently, we may be unable to prevent our proprietary technology from being exploited abroad, which could affect our ability to expand to international markets or require costly efforts to protect our technology.

We also license rights to use certain proprietary information and technology from third parties. The use of such proprietary information and technology is therefore subject to the obligations of the applicable license agreement between us and the owner. For example, the software we developed for the Chartis System includes the use of open source software that is subject to the terms and conditions of the applicable open source software licenses that grant us permission to use such software. The owner of any such proprietary information or technology also might not enforce or otherwise protect its rights in the proprietary information or technology with the same vigilance that we would, which would allow competitors to use such proprietary information and technology without having to adhere to a license agreement with the owner.

To the extent our intellectual property or other proprietary information protection is incomplete, we are exposed to a greater risk of direct competition. A third party could, without authorization, copy or otherwise obtain and use our products or technology, or develop similar technology. Our competitors could purchase our products and attempt to replicate some or all of the competitive advantages we derive from our development efforts or design around our protected technology. Our failure to secure, protect and enforce our intellectual property rights could substantially harm the value of our products, brand and business. The theft or unauthorized use or publication of our trade secrets and other confidential business information could reduce the differentiation of our products and harm our business, the value of our investment in development or business acquisitions could be reduced and third parties might make claims against us related to losses of their confidential or proprietary information. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Further, it is possible that others will independently develop the same or similar technology or product or otherwise obtain access to our unpatented technology, and in such cases, we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our trade secret rights and related confidentiality and nondisclosure provisions. If we fail to obtain or maintain trade secret protection, or if our competitors obtain our trade secrets or independently develop technology or products similar to ours or competing technologies or products, our competitive market position could be materially and adversely affected. In addition, some courts are less willing or unwilling to protect trade secrets and agreement terms

that address non-competition are difficult to enforce in many jurisdictions and might not be enforceable in certain cases.

We also seek to preserve the integrity and confidentiality of our data and other confidential information by maintaining 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, agreements or security measures may be breached and detecting the disclosure or misappropriation of confidential information and enforcing a claim that a party illegally disclosed or misappropriated confidential information is difficult, expensive and time-consuming, and the outcome is unpredictable. Further, we may not be able to obtain adequate remedies for any breach.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

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 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, we may not be able to stop a competitor from marketing products that are the same as or similar to our products, which would have a material adverse effect on our business.

We may not be able to protect our intellectual property rights throughout the world.

A company may attempt to commercialize competing products utilizing our proprietary design, trademarks or tradenames in foreign countries where we do not have any patents or patent applications and where legal recourse may be limited. This may have a significant commercial impact on our foreign business operations.

Filing, prosecuting and defending patents or trademarks on our current and future products in all countries throughout the world would be prohibitively expensive. The requirements for patentability and trademarking may differ in certain countries, particularly developing countries. The laws of some foreign countries do not protect intellectual property rights to the same extent as laws in the United States. Consequently, we may not be able to prevent third parties from utilizing our inventions and trademarks in all countries outside the United States. Competitors may use our technologies or trademarks in jurisdictions where we have not obtained patent or trademark protection to develop or market their own products and further, may export otherwise infringing products to territories where we have patent and trademark protection, but enforcement on infringing activities is inadequate. These products or trademarks may compete with our products or trademarks, and our patents, trademarks or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trademarks and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents and trademarks or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent and trademarks rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents and trademarks at risk of being invalidated or interpreted narrowly and our patent or trademark applications at risk, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. In addition, certain countries in Europe and certain developing countries, including India and China, have compulsory licensing

laws under which a patent owner may be compelled to grant licenses to third parties. In those countries, we may have limited remedies if our patents are infringed or if we are compelled to grant a license to our patents to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we own or license. Finally, our ability to protect and enforce our intellectual property rights may be adversely affected by unforeseen changes in foreign intellectual property laws.

We may be subject to claims that we or our employees have misappropriated the intellectual property of a third party, including trade secrets or know-how, or are in breach of non-competition or non-solicitation agreements with our competitors and third parties may claim an ownership interest in intellectual property we regard as our own.

Many of our employees and consultants were previously employed at or engaged by other medical device, biotechnology or pharmaceutical companies, including our competitors or potential competitors. Some of these employees, consultants and contractors, may have executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees and consultants do not use the intellectual property, proprietary information, know-how or trade secrets of others in their work for us, we may be subject to claims that we or these individuals have, inadvertently or otherwise, misappropriated the intellectual property or disclosed the alleged trade secrets or other proprietary information, of these former employers or competitors.

Additionally, we may be subject to claims from third parties challenging our ownership interest in intellectual property we regard as our own, based on claims that our employees or consultants have breached an obligation to assign inventions to another employer, to a former employer, or to another person or entity. Litigation may be necessary to defend against any other claims, and it may be necessary or we may desire to enter into a license to settle any such claim; however, there can be no assurance that we would be able to obtain a license on commercially reasonable terms, if at all. 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 former employers. An inability to incorporate technologies or features that are important or essential to our products could have a material adverse effect on our business, financial condition and results of operations, and may prevent us from selling our products. In addition, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against these claims, litigation could result in substantial costs and could be a distraction to management. Any litigation or the threat thereof may adversely affect our ability to hire employees or contract with independent sales personnel. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our products, which could have an adverse effect on our business, financial condition and results of operations.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our existing and future products.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. In 2011, the Leahy-Smith America Invents Act (Leahy-Smith Act) was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted and also may affect patent litigation. These also include provisions that switched the United States from a first-to-invent system to a first-to-file system, allow third-party submission of prior art to the USPTO during patent prosecution and set forth additional procedures to attack the validity of a patent by the USPTO administered post grant proceedings. Under a first-to-file system, assuming the other requirements for patentability are met, the first inventor to file a patent application generally will be entitled to the patent on an invention regardless of whether another inventor had made the invention earlier. The USPTO recently developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, only became effective in 2013. Accordingly, it is not clear what, if any,

impact the Leahy-Smith Act will have on the operation of our business. The Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business, financial condition and results of operations.

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. Furthermore, the U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit have made, and will likely continue to make, changes in how the patent laws of the United States are interpreted. Similarly, foreign courts have made, and will likely continue to make, changes in how the patent laws in their respective jurisdictions are interpreted. We cannot predict future changes in the interpretation of patent laws or changes to patent laws that might be enacted into law by U.S. and foreign legislative bodies. Those changes may materially affect our patents or patent applications and our ability to obtain additional patent protection in the future.

The failure of third parties to meet their contractual, regulatory and other obligations could adversely affect our business.

We rely on suppliers, vendors, outsourcing partners, consultants, alliance partners and other third parties to research, develop, manufacture and commercialize our products and manage certain parts of our business. Using these third parties poses a number of risks, such as: (i) they may not perform to our standards or legal requirements; (ii) they may not produce reliable results; (iii) they may not perform in a timely manner; (iv) they may not maintain confidentiality of our proprietary information; (v) disputes may arise with respect to ownership of rights to technology developed with our partners; and (vi) disagreements could cause delays in, or termination of, the research, development or commercialization of our products or result in litigation or arbitration. Moreover, some third parties are located in markets subject to political and social risk, corruption, infrastructure problems and natural disasters, in addition to country-specific privacy and data security risk given current legal and regulatory environments. Failure of third parties to meet their contractual, regulatory and other obligations may materially affect our business.

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

We rely on trademarks, service marks, tradenames and brand names to distinguish our products from the products of our competitors and have registered or applied to register these trademarks. We have not yet registered certain of our trademarks, including “CHARITE” in Germany, and as a result we sell certain products using names that may not be protected or may be subject to third party challenges for infringement of such third party’s trademarks. We cannot assure you that our trademark applications will be approved. During trademark registration proceedings, we may receive rejections. Although we are given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in proceedings before the USPTO and comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. 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 towards advertising and marketing new brands. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. Certain of our current or future trademarks may become so well known by the public that their use becomes generic and they lose trademark protection. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business, financial condition and results of operations may be adversely affected.

Patent terms may not be able to protect our competitive position for an adequate period of time with respect to our current or future technologies.

Patents have a limited lifespan. In the United States, the standard patent term is typically 20 years after filing. Various extensions may be available. Even so, the life of a patent and the protection it affords are limited. As a result, our patent portfolio provides us with limited rights that may not last for a sufficient period of time to exclude others from commercializing products similar or identical to ours. For example, given the large amount of time required for the research, development, testing and regulatory review of implantable medical devices, patents protecting our products might expire before or shortly after they are commercialized.

Extensions of patent term may be available, but there is no guarantee that we would succeed in obtaining any particular extension-and no guarantee any such extension would confer patent term for a sufficient period of time to exclude others from commercializing products similar or identical to ours. In the United States, 35 U.S. Code § 156 Extension of patent term, permits a patent term extension of up to five years beyond the normal expiration of the patent, which is limited to the approved indication (or any additional indications approved during the period of extension). A patent term extension cannot extend the remaining term of a patent beyond 14 years from the date of product approval; only one patent may be extended; and extension is available for only those claims covering the approved device, a method for using it, or a method for manufacturing it. We have applied for such an extension however, the applicable authorities, including the FDA and the USPTO in the United States, and any equivalent regulatory authority in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to any patents we obtain, or may grant more limited extensions than we request. An extension may not be granted or may be limited where there is, for example, a failure to exercise due diligence during the testing phase or regulatory review process, failure to apply within applicable deadlines, failure to apply before expiration of relevant patents, or some other failure to satisfy applicable requirements. If this occurs, our competitors may be able to launch their products earlier by taking advantage of our investment in development and clinical trials along with our clinical and pre-clinical data. This could have a material adverse effect on our business and ability to achieve profitability.

Risks Related to Ownership of Our Common Stock

Our stock price may be volatile and the value of our common stock may decline.

The market price of our common stock may be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control or are related in complex ways, including:

- actual or anticipated fluctuations in our financial condition and results of operations;
- variance in our financial performance from expectations of securities analysts or investors;
- the degree to which securities or industry analysts publish research or reports about our business;
    - changes in the pricing we offer our customers;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our solution;
- announcements by us or our competitors of significant business developments, acquisitions, or new offerings;
- publicity associated with issues related to our solution;
- our involvement in litigation;

- future sales of our common stock or other securities, by us or our stockholders, as well as the anticipation of lock-up releases;
- changes in senior management or key personnel;
- the trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market;
- general economic, regulatory, and market conditions, including economic recessions or slowdowns;
- changes in the structure of healthcare payment systems; and
- developments or disputes concerning our intellectual property or other proprietary rights.

In addition, the trading prices for common stock of other medical device companies have been highly volatile as a result of the COVID-19 pandemic. The COVID-19 pandemic continues to rapidly evolve. The extent to which the pandemic may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

Broad market and industry fluctuations, as well as general economic, political, regulatory, and market conditions, may negatively impact the market price of our common stock. In addition, given the relatively small expected public float of shares of our common stock on the Nasdaq Global Select Market, the trading market for our shares may be subject to increased volatility. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

Future sales and issuances of our capital stock or rights to purchase capital stock could result in additional dilution of the percentage ownership of our stockholders and could cause the price of our common stock to decline.

Future sales and issuances of our capital stock or rights to purchase our capital stock could result in substantial dilution to our existing stockholders. We may sell common stock, convertible securities, and other equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, investors may be materially diluted. New investors in such subsequent transactions could gain rights, preferences, and privileges senior to those of holders of our common stock.

Future sales of our common stock by existing stockholders could cause the market price of our common stock to decline.

Sales of a substantial number of shares of our common stock by existing stockholders in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that such sales may have on the prevailing market price of our common stock.

As of March 31, 2021, we had outstanding 35,803,664 shares of common stock. All of our outstanding shares are eligible for sale in the public market, other than shares and options held by directors, executive officers, and other affiliates that are subject to volume limitations under Rule 144 of the Securities Act, and various vesting agreements.

Further, as of March 31, 2021, holders of a substantial number of shares had rights, subject to certain conditions, to require us to file registration statements for the public resale of the common stock or to include such shares in registration statements that we may file on our behalf or for other stockholders.

Concentration of ownership of our common stock among our executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

Our executive officers, directors and current beneficial owners of 5% or more of our common stock beneficially own approximately 35% of our outstanding common stock as of February 26, 2021. These stockholders, acting together, will be able to significantly influence all matters requiring stockholder approval, including the election and removal of directors and any merger or other significant corporate transactions. The interests of this group of stockholders may not coincide with the interests of other stockholders.

Some of these persons or entities may have interests different than yours. For example, because many of these stockholders purchased their shares at prices substantially below the price at which shares are currently being sold and have held their shares for a longer period, they may be more interested in selling our company to an acquirer than other investors, or they may want us to pursue strategies that deviate from the interests of other stockholders.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and may be restricted by the terms of any then-current credit facility. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

We are an "emerging growth company" and a "smaller reporting company" and our compliance with the reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

For so long as we remain an "emerging growth company," as defined in the JOBS Act, we may take advantage of certain exemptions from various requirements applicable to other public companies that are not "emerging growth companies" including, the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act (Section 404) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict whether investors will find our common stock less attractive as a result of our reliance on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We have not elected to use the extended transition period under the JOBS Act which would have allowed us to delay implementing new accounting standards, and, therefore, we will be subject to the same accounting standards as other public companies that are not "emerging growth companies."

We are also a "smaller reporting company" as defined in the Exchange Act. We may continue to be a smaller reporting company even after we are no longer an "emerging growth company." We may take advantage of certain of reduced disclosures available to smaller reporting companies and will be able to take advantage of these reduced disclosures for so long as our voting and non-voting common stock held by non-affiliates is less than $250.0 million measured on the last business day of our second fiscal quarter, or our annual revenue is less than $100.0 million during the most recently completed fiscal year and our voting and non-voting common stock held by non-affiliates is less than $700.0 million measured on the last business day of our second fiscal quarter.

We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.

As a public company, we will incur significant legal, accounting, and other expenses that we did not incur as a private company. We expect such expenses to further increase after we are no longer an "emerging growth company." The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing

requirements of the Nasdaq Global Select Market, and other applicable securities rules and regulations impose various requirements on public companies. Furthermore, the senior members of our management team do not have significant experience with operating a public company. As a result, our management and other personnel will have to devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

As a result of being a public company, we are obligated to develop and maintain proper and effective internal controls over financial reporting and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We are required, pursuant to Section 404 to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company." The process of compiling the system and processing documentation necessary to perform the evaluation required under Section 404 is costly and challenging, and we may not be able to complete our evaluation, testing, and any required remediation in a timely fashion. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to certify that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline and we could be subject to sanctions or investigations by the exchange on which our shares of common stock are listed, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Anti-takeover provisions in our charter 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 limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws currently in effect may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights, and preferences determined by our board of directors that may be senior to our common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, or our chief executive officer;

- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into a number of classes, with each class serving staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed for cause only upon the vote of the holders of a majority of our outstanding shares of common stock;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- require the approval of our board of directors or the holders of at least a majority of our outstanding shares of common stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder. Any delay or prevention of a change of control transaction or changes in our management could cause the market price of our common stock to decline.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States are the exclusive forums 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 provides that the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action asserting a claim against us arising under the Delaware General Corporation Law;
- our amended and restated certificate of incorporation or our amended and restated bylaws; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine.

These provisions do not apply to suits brought to enforce a duty or liability created by the Exchange Act or any claim for which the federal district courts of the United States have exclusive jurisdiction. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such actions under the Securities Act and an investor cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such claims and there is uncertainty as to whether a court would enforce such a forum selection provision as written in connection with claims arising under the Securities Act. To prevent having to litigate claims in multiple jurisdictions and the threat of

inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation further provides that the federal district courts of the United States are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our amended and restated certificate of incorporation described above. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive-forum provisions 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 lawsuits against us and our directors, officers, and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

Item 2. Unregistered Sales of Securities and Use of Proceeds

Unregistered Sales of Equity Securities

There were no sales of unregistered securities during the three months ended March 31, 2021.

Use of Proceeds

In October 2020, we closed our IPO of 11,500,000 shares of our common stock, including shares issued upon the exercise in full of the underwriters' option to purchase 1,500,000 additional shares of common stock, at a public offering price of $19.00 per share. We received gross proceeds to us of $218.5 million. All of the shares issued and sold in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-248635), which was declared effective by the SEC on September 30, 2020. BofA Securities and Morgan Stanley acted as joint lead book-running managers for the offering. Stifel, Wells Fargo Securities and Canaccord Genuity acted as lead managers for the offering. Shares of our common stock began trading on the Nasdaq Global Select Market on October 1, 2020 and, following the sale of all the shares upon the closing of our IPO, the offer terminated.

The net proceeds to us after deducting underwriting discounts and commissions of $15.3 million and net offering expenses of $1.8 million were $201.4 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates. There has been no material change in the planned use of proceeds from our IPO from those disclosed in the final prospectus for our IPO dated as of September 30, 2020 and filed with the SEC pursuant to Rule 424(b)(4) on October 1, 2020.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other information

Not applicable.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference			Filing Date	Filed Herewith
		Schedule Form	File Number	Exhibit		
3.1	Amended and Restated Certificate of Incorporation of Pulmonx Corporation.	8-K	001-39562	3.1	October 5, 2020	
3.2	Amended and Restated Bylaws of Pulmonx Corporation.	S-1/A	333-248635	3.4	September 24, 2020	
4.1	Form of common stock certificate of Pulmonx Corporation	S-1/A	333-248635	4.1	September 24, 2020	
4.2	Amended and Restated Investors' Rights Agreement by and among Pulmonx Corporation and certain of its stockholders, dated April 16, 2019	S-1/A	333-248635	4.2	September 24, 2020	
10.1	Second Amendment to Loan and Security Agreement, by and between Pulmonx Corporation and Canadian Imperial Bank of Commerce, dated December 28, 2020					X
10.2	Third Amendment to Loan and Security Agreement, by and between Pulmonx Corporation and Canadian Imperial Bank of Commerce, dated March 29, 2021					X
10.3+	Amended and Restated Non-Employee Director Compensation Policy					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X

101.SCH	Inline XBRL Taxonomy Extension Schema Document	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X

+ Indicates management contract or compensatory plan.

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, irrespective of any general incorporation language continued in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Redwood City, State of California, on the 12th day of May, 2021.

PULMONX CORPORATION

By: /s/Glendon E. French
Glendon E. French
President, Chief Executive Officer and Director

By: /s/Derrick Sung
Derrick Sung, Ph.D.
Chief Financial Officer

SECOND AMENDMENT AND WAIVER TO LOAN AND SECURITY AGREEMENT

This SECOND AMENDMENT AND WAIVER TO LOAN AND SECURITY AGREEMENT (this "Agreement") is entered into as of December 28, 2020, by and between **PULMONX CORPORATION**, a Delaware corporation ("Borrower"), and **CANADIAN IMPERIAL BANK OF COMMERCE** ("Lender").

W I T N E S S E T H:

WHEREAS, Borrower and Lender are parties to that certain Loan and Security Agreement dated as of February 20, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), pursuant to which Lender committed to make loans and other financial accommodations to Borrower upon the terms and conditions set forth therein; and

WHEREAS, Borrower has requested that certain terms and conditions of the Loan Agreement be amended;

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Limited Waiver. Borrower acknowledges that Borrower is currently in default of the Loan Agreement as a result of Borrower's failure to (i) deliver evidence to Lender of the dissolution of Pulmonx International Development, a Cayman Islands company, and Pulmonx Global B.V., a limited company (*besloten vennootschap*) organized under the laws of the Netherlands and (ii) deliver to Lender duly executed signatures to the Swiss Share Pledge Documents, in each case on or before August 18, 2020 (the "Waived Defaults"). Bank hereby waives filing any legal action or instituting or enforcing any rights and remedies it may have against Borrower with respect to the Waived Defaults.

2. Amendments to the Loan Agreement. With effect from the Effective Date, the Loan Agreement (including Exhibit D thereto) will be amended as set forth in the changes attached as Exhibit A to this Agreement, with text marked in **blue double underline** indicating additions to the Loan Agreement and with text marked in ~~**red strikethrough**~~ indicating deletions to the Loan Agreement.

3. No Other Amendments, Consents or Waivers. Except for the waiver expressly set forth above, the execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power or remedy of Lender under the Loan Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Loan Agreement or any of the other Loan Documents. Except for the amendments expressly set forth above, the text of the Loan Agreement and the other Loan Documents shall remain unchanged and in full force and effect and Borrower hereby ratifies and confirms its obligations thereunder. This Agreement shall not constitute a modification of the Loan Agreement or any other Loan Documents or a course of dealing with Lender at variance with the Loan Agreement or the other Loan Documents such as to require further notice by Lender to require strict compliance with the terms of the Loan Agreement and the other Loan Documents in the future, except as expressly set forth herein. Borrower acknowledges and expressly agrees that Lender reserves the right to, and does in fact, require strict compliance with all terms and provisions of the Loan Agreement, as amended herein, and the other Loan Documents. Borrower has no knowledge of any challenge to claims by Lender (a) arising under the Loan Agreement or any of the other Loan Documents or (b) to the effectiveness of the Loan Agreement or the other Loan Documents.

4. Conditions Precedent to Effectiveness. This Agreement will become effective on the date (the "**Effective Date**") on which Lender receives the following documents and other evidence, in form and substance satisfactory to Lender:

(a) receipt by Lender of:

(i) the approval of this Agreement and the transactions contemplated hereby from its primary credit authority,

(ii) one or more counterparts of this Agreement, duly executed and delivered by Borrower, and

(iii) such other documents and agreements as Lender may reasonably require;

(b) in Lender's sole but reasonable discretion, there has not been any event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect; and

(c) completion of due diligence review by Lender and its counsel.

5. Representations and Warranties of Borrower. In consideration of the execution and delivery of this Agreement by Lender, Borrower hereby represents and warrants that: (a) this Agreement has been duly executed and delivered by Borrower, and this Agreement constitutes the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting, creditors' rights generally and the effects of general principles of equity; (b) the execution, delivery and performance of this Agreement (i) are within Borrower's corporate powers, have been duly authorized by all necessary corporate action, (ii) do not and will not contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) do not and will not contravene in any material respect any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) do not and will not violate, conflict with, result in a breach of, or constitute a default (with due notice or lapse of time or both) under any Operating Documents or other organizational documents of Borrower or any material agreement of Borrower, and (v) will not require the consent, approval, authorization or order of, or filing, registration or qualification with, any Governmental Authority or any other Person; (c) after giving effect to this Agreement, no Default or Event of Default has occurred and is continuing under the Loan Agreement or any other Loan Document; (d) as of the date hereof, all representations and warranties of Borrower set forth in the Loan Agreement and the other Loan Documents are true and correct in all material respects (other than such representations and warranties that are already qualified by materiality, Material Adverse Effect or similar language, in which case such representations and warranties shall be true and correct in all respects), except that that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects (other than such representations and warranties that are already qualified by materiality, Material Adverse Effect or similar language, in which case such representations and warranties shall be true and correct in all respects) as of such date; (e) the Loan Agreement and the other Loan Documents constitute the legal, valid and binding obligations of Borrower, each enforceable against Borrower in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting, creditors' rights generally and the effects of general principles of equity; and (f) there has not been any event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

6. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same

agreement. In proving this Agreement in any judicial proceedings, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom such enforcement is sought. Any signatures delivered by a party by facsimile transmission or by other electronic transmission shall be deemed an original signature hereto.

7. Reference to and Effect on the other Loan Documents. Upon the effectiveness of this Agreement, on and after the date hereof, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Loan Agreement, and each reference in the other Loan Documents to "the Loan Agreement", "thereunder," "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as amended hereby. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement. Unless otherwise stated, references in this Agreement to Section are to sections of the Loan Agreement.

8. Costs, Expenses and Taxes. Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, and delivery of this Agreement and the other instruments and documents to be delivered hereunder. Furthermore, Borrower agrees to pay any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of this Agreement and the other instruments and documents to be delivered hereunder, and agrees to save Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes.

9. Release. In consideration of Lender entering into this Agreement, Borrower hereby releases Lender, and Lender's respective officers, employees, representatives, agents, counsel and directors from any and all actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, now known or unknown, suspected or unsuspected to the extent that any of the foregoing arises from any action or failure to act under the Loan Agreement or the other Loan Documents on or prior to the date hereof.

10. Headings. The heading of each provision of this Agreement is for descriptive purposes only and shall not be deemed to modify or qualify any of the rights or obligations described in each such provision.

11. Severability. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12. Construction. The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any Agreements, schedules or exhibits thereto.

13. Entire Agreement. This Agreement, the Loan Agreement and the other Loan Documents constitute the entire agreement and understanding between the parties hereto with respect to the transactions contemplated hereby and thereby and supersede all prior negotiations, understandings and agreements between such parties with respect to such transactions.

14. GOVERNING LAW. THIS AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

15. Loan Document. This Agreement is a Loan Document.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first written above.

BORROWER:

PULMONX CORPORATION

By: /s/ Derrick Sung, Ph.D
Name: Derrick Sung, Ph.D
Title: Chief Financial Officer

LENDER:

CANADIAN IMPERIAL BANK OF COMMERCE

By: /s/ Jeff Chapman
Name: Jeff Chapman
Title: Authorized Signatory

By: /s/ Corey Perlmutter
Name: Corey Perlmutter
Title: Authorized Signatory

written notice to Lender together with certified copies of the Operating Documents for such Subsidiary, and (b) promptly, and in any event within 10 days of such formation or creation: take all such action as may be reasonably required by Lender to cause such new Subsidiary to (i) either, at the option of Lender in its discretion, (A) provide to Lender a joinder to this Agreement pursuant to which such Subsidiary becomes a Borrower or a Guarantor hereunder, or (B) guarantee the Obligations under the Loan Documents pursuant to a separate Guaranty and (ii) grant a security interest in and to the assets of such Subsidiary (substantially as described on Exhibit B), in each case together with such Account Control Agreements and other documents, instruments and agreements reasonably requested by Lender, all in form and substance satisfactory to Lender (including being sufficient to grant Lender a first priority Lien, subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary and to pledge all of the direct or beneficial Equity Interests in such new Subsidiary. Any document, agreement, or instrument executed or issued pursuant to this Section 6.11 shall be a Loan Document. Notwithstanding the foregoing, compliance with this Section 6.11 shall not be deemed a cure or waiver of any breach of Section 7.3.

6.12 Property Locations.

(a) Provide to Lender at least 30 days' prior written notice before adding any new offices or business or Collateral locations, including warehouses (unless such new offices or business or Collateral locations (i) qualify as Excluded Locations under clause (a) of the definition thereof or (ii) contain less than $500,000 in assets or property of any Loan Party).

(b) With respect to any property or assets of a Loan Party located with a third party, including a bailee, datacenter or warehouse (other than Excluded Locations), Loan Parties shall cause such third party to execute and deliver a Collateral Access Agreement for such location, including an acknowledgment from each of the third parties that it is holding or will hold such property for Lender's benefit. Loan Parties shall deliver to Lender each warehouse receipt, where negotiable, covering any such property.

(c) With respect to any property or assets of a Loan Party located on leased premises (other than Excluded Locations), Loan Parties shall cause such third party to execute and deliver a Collateral Access Agreement for such location.

6.13 Further Assurances.

(a) Execute any further instruments and take further action as Lender reasonably requests to perfect or continue Lender's Lien in the Collateral or to effect the purposes of this Agreement and the other Loan Documents.

(b) Deliver to Lender, within five days after the same are sent or received, copies of all material correspondence, reports, documents and other filings with any Governmental Authority that could reasonably be expected to have a material adverse effect on any of the Governmental Approvals material to any Loan Party's business or otherwise could reasonably be expected to have a Material Adverse Effect.

6.14 Use of Proceeds. Use the proceeds of (a) a portion of the Term A Loan to repay the Indebtedness and other obligations owed by Borrowers to Oxford Finance, LLC and to fund payment of the fees, costs and expenses associated with the closing of the transactions contemplated hereunder and (b) the remaining portion of the Term A Loan and the other Term Loans advanced after the Closing Date for general working capital purposes to the extent consistent with the terms of the Loan Documents and applicable law, and, in each case, not for personal, family, household or agricultural purposes.

6.15 Post-Closing Covenant.

~~(a) Deliver to Lender duly executed signatures to the Account Control Agreement required under Section 6.6(b) with respect to the Collateral Accounts maintained with Silicon Valley Bank on or before February 24, 2020.~~

~~(b) Deliver to Lender duly executed signatures to the Account Control Agreements required under Section 6.6(131 with respect to the Collateral Accounts maintained with US Bank, National Association, and Capital Advisors Group on or before March 20, 2020, or such later date as Lender may agree to in writing in its discretion.~~

~~(c) Use commercially reasonable efforts to deliver duly executed signatures to Collateral Access Agreements for all locations of Pulmonx other than any Excluded Locations on or before April 20, 2020.~~

~~(d) Except as otherwise permitted in the last sentence of Section 6.6(b) and Section 7.12(b), deliver evidence to Lender of the closure of all Deposit Accounts and lockbox arrangements maintained by any Loan Party with any institution other than CIBC Bank USA on or before August 18, 2020.~~

(a) ~~(e)~~ Deliver evidence to Lender of the dissolution of Pulmonx International Development, a Cayman Islands company, and Pulmonx Global B.V., a limited company (*besloten vennootschap*) organized under the laws of the Netherlands, on or before ~~August 18~~June 30, ~~2020~~2021.

(b) ~~(f)~~ Deliver to Lender duly executed signatures to the Swiss Share Pledge Documents on or before ~~August 18~~June 30, ~~2020~~2021.

~~(g) On or before the date that is 10 calendar days after the First Amendment Date, or such later date as Lender may agree in writing in its sole discretion, Pulmonx shall receive and deposit into its Deposit Accounts maintained with CIBC Bank USA net proceeds from the issuance of the initial Convertible Notes in an aggregate amount of at least $1,500,000, which amount shall be in addition to the amount of net proceeds required~~

~~to be deposited into such Deposit Accounts on the First Amendment Date pursuant to the First Amendment.~~

6.16 Convertible Notes. In connection with any Convertible Notes issued by Pulmonx after the First Amendment Date, Borrowers shall cause any holders of such Convertible Notes to sign and deliver to Lender a Subordination Agreement, which shall be in form and substance satisfactory to Lender (or substantively identical to the Convertible Note Subordination Agreement), and the Indebtedness evidenced by any such Convertible Notes shall thereafter constitute Subordinated Debt permitted hereunder. The proceeds of all Convertible Notes shall be deposited by Pulmonx into a Deposit Account maintained with CIBC Bank USA.

7. NEGATIVE COVENANTS

No Loan Party shall, or shall cause or permit any of its Subsidiaries to, do any of the following:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, "**Transfer**") all or any part of its business or property, except for Permitted Transfers.

7.2 Changes in Business, Management, Ownership, or Organization. (a) Engage in any business other than the businesses currently engaged in by such Person, as applicable, or reasonably related thereto; (b) cease doing business, or liquidate or dissolve (except as provided in Section 6.15(d) and that a Subsidiary may liquidate or dissolve so long as such Subsidiary does not have any liabilities at the time of such liquidation or dissolution and, simultaneously with such liquidation or dissolution, all of its assets are transferred to a Borrower or another Loan Party that is a Domestic Subsidiary or, if such Subsidiary is a Foreign Subsidiary, another Loan Party that is a Foreign Subsidiary); (c) fail to provide notice to Lender of any Key Person departing from or ceasing to be employed by Borrower Representative within five days after departure from Borrower Representative; (d) permit or suffer a Change in Control; or (e) without at least 30 days prior written notice to Lender (i) change its jurisdiction of organization, (ii) change its organizational structure or type, (iii) change its legal name, or (iv) change its organizational number (if any) assigned by its jurisdiction of organization.

7.3 Mergers or Acquisitions. Merge or consolidate with any other Person, or acquire, or permit any of its Subsidiaries to acquire all or substantially all of the capital stock or property of another Person (including by the creation or formation of any Subsidiary, except to the extent in compliance with Section 6.11) or enter into any agreement to do any of the same, unless such transaction is a Permitted Investment, provided that, so long as no Event of Default is occurring prior thereto or arises as a result therefrom, a Subsidiary may merge or consolidate into another Subsidiary that is a Loan Party or into a Borrower.

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Agreement") originally dated as of February 20, 2020 (the "Closing Date"),as amended on April 17, 2020, as further amended on December 28, 2020 and as amended and restated on March 29, 2021 is entered into among CANADIAN IMPERIAL BANK OF COMMERCE ("Lender"), PULMONX CORPORATION, a Delaware corporation ("Pulmonx"), each other Person party hereto as a borrower from time to time (together with Pulmonx, collectively, "Borrowers", and each, a "Borrower") and each Person party hereto as a Guarantor (as defined below) from time to time.

WHEREAS, the Borrowers and Lender entered into that certain Loan and Security Agreement originally dated February 20, 2020 between the Borrower and the Lender (as amended on April 17, 2020 and as further amended on December 28, 2020, the "Original Agreement"); and

WHEREAS, the Borrowers requested certain amendments to the Original Agreement and Lender has agreed to amend and restate the Original Agreement,

IT IS HEREBY AGREED AS FOLLOWS:

Borrower Representative, each other Borrower from time to time party hereto, each Guarantor from time to time party hereto and Lender hereby agree as follows:

1. ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed in accordance with GAAP, and calculations and determinations shall be made following GAAP, consistently applied. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth on Exhibit A. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein. As used in the Loan Documents, the word "shall" is mandatory, the word "may" is permissive, the word "or" is not exclusive, the words "includes" and "including" are not limiting, the singular includes the plural, and numbers denoting amounts that are set off in brackets are negative. Unless otherwise specified, all references in this Agreement or any Annex or Schedule hereto to the preamble or a "Section," "subsection," "Exhibit," "Annex," or "Schedule" shall refer to the preamble or the corresponding Section, subsection, Exhibit, Annex, or Schedule in or to this Agreement. For purposes of the Loan Documents, whenever a representation or warranty is made to a Person's knowledge or awareness, knowledge or awareness means the actual knowledge, after reasonable investigation, of any Responsible Officer of such Person. References to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of Governmental Authorities, Persons succeeding to the relevant functions of such Persons. All references in this Agreement or any other Loan Document to (a) statutes shall include all amendments of same and implementing regulations and any successor statutes and regulations and (b) any instrument or agreement (including any of the Loan Documents) shall include any and all modifications and supplements thereto and any and all restatements, extensions or renewals thereof to the extent such modifications, supplements, restatements, extensions or renewals of any such documents are permitted by the terms hereof and thereof. Unless otherwise specifically indicated, definitions of agreements and instruments in Exhibit A mean and refer to such agreements and instruments as amended, modified, supplemented, restated, substituted or replaced from time to time in accordance with their respective terms and the terms of this Agreement and the other Loan Documents. A Default or an Event of Default shall be deemed to exist at all times during the period commencing on the date that such Default or Event of Default occurs to the date on which such Default or Event of Default is waived in writing pursuant to this Agreement or, with respect to any Default, is cured within any period of cure expressly provided in this Agreement. Whenever in any provision of this Agreement or any other Loan Document Lender is authorized to take or decline to take any action (including making any determination) in the exercise of its "discretion," such provision shall be understood to mean that Lender may take or refrain to take such action in its sole and absolute discretion.

2. LOANS AND TERMS OF PAYMENT

2.1 Promise to Pay. Each Borrower hereby unconditionally promises to pay Lender the outstanding principal amount of all Credit Extensions, accrued and unpaid interest, fees and charges thereon and all other amounts owing hereunder as and when due in accordance with this Agreement.

2.2 [Intentionally Omitted].

2.3 Term Loans.

(a) Availability.

(i) Subject to the terms and conditions of this Agreement, Lender agrees to make to Borrowers on the Closing Date a term loan (the "Term A Loan") in an aggregate principal amount equal to the Term A Loan Amount. When repaid, in whole or in part, the Term A Loan may not be re-borrowed. Lender's obligation to lend under this Section 2.3(a)(i) shall terminate upon the making of the Term A Loan as provided above.

(ii) Subject to the terms and conditions of this Agreement, Lender agrees to make to Borrowers one or more additional term loans (each, a "Term B Loan" and collectively, the "Term B Loans") in an aggregate amount of up to the Term B Loan Amount, at the request of Borrowers, on or before February 20, 2022, so long as (W) no Event of Default has occurred on or prior to the date of any such borrowing, (X) the minimum amount of each Term B Loan shall be $1,000,000, (Y) Borrowers shall have achieved $15,000,000 of Revenue for the trailing six month period as of the end of the month immediately preceding the proposed funding date of such Term B Loan, and (Z) the Swiss Security Conditions have been satisfied. When repaid, in whole or in part, the Term B Loans may not be re-borrowed. Lender's obligation to lend under this Section 2.3(a)(ii) shall terminate upon (A) the making an aggregate amount of Term B Loans equal to the Term B Loan Amount or (B) the occurrence of any Event of Default.

(iii) Subject to the terms and conditions of this Agreement, Lender agrees to make to Borrowers one or more additional term loans (each, a "Term C Loan" and collectively, the "Term C Loans"; together with the Term A Loan and the Term B Loans, each a "Term Loan" and collectively, the "Term Loans") in an aggregate amount of up to the Term C Loan Amount, at the request of Borrowers, on or before February 20, 2022, so long as (W) no Event of Default has occurred on or prior to the date of any such borrowing, (X) the minimum amount of each Term C Loan shall be $1,000,000, (Y) Borrowers shall have achieved $20,000,000 of Revenue for the trailing six month period as of the end of the month immediately preceding the proposed funding date of such Term C Loan and (Z) the Swiss Security Conditions have been satisfied. When repaid, in whole or in part, the Term C Loans may not be re-borrowed. Lender's obligation to lend under this Section 2.3(a)(iii) shall terminate upon (A) the making an aggregate amount of Term C Loans equal to the Term C Loan Amount or (B) the occurrence of any Event of Default.

(b) Repayment. Commencing on the Amortization Date, and continuing thereafter on the last Business Day of each successive month through the Term Loan Maturity Date, Borrowers shall make consecutive monthly payments of equal principal, based on the Amortization Schedule, plus accrued and unpaid interest. Any and all unpaid Obligations, including principal, any accrued and unpaid interest in respect of the Term Loans and other fees and other sums due hereunder, if any, shall be due and payable in full on the Term Loan Maturity Date. The Term Loans may only be prepaid in accordance with Section 2.3(c).

(c) Permitted Prepayment of the Term Loans. Borrowers shall have the option to prepay all, or any part of the Term Loans, provided Borrowers provide written notice to Lender of their election to prepay the Term Loans at least ten days prior to such prepayment, and pay, on the date of such prepayment:

(i) all outstanding principal being prepaid plus any accrued and unpaid interest; plus

(ii) all other sums, if any, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts;

and provided further that Borrowers prepay (if prepaying only a part of Term Loans) such part of the Term Loans in increments that are equal to $5,000,000. Any partial prepayment shall be applied first pro-rata to all outstanding amounts under the Term A Loan and the Term B Loans, and after the Term A Loan and Term B Loans have been paid in full, then pro-rata to all outstanding amounts under the Term C Loans.

2.4 Payment of Interest on the Credit Extensions.

(a) Interest Rate. Subject to Section 2.4(b), (i) the outstanding principal amount of the Term A Loan and the Term B Loans shall accrue interest at a floating per annum rate equal to 1.00 percentage point above the Prime Rate, and (ii) the outstanding principal amount of the Term C Loans shall accrue interest at a floating per annum rate equal to 1.50 percentage points above the Prime Rate. All such interest shall be payable monthly in accordance with Section 2.4(d).

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, the Obligations shall bear interest at a rate per annum of 12.00% (the "Default Rate"), unless Lender otherwise elects from time to time in its sole discretion to impose a lesser interest rate. Fees and expenses which are required to be paid by Loan Parties pursuant to the Loan Documents (including Lender Expenses) but are not paid when due shall bear interest until paid at a rate equal to the highest rate applicable to the Obligations. Payment or acceptance of the increased interest rate provided in this Section 2.4(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Lender.

(c) Adjustment to Interest Rate. Changes to the interest rate of any Credit Extension based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of any such change.

(d) Payment; Interest Computation. Interest is payable monthly in arrears on the last Business Day of each month and shall be computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. In computing interest, (i) all payments received after 12:00 p.m. Eastern time on any day shall be deemed received at the opening of business on the next Business Day, and (ii) the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension.

(e) Maximum Interest. Notwithstanding any provision in this Agreement or any other Loan Document, it is the parties' intent not to contract for, charge or receive interest at a rate that is greater than the maximum rate permissible by law that a court of competent jurisdiction shall deem applicable hereto (the "Maximum Rate"). If a court of competent jurisdiction shall finally determine that a Borrower has actually paid to Lender an amount of interest in excess of the amount that would have been payable if all of the Obligations had at all times borne interest at the Maximum Rate, then such excess interest actually paid by Borrowers shall be applied as follows: first, to the payment of principal outstanding in respect of the Credit Extensions; second, after all principal is repaid, to the payment of Lender's accrued interest, costs, expenses, professional fees and any other Obligations; and third, after all Obligations are repaid, the excess (if any) shall be refunded to Borrowers.

2.5 Fees and Charges. Borrowers shall pay to Lender:

(a) Lender Expenses. All Lender Expenses (including reasonable and invoiced attorneys' fees and expenses for documentation and negotiation of this Agreement and the other Loan Documents) incurred through and after the Closing Date, when due (or, if no stated due date, within two Business Days after demand by Lender).

(b) Fees Fully Earned. In no event shall any Borrower be entitled to any credit, rebate, refund, reduction, proration or repayment of any fees or charges earned by Lender pursuant to this Agreement notwithstanding any termination of this Agreement or the suspension or termination of Lender's obligation to make loans and advances hereunder and notwithstanding the required payment date for such fees or charges.

(c) Delayed Draw Loan Fees. On the date of the funding of each Term B Loan and Term C Loan, a structuring fee in an amount equal to one percent (1.00%) of the amount of such Term B Loan or Term C Loan, as applicable

2.6 Payments; Application of Payments.

(a) All payments to be made by Loan Parties under any Loan Document, including payments of principal and interest, all fees, charges, expenses, indemnities and reimbursements or of amounts payable under Section 2.7 or otherwise, shall be made in immediately available funds in Dollars, without setoff, recoupment or counterclaim, before 12:00 p.m. Eastern time on the date when due. Payments of principal and/or interest received after 12:00 p.m. Eastern time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid. Unless otherwise directed by Lender or as set forth in the following proviso, Borrowers shall make all payments due to Lender at Lender's address specified in Section 10, except that payments pursuant to Section 2.7 shall be made directly to the Persons entitled thereto; provided, however, that Lender shall have the right to effectuate payment of any and all Obligations due and owing hereunder or under any other Loan Document by charging any Deposit Account of any Loan Party with Lender or an Affiliate of Lender.

(b) No Loan Party shall have a right to specify the order or the loan accounts to which Lender shall allocate or apply any payments made by a Loan Party to Lender or otherwise received by Lender under this Agreement when any such allocation or application is not expressly specified elsewhere in this Agreement.

2.7 Withholding of Taxes; Gross-Up.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by a withholding agent, then the applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.7), the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by Loan Parties. The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the applicable Recipient, timely reimburse it for, Other Taxes.

(c) Evidence of Payment. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 2.7, such Loan Party shall deliver to the applicable Recipient the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment, or other evidence of such payment reasonably satisfactory to such Recipient.

(d) Indemnification by the Loan Parties. The Loan Parties shall jointly and severally indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 2.7) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Loan Party by the applicable Recipient shall be conclusive absent manifest error.

(e) Status of Lenders.

(i) Any Recipient that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to Borrower Representative, at the time or times reasonably requested by Borrower Representative, such properly completed and executed documentation reasonably requested by Borrower Representative as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Recipient, if reasonably requested by Borrower

Representative, shall deliver such other documentation prescribed by applicable law or reasonably requested by Borrower Representative as will enable Borrower Representative to determine whether or not such Recipient is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 2.7(e)(ii)(A), 2.7(e)(ii)(B) and 2.7(e)(ii)(D)) shall not be required if in such Recipient's reasonable judgment such completion, execution or submission would subject such Recipient to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Recipient.

(ii) Without limiting the generality of the foregoing,

(A) any Recipient that is a U.S. Person shall deliver to Borrower Representative on or prior to the date on which such Recipient becomes a Recipient under this Agreement (and from time to time thereafter upon the reasonable request of Borrower Representative), an executed copy of IRS Form W-9 certifying that such Recipient is exempt from U.S. federal backup withholding tax;

(B) any Recipient that is not a U.S. Person shall, to the extent it is legally entitled to do so, deliver to Borrower Representative (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Recipient becomes a Recipient under this Agreement (and from time to time thereafter upon the reasonable request of Borrower Representative), whichever of the following is applicable:

(1) in the case of a Foreign Recipient claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, an executed copy of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or successor form), establishing an exemption from, or reduction of, United States federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or successor form), establishing an exemption from, or reduction of, United States federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) in the case of a Foreign Recipient claiming that its extension of credit will generate United States effectively connected income, an executed copy of IRS Form W-8ECI (or successor form);

(3) in the case of a Foreign Recipient claiming the benefits of the exemption for portfolio interest under Section 881(c) of the IRC, (x) a certificate substantially in the form of Exhibit F-1 to the effect that such Foreign Recipient is not a "bank" within the meaning of Section 881(c)(3)(A) of the IRC, a "10 percent shareholder" of Borrower Representative within the meaning of Section 881(c)(3)(B) of the IRC, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the IRC (a "U.S. Tax Compliance Certificate") and (y) an executed copy of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or successor form); or

(4) to the extent a Foreign Recipient is not the beneficial owner, an executed copy of IRS Form W-8IMY (or successor form), accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or successor form), a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-2 or Exhibit F-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Recipient is a partnership and one or more direct or indirect partners of such Foreign Recipient are claiming the portfolio interest exemption, such Foreign Recipient may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-4 on behalf of each such direct and indirect partner;

(C) any Foreign Recipient shall, to the extent it is legally entitled to do so, deliver to Borrower Representative (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Recipient becomes a Recipient under this Agreement (and from time to time thereafter upon the reasonable request of Borrower Representative), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States federal withholding Tax, duly

completed, together with such supplementary documentation as may be prescribed by applicable law to permit Borrower Representative to determine the withholding or deduction required to be made; and

(D) if a payment made to a Recipient under any Loan Document would be subject to United States federal withholding Tax imposed by FATCA if such Recipient were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the IRC, as applicable), such Recipient shall deliver to Borrower Representative at the time or times prescribed by law and at such time or times reasonably requested by Borrower Representative such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the IRC) and such additional documentation reasonably requested by Borrower Representative as may be necessary for Borrower Representative to comply with their obligations under FATCA and to determine that such Recipient has complied with such Recipient's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(E) Each Recipient agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify Borrower Representative in writing of its legal inability to do so.

(f) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.7 (including by the payment of additional amounts pursuant to this Section 2.7), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.7 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (f) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.7(f), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 2.7(f) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph (f) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(g) Register. Lender, acting for this purpose as a non-fiduciary agent of Borrowers, shall maintain at one of its offices a copy of any assignment and assumption delivered to it and a register for the recordation of the names and addresses of Lender, and principal amounts (and stated interest) of the Credit Extensions owing to, Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower and Lender shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(h) Survival. Notwithstanding anything to the contrary in this Agreement, each party's agreements and obligations contained in this Section 2.7 shall survive the termination of this Agreement, any assignment of rights by, or the replacement of, a Recipient, the termination of the Credit Extensions and the repayment, satisfaction or discharge of all obligations under any Loan Document.

(i) Defined Terms. For purposes of this Section 2.7, the term "applicable law" includes FATCA.

3. CONDITIONS OF LOANS

3.1 [Reserved]

3.2 Conditions Precedent to all Credit Extensions. Lender's obligation to make each Credit Extension, including the Credit Extensions on the Closing Date, is subject to the following conditions precedent:

(a) timely receipt of a duly executed Loan Request;

(b) the representations and warranties in this Agreement and in the other Loan Documents shall be true and correct in all material respects (other than such representations and warranties that are already qualified by materiality, Material Adverse Effect or similar language, in which case such representations and warranties shall be true and correct in all respects) on the date of the Loan Request and on the Funding Date of each Credit Extension; provided, however, that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects (other than such representations and warranties that are already qualified by materiality, Material Adverse Effect or similar language, in which case such representations and warranties shall be true and correct in all respects) as of such date,

(c) no Default or Event of Default shall have occurred and be continuing or result from the Credit Extension;

(d) in Lender's sole but reasonable discretion, there has not been any event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect; and

(e) payment of the fees and Lender Expenses then due as specified in Section 2.5 hereof.

3.3 Covenant to Deliver. Loan Parties agree to deliver to Lender each item required to be delivered to Lender under this Agreement as a condition precedent to any Credit Extension. Loan Parties expressly agree that a Credit Extension made prior to the receipt by Lender of any such item shall not constitute a waiver by Lender of Loan Parties' obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Lender's sole discretion.

3.4 Procedures for Borrowing. To obtain a Credit Extension, Loan Parties must notify Lender by electronic mail or telephone by 12:00 p.m. Eastern Time at least three Business Days prior to the Funding Date of the Credit Extension. If such notification is by telephone, Loan Parties must promptly confirm the notification by delivering to Lender a completed and duly executed Loan Request. On the Funding Date, Lender shall fund the applicable Credit Extension in the manner requested by such Loan Request provided that each of the conditions precedent to such Credit Extension are satisfied. Lender may make Credit Extensions under this Agreement based on instructions from a Responsible Officer or his or her designee. Lender may rely on any telephone notice given by a person whom such Lender believes is a Responsible Officer or designee. Except as otherwise provided on the Closing Date, Borrowers hereby direct Lender to fund the proceeds of all Credit Extensions to a Deposit Account maintained by a Borrower with CIBC Bank USA.

4. CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Each Loan Party hereby grants Lender, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Lender, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. If this Agreement is terminated, Lender's Lien in the Collateral shall continue until the Obligations (other than contingent indemnification obligations as to which no claim has been asserted or is known to exist and any other obligations which, by their terms, are to survive the termination of this Agreement or any other Loan Document) are repaid in full in cash. Upon payment in full in cash of the Obligations (other than contingent indemnification obligations as to which no claim has been asserted or is known to exist and any other obligations which, by their terms, are to survive the termination of this Agreement or any other Loan Document) and at such time as Lender's obligation to make Credit Extensions has terminated, Lender shall, at Loan Parties' sole cost and expense, release its Liens in the Collateral and all rights therein shall revert to the applicable Loan Party. Upon any sale, lease, transfer or other disposition of any item of Collateral of any Loan Party permitted by, and in accordance with, the terms of the Loan Documents, or upon the effectiveness of any consent to the release of the security interest granted hereby in any Collateral pursuant to this Agreement, or upon the release of any Loan Party from its obligations under this Agreement or the applicable Guaranty, if any, in accordance with the terms of the Loan Documents, Lender will, at such Loan Party's sole cost and expense, execute and deliver to such Loan Party such documents as such Loan Party shall reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted hereby; provided, however, that (i) at the time of such request and such release no Event of Default shall have occurred and be continuing and (ii) such Loan Party shall have delivered to Lender, at least ten (10) Business Days' prior to the

date of the proposed release, a written request for release describing the item of Collateral, together with a form of release for execution by Lender, and such other information as Lender may reasonably request.

4.2 Priority of Security Interest. Each Loan Party represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that are permitted pursuant to the terms of this Agreement to have superior priority to Lender's Lien under this Agreement). If a Loan Party shall acquire a commercial tort claim with an expected recovery, individually or in the aggregate, in excess of $500,000 (or its equivalent in other currencies), Loan Parties shall promptly notify Lender in writing and deliver such other documents as Lender may require to grant Lender a perfected security interest in such commercial tort claim. If a Loan Party shall acquire a certificate with respect to Shares, or any instrument with a value, individually or in the aggregate, in excess of $500,000 (or its equivalent in other currencies), such Loan Party shall promptly notify Lender and deliver the same together with a stock power or instrument of transfer and any necessary endorsement, all in form satisfactory to Lender.

4.3 Authorization to File Financing Statements. Each Loan Party hereby authorizes Lender to file at any time financing statements, continuation statements and amendments thereto with all appropriate jurisdictions to perfect or protect Lender's interest or rights hereunder, and each Loan Party will execute and deliver to Lender such other instruments or notices, as may be necessary or as Lender may reasonably request, in order to perfect and preserve the security interest granted or purported to be granted under this Agreement. Each Loan Party further authorizes Lender at any time and from time to time to file, transmit, or communicate, as applicable, financing statements and amendments (a) describing the Collateral as "all personal property of debtor" or "all assets of debtor" or words of similar effect, (b) describing the Collateral as being of equal or lesser scope or with greater detail, or (c) that contain any information required by part 5 of Article 9 of the Code for the sufficiency or filing office acceptance. Each Loan Party acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement filed in connection with this Agreement without the prior written consent of Lender, subject to such Loan Party's rights under Section 9-509(d)(2) of the Code.

4.4 Pledge of Collateral. Each Loan Party hereby pledges, assigns and grants to Lender a security interest in all Shares in which such Loan Party has any interest, together with all proceeds and substitutions thereof, all cash, stock and other moneys and property paid thereon, all rights to subscribe for securities declared or granted in connection therewith, and all other cash and noncash proceeds of the foregoing, as security for the performance of the Obligations. On the Closing Date, or, to the extent not certificated as of the Closing Date, within 10 Business Days of the certification of any Shares, or as required pursuant to Section 6.11, the certificate or certificates for such Shares, to the extent certificated, will be delivered to Lender, accompanied by a stock power or other appropriate instrument of assignment duly executed in blank. To the extent required by the terms and conditions governing the Equity Interests in which a Loan Party has an interest, such Loan Party shall cause the books of each Person whose Equity Interests are part of the Collateral and any transfer agent to reflect the pledge of the Shares. Upon the occurrence and during the continuance of an Event of Default hereunder, Lender may effect the transfer of any securities included in the Collateral (including the Shares) into the name of Lender and cause new certificates representing such securities to be issued in the name of Lender or its transferee. Each Loan Party will execute and deliver such documents, and take or cause to be taken such actions, as Lender may reasonably request to perfect or continue the perfection of Lender's security interest in the Shares. Unless an Event of Default shall have occurred and be continuing, each Loan Party shall be entitled to exercise any voting rights with respect to the Shares in which it has an interest and to give consents, waivers and ratifications in respect thereof and, in any event, no vote shall be cast or consent, waiver or ratification given or action taken which would be inconsistent with any of the terms of this Agreement or which would constitute or create any violation of any of such terms. All such rights to vote and give consents, waivers and ratifications shall terminate upon the occurrence and during the continuance of an Event of Default.

5. REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants as follows:

5.1 Due Organization, Authorization; Power and Authority.

(a) Each Loan Party and each of its Subsidiaries are duly existing and in good standing in their respective jurisdictions of formation and are qualified and licensed to do business and are in good standing in any other jurisdiction in which the conduct of their respective business or ownership of property require that they be

qualified except where the failure to do so could not reasonably be expected to have a Material Adverse Effect. Borrower Representative is a Registered Organization. In connection with this Agreement, Borrower Representative has delivered to Lender a completed certificate signed by Borrower Representative entitled "Perfection Certificate". Except to the extent Borrower Representative has provided notice of a legal name change to Lender in accordance with Section 7.2, (i) each Loan Party's and each Subsidiary's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (ii) each Loan Party and each Subsidiary is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate; (iii) the Perfection Certificate accurately sets forth each Loan Party's and each Subsidiary's organizational identification number or accurately states that such Loan Party has none; (iv) the Perfection Certificate accurately sets forth each Loan Party's and each Subsidiary's place of business, or, if more than one, its chief executive office as well as such Loan Party's and each Subsidiary's mailing address (if different than its chief executive office); (v) except as set forth in the Perfection Certificate, each Loan Party and each Subsidiary (and each of its predecessors) has not, in the past five years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (vi) all other information set forth on the Perfection Certificate pertaining to each Loan Party and each of its Subsidiaries is accurate and complete in all material respects (it being understood and agreed that such Loan Party may from time to time update certain information in the Perfection Certificate (including the information set forth in clause (iv) above) after the Closing Date to the extent permitted by one or more specific provisions in this Agreement; such updated Perfection Certificate subject to the review and approval of Lender). If any Loan Party or any of its Subsidiaries is not now a Registered Organization but later becomes one, such Loan Party shall notify Lender of such occurrence and provide Lender with such Person's organizational identification number within 5 Business Days of receiving such organizational identification number.

(b) The execution, delivery and performance by each Loan Party of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with such Loan Party's Operating Documents or other organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict or violate, in any material respect, any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which such Loan Party or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect), or (v) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration of, any material agreement by which such Loan Party is bound. No Loan Party is in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a Material Adverse Effect. No Subsidiary which is not a Loan Party owns any material Intellectual Property.

5.2 Collateral.

(a) Each Loan Party has good title to, rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens.

(b) Except for the Collateral Accounts described in the Perfection Certificate or in a notice timely delivered pursuant to Section 6.6, no Loan Party has any Collateral Accounts at or with any bank, broker or other financial institution, and each Loan Party has taken such actions as are necessary to give Lender a perfected security interest therein as required pursuant to the terms of Section 6.6(b). The Accounts are bona fide, existing obligations of the Account Debtors.

(c) On the Closing Date, and except as disclosed on the Perfection Certificate, (i) the Collateral is not in the possession of any third party bailee (such as a warehouse), and (ii) no such third party bailee possesses any Collateral with an aggregate value in excess of $250,000. None of the Collateral shall be maintained at locations other than as disclosed in the Perfection Certificates on the Closing Date or as permitted pursuant to Section 6.12.

(d) Each Loan Party is the sole owner of the Intellectual Property which it owns or purports to own except for (i) licenses constituting Permitted Transfers, (ii) open-source software, (iii) over-the-counter software that is commercially available to the public, (iv) material Intellectual Property licensed to such Loan Party and noted on the Perfection Certificate or as disclosed pursuant to Section 6.7(b), and (v) immaterial Intellectual Property licensed to such Loan Party. To the best of each Loan Party's knowledge, each Patent (other than patent applications) which it owns or purports to own and which is material to such Loan Party's business is valid and enforceable, and no

part of the Intellectual Property which a Loan Party owns or purports to own and which is material to Loan Parties' business has been judged invalid or unenforceable, in whole or in part. To the best of each Loan Party's knowledge, no claim has been made that any part of the Intellectual Property violates the rights of any third party except to the extent such claim could not reasonably be expected to have a Material Adverse Effect. Except as noted on the Perfection Certificate or as disclosed pursuant to Section 6.7(b), no Loan Party is a party to, nor is it bound by, any Restricted License.

(e) As of the Closing Date, no Collateral consisting of promissory notes is evidenced by an original instrument, and except for the Shares of Subsidiaries, no Investments consisting of equity interests of a third person are evidenced by certificates. All Collateral consisting of certificated securities or instruments has been delivered to Lender to be held as possessory collateral with such powers or allonges as Lender may require.

5.3 Litigation and Proceedings. Except as set forth in the Perfection Certificate or as disclosed in writing pursuant to Section 6.2, there are no actions, suits, litigations or proceedings, at law or in equity, pending, or, to the knowledge of any Responsible Officer, threatened in writing, by or against any Loan Party, any of its Subsidiaries or any officers or directors of the foregoing involving more than, individually or in the aggregate for all related proceedings, $250,000. None of such actions, suits, litigations or proceedings, individually or collectively, could reasonably be expected to have a Material Adverse Effect.

5.4 Financial Statements; Financial Condition. All financial statements for Loan Parties and each of their Subsidiaries delivered to Lender fairly present in all material respects the consolidated financial condition and results of operations of Loan Parties and each of their Subsidiaries as of the respective dates and for the respective periods then ended, and there are no material liabilities (including any contingent liabilities) which are not reflected in such financial statements. There has not been any material deterioration in the consolidated financial condition of any Loan Party or any of its Subsidiaries or the Collateral since the date of the most recent financial statements submitted to Lender.

5.5 Solvency. The fair salable value of the assets (including goodwill minus disposition costs) of Loan Parties and each of their Subsidiaries, on a consolidated basis, exceeds the fair value of liabilities of Loan Parties' and each of their Subsidiaries, on a consolidated basis; no Loan Party is left with unreasonably small capital after the transactions in this Agreement; and each Loan Party is able to pay its debts (including trade debts) as they mature.

5.6 Consents; Approvals. Each Loan Party has obtained all third party or governmental consents, licenses, approvals, waivers, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to enter into the Loan Documents and consummate the transactions contemplated thereby. Each Loan Party and each of its Subsidiaries has obtained all third party or governmental consents, licenses, approvals, waivers, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted, except where failure to do so could not reasonably be expected to result in a Material Adverse Effect.

5.7 Subsidiaries; Investments. No Loan Party has any Subsidiaries, except as noted on the Perfection Certificate or as disclosed to Lender pursuant to Section 6.11. No Loan Party owns any stock, partnership, or other ownership interest or other Equity Interests except for Permitted Investments.

5.8 Tax Returns and Payments; Pension Contributions. Each Loan Party and each of its Material Subsidiaries has timely filed all required tax returns and reports (or appropriate extensions therefor), and such Loan Party and each of its Material Subsidiaries has timely paid all foreign, federal, state and local Taxes, assessments, deposits and contributions owed by such Loan Party or such Material Subsidiary, as applicable, except to the extent such Taxes are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor. No Loan Party is aware of any written claims or adjustments proposed for any prior tax years of any Loan Party or any of its Material Subsidiaries which could result in a material amount of additional Taxes becoming due and payable by a Loan Party or any of its Material Subsidiaries. Each Loan Party and each of its Material Subsidiaries have paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and neither such Loan Party nor any of its Material Subsidiaries have, withdrawn from participation in, and have not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any

liability of such Loan Party or its Material Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

5.9 Shares. Such Loan Party has full power and authority to create a first lien on the Shares and no disability or contractual obligation exists that would prohibit such Loan Party from pledging the Shares pursuant to this Agreement. To such Loan Party's knowledge, there are no subscriptions, warrants, rights of first refusal or other restrictions on transfer relative to, or options exercisable with respect to the Shares. The Shares have been and will be duly authorized and validly issued, and are fully paid and non-assessable (to the extent such concepts exist under applicable law). To such Loan Party's knowledge, the Shares are not the subject of any present or threatened suit, action, arbitration, administrative or other proceeding, and such Loan Party knows of no reasonable grounds for the institution of any such proceedings.

5.10 Compliance with Laws.

(a) No Loan Party or Subsidiary of a Loan Party is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company", as such terms are defined in the Investment Company Act of 1940 as amended.

(b) No Loan Party or Subsidiary of a Loan Party is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin security" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). None of the proceeds of the Credit Extensions or other extensions of credit under this Agreement have been (or will be) used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry any Margin Stock or for any other purpose which might cause any of the Credit Extensions or other extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulation T, U or X of the Federal Reserve Board.

(c) No Loan Party has taken or permitted to be taken any action which might cause any Loan Document to violate any regulation of the Federal Reserve Board. Neither the making of the Credit Extensions by the Lender hereunder nor Loan Parties' use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto. No Loan Party, nor any of its Subsidiaries, nor, to the knowledge of any Loan Party, any Affiliate of any Loan Party or of any Subsidiary, nor any present holder of Equity Interests of any of the foregoing (i) is, or will become, a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control of the United States Department of Treasury ("OFAC") or in Section 1 of the Anti-Terrorism Order, (ii) is, or will become, a citizen or resident of any country that is subject to embargo or trade sanctions enforced by OFAC, (iii) is, or will become, a Person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of the Anti-Terrorism Order or similar sanctions laws of any other Governmental Authority, or (iv) engages or will engage in any dealings or transactions, or is or will be otherwise associated, with any such Person.

(d) Each Loan Party and its Subsidiaries are in compliance, in all material respects, with the USA Patriot Act. No part of the proceeds from the Credit Extensions made hereunder has been (or will be) used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to Loan Parties and their Subsidiaries.

(e) No Reportable Event or Prohibited Transaction, as defined in ERISA has occurred or is reasonably expected to occur, and no Loan Party has failed to meet the minimum funding requirements of ERISA. No Loan Party has violated any applicable environmental laws in any material respect, maintains any properties or assets which have been designated in any manner pursuant to any environmental protection statute as a hazardous materials disposal site, or has received any notice, summons, citation or directive from the Environmental Protection Agency or any other similar Governmental Authority.

5.11 Broker. No Person has any agreement or option to provide financial advisory services to any Loan Party or any of its Subsidiaries or to receive any finder's fee or similar fee with respect to this Agreement.

5.12 Accounts Receivable.

(a) Each Account and each document, instrument, and agreement relating thereto or executed in connection therewith: (i) is genuine and enforceable in all material respects in accordance with its terms except for such limits thereon arising from bankruptcy and similar laws relating to creditors' rights; (ii) is not subject to any deduction or discount (other than as stated in the invoice and disclosed to Lender in writing), defense, set-off, claim, or counterclaim, in each case, of a material nature against such Loan Party except as to which such Loan Party promptly notified Lender in writing; (iii) is not subject to any other circumstances that would impair, in any material respect, the validity, enforceability or amount of such Collateral except as to which such Loan Party promptly notified Lender in writing; (iv) arises from a bona fide sale of goods or delivery of services in the ordinary course and in accordance with the terms and conditions of any applicable purchase order, contract or agreement; (v) is free of all Liens other than Permitted Liens; and (vi) is for a liquidated amount due as stated in the invoice therefor.

(b) All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing each Account are and shall be true and correct and all such invoices, instruments and other documents, and all of Loan Parties' Books, are genuine and in all material respects what they purport to be. At all times while an Event of Default has occurred and is continuing, and otherwise no more than once per year (including pursuant to a field examination), Lender may notify any Account Debtor owing any Borrower money of Lender's security interest in such funds and verify the amount of such Account. All sales and other transactions underlying or giving rise to each Account shall comply in all material respects with all applicable laws and governmental rules and regulations. Borrowers have no knowledge of any actual or imminent Insolvency Proceeding of any Account Debtor whose outstanding obligations to Borrower are, in the aggregate, material.

5.13 Full Disclosure. No written representation, warranty or other statement of a Loan Party or any of its Subsidiaries in any certificate or written statement given to Lender by or on behalf of a Loan Party or any of its Subsidiaries, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Lender, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading in light of the circumstances under which they were made (after giving effect to all supplements and updates thereto) (it being recognized by Lender that the projections and forecasts provided by any Loan Party in good faith and based upon assumptions believed by such Loan Party to be reasonable are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

6. AFFIRMATIVE COVENANTS

Each Loan Party shall, and shall cause each of its Subsidiaries to, do all of the following:

6.1 Government Compliance. Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Effect; comply, and cause each Subsidiary to comply, with all laws, ordinances and regulations to which it is subject except where a failure to do so could not reasonably be expected to have a Material Adverse Effect; obtain all of the Governmental Approvals required in connection with such Loan Party's business and for the performance by each Loan Party of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Lender in the Collateral, and comply with all terms and conditions with respect to such Governmental Approvals. Borrower Representative shall promptly provide copies to Lender of any material Governmental Approvals obtained by any Loan Party or any of its Subsidiaries.

6.2 Financial Statements, Reports, Certificates. Provide Lender with the following:

(a) Quarterly Financial Statements. Within 45 days after the last day of the first three fiscal quarters of each fiscal year of Borrower Representative, and within 60 days after the last day of the last fiscal quarter of each fiscal year of Borrower Representative, a company prepared consolidated balance sheet and income statement covering Borrower and its Subsidiaries' consolidated operations for such fiscal quarter (which in the case of the balance sheet and income statement for the last fiscal quarter of Borrower Representative's fiscal year, shall be

unaudited and subject to revision so that such balance sheet and income statement reflect the financial statements delivered pursuant to Section 6.2(d) for that fiscal year), prepared in accordance with GAAP, consistently applied, except for the absence of footnotes, and subject to normal year-end adjustments..

(b) [Reserved]

(c) Annual Operating Budget and Financial Projections. Within 60 days after the end of each fiscal year of Borrower Representative (and promptly and within five days of any material modification thereto), (i) annual operating budgets, on a consolidated basis (including income statements, balance sheets and cash flow statements, by month) for the upcoming fiscal year of Borrower Representative, and (ii) annual financial projections for such fiscal year (on a monthly consolidated basis), in each case, as approved by Borrower Representative's Board (such annual financial projections as originally delivered to Lender are referred to herein as the "Annual Projections"; provided that, any revisions to the Annual Projections approved by Borrower Representative's Board shall be delivered to Lender no later than seven days after such approval), together with any related business forecasts used in the preparation of such annual financial projections and a comparison to the last year's results for the same period, in each case, in form and substance acceptable to Lender.

(d) Annual Audited Financial Statements. As soon as available, but no later than 90 days after the last day of Borrower Representative's fiscal year (or, if applicable, a later date, not to exceed 180 days after the last day of Borrower Representative's fiscal year, to which the SEC has extended the applicable deadline for the Borrower to file disclosure reports containing such financial statements), audited consolidated financial statements prepared in accordance with GAAP, consistently applied. The annual consolidated financial statements shall be audited by an independent certified public accounting firm reasonably acceptable to Lender (it being understood that BDO USA, LLP and any other accounting firm of national standing are reasonably acceptable to Lender) and accompanied by an unqualified opinion on such financial statements from such independent certified public accounting firm (except for any qualification relating to the scheduled maturity of Permitted Indebtedness occurring within twelve (12) months of the date of the relevant audit).

(e) Compliance Certificate. Together with the financial statements delivered pursuant to Sections 6.2(a) and 6.2(d), a duly completed Compliance Certificate signed by a Responsible Officer, certifying that as of the end of such month, Loan Parties were in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Lender may reasonably request, including a description of recent events during the relevant period.

(f) [Reserved]

(g) SEC Filings. Copies of all periodic and other reports, proxy statements and other materials filed by Borrower Representative with the Securities and Exchange Commission within five days after such reports, proxy statements and/or other materials were filed.

(h) Legal Action Notice. A prompt report of any legal actions pending or threatened in writing against any Loan Party or any of its Subsidiaries that could reasonably be expected to result in damages or costs to any Loan Party or any of its Subsidiaries of, individually or in the aggregate for all related proceedings, $250,000 (or its equivalent in other currencies) or more or which could reasonably be expected to have a Material Adverse Effect, or of any Loan Party or any of its Subsidiaries taking or threatening legal action against any third person with respect to a material claim, and with respect to any pending action or threatened action, a prompt report of any material development with respect thereto. If an estimate of such Loan Party's or such Subsidiary's liability may commercially reasonably be determined in such party's reasonable discretion at the time of each applicable notice or report, such notice or report shall include such an estimate, which estimate shall be determined reasonably and in good faith; provided, that each such estimate may be updated reasonably and in good faith by such Loan Party or Subsidiary from time to time.

(i) [Reserved]

(j) [Reserved]

(k) Intellectual Property Report. (i) Together with the Compliance Certificate delivered for the end of each calendar month constituting the end of a fiscal quarter, a report in form reasonably acceptable to Lender, listing (X) any material change in the composition of the Intellectual Property, (Y) any Patent, registered Trademark, registered Copyright, registered mask work, or any pending application for any of the foregoing, whether as owner, licensee or otherwise, obtained by any Loan Party, and (Z) applications for any Patent or the registration of any Trademark made by any Loan Party, and (ii) prompt notice of any event that could reasonably be expected to materially and adversely affect the value of the Intellectual Property.

(l) Other Reports and Information. Together with the financial statements delivered pursuant to Sections 6.2(a) and (d), in form acceptable to Lender, any information related to the financial or business condition of any Loan Party as and when reasonably requested by Lender.

(m) Bank Account Statement. Together with the financial statements delivered pursuant to Sections 6.2(a) and (d), evidence satisfactory to Lender of the balance maintained in each Deposit Account or Securities Account of a Loan Party or any of its Subsidiaries not held at Lender.

(n) [Reserved]

(o) Operating Documents. Prompt notice of any material amendments of or other material changes to the Operating Documents of any Loan Party or any of its Subsidiaries, together with any copies reflecting such amendments or changes with respect thereto and prior to an initial public offering of Borrower Representative's common stock, any material amendments and material changes to the capitalization table of Borrower Representative upon Lender's request and in any event annually, together with Borrower Representative's delivery of its audited consolidated financial statements;

(p) Insurance. Notice of any reduction in insurance coverage at least 30 days prior to the proposed effective date of such reduction.

(q) Defaults. Without limiting or contradicting any other more specific provision of this Agreement, promptly (and in any event within three Business Days) upon any Loan Party becoming aware of the existence of any Default or Event of Default, such Loan Party shall give written notice to Lender of such occurrence, which such notice shall include a reasonably detailed description of such Default or Event of Default.

(r) Delivery of Documents. Documents required to be delivered pursuant to Sections 6.2(a), (b) and (d) may be delivered electronically and if so delivered, shall be deemed to have been delivered to, and received by, the Lender on the date on which Pulmonx (i) posts such documents, or provides a link thereto, on its website https://pulmonx.com/, or (ii) has filed such reports with the SEC via the EDGAR filing system; provided that at the request of the Lender, Pulmonx shall provide by electronic mail electronic versions (i.e., soft copies) of such documents.

6.3 Inventory; Returns. Keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between a Loan Party or any Subsidiary, on the one hand, and its Account Debtors, on the other hand, shall follow such Loan Party's customary practices as they exist at the Closing Date. Borrower Representative shall promptly notify Lender of all returns, recoveries, disputes and claims that involve more than $250,000 (or its equivalent in other currencies) individually or in the aggregate in any calendar year.

6.4 Taxes; Pensions. (a) Timely file, and cause each of its Material Subsidiaries to timely file, all required tax returns and reports, (b) timely pay, and require each of its Material Subsidiaries to timely pay, all foreign, federal, state and local Taxes, assessments, deposits and contributions owed by such Loan Party and each of its Material Subsidiaries, except, in each case, for deferred payment of any Taxes contested pursuant to the terms of Section 5.8, and (c) deliver to Lender, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.5 Insurance.

(a) Keep, and cause each Subsidiary to keep, its business and the Collateral insured for risks and in amounts standard for companies in Loan Parties' industry and location and as Lender may reasonably request. Insurance policies shall be in a form, with financially sound and reputable insurance companies that are not Affiliates of any Loan Party, and in amounts that are reasonably satisfactory to Lender.

(b) Ensure that proceeds payable under any property policy with respect to Collateral or key man insurance are, at Lender's option, payable to Lender on account of the Obligations. To that end, all property policies shall have a lender's loss payable endorsement showing Lender as lender loss payee, all liability policies shall show, or have endorsements showing, Lender as an additional insured, in each case, in form satisfactory to Lender and as set forth on Exhibit E.

(c) Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Loan Parties shall have the option of applying the proceeds of any casualty policy up to $100,000 (or its equivalent in other currencies) with respect to any loss, but not exceeding $250,000 (or its equivalent in other currencies) in the aggregate for all losses, under all casualty or property policies in any fiscal year, toward the prompt replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Lender has been granted a first priority security interest and (b) after the occurrence and during the continuance of an Event of Default, all such proceeds shall, at the option of Lender, be payable to Lender on account of the Obligations.

(d) At Lender's request, Borrower Representative shall deliver certified copies of insurance policies and evidence of all premium payments. Each provider of any such insurance required under this Section 6.5 shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to Lender, that it will give Lender 30 days prior written notice before any such policy or policies shall be canceled (or 10 days' notice for cancellation for non-payment of premiums).

(e) If any Loan Party fails to obtain insurance as required under this Section 6.5 or to pay any amount or furnish any required proof of payment to third persons and Lender, Lender may make all or part of such payment or obtain such insurance policies required in this Section 6.5, and take any action under the policies Lender deems prudent. Lender shall endeavor to give written notice to Borrower prior to taking such action, but any failure to so endeavor or to give such notice shall not be a breach of this Agreement.

6.6 Accounts.

(a) [reserved]

(b) Without prejudice to Section 6.6(c), if any Loan Party establishes any Collateral Account at or with any Person other than Lender, it shall (i) within sixty (60) days of the date such Collateral Account is established, cause such Person to execute and deliver an Account Control Agreement with respect to such Collateral Account to perfect Lender's Lien in such Collateral Account in accordance with the terms hereunder, and (ii) not terminate such Account Control Agreement without the prior written consent of Lender, provided that this Section 6.6(b) shall not apply to any account which is (A) on and after the date the Swiss Security Conditions have been satisfied, a Collateral Account maintained by Pulmonx Switzerland in jurisdictions in which Account Control Agreements are not required to perfect or enhance the priority of Lender's Lien in such Collateral Accounts, (B) a Deposit Account maintained by Loan Parties which is exclusively used for payroll, payroll taxes, and other employee wage and benefit payments to or for the benefit of Loan Parties' employees and identified to Lender by Loan Parties as such, or (C) provided Pulmonx maintains cash in an amount which, at any time, is not less than 110% of the aggregate amount of the Obligations outstanding at such time in Collateral Accounts in the United States with Lender which or otherwise comply with Section 6.6(b)(i) and (ii), any other Deposit Account maintained by Pulmonx and its Subsidiaries.

(c) Without prejudice to Section 6.6(b), on and at all times after the Effective Date the Borrowers shall maintain in Collateral Accounts with Lender or Lender's Affiliates (including accounts with Lender's corporate and institutional services group which, for the avoidance of doubt, may invest in non-Lender affiliated Cash Equivalents) cash and Cash Equivalents in an amount not less than the lower of (i) $70,000,000, and (ii) 100% of the

aggregate amount of cash of Pulmonx and its Subsidiaries on a consolidated basis at such time, provided that this Section 6.6(c) shall not apply to Pulmonx Switzerland on and after the date on which the Swiss Security Conditions are satisfied and Pulmonx Switzerland is a Borrower.

6.7 Intellectual Property.

(a) Use commercially reasonable efforts to protect, defend and maintain the validity and enforceability of its Intellectual Property material to its business; promptly advise Lender in writing of material infringements by a third party of its Intellectual Property material to its business; and not allow any Intellectual Property material to Loan Parties' business to be abandoned, forfeited or dedicated to the public without Lender's written consent.

(b) If any Loan Party (i) obtains any Patent, registered Trademark, registered Copyright, registered mask work, or any pending application for any of the foregoing, whether as owner or licensee, or (ii) applies for any Patent or the registration of any Trademark, then Borrower Representative shall promptly provide written notice thereof to Lender and shall execute such intellectual property security agreements and other documents and take such other actions as Lender may request to perfect and maintain a first priority perfected security interest in favor of Lender in such property; provided that with respect to Patents and Trademarks, Loan Parties shall only be required to provide such information with the quarterly reports provided under Section 6.2(k). If a Loan Party decides to register any Copyrights or mask works in the United States Copyright Office, Borrower Representative shall: (x) provide Lender with at least 15 days prior written notice of such Loan Party's intent to register such Copyrights or mask works together with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (y) execute an intellectual property security agreement and such other documents and take such other actions as Lender may request to perfect and maintain a first priority perfected security interest in favor of Lender in the Copyrights or mask works intended to be registered with the United States Copyright Office; and (z) record such intellectual property security agreement with the United States Copyright Office contemporaneously with filing the Copyright or mask work application(s) with the United States Copyright Office. Borrower Representative shall promptly provide to Lender copies of all applications that it files for Patents or for the registration of Trademarks, Copyrights or mask works, together with evidence of the recording of the intellectual property security agreement required for Lender to perfect and maintain a first priority perfected security interest in such property.

(c) Provide written notice to Lender at least 10 days prior to entering into or becoming bound by any Restricted License (other than off the shelf software and services that are commercially available to the public).

6.8 Litigation Cooperation. From the Closing Date and continuing through the termination of this Agreement, make available to Lender (which, prior to the occurrence of an Event of Default, shall be at reasonable times and upon reasonable notice from Lender), without expense to Lender, each Loan Party and its officers, employees and agents and each Loan Party's books and records, to the extent that Lender may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Lender with respect to any Collateral or relating to such Loan Party.

6.9 Access to Collateral; Books and Records; Quarterly Management Meetings.

(a) Allow Lender, or its agents, during regular business hours (unless an Event of Default has occurred) to inspect the Collateral and audit (including pursuant to a field examination or an appraisal) and copy such Loan Party's Books, including accounts receivable (which, prior to the occurrence of an Event of Default, shall be upon reasonable notice from Lender). Such inspections or audits shall be conducted no more often than once every 12 months unless an Event of Default has occurred and is continuing in which case such inspections and audits shall occur as often as Lender shall determine is necessary. The foregoing inspections and audits shall be at Loan Parties' expense.

(b) Hold, by phone or, at the option of Lender, at its principal place of business, meetings of the management of Borrower Representative with Lender at least every calendar quarter, each such meeting to be on a date and at a time mutually convenient to Borrower Representative and Lender.

6.10 Financial Covenants.

(a) At all times when the aggregate amount of cash and Cash Equivalents held by Pulmonx and its Subsidiaries is less than $100,000,000 (or its equivalent in other currencies), have Revenue for each trailing three-month period ending on the last day of each fiscal quarter of Pulmonx of not less than 80.00% of Revenue for such trailing three-month period, as set forth in the Annual Projections delivered in accordance with Section 6.2(c), which to avoid doubt, for each fiscal quarter ending in 2021 shall be the amount set out opposite such fiscal quarter in the table below:

Fiscal quarter ending	Revenue ($)
March 31, 2021	7,033,000
June 30, 2021	10,021,000
September 30, 2021	11,983,000
December 31, 2021	13,686,000

(b) On and at all times after the First Amendment Date, maintain Unrestricted Cash in an aggregate amount equal to or greater than the Adjusted EBITDA loss for the four month period ending on any date of determination.

6.11 Subsidiary Matters. If any Loan Party forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Closing Date, or at any time upon Lender's request with respect to any Material Subsidiary: (a) promptly, and in any event within five days of such formation or acquisition, provide written notice to Lender together with certified copies of the Operating Documents for such Subsidiary, and (b) promptly, and in any event within 10 days of such formation or creation: take all such action as may be reasonably required by Lender to cause such new Subsidiary to (i) either, at the option of Lender in its discretion, (A) provide to Lender a joinder to this Agreement pursuant to which such Subsidiary becomes a Borrower or a Guarantor hereunder, or (B) guarantee the Obligations under the Loan Documents pursuant to a separate Guaranty and (ii) grant a security interest in and to the assets of such Subsidiary (substantially as described on Exhibit B), in each case together with such Account Control Agreements and other documents, instruments and agreements reasonably requested by Lender, all in form and substance satisfactory to Lender (including being sufficient to grant Lender a first priority Lien, subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary and to pledge all of the direct or beneficial Equity Interests in such new Subsidiary. Any document, agreement, or instrument executed or issued pursuant to this Section 6.11 shall be a Loan Document. Notwithstanding the foregoing, compliance with this Section 6.11 shall not be deemed a cure or waiver of any breach of Section 7.3.

6.12 Property Locations.

(a) Provide to Lender at least 30 days' prior written notice before adding any new offices or business or Collateral locations, including warehouses (unless such new offices or business or Collateral locations (i) qualify as Excluded Locations under clause (a) of the definition thereof or (ii) contain less than $500,000 (or its equivalent in other currencies) in assets or property of any Loan Party).

(b) With respect to any property or assets of a Loan Party located with a third party, including a bailee, datacenter or warehouse (other than Excluded Locations), Loan Parties shall cause such third party to execute and deliver a Collateral Access Agreement for such location, including an acknowledgment from each of the third parties that it is holding or will hold such property for Lender's benefit. Loan Parties shall deliver to Lender each warehouse receipt, where negotiable, covering any such property.

(c) With respect to any property or assets of a Loan Party located on leased premises (other than Excluded Locations), Loan Parties shall cause such third party to execute and deliver a Collateral Access Agreement for such location.

6.13 Further Assurances.

(a) Execute any further instruments and take further action as Lender reasonably requests to perfect or continue Lender's Lien in the Collateral or to effect the purposes of this Agreement and the other Loan Documents.

(b) Deliver to Lender, within five days after the same are sent or received, copies of all material correspondence, reports, documents and other filings with any Governmental Authority that could reasonably be expected to have a material adverse effect on any of the Governmental Approvals material to any Loan Party's business or otherwise could reasonably be expected to have a Material Adverse Effect.

6.14 Use of Proceeds. Use the proceeds of (a) a portion of the Term A Loan to repay the Indebtedness and other obligations owed by Borrowers to Oxford Finance, LLC and to fund payment of the fees, costs and expenses associated with the closing of the transactions contemplated hereunder and (b) the remaining portion of the Term A Loan and the other Term Loans advanced after the Closing Date for general working capital purposes to the extent consistent with the terms of the Loan Documents and applicable law, and, in each case, not for personal, family, household or agricultural purposes.

6.15 Post-Closing Covenant. On or before June 30, 2021, deliver to Lender the following documents and other evidence, each in form and substance satisfactory to Lender:

(a) evidence of the dissolution of Pulmonx International Development, a Cayman Islands company, and Pulmonx Global B.V., a limited company (besloten vennootschap) organized under the laws of the Netherlands; and

(b) the Swiss Share Pledge Documents, duly executed by all parties thereto.

7. NEGATIVE COVENANTS

No Loan Party shall, or shall cause or permit any of its Subsidiaries to, do any of the following:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, "Transfer") all or any part of its business or property, except for Permitted Transfers.

7.2 Changes in Business, Management, Ownership, or Organization. (a) Engage in any business other than the businesses currently engaged in by such Person, as applicable, or reasonably related thereto; (b) cease doing business, or liquidate or dissolve (except as provided in Section 6.15(d) and that a Subsidiary may liquidate or dissolve so long as such Subsidiary does not have any liabilities at the time of such liquidation or dissolution and, simultaneously with such liquidation or dissolution, all of its assets are transferred to a Borrower or another Loan Party that is a Domestic Subsidiary or, if such Subsidiary is a Foreign Subsidiary, another Loan Party that is a Foreign Subsidiary); (c) fail to provide notice to Lender of any Key Person departing from or ceasing to be employed by Borrower Representative within five days after departure from Borrower Representative; (d) permit or suffer a Change in Control; or (e) without at least 30 days prior written notice to Lender (i) change its jurisdiction of organization, (ii) change its organizational structure or type, (iii) change its legal name, or (iv) change its organizational number (if any) assigned by its jurisdiction of organization.

7.3 Mergers or Acquisitions. Merge or consolidate with any other Person, or acquire, or permit any of its Subsidiaries to acquire all or substantially all of the capital stock or property of another Person (including by the creation or formation of any Subsidiary, except to the extent in compliance with Section 6.11) or enter into any agreement to do any of the same, unless such transaction is a Permitted Investment, provided that, so long as no Event of Default is occurring prior thereto or arises as a result therefrom, a Subsidiary may merge or consolidate into another Subsidiary that is a Loan Party or into a Borrower.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, other than Permitted Indebtedness.

7.5 Encumbrance. (a) Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens; or (b) permit any Collateral not to be subject to the first priority security interest granted

herein, except for Permitted Liens that are permitted by the terms of this Agreement to have priority over the security interest granted to Lender hereunder.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.6.

7.7 Distributions; Investments. (a) Pay any dividends (other than dividends payable solely in capital stock) or make any distribution or payment in respect of or redeem, retire or purchase any capital stock (other than (i) repurchases (A) pursuant to the terms of employee stock purchase plans, employee restricted stock agreements, stockholder rights plans, director or consultant stock option plans, or similar plans, provided such repurchases do not exceed $100,000 in the aggregate per fiscal year (which amount may be increased to an amount not to exceed $500,000 in any fiscal year by the amount of cash proceeds from the sale of capital stock of Borrower Representative to employees, directors, officers, managers or consultants of Borrower Representative or any of its Subsidiaries that occurs after the Closing Date)) or (B) after an initial public offering of Borrower Representative's common stock the conversion of any other convertible securities into other securities pursuant to the terms of such convertible securities as long as the conversion does not involve any payment of cash, and (ii) the distribution of equity securities to former or current employees, officers, consultants or directors pursuant to the exercise of employee stock options approved by the Board) or (b) directly or indirectly make any Investment other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of a Loan Party, except for (a) transactions that are in the Ordinary Course of Business and on fair and reasonable terms that are no less favorable to such Person than would be obtained in an arm's length transaction with a non-affiliated Person, (b) bona-fide rounds of Subordinated Debt or equity financing by investors in Borrower Representative for capital raising purposes, (c) reasonable and customary director, officer and employee compensation and other customary benefits including retirement, health, stock option and other benefit plans and indemnification arrangements approved by Borrower Representative's Board, and (d) transactions among Borrower Representative and its Subsidiaries specifically permitted under the Agreement.

7.9 [Reserved]

7.10 Compliance. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a Material Adverse Effect, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of a Loan Party or any of its Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

7.11 Compliance with Anti-Terrorism Laws. Lender hereby notifies each Loan Party and each of its Subsidiaries that pursuant to the requirements of Anti-Terrorism Laws, and Lender's policies and practices, Lender is required to obtain, verify and record certain information and documentation that identifies each Loan Party and each of its Subsidiaries and their principals, which information includes the name and address of each Loan Party and each of its Subsidiaries and their principals and such other information that will allow Lender to identify such party in accordance with Anti-Terrorism Laws. Neither any Loan Party nor any of their Subsidiaries shall, nor shall any Loan Party or any of their Subsidiaries permit any Affiliate to, directly or indirectly, knowingly enter into any documents, instruments, agreements or contracts with any Person listed on the OFAC Lists. Each Loan Party and each of its Subsidiaries shall immediately notify Lender if such Loan Party or such Subsidiary has knowledge that any Loan Party, or any Subsidiary or Affiliate of such Loan Party, is listed on the OFAC Lists or (a) is convicted on, (b) pleads nolo contendere to, (c) is indicted on, or (d) is arraigned and held over on charges involving money laundering or predicate crimes to money laundering. Neither any Loan Party nor any of their Subsidiaries shall, nor shall any Loan Party or any of their Subsidiaries, permit any Affiliate to, directly or indirectly, (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including, without limitation, the making or receiving of any

contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224 or any similar executive order or other Anti-Terrorism Law, or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or other Anti-Terrorism Law.

7.12 Subsidiaries Cash.

(a) Permit the aggregate amount of cash and Cash Equivalents at Foreign Subsidiaries (excluding, for purposes of this Section 7.12(a), Pulmonx Switzerland) of any Loan Party to exceed the lesser of (a) Five Million Dollars ($5,000,000.00) (or its equivalent in other currencies), and (b) fifteen percent (15%) of the aggregate amount of cash and Cash Equivalents maintained by the Loan Parties and their Subsidiaries.

(b) In no event shall any Loan Party (other than any Foreign Subsidiary) hold cash in any jurisdiction other than the United States or Canada

7.13 Litigation Settlement. With respect to any litigation, claim or other legal action for which any Loan Party has provided Lender with an aggregate claim amount or expected liability amount on the Perfection Certificate or pursuant to Section 6.2, such Loan Party shall not enter into a settlement agreement with respect to such litigation, claim or other legal action in which such Loan Party's payment liability exceeds (a) 30% above such aggregate claim amount or expected liability amount or (b) such greater amount as may be disclosed by a Loan Party to Lender and agreed upon in writing by Lender.

7.14 Subordinated Debt. (a) Make or permit any payment on any Subordinated Debt, except as permitted pursuant to the terms of the applicable Subordination Agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof, provide for earlier or greater principal, interest, or other payments thereon, or adversely affect the subordination thereof to the Obligations.

8. EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "Event of Default") under this Agreement:

8.1 Payment Default. Any Loan Party fails to (a) make any payment of principal or interest on any Credit Extension when due, or (b) pay any other Obligations within three Business Days after such Obligations are due and payable (which three Business Day cure period shall not apply to payments due on the Term Loan Maturity Date or the date of acceleration pursuant to Section 9.1(a)). During the cure period, the failure to make or pay any payment specified under clause (b) above is not an Event of Default (but no Credit Extension will be made during the cure period).

8.2 Covenant Default.

(a) A Loan Party fails or neglects to perform any obligation in Section 6.2, 6.4, 6.5, 6.6, 6.7, 6.9, 6.10, 6.11, 6.13, 6.14 or 6.15, or violates any covenant in Section 7; or

(b) A Loan Party fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within 10 days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the 10-day period or cannot after diligent attempts by Borrowers be cured within such 10-day period, and such default is likely to be cured within a reasonable time, then Borrowers shall have an additional reasonable period (which shall not, in any case, exceed 30 days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default but no Credit Extensions will be made.

8.3 Material Adverse Effect. The occurrence of a Material Adverse Effect.

8.4 Attachment; Levy; Restraint on Business.

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of a Loan Party or of any of its Subsidiaries, or (ii) a notice of Lien or levy is filed against the assets of any Loan Party or any of its Subsidiaries by any Governmental Authority, and the same under clauses (i) and (ii) above are not, within 10 days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any 10 day cure period; or

(b) (i) any material portion of the assets of a Loan Party or any of its Subsidiaries is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents a Loan Party or any of its Subsidiaries from conducting all or any material part of its business.

8.5 Insolvency. (a) A Loan Party or any of its Subsidiaries, as a whole, is unable to pay its debts (including trade debts) as they become due, the realizable value of Loan Parties' assets is less than the aggregate sum of its liabilities, or Loan Parties otherwise become insolvent; (b) a Loan Party or any of its Subsidiaries begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against a Loan Party or any of its Subsidiaries and is not dismissed or stayed within 45 days (but no Credit Extensions shall be made while any of the conditions described in clause (a) above exists and/or until any Insolvency Proceeding is dismissed).

8.6 Other Agreements. There is, under any agreement to which a Loan Party or any of its Subsidiaries is a party with a third party or parties, any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of $1,000,000 (or its equivalent in other currencies) or that could reasonably be expected to result in liability to a Loan Party or any of its Subsidiaries in an aggregate amount in excess of $1,000,000 (or its equivalent in other currencies).

8.7 Judgments; Penalties. One or more fines, penalties or final judgments, orders or decrees for the payment of money in an amount, individually or in the aggregate, of at least $1,000,000 (or its equivalent in other currencies) shall be rendered against a Loan Party or any of its Subsidiaries by any Governmental Authority (in each of the foregoing circumstances not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier in writing), and the same are not, within 10 days after the entry, assessment or issuance thereof, discharged, or after execution thereof, stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay (provided that no Credit Extensions will be made prior to the discharge, stay, or bonding of such fine, penalty, judgment, order or decree).

8.8 Misrepresentations. Any Loan Party or any Person acting for such Loan Party makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Lender or to induce Lender to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made.

8.9 Guaranty. (a) Except for any Guaranty permitted to be and in fact released or terminated by Lender pursuant to this Agreement or the other Loan Documents, any Guaranty terminates or ceases for any reason to be in full force and effect; (b) any Guarantor does not perform any obligation or covenant under any Guaranty; (c) any circumstance described in Sections 8.4, 8.5, 8.7 or 8.8 occurs with respect to any Guarantor; or (d) the liquidation, winding up, or termination of existence of any Guarantor.

8.10 Governmental Approval. Any Governmental Approval shall have been revoked, rescinded, suspended, modified in an adverse manner or not renewed for a full term, and such revocation, rescission, suspension, modification or non-renewal has, or could reasonably be expected to have, a Material Adverse Effect.

9. LENDER'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default, Lender may, without notice or demand, do any or all of the following:

(a) By notice to Borrower Representative, declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs, all Obligations are immediately due and payable without notice or any other action by Lender);

(b) By notice to Borrower Representative, stop advancing money or extending credit for any Borrower's benefit under this Agreement or under any other agreement between any Loan Party and Lender (but if an Event of Default described in Section 8.5 occurs, all obligations, if any, of Lender to advance money or extend credit for any Borrower's benefit under this Agreement or under any other agreement among Borrowers and Lender shall be immediately terminated without any action by Lender);

(c) verify the amount of, demand payment of and performance under, and collect any Accounts and General Intangibles, settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Lender considers advisable, and notify any Person owing a Loan Party money of Lender's security interest in such funds;

(d) make any payments and do any acts it considers necessary or desirable to protect the Collateral and/or its security interest in the Collateral. Loan Parties shall assemble the Collateral if Lender requests and make it available as Lender designates. Lender may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Each Loan Party grants Lender a license to enter and occupy any of its premises, without charge, to exercise any of Lender's rights or remedies;

(e) apply to the Obligations any amount held by Lender owing to or for the credit or the account of a Loan Party;

(f) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Lender is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, a Loan Party's labels, Patents, Copyrights, mask works, rights of use of any name, trade secrets, trade names, Trademarks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Lender's exercise of its rights under this Section 9.1, a Loan Party's rights under all licenses and all franchise agreements inure to Lender's benefit;

(g) deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Account Control Agreement or similar agreements providing control of any Collateral;

(h) demand and receive possession of any Loan Party's Books; and

(i) exercise all rights and remedies available to Lender under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney. Each Loan Party hereby irrevocably appoints Lender (and any of Lender's partners, managers, officers, agents or employees) as its lawful attorney-in-fact, with full power of substitution, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) send requests for verification of Accounts or notify Account Debtors of Lender's security interest and Liens in the Collateral; (b) endorse such Loan Party's name on any checks or other forms of payment or security; (c) sign such Loan Party's name on any invoice or bill of lading for any Account or drafts against Account Debtors schedules and assignments of Accounts, verifications of Accounts, and notices to Account Debtors; (d) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Lender determines reasonable; (e) make, settle, and adjust all claims under such Loan Party's insurance policies; (f) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; (g) transfer the Collateral into the name of Lender or a third party as the Code permits; and (h) dispose of the Collateral. Each Loan Party further hereby appoints Lender (and any of Lender's partners, managers, officers, agents or employees) as its lawful attorney-in-fact, with full power of substitution, regardless of whether or not an Event of Default has occurred or is continuing to: (x) sign such Loan Party's name on any documents and other Security Instruments necessary to perfect or continue the perfection of, or maintain the priority of, Lender's security interest in the Collateral; (y) execute and do all such assurances, acts and things which such Loan Party is required, but fails to do under the covenants and provisions of the Loan Documents; and (z) take any and all such actions as Lender may reasonably determine to be necessary or advisable for the purpose of maintaining, preserving or protecting the Collateral or any of the rights, remedies, powers or privileges of Lender under this Agreement or the other Loan Documents. Lender's foregoing appointment as each Loan Party's attorney

in fact, and all of Lender's rights and powers, coupled with an interest, are irrevocable until all Obligations (other than contingent indemnification obligations as to which no claim has been asserted or is known to exist and any other obligations which, by their terms, are to survive the termination of this Agreement or any other Loan Document) have been fully repaid, in cash, and otherwise fully performed and Lender is under no further obligation to make Credit Extensions hereunder.

9.3 Protective Payments. If a Loan Party fails to obtain the insurance called for by Section 6.5 or fails to pay any premium thereon or fails to pay any other amount which such Loan Party is obligated to pay under this Agreement or any other Loan Document or which may be required to preserve the Collateral, Lender may obtain such insurance or make such payment, and all amounts so paid by Lender are Lender Expenses and immediately due and payable, bearing interest at the then highest rate applicable to the Obligations, and secured by the Collateral. Lender will make reasonable efforts to provide Borrower Representative with notice of Lender obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Lender are deemed an agreement to make similar payments in the future or Lender's waiver of any Event of Default.

9.4 Application of Payments and Proceeds Upon Default. If an Event of Default has occurred and is continuing, Lender shall have the right to apply in any order any funds in its possession, whether payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations. Lender shall pay any surplus to Loan Parties by credit to the Deposit Account designated by Loan Parties or to other Persons legally entitled thereto. Loan Parties shall remain liable to Lender for any deficiency. If Lender, directly or indirectly, enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Lender shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Lender of cash therefor.

9.5 **Lender's Liability for Collateral**. So long as Lender complies with reasonable secured lender practices regarding the safekeeping of the Collateral in the possession or under the control of Lender, Lender shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Loan Parties bear all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Lender's failure, at any time or times, to require strict performance by each Loan Party of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Lender thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by the party granting the waiver and then is only effective for the specific instance and purpose for which it is given. Lender's rights and remedies under this Agreement and the other Loan Documents are cumulative. Lender has all rights and remedies provided under the Code, by law, or in equity. Lender's exercise of one right or remedy is not an election and shall not preclude Lender from exercising any other remedy under this Agreement or other remedy available at law or in equity, and Lender's waiver of any Event of Default is not a continuing waiver. Lender's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Each Loan Party waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments or chattel paper.

10. NOTICES

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon confirmation of receipt, when sent by electronic mail transmission; (c) one Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, or email address indicated below. Lender and Loan Parties may change their respective mailing or electronic mail addresses by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to any Loan Party:	Pulmonx Corporation 700 Chesapeake Drive Redwood City, CA 94063 e-mail: dsung@pulmonx.com Attention: Derrick Sung, Ph.D.
If to Lender, for any borrowing request:	Canadian Imperial Bank of Commerce Credit Processing Services 595 Bay Street, 5th floor Toronto, Ontario M5G 2C2 e-mail: gregory.mcdonald@cibc.com Attention: Gregory McDonald
For all other notices:	CIBC Innovation Banking 40 King S. West, Suite 5702 Toronto, Ontario M5H 3Y2 e-mail: Mark.McQueen@cibc.com Attention: Mark McQueen, President and Executive Managing Director
With a copy, not constituting notice, to:	Dentons US LLP 601 South Figueroa Street Suite 2500 Los Angeles, CA90017-5704 e-mail: richard.garvan@dentons.com Attention: Richard Garvan

11. CHOICE OF LAW, VENUE, JURY TRIAL WAIVER, AND JUDICIAL REFERENCE

Except as otherwise expressly provided in any of the Loan Documents, this Agreement and the other Loan Documents shall be governed by, and construed in accordance with, the laws of the State of New York. Each Loan Party hereby submits to the exclusive jurisdiction of the State and Federal courts in New York County, City of New York, New York; provided, however, that nothing in this Agreement shall be deemed to operate to preclude Lender from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Lender. Each Loan Party expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and each Loan Party hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Each Loan Party hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to such Loan Party at the address set forth in, or subsequently provided by such Loan Party in accordance with, Section 10 and that service so made shall be deemed completed upon the earlier to occur of Loan Parties' actual receipt thereof and three days after deposit in the U.S. mails, proper postage prepaid. Each Loan Party hereby expressly waives any claim to assert that the laws of any other jurisdiction govern this Agreement.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH LOAN PARTY AND LENDER EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR THE PARTIES TO ENTER INTO THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT OR ANYWHERE ELSE, EACH LOAN PARTY AGREES THAT IT SHALL NOT SEEK FROM LENDER UNDER ANY THEORY OF LIABILITY (INCLUDING ANY THEORY IN TORTS), ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12. GUARANTY

12.1 Guaranty. Each Guarantor hereby unconditionally guarantees, as a primary obligor and not merely as a surety, jointly and severally with each other Guarantor when and as due, whether at maturity, by acceleration, by notice of prepayment or otherwise, the due and punctual performance of all Obligations. Each payment made by each Guarantor pursuant to this Section 12 shall be made as provided in Section 2.6.

12.2 Waivers. Each Guarantor hereby absolutely, unconditionally and irrevocably waives (a) promptness, diligence, notice of acceptance, notice of presentment of payment and any other notice hereunder, (b) demand of payment, protest, notice of dishonor or nonpayment, notice of the present and future amount of the Obligations and any other notice with respect to the Obligations, (c) any requirement that Lender protect, secure, perfect or insure any security interest or Lien or any property subject thereto or exhaust any right or take any action against any other Guarantor, or any Person or any Collateral, (d) any other action, event or precondition to the enforcement hereof or the performance by each such Guarantor of the Obligations, (e) all suretyship defenses and (f) any defense arising by any lack of capacity or authority or any other defense of any Borrower or any other Guarantor or any notice, demand or defense by reason of cessation from any cause of Obligations other than payment and performance in full of the Obligations and any defense that any other guarantee or security was or was to be obtained by Lender.

12.3 No Defense. No invalidity, irregularity, voidableness, voidness or unenforceability of this Agreement or any other Loan Document or any other agreement or instrument relating thereto, or of all or any part of the Obligations or of any collateral security therefor shall affect, impair or be a defense hereunder.

12.4 Guaranty of Payment. The Guaranty hereunder is one of payment and performance, not collection, and the obligations of each Guarantor hereunder are independent of the obligations of any Borrower, any other Guarantor or any other Person, and a separate action or actions may be brought and prosecuted against any Guarantor to enforce the terms and conditions of this Section 12, irrespective of whether any action is brought against any Borrower or any other Guarantor or other Persons or whether any Borrower, any other Guarantor or other Persons are joined in any such action or actions. Each Guarantor waives any right to require that any resort be had by Lender to any security held for payment of the any Obligations or to any balance of any Deposit Account or credit on the books of Lender in favor of any Borrower, any other Guarantor or any other Person. No election to proceed in one form of action or proceedings, or against any Person, or on any Obligations, shall constitute a waiver of Lender's right to proceed in any other form of action or proceeding or against any other Person unless Lender has expressed any such right in writing. Without limiting the generality of the foregoing, no action or proceeding by Lender against any Borrower, any other Guarantor or any other Person under any document evidencing or securing indebtedness of any Borrower or any other Guarantor shall diminish the liability of any Guarantor hereunder, except to the extent Lender receives actual payment on account of the Obligations by such action or proceeding, notwithstanding the effect of any such election, action or proceeding upon the right of subrogation of any Guarantor in respect of any Borrower, any other Guarantor or any other Person.

12.5 Indemnity. As an original and independent obligation under this Agreement, each Guarantor shall (a) indemnify Lender and keep Lender indemnified against all costs, losses, expenses and liabilities of whatever kind resulting from the failure by any party to make due and punctual payment of any of the Obligations or resulting from any of the Obligations being or becoming void, voidable, unenforceable or ineffective against any Borrower (including all legal and other costs, charges and expenses incurred by Lender, or any of them in connection with preserving or enforcing, or attempting to preserve or enforce, its rights under this Agreement and the other Loan Documents), and (b) pay on demand the amount of such costs, losses, expenses and liabilities whether or not Lender have attempted to enforce any rights against any Borrower or any other Person or otherwise.

12.6 Liabilities Absolute. The liability of each Guarantor hereunder shall be absolute, unlimited and unconditional and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any claim, defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity or unenforceability of the Obligations, any other Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor shall not be discharged or impaired, released, limited or otherwise affected by:

(a) any change in the manner, place or terms of payment or performance, and/or any change or extension of the time of payment or performance of, release, renewal or alteration of, or any new agreements relating to any Obligations, any security therefor, or any liability incurred directly or indirectly in respect thereof, or any rescission of, or amendment, waiver or other modification of, or any consent to departure from, this Agreement or any other Loan Document, including any increase in the Obligations resulting from the extension of additional credit to any Borrower or otherwise;

(b) any sale, exchange, release, surrender, loss, abandonment, realization upon any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, all or any of the Obligations, or any offset there against, or failure to perfect, or continue the perfection of, any Lien in any such property, or delay in the perfection of any such Lien, or any amendment or waiver of or consent to departure from any other guaranty for all or any of the Obligations;

(c) the failure of Lender to assert any claim or demand or to enforce any right or remedy against any Borrower or any Guarantor or any other Person under the provisions of this Agreement or any other Loan Document or any other document or instrument executed and delivered in connection herewith or therewith;

(d) any settlement or compromise of any Obligation, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and any subordination of the payment of all or any part thereof to the payment of obligation (whether due or not) of any Borrower or any Guarantor to creditors of any Borrower or any Guarantor other than any Borrower or any Guarantor;

(e) manner of application of Collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any Collateral for all or any of the Obligations or any other assets of any Borrower or any Guarantor; and

(f) any other agreements or circumstance of any nature whatsoever that may or might in any manner or to any extent vary the risk of any Guarantor, or that might otherwise at law or in equity constitute a defense available to, or a discharge of, the Guaranty hereunder and/or the obligations of any Guarantor, or a defense to, or discharge of, any Borrower, any Guarantor or any other Person or party hereto or the Obligations or otherwise with respect to the other financial accommodations to any Borrower pursuant to this Agreement or the other Loan Documents.

12.7 Waiver of Notice. Lender shall have the right to do any of the above without notice to or the consent of any Guarantor and each Guarantor expressly waives any right to notice of, consent to, knowledge of and participation in any agreements relating to any of the above or any other present or future event relating to the Obligations whether under this Agreement or otherwise or any right to challenge or question any of the above and waives any defenses of such Guarantor that might arise as a result of such actions.

12.8 **Lender's Discretion**. Lender may at any time and from time to time (whether prior to or after the revocation or termination of this Agreement) without the consent of, or notice to, any Guarantor, and without incurring responsibility to any Guarantor or impairing or releasing the Obligations, apply any sums by whomsoever paid or howsoever realized to any Obligations regardless of what Obligations remain unpaid.

12.9 Reinstatement.

(a) The provisions of this Section 12 shall continue to be effective or be reinstated, as the case may be, if claim is ever made upon Lender for repayment or recovery of any amount or amounts received by it in payment or on account of any of the Obligations and it repays all or part of said amount for any reason whatsoever, including by reason of any judgment, decree or order of any court or administrative body having jurisdiction over such Person or the respective property of each, or any settlement or compromise of any claim effected by such Person with any such claimant (including any Borrower or any other Loan Party); and in such event each Guarantor hereby agrees that any such judgment, decree, order, settlement or compromise or other circumstances shall be binding upon such Guarantor, notwithstanding any revocation hereof or the cancellation of any note or other instrument evidencing any Obligation, and such Guarantor shall be and remain liable to Lender for the amount so repaid or recovered to the same extent as if such amount had never originally been received by such Person(s).

(b) Lender shall not be required to marshal any assets in favor of any Guarantor, or against or in payment of any Obligations.

(c) No Guarantor shall be not entitled to claim against any present or future security held by Lender from any Person for the Obligations in priority to or equally with any claim of Lender, or assert any claim for any liability of any Borrower or any other Guarantor to such Guarantor, in priority to or equally with claims of Lender for the Obligations, and each Guarantor shall not be entitled to compete with Lender with respect to, or to advance any equal or prior claim to any security held by Lender for the Obligations.

(d) If any Borrower or any Guarantor makes any payment to Lender, which payment is wholly or partly subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to any Person under any federal or provincial statute or at common law or under equitable principles, then to the extent of such payment, the Obligation intended to be paid shall be revived and continued in full force and effect as if the payment had not been made, and the resulting revived Obligation shall continue to be guaranteed, uninterrupted, by such Guarantor hereunder.

(e) All present and future monies payable by any Borrower to each Guarantor, whether arising out of a right of subrogation or otherwise, are assigned to Lender for its benefit as security for such Guarantor's liability to Lender hereunder and are postponed and subordinated to Lender's prior right to payment in full of Obligations. All such monies received by any Guarantor from any Borrower or any other Guarantor shall be held by such Guarantor as agent and trustee for Lender. This assignment, postponement and subordination shall only terminate when the Obligations are paid in full in cash and this Agreement is irrevocably terminated.

(f) Each Borrower and each Guarantor acknowledges this assignment, postponement and subordination and, except as otherwise set forth herein, agrees to make no payments to any Guarantor without the prior written consent of Lender. Each Borrower and each Guarantor agree to give full effect to the provisions hereof.

12.10 Action Upon Event of Default. Upon the occurrence and during the continuance of any Event of Default, Lender may, without notice to or demand upon any Borrower, any Guarantor or any other Person, declare any obligations of any Guarantor under this Section 12 immediately due and payable, and shall be entitled to enforce the obligations of such Guarantor under this Section 12. Upon such declaration by Lender, Lender is hereby authorized at any time and from time to time to set off and apply any and all deposits (general or special, time or demand, provisions or final) at any time held and other indebtedness at any time owing by Lender to or for the credit or the account of such Guarantor against any and all of the obligations of such Guarantor now or hereafter existing hereunder, whether or not Lender shall have made any demand hereunder against any Borrower or any other Person and although such obligations may be contingent and unmatured. The rights of Lender hereunder are in addition to other rights and remedies (including other rights of set-off) which Lender may have. Upon such declaration by Lender, with respect to any claims (other than those claims referred to in Section 12.9) of such Guarantor against any Borrower or any other Guarantors (for purposes of this Section 12.10, the "Guarantor Claims"), Lender shall have the full right on the part of Lender in its own name or in the name of such Guarantor to collect and enforce such Guarantor Claims by legal action, proof of debt in bankruptcy or other liquidation proceedings, vote in any proceeding for the arrangement of debts at any time proposed, or otherwise, Lender and each of its officers being hereby irrevocably constituted attorneys-in-fact for such Guarantor for the purpose of such enforcement and for the purpose of endorsing in the name of such Guarantor any instrument for the payment of money. Each Guarantor will receive as trustee for Lender and will pay to Lender forthwith upon receipt thereof any amounts which such Guarantor may receive from any Borrower or any other Guarantor on account of the Guarantor Claims. Each Guarantor agrees that at no time hereafter will any of the Guarantor Claims be represented by any notes or other negotiable instruments or writings, except and in such event they shall either be made payable to Lender, or if payable to such Guarantor, shall forthwith be endorsed by such Guarantor to Lender. Each Guarantor agrees that no payment on account of the Guarantor Claims or any security interest therein shall be created, received, accepted or retained during the continuance of any Event of Default nor shall any financing statement be filed with respect thereto by such Guarantor.

12.11 Statute of Limitations. Any acknowledgment or new promise, whether by payment of principal or interest or otherwise and whether by any Borrower or any other Loan Party or others (including Lender) with respect to any of the Obligations shall, if the statute of limitations in favor of a Loan Party against Lender shall have commenced to run, toll the running of such statute of limitations and, if the period of such statute of limitations shall have expired, prevent the operation of such statute of limitations.

12.12 Interest. All amounts due, owing and unpaid from time to time by any Guarantor under this Section 12, to the extent such amounts do not otherwise include interest accruing on the outstanding Obligations to the date all such amounts are actually paid by such Loan Party, shall bear interest at the interest rate per annum then chargeable with respect to Term C Loan.

12.13 **Guarantor's Investigation**. Each Guarantor acknowledges receipt of a copy of each of this Agreement and the other Loan Documents. Each Guarantor has made an independent investigation of each Borrower and each other Loan Party and of the financial condition of each Borrower and each other Loan Party. Lender has not made and Lender does not make any representations or warranties as to the income, expense, operation, finances or any other matter or thing affecting any Borrower or any other Loan Party, nor has Lender made any representations or warranties as to the amount or nature of the Obligations to which this Section 12 applies as specifically herein set forth, nor has Lender or any officer, agent or employee of Lender or any representative thereof, made any other oral representations, agreements or commitments of any kind or nature, and each Guarantor hereby expressly acknowledges that no such representations or warranties have been made and each Loan Party expressly disclaims reliance on any such representations or warranties.

12.14 Limitation of Liability. Each Guarantor, and, by its acceptance of the Guaranty hereunder, Lender hereby confirm that it is the intention of all such Persons that the Guaranty hereunder and the Obligations of such Guarantor hereunder not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Code, the UFTA, the UFCA or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law to the extent applicable to the Guaranty hereunder and the Obligations of each Guarantor hereunder. To effectuate the foregoing intention, Lender, by its acceptance of the Guaranty hereunder, and each Guarantor hereby irrevocably agree that the Obligations of Guarantor under the Guaranty hereunder at any time shall be limited to the maximum amount as will result in the Obligations of Guarantor under the Guaranty hereunder not constituting a fraudulent transfer or conveyance.

12.15 Subrogation, Contribution, Etc.

(a) To the extent that any Guarantor shall, under the Guaranty hereunder, make a payment (each, a "**Guarantor's Payment**") of a portion of the Obligations, then, without limiting its rights of subrogation against any Borrower, such Guarantor shall be entitled to contribution and indemnification from, and be reimbursed by, each of Borrowers and the other Guarantors (collectively, the "Contributing Parties") in an amount, for each such Contributing Party, equal to a fraction of such Guarantor's Payment, the numerator of which fraction is such Contributing Party's Allocable Amount (as defined below) and the denominator of which is the sum of the Allocable Amounts of all of the Contributing Parties.

(b) As of any date of determination, the "Allocable Amount" of each Contributing Party shall be equal to the maximum amount of liability which could be asserted against such Contributing Party hereunder with respect to the applicable Guarantor's Payment without (i) rendering such Contributing Party "insolvent" within the meaning of Section 101(31) of the Bankruptcy Code or Section 2 of either the Uniform Fraudulent Transfer Act (the "UFTA") or the Uniform Fraudulent Conveyance Act (the "UFCA"), (ii) leaving such Contributing Party with unreasonably small capital, within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA or Section 5 of the UFCA, or (iii) leaving such Contributing Party unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA or Section 6 of the UFCA. The provisions of this Section 12.15 shall in no respect limit the obligations and liabilities of each Guarantor to Lender, and each Guarantor shall remain liable to Lender for the full amount guaranteed by such Guarantor hereunder.

(c) Notwithstanding anything to the contrary in this Section 12.15 or otherwise, each Guarantor expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution of any other claim which such Guarantor may now or hereafter have against Borrowers or the other Guarantors or any other Person directly or contingently liable for the Obligations, or against or with respect to the property or any Borrower or any other Guarantor (including any property which is Collateral for the Obligations), arising from the existence or performance of this Agreement, until termination of this Agreement and repayment in full of the Obligations.

12.16 Termination. The provisions of this Section 12 shall remain in effect until the indefeasible payment in full in cash of all Obligations and irrevocable termination of this Agreement.

13. GENERAL PROVISIONS

13.1 Termination Prior to Term Loan Maturity Date; Survival. All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than contingent indemnification obligations as to which no claim has been asserted or is known to exist and any other obligations which, by their terms, are to survive the termination of this Agreement or any other Loan Document) have been satisfied in full, in cash and Lender no longer has any obligation to extend credit to a Borrower. So long as Loan Parties have satisfied the Obligations (other than contingent indemnification obligations as to which no claim has been asserted or is known to exist and any other obligations which, by their terms, are to survive the termination of this Agreement or any other Loan Document), this Agreement may be terminated prior to the Term Loan Maturity Date by Borrowers, effective three Business Days after written notice of termination is given to Lender. Those obligations that are expressly specified in this Agreement as surviving this Agreement's termination shall continue to survive notwithstanding this Agreement's termination.

13.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. No Loan Party may assign this Agreement or any rights or obligations under it without Lender's prior written consent (which may be granted or withheld in Lender's discretion). Lender has the right, without the consent of or notice to Loan Parties, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Lender's obligations, rights, and benefits under this Agreement and the other Loan Documents. If Lender sells or grants a participation, it shall maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Term Loans or other obligations under the Loan Documents (the "Participant Register"). Lender shall not have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any commitments, loans or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. Notwithstanding the foregoing, so long as no Event of Default shall have occurred and is continuing, Lender shall not assign its interest in the Loan Documents to any Person who is a Disqualified Institution. Each Borrower agrees that each participant shall be entitled to the benefits of Section 2.7 (subject to the requirements and limitations therein, including the requirements under Sections 2.7(e) and 2.7(f) (it being understood that the documentation required under Section 2.7(e) shall be delivered to the participating Lender and the information and documentation required under Section 2.7(f) will be delivered to Borrower Representative)) to the same extent as if it were Lender and had acquired its interest by assignment; provided that such participant shall not be entitled to receive any greater payment under Section 2.7 with respect to any participation than its participating Lender would have been entitled to receive

13.3 Indemnification. Each Loan Party agrees to indemnify, defend and hold Lender and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Lender (each, an "Indemnified Person") harmless against: (a) all obligations, demands, claims, and liabilities (including such claims, costs, expenses, damages and liabilities based on liability in tort, including strict liability in tort) (collectively, "Claims") claimed or asserted by any other party in connection with, relating to, following from or arising from, out of or under the transactions contemplated by the Loan Documents; and (b) all losses, liabilities, costs or expenses (including Lender Expenses) in any way suffered, incurred, or paid by such Indemnified Person in connection with, relating to, following from, or arising from, out of or under the transactions among or between Lender and Loan Parties, or any of them (including reasonable attorneys' fees and expenses), except for Claims and/or losses to the extent directly caused by such Indemnified Person's gross negligence or willful misconduct. Each Loan Party hereby further indemnifies, defends and holds each Indemnified Person harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for such Indemnified Person) in connection with any investigative, response, remedial, administrative or judicial matter or proceeding, whether or not such Indemnified Person shall be designated a party thereto and including any such proceeding initiated by or on behalf of any Loan Party, and the reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and any commission, fee or compensation claimed by any broker (other than any broker retained by Lender) asserting any right to payment for the transactions contemplated hereby which may be imposed on, incurred by or asserted against such Indemnified Person as a result of or in connection with the transactions contemplated hereby and the use or intended use of the proceeds of the loan proceeds except for liabilities, obligations,

losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements directly caused by such Indemnified Person's gross negligence or willful misconduct. This Section 13.3 shall not apply with respect to Taxes other than any taxes that represent Claims arising from any non-Tax Claim and shall survive until all statutes of limitation with respect to the Claims, losses, and expenses for which indemnity is given shall have run.

13.4 Borrower Liability. If any Person is named as, or joined to this Agreement as, a Borrower, the following provisions shall apply: any Borrower may, acting singly, request Credit Extensions hereunder. Each Borrower hereby appoints the others as agent for the other for all purposes hereunder, including with respect to requesting Credit Extensions hereunder. Each Borrower hereunder shall be jointly and severally obligated to repay all Credit Extensions made hereunder, regardless of which Borrower actually receives said Credit Extension, as if each Borrower hereunder directly received all Credit Extensions. Each Borrower waives (a) any suretyship defenses available to it under the Code or any other applicable law and (b) any right to require Lender to: (i) proceed against any Borrower or any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Lender may exercise or not exercise any right or remedy it has against any Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Borrower's liability. Notwithstanding any other provision of this Agreement or other related document, each Borrower irrevocably waives all rights that it may have at law or in equity (including any law subrogating such Borrower to the rights of Lender under this Agreement) to seek contribution, indemnification or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by such Borrower with respect to the Obligations in connection with this Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by such Borrower with respect to the Obligations in connection with this Agreement or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section 13.4 shall be null and void. If any payment is made to a Borrower in contravention of this Section 13.4, such Borrower shall hold such payment in trust for Lender and such payment shall be promptly delivered to Lender for application to the Obligations, whether matured or unmatured.

13.5 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

13.6 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

13.7 Correction of Loan Documents. Lender may correct patent errors and fill in any blanks in the Loan Documents consistent with the agreement of the parties.

13.8 Amendments in Writing; Waiver; Integration. No purported amendment or modification of any Loan Document, or waiver, discharge or termination of any obligation under any Loan Document, shall be enforceable or admissible unless, and only to the extent, expressly set forth in a writing signed by the party against which enforcement or admission is sought. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance or course of conduct shall operate as, or evidence, an amendment, supplement or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations among the parties about the subject matter of the Loan Documents merge into the Loan Documents.

13.9 Counterparts; Electronic Execution of Documents. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement. Delivery of an executed counterpart of a signature page of any Loan Document by electronic means shall be effective as delivery of an original executed counterpart of such Loan Document. The words "execution," "signed," "signature" and words of like import in any Loan Document shall be deemed to include electronic signatures (including in .pdf format) or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any applicable law, including any state law based on the Uniform Electronic Transactions Act.

13.10 Confidentiality. In handling any confidential information, Lender shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Lender's Subsidiaries or Affiliates (such Subsidiaries and Affiliates, together with Lender, collectively, "Lender Entities") or in connection with Lender's own financing or securitization transactions and upon the occurrence of a default, event of default or similar occurrence with respect to such financing or securitization transaction, it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential; (b) to prospective transferees or purchasers of any interest in the Credit Extensions (subject to an agreement containing provisions substantially the same as those of this Section 13.10); (c) as required by law, regulation, subpoena, or other order and in connection with reporting obligations applicable to Lender, including pursuant to the Securities Exchange Act of 1934, as amended; (d) to Lender's regulators or as otherwise required in connection with Lender's examination or audit; (e) as Lender considers appropriate in exercising remedies under the Loan Documents; and (f) to third-party service providers of Lender so long as such service providers have executed a confidentiality agreement with Lender with terms no less restrictive than those contained herein. Confidential information does not include information that is either: (i) in the public domain or in Lender's possession when disclosed to Lender, or becomes part of the public domain (other than as a result of its disclosure by Lender in violation of this Agreement) after disclosure to Lender; or (ii) disclosed to Lender by a third party, if Lender does not know that the third party is prohibited from disclosing the information. Lender Entities may use a Loan Party's name and logo, and include a brief description of the relationship among Loan Parties and Lender, in Lender's marketing materials. Lender may use confidential information for the development of databases, reporting purposes, and market analysis so long as such confidential information is aggregated and anonymized prior to distribution, and Lender has ownership of the information and analysis so developed. The provisions of this Section 13.10 shall survive the termination of this Agreement.

13.11 Borrower Representative. Each Borrower hereby appoints Borrower Representative to act as its exclusive agent for all purposes under the Loan Documents (including with respect to all matters related to the borrowing and repayment of any Credit Extension). Each Borrower acknowledges and agrees that (a) Borrower Representative may execute such documents on behalf of any Borrower as Borrower Representative deems appropriate in its sole discretion and each Borrower shall be bound by and obligated by all of the terms of any such document executed by Borrower Representative on its behalf, (b) any notice or other communication delivered by Lender hereunder to Borrower Representative shall be deemed to have been delivered to each Borrower and (c) the Lender shall accept (and shall be permitted to rely on) any document or agreement executed by Borrower Representative on behalf of Borrowers (or any of them). Each Borrower must act through the Borrower Representative for all purposes under this Agreement and the other Loan Documents. Notwithstanding anything contained herein to the contrary, to the extent any provision in this Agreement requires any Borrower to interact in any manner with Lender, such Borrower shall do so through Borrower Representative.

13.12 Captions. The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

13.13 Construction of Agreement. The parties mutually acknowledge that they and their attorneys have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist.

13.14 Publicity; Press Releases. Loan Parties agree that Lender may issue a press release announcing the financing pursuant to this Agreement and may display any Loan Party's logo on its website and other marketing materials consistent with Lender's practices with respect to its loan portfolio.

13.15 Relationship. The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties do not intend to create any agency, partnership, joint venture, trust, fiduciary or other relationship with duties or incidents different from those of parties to an arm's-length contract.

13.16 Third Parties. Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any person not an express party to this Agreement; or (c) give any person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

14. AMENDMENT AND RESTATEMENT

14.1 On the Effective Date, the Original Agreement shall be amended and restated in its entirety by this Agreement and (i) all references to the Original Agreement in any Subordination Agreement existing as of the date hereof (including any amendment, waiver or consent) shall be deemed to refer to the Original Agreement as amended and restated hereby, (ii) all references to any section (or subsection) of the Original Agreement in any Subordination Agreement existing as of the date hereof shall be amended to be, mutatis mutandis, references to the corresponding provisions of this Agreement, (iii) except as the context otherwise provides, all references to this Agreement herein (including for purposes of indemnification and reimbursement of fees) shall be deemed to be references to the Original Agreement as amended and restated hereby, (iv) the term "Lender" as defined in the other Loan Documents shall be deemed to refer to the term "Lender" as amended and restated hereby and (v) Borrower hereby reaffirms all of its obligations under each of the Loan Documents to which it is a party that are being amended and restated pursuant to the Loan Documents executed or delivered on the Effective Date. This Agreement is not intended to constitute, and does not constitute, a novation of the obligations and liabilities under the Original Agreement (including the Obligations) or to evidence payment of all or any portion of such obligations and liabilities except to the extent expressly provided for herein.

14.2 On and after the Effective Date, (i) subject to clause (iii) below, the Original Agreement shall be of no further force and effect except to evidence the incurrence by Borrowers of the "Obligations" under and as defined therein (whether or not such "Obligations" are contingent as of the Effective Date), (ii) all "Obligations" under the Original Agreement as of the Effective Date that are not repaid on the Effective Date shall be deemed to be Obligations outstanding under this Agreement (whether or not such "Obligations" are contingent as of the Effective Date), and (iii) all security interests and liens granted under the Loan Documents (as defined in the Original Agreement) that are amended and restated pursuant to the Loan Documents (as defined herein) shall survive the execution and delivery of this Agreement and shall continue to secure all Obligations.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

LENDER:

CANADIAN IMPERIAL BANK OF COMMERCE

By: /s/ Mark Usher
Name: Mark Usher
Title: Authorized Signatory

By: /s/ Imran Premji
Name: Imran Premji
Title: Authorized Signatory

BORROWER:

PULMONX CORPORATION

By: /s/ Derrick Sung, Ph.D.
Name: Derrick Sung, Ph.D.
Title: Chief Financial Officer

EXHIBIT A

DEFINITIONS

As used in this Agreement, the following capitalized terms have the following meanings:

"Account" means any "account" as defined in the Code with such additions to such term as may hereafter be made, and includes all accounts receivable and other sums owing to a Loan Party.

"Account Control Agreement" means any control agreement entered into among the depository institution at which a Loan Party maintains a Deposit Account or the securities intermediary or commodity intermediary at which a Borrower or any other Loan Party maintains a Securities Account or a Commodity Account, a Loan Party, and Lender pursuant to which Lender obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

"Account Debtor" means any "account debtor" as defined in the Code with such additions to such term as may hereafter be made.

"Adjusted EBITDA" means, for any period, (a) Net Income, plus (b) Interest Expense, plus (c) to the extent deducted in the calculation of Net Income, depreciation expense and amortization expense of Borrowers and their Subsidiaries, plus (d) income tax expense of Borrowers and their Subsidiaries, plus (e) stock base compensation expense of Borrowers and their Subsidiaries, minus (f) software and research and development expenses capitalized by Borrowers and their Subsidiaries, minus (g) lease payments that would otherwise have been an operating expense pursuant to International Financial Reporting Standard 16 (as in effect on the Closing Date), in each case, as determined in accordance with GAAP.

"Affiliate" means, with respect to any Person, each other Person that owns or controls, directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"Agreement" has the meaning set forth in the preamble.

"Amortization Date" means February 20, 2022; provided that such date shall be extended to February 20, 2023, at the option of Borrowers, upon Borrower Representative's written notification to Lender received on or before February 20, 2022 of Borrowers' election to extend such date, so long as (i) no Event of Default has occurred and is continuing and (ii) on and as of February 20, 2022, Borrowers shall have achieved $20,000,000 of Revenue for the trailing three month period as of February 20, 2022.

"Amortization Schedule" means an amortization schedule of 36 months, unless the Amortization Date has been extended to February 20, 2023, in which case, the Amortization Schedule shall mean an amortization schedule of 24 months.

"Annual Projections" has the meaning set forth in Section 6.2(c).

"Anti-Terrorism Laws" are any laws relating to terrorism or money laundering, including the Anti-Terrorism Order, the USA PATRIOT Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by OFAC.

"Anti-Terrorism Order" means Executive Order No. 13,224 as of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49,079 (2001), as amended.

"Blocked Person" is any Person: (a) listed in the annex to, or is otherwise subject to the provisions of, the Anti-Terrorism Order, (b) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Anti-Terrorism Order, (c) a Person with which Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (d) a Person that

commits, threatens or conspires to commit or supports "terrorism" as defined in the Anti-Terrorism Order, or (e) a Person that is named a "specially designated national" or "blocked person" on the most current list published by OFAC or other similar list.

"Board" means, with respect to any Person, the board of directors, board of managers, managers or other similar bodies or authorities performing similar governing functions for such Person.

"Borrower" and "Borrowers" have the meaning set forth in the preamble.

"Borrower Representative" means Pulmonx.

"Business Day" means any day that is not a Saturday, Sunday or a day on which commercial banks in the State of New York or the Province of Ontario are required or permitted to be closed.

"Cash Equivalents" means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one year from the date of acquisition; (b) commercial paper maturing no more than one year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc.; (c) certificates of deposit issued by any bank with assets of at least $500,000,000 maturing no more than one year from the date of investment therein; and (d) money market funds at least 95.00% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition.

"Change in Control" means any of the following (or any combination of the following) whether arising from any single transaction event or series of related transactions or events that, individually or in the aggregate, result in: (a) the holders of Borrower Representative's Equity Interests who were holders of Equity Interest as of the Closing Date, ceasing to own at least 51.00% of the Voting Stock of Borrower Representative, except as a result of an initial public offering or a bona fide equity financing or series of financings from investors reasonably acceptable to Lender; (b) any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becoming the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of a sufficient number of Equity Interests of Borrower Representative ordinarily entitled to vote in the election of directors, empowering such "person" or "group" to elect a majority of the members of the Board of Borrower Representative, who did not have such power before such transaction, except as a result of an initial public offering or a bona fide equity financing or series of financings from investors reasonably acceptable to Lender; or (c) the Transfer of all or substantially all assets of Loan Parties or of a material business line of Loan Parties; or (d) Borrower Representative ceasing to own and control, free and clear of any Liens (other than Permitted Liens), directly or indirectly, all of the Equity Interests in each of its Subsidiaries or failing to have the power to direct or cause the direction of the management and policies of each such Subsidiary.

"Claims" has the meaning set forth in Section 13.3.

"Closing Date" has the meaning set forth in the preamble.

"Code" means the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of New York; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided, further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Lender's Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

"Collateral" means any and all properties, rights and assets of any Loan Party described on Exhibit B, and any collateral securing the Obligations pursuant to any guaranty or pursuant to any other Loan Document.

"Collateral Access Agreement" means an agreement with respect to a Loan Party's leased location or bailee location, in each case in form and substance reasonably satisfactory to Lender.

"Collateral Account" means any Deposit Account, Securities Account, or Commodity Account of a Loan Party.

"Commodity Account" means any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"Competitor" means any Person that is direct competitor of any Borrower or any of its Subsidiaries, as determined by the Board of Borrower Representative in its reasonable discretion.

"Compliance Certificate" means that certain certificate in the form attached hereto as Exhibit D.

"Contingent Obligation" means, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation, in each case, directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the Ordinary Course of Business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"Copyrights" means any and all copyright rights, copyright applications, copyright registrations and like protections of a Person in each work of authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

"Credit Extension" means the Term Loans or any other extension of credit by Lender for Borrowers' benefit.

"Default" means any circumstance, event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" has the meaning set forth in Section 2.4(b).

"Deposit Account" means any "deposit account" as defined in the Code with such additions to such term as may hereafter be made, and includes any checking account, savings account or certificate of deposit.

"Disqualified Institution" means, on any date, any Person that is a Competitor, which Person has been designated by Borrowers as a "Disqualified Institution" by written notice to Lender not less than five Business Days prior to such date, including those Persons listed on Schedule 1; provided that the term "Disqualified Institutions" shall exclude any Person that Borrowers have designated as no longer being a "Disqualified Institution" by written notice delivered to Lender from time to time; and provided, further, that no Person shall be or constitute, or may be designated by Borrowers as, a "Disqualified Institution" if an Event of Default has occurred and is continuing.

"Dollars," "dollars" or use of the sign "$" means only lawful money of the United States and not any other currency, regardless of whether that currency uses the "$" sign to denote its currency or may be readily converted into lawful money of the United States.

"Domestic Subsidiary" means any Subsidiary organized under the laws of any political subdivision of the United States.

"Effective Date" means the date on which Lender has received, in form and substance satisfactory to it:

(a) this Agreement, signed by Borrower;

(b) a certificate of Borrower, duly executed by a Responsible Officer of Borrower, certifying and attaching (i) resolutions duly approved by the Board of Borrower, and (ii) any resolutions, consent or waiver duly approved by the requisite holders of Borrower's Equity Interests, if applicable; and

(c) payment of all fees and Lender Expenses.

"Equipment" means all "equipment" as defined in the Code with such additions to such term as may hereafter be made, and includes all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

"Equity Interests" means, with respect to any Person, any of the shares of capital stock of (or other ownership, membership or profit interests in) such Person, any of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership, membership or profit interests in) such Person, any of the securities convertible into or exchangeable for shares of capital stock of (or other ownership, membership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and any of the other ownership, membership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974, and its regulations.

"Event of Default" has the meaning set forth in Section 8.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Excluded Locations" means the following locations where Collateral may be located from time to time: (a) locations where only mobile office equipment (e.g. laptops, mobile phones and the like) may be located with employees in the Ordinary Course of Business, and (b) any other location where Collateral with an aggregate value of less than $250,000 (or its equivalent in other currencies) is located.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Recipient, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) United States federal withholding Taxes imposed on amounts payable to or for the account of such Recipient with respect to an applicable interest in a Credit Extension pursuant to a law in effect on the date on which (i) such Recipient acquires such interest in any Credit Extension or (ii) such Recipient changes its lending office, except in each case to the extent that, pursuant to Section 2.7, amounts with respect to such Taxes were payable either to such Recipient's assignor immediately before such Recipient acquired the applicable interest in a Credit Extension or to such Recipient immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.7(e) and (d) any withholding Taxes imposed under FATCA.

"FATCA" means Sections 1471 through 1474 of the IRC as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the IRC and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the IRC.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System, or any successor thereto.

"First Amendment" means that certain First Amendment to Loan and Security Agreement dated as of the First Amendment Date among Borrowers and Lender.

"First Amendment Date" means April 17, 2020.

"Foreign Recipient" means a Lender that is not a U.S. Person.

"Foreign Subsidiary" means any Subsidiary that is not a Domestic Subsidiary.

"Funding Date" means any date on which a Credit Extension is made to or for the account of a Borrower which shall be a Business Day.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination, provided, however, that if there occurs after the Closing Date any change in GAAP that affects in any respect the calculation of any covenant or threshold in this Agreement, Lender and Borrowers shall negotiate in good faith amendments to the provisions of this Agreement that relate to the calculation of such covenant or threshold with the intent of having the respective positions of Lender and Borrowers after such change in GAAP conform as nearly as possible to their respective positions as of the Closing Date, and, until any such amendments have been agreed upon, such covenants and thresholds shall be calculated as if no such change in GAAP has occurred, provided, further, that no effect shall be given to Accounting Standards Codification 842, Leases (or any other Accounting Standards Codification having similar result or effect) (and related interpretations) to the extent any lease (or similar arrangement) would be required to be treated as a capital lease thereunder where such lease (or arrangement) would have been treated as an operating lease under GAAP as in effect immediately prior to the effectiveness of such Accounting Standards Codification.

"General Intangibles" means all "general intangibles" as defined in the Code in effect on the Closing Date with such additions to such term as may hereafter be made, and includes all Intellectual Property, claims, income and other tax refunds, security and other deposits, payment intangibles, contract rights, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

"Governmental Approval" means any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central Lender or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

"Guarantor" means any Person providing a Guaranty in favor of Lender or providing collateral, security or other credit support for all or any portion of the Obligations.

"Guaranty" means any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

"Indebtedness" means (a) indebtedness for borrowed money or the deferred price of property or services, (b) any reimbursement and other obligations for surety bonds and letters of credit, (c) obligations evidenced by notes, bonds, debentures or similar instruments, (d) capital lease obligations, and (e) Contingent Obligations.

"Indemnified Person" has the meaning set forth in Section 13.3.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in the foregoing clause (a), Other Taxes.

"Insolvency Proceeding" means any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors,

compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"Intellectual Property" means, with respect to any Loan Party (or, as applicable, any of its Subsidiaries), all of such Loan Party's or Subsidiary's right, title, and interest in and to the following:

(a) its Copyrights, Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including any rights to unpatented inventions, know-how, operating manuals;

(c) any and all source code;

(d) any and all design rights which may be available to such Person;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and

(f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

"Interest Expense" means for any period, interest expense (whether cash or non-cash) determined in accordance with GAAP for the relevant period ending on such date, including, in any event, interest expense with respect to any Credit Extension and other Indebtedness of Borrowers and their Subsidiaries, including or duplication, all commissions, discounts, or related amortization and other fees and charges with respect to letters of credit and bankers' acceptance financing and the net costs associated with interest rate swap, cap, and similar arrangements, and the interest portion of any deferred payment obligation (including leases of all types).

"Inventory" means all "inventory" as defined in the Code in effect on the Closing Date with such additions to such term as may hereafter be made.

"Investment" means any beneficial ownership interest in any Person (including stock, partnership interest or other securities or Equity Interests), and any loan, advance or capital contribution to any Person, or the acquisition of all or substantially all of the assets or properties of another Person.

"IP Security Agreement" means that certain intellectual property security agreement entered into by each Loan Party which is the owner of Intellectual Property registered with the United States Patent and Trademark Office or United States Copyright Office and Lender as of the Closing Date, as amended, restated, supplemented or otherwise modified, from time to time.

"IRC" means the U.S. Internal Revenue Code of 1986, as amended.

"IRS" means the U.S. Internal Revenue Service.

"Key Person" means the Chief Executive Officer and Chief Financial Officer of Borrower Representative.

"Lead Investor" means an investor in Pulmonx specified to Lender by Borrower Representative in writing from time to time, which Lead Investor shall be reasonably satisfactory to Lender.

"Lender" has the meaning set forth in the preamble.

"Lender Entities" has the meaning set forth in Section 13.10.

"Lender Expenses" means all audit fees and expenses, costs, and expenses (including reasonable and documented attorneys' fees and expenses as well as appraisal fees, fees incurred on account of lien searches, inspection fees and filing fees) for preparing, amending, negotiating, administering, defending and enforcing the Loan

Documents (including those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to a Loan Party or the Loan Documents.

"Lien" means a claim, mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

"Loan Documents" means, collectively, this Agreement, any schedules, exhibits, certificates, notices and any other documents related to this Agreement, the Swiss Share Pledge Documents, the Account Control Agreements, the Collateral Access Agreements, any Subordination Agreement, any note, or notes or guaranties executed by a Loan Party, and any other present or future agreement by a Loan Party with or for the benefit of Lender in connection with this Agreement, all as amended, modified, supplemented, extended or restated from time to time

"**Loan Parties' Books**" are all of each Loan Party's books and records including ledgers, federal and state tax returns, records regarding such Loan Party's assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

"Loan Party" or "Loan Parties" means, each Borrower and each Guarantor, if any, from time to time party hereto.

"Loan Request" means a request for a Credit Extension pursuant to this Agreement in substantially the form attached hereto as Exhibit C.

"Margin Stock" has the meaning set forth in Section 5.10(b).

"Material Adverse Effect" means (a) a material impairment in the perfection or priority of Lender's Lien in the Collateral or in the value of the Collateral or (b) a material adverse effect upon: (i) the business, operations, or condition (financial or otherwise) of a Loan Party; or (ii) the prospect of repayment of any part of the Obligations.

"Material Subsidiary" means any Foreign Subsidiary (other than Pulmonx Switzerland) that is not a Loan Party that (a) maintains (i) cash and other assets with an aggregate value in excess of 5.00% of the aggregate value of the assets of Borrower and its Subsidiaries, (ii) any Intellectual Property which is material to the business of Loan Parties as a whole or (iii) any contracts which are material to the business of Loan Parties as a whole or (b) generates revenue in excess of 5.00% of the aggregate revenue generated by Borrower and its Subsidiaries for any 12-month period then ended.

"Maximum Rate" has the meaning set forth in Section 2.4(e).

"Net Income" means, for any period as at any date of determination, the net profit (or loss), after provision for taxes, of Borrowers and their Subsidiaries for such period taken as a single accounting period.

"Obligations" means all of each Borrower's and each other Loan Party's obligations to pay the Term Loans and the amounts when due, any debts, principal, interest, fees, Lender Expenses and other amounts any Borrower or any Loan Party owes to Lender or an Affiliate thereof now or later, whether under this Agreement, the other Loan Documents, or otherwise, including interest accruing after Insolvency Proceedings begin (whether or not allowed) and debts, liabilities, or obligations of any Borrower or any other Loan Party assigned to Lender, and to perform such Borrower's or such Loan Party's duties under the Loan Documents.

"OFAC" has the meaning set forth in Section 5.10(c).

"OFAC Lists" are, collectively, the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to the Anti-Terrorism Order and/or any other list of terrorists or other restricted Persons maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Executive Orders.

"Operating Documents" means, for any Person, such Person's formation documents, as certified by the Secretary of State (or equivalent agency) of such Person's jurisdiction of formation, organization or incorporation on a date that is no earlier than 30 days prior to the Closing Date and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement or operating

agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments, restatements and modifications thereto.

"Ordinary Course of Business" means, in respect of any transaction involving any Person, the ordinary course of such Person's business as conducted by any such Person in accordance with (a) the usual and customary customs and practices in the kind of business in which such Person is engaged, and (b) the past practice and operations of such Person, and in each case, undertaken by such Person in good faith and not for purposes of evading any covenant or restriction in any Loan Document.

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than a connection arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Credit Extension or any Loan Document).

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

"Participant Register" has the meaning set forth in Section 13.2.

"Patents" means all patents, patent applications and like protections of a Person including improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same and all rights therein provided by international treaties or conventions.

"Perfection Certificate" has the meaning set forth in Section 5.1(a).

"Permitted Indebtedness" means:

(a) each Loan Party's Indebtedness to Lender under this Agreement and the other Loan Documents including with respect to letters of credit, banker's acceptances and bank guaranties;

(b) Indebtedness consisting of capitalized lease obligations and purchase money Indebtedness, in each case incurred by any Loan Party or any of their Subsidiaries to finance the acquisition, repair, improvement or construction of fixed or capital assets of such person, provided that (i) the aggregate outstanding principal amount of all such Indebtedness does not exceed $1,000,000 (or its equivalent in other currencies) at any time and (ii) the principal amount of such Indebtedness does not exceed the lower of the cost or fair market value of the property so acquired or built or of such repairs or improvements financed with such Indebtedness (each measured at the time of such acquisition, repair, improvement or construction is made);

(c) unsecured Indebtedness to trade creditors incurred in the Ordinary Course of Business;

(d) Indebtedness incurred as a result of endorsing negotiable instruments received in the Ordinary Course of Business;

(e) excluding Indebtedness described in clauses (b) or (c) above and listed in the Perfection Certificate, Indebtedness existing on the Closing Date as shown on the Perfection Certificate;

(f) Subordinated Debt;

(g) Indebtedness in an aggregate amount not to exceed $1,000,000 (or its equivalent in other currencies) in respect of any cash management services, netting services, automatic clearinghouse arrangements, overdraft protections, employee credit card programs and other cash management and similar arrangements in the Ordinary Course of Business and any guarantees thereof;

(h) guarantees by a Loan Party or any of their Subsidiaries in respect of (i) Indebtedness of such Loan Party or any of its Subsidiaries permitted hereunder and (ii) obligations that do not constitute Indebtedness;

(i) Indebtedness in an aggregate amount not to exceed $1,000,000 (or its equivalent in other currencies) incurred by a Loan Party in respect of letters of credit, bank guarantees, bankers' acceptances, warehouse receipts or similar instruments issued or created in the Ordinary Course of Business;

(j) Indebtedness incurred in connection with the financing of insurance premiums in the Ordinary Course of Business;

(k) Indebtedness incurred from receipt of Permitted Investments; and

(l) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness described in clauses (b) through (k) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose materially more burdensome terms upon a Borrower or any of its Subsidiaries, as the case may be.

"Permitted Investments" means:

(a) Investments (including Subsidiaries) existing on the Closing Date and shown on the Perfection Certificate;

(b) (i) Investments consisting of Cash Equivalents, and (ii) any Investments permitted by Borrower Representative's investment policy, as amended from time to time, provided that such investment policy (and any such amendment thereto) has been approved in writing by Lender;

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the Ordinary Course of Business of a Loan Party;

(d) subject to Section 6.15, Investments consisting of Deposit Accounts in which Lender has, to the extent required by Section 6.6(b), a perfected security interest;

(e) Investments in connection with Permitted Transfers;

(f) (i) Investments of cash and Cash Equivalents by Loan Parties in an aggregate amount not to exceed (A) if Pulmonx Switzerland is not a Loan Party, $5,000,000 (or its equivalent in other currencies) in any fiscal year in Pulmonx Switzerland (B) if Pulmonx Switzerland is a Loan Party, the higher of $5,000,000 (or its equivalent in other currencies) in any fiscal year in Pulmonx Switzerland and such amount as the Lender (acting reasonably) is satisfied meets the security conditions (defined below), and (C) $5,000,000 (or its equivalent in other currencies) in any fiscal year in all Subsidiaries of Pulmonx that are not Loan Parties other than Pulmonx Switzerland; (ii) Investments by any of Borrower Representative's Subsidiaries that are not Loan Parties in any of Borrower Representative's Subsidiaries; (iii) Investments by Subsidiaries in any Loan Party provided that if the Person making the Investment (the "Disposing Party") is a Loan Party the recipient of that Investment must be a Loan Party which has provided (A) guarantees and security at all times in an amount not less than that guaranteed and secured by the Disposing Party, and (B) Liens over its cash and bank accounts which are (in the reasonable opinion of the Lender) at least equivalent to that provided by the Disposing Party (the conditions at (iii)(A) and (B), the "security conditions"); and (iv) non-cash Investments by Borrower Representative in its Subsidiaries, provided that in the case of (A) clauses (i) and (ii), all such cash and Cash Equivalents are applied in full by the relevant Subsidiary of Pulmonx towards its general corporate purposes reasonably promptly after receipt and shall not be applied to accumulate or maintain cash or Cash equivalents without a specific business purpose, and (B) clauses (ii) and (iii), any Investment by a Subsidiary which is not a Loan Party to any Loan Party shall be on terms (including as to subordination) reasonably satisfactory to the Lender;

(g) Investments not to exceed $250,000 (or its equivalent in other currencies) outstanding in the aggregate at any time consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the Ordinary Course of Business, and (ii) non-cash loans to employees, officers or directors relating

to the purchase of Equity Interests of Borrower Representative pursuant to employee stock purchase plans or other similar agreements approved by Borrower Representative's Board;

(h) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the Ordinary Course of Business;

(i) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the Ordinary Course of Business; provided that this clause (i) shall not apply to Investments of a Loan Party in any Subsidiary;

(j) Investments consisting of the creation of a Subsidiary for the purpose of consummating a merger transaction permitted by Section 7.3 of this Agreement, which is otherwise a Permitted Investment;

(k) Investments of any Person that becomes a Subsidiary after the date hereof, provided that such Investments exist at the time such Person becomes a Subsidiary and were not made in anticipation of such Person becoming a Subsidiary;

(l) non-cash Investments in joint ventures or strategic alliances in the Ordinary Course of Business of Borrower Representative consisting of the non-exclusive licensing of technology, the development of technology or the providing of technical support; and

(m) Investments consisting of Cash Equivalents at Foreign Subsidiaries to the extent permitted by Section 7.12(a).

"Permitted Licenses" are (a) licenses of over-the-counter software that is commercially available to the public, and (b) non-exclusive and exclusive licenses for the use of the Intellectual Property of any Loan Party or any of its Subsidiaries entered into in the Ordinary Course of Business, provided, that, with respect to each such license described in clause (b), (i) no Event of Default has occurred or is continuing at the time of such license; (ii) the license constitutes an arms-length transaction, the terms of which, on their face, do not provide for a sale or assignment of any Intellectual Property and do not restrict the ability of such Loan Party or any of its Subsidiaries, as applicable, to pledge, grant a security interest in or lien on, or assign or otherwise Transfer any Intellectual Property; (iii) in the case of any exclusive license, (A) such Loan Party delivers 10 days' prior written notice and a brief summary of the terms of the proposed license to Lender and delivers to Lender copies of the final executed licensing documents in connection with the exclusive license promptly upon consummation thereof, and (B) any such license could not result in a legal transfer of title of the licensed property but may be exclusive in respects other than territory and may be exclusive as to territory only as to discrete geographical areas outside of the United States; and (iv) all upfront payments, royalties, milestone payments or other proceeds arising from the licensing agreement that are payable to such Loan Party or any of its Subsidiaries are paid to a Collateral Account.

"Permitted Liens" means:

(a) Liens arising under this Agreement and the other Loan Documents;

(b) Liens securing Indebtedness permitted under clause (e) of the definition of Permitted Indebtedness, provided that (i) such Liens exist prior to the acquisition of, or attach substantially simultaneous with, or within twenty (20) days after the, acquisition, lease, repair, improvement or construction of, such property financed or leased by such Indebtedness and (ii) such Liens do not extend to any property of a Loan Party other than the property (and proceeds thereof) acquired, leased or built, or the improvements or repairs, financed by such Indebtedness;

(c) Liens for taxes, fees, assessments or other government charges or levies, either (i) not yet delinquent or (ii) being contested in good faith and for which such Loan Party or Subsidiary maintains adequate reserves on its books;

(d) leases or subleases of real property granted in the Ordinary Course of Business of such Person, and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual

Property) granted in the Ordinary Course of Business of such Person, if the leases, subleases, licenses and sublicenses do not prohibit granting Lender a security interest therein;

(e) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the Ordinary Course of Business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed $1,000,000 (or its equivalent in other currencies) and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(f) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the Ordinary Course of Business (other than Liens imposed by ERISA);

(g) deposits or pledges of cash to secure bids, tenders, contracts, leases (other than contracts or leases for the payment of money), surety and appeal bonds and other obligations of a like nature arising, in each case, in the Ordinary Course of Business;

(h) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default;

(i) Liens in favor of other financial institutions arising in connection with a Deposit Account or Securities Account of a Loan Party or Subsidiary thereof held at such institutions solely to secure payment of fees and similar costs and expenses, provided that Lender has a perfected security interest in each such Deposit Account or Securities Account of a Loan Party, and Lender has received an Account Control Agreement with respect thereto to the extent required pursuant to Section 6.6;

(j) Liens consisting of Permitted Licenses;

(k) excluding Liens described in clause (b) above and listed in the Perfection Certificate, Liens existing on the Closing Date as shown on the Perfection Certificate;

(l) Liens on cash and Cash Equivalents securing reimbursement obligations in respect of letter of credit permitted under clause (i) of the definition of Permitted Indebtedness;

(m) Liens on property of a Person existing at the time such Person is acquired by, merged into or consolidated with Borrower or any Subsidiary or becomes a Subsidiary, provided that (i) such Liens were not created in contemplation of such acquisition, merger, consolidation or Investment, (ii) such Liens do not extend to any assets other than those of such Person and (iii) any Indebtedness secured by such Liens constitutes Permitted Indebtedness; and

(n) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in clauses (b) and (k) above, but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase.

"Permitted Transfers" means (a) sales of Inventory by a Loan Party or any of its Subsidiaries in the Ordinary Course of Business, (b) Permitted Licenses, (c) Transfers consisting of the granting of Permitted Liens and the making of Permitted Investments, (d) Transfers of worn out, surplus or obsolete Equipment, (e) the use or transfer of money or Cash Equivalents in the Ordinary Course of Business for the payment of ordinary course business expenses in a manner that is not prohibited by the Loan Documents, (f) the sale or issuance of any stock of Borrower Representative to the extent not prohibited by the definition of Change in Control or Section 7.2, (g) Transfers of property to the extent that such property is exchanged for credit against the purchase price of similar replacement property or the proceeds of such Transfer are promptly applied to the purchase price of such replacement property and (h) the payment to Oxford Finance LLC of the Success Fee, so long as such payment is funded solely from the proceeds of an initial public offering of Borrower Representative's common stock.

"Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"Prime Rate" is the rate of interest per annum from time to time published in the money rates section of The Wall Street Journal or any successor publication thereto as the "prime rate" then in effect; provided that if such rate of interest, as set forth from time to time in the money rates section of The Wall Street Journal, becomes unavailable for any reason as determined by Lender, the "Prime Rate" shall mean the rate of interest per annum announced by Lender as its prime rate in effect at its principal office in the State of New York (such Lender announced Prime Rate not being intended to be the lowest rate of interest charged by Lender in connection with extensions of credit to debtors).

"Pulmonx" has the meaning set forth in the preamble.

"Pulmonx Switzerland" means PulmonX International Sàrl, a limited liability company (société à responsabilité limitée) formed under the laws of Switzerland.

"Recipient" means, as applicable, (a) Lender, (b) any successor thereof and (c) any assignee thereof as provided in Section 13.2, or any combination thereof (as the context requires).

"Register" has the meaning set forth in Section 2.7(g).

"Registered Organization" means any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

"Requirement of Law" means as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" means with respect to any Person, any of the Chief Executive Officer, President or Chief Financial Officer of such Person. Unless the context otherwise requires, each reference to a Responsible Officer herein shall be a reference to a Responsible Officer of Borrower Representative.

"Restricted License" means any material license or other material agreement (other than ordinary course customer contracts, off the shelf software licenses, licenses that are commercially available to the public, and open source licenses) with respect to which a Loan Party or any of its Subsidiaries is the licensee (a) that prohibits or otherwise restricts such Loan Party or Subsidiary from granting a security interest in such Loan Party or Subsidiary's interest in such license or agreement or any other property, or (b) for which a default under, or termination of which, could reasonably be expected to interfere with the Lender's right to sell any Collateral.

"Revenue" means, with respect to any period, the consolidated revenue generated by Borrowers and their Subsidiaries during such period, as determined in accordance with GAAP.

"Securities Account" means any "securities account" as defined in the Code with such additions to such term as may hereafter be made.

"Security Instrument" means any security agreement, assignment, pledge agreement, financing or other similar statement or notice, continuation statement, other agreement or instrument, or any amendment or supplement to any thereof, creating, governing or providing for, evidencing or perfecting any security interest or Lien.

"Shares" means one hundred percent (100%) of the issued and outstanding Equity Interests owned or held of record by a Loan Party in any other Loan Party or any Subsidiary.

"Subordinated Debt" means Indebtedness incurred by a Loan Party that is subordinated in writing to all of the Obligations pursuant to a Subordination Agreement.

"Subordination Agreement" means any subordination, intercreditor or other similar agreement in form and substance satisfactory to Lender entered into between Lender and the other creditor(s), on terms acceptable to Lender, including lien and payment subordination.

"Subsidiary" means, with respect to any Person, any corporation, partnership, limited liability company or joint venture in which (a) any general partnership interest or (b) more than 50.00% of the stock, limited liability company interest, joint venture interest or other Equity Interest of which by the terms thereof has the ordinary voting power to elect the Board of that Person, at the time as of which any determination is being made, is owned or controlled by such Person, either directly or through an Affiliate. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of a Borrower.

"Success Fee" means the "Success Fee" as defined and described in that certain Success Fee Agreement dated as of August 28, 2014, between Borrower and Oxford Finance LLC, a true and correct copy of which was delivered by Borrower to Lender prior to the Closing Date.

"Swiss Security Conditions" means Lender shall have received from Borrower (a) certified copies of the articles of association and a certified excerpt of the Commercial Register for Pulmonx Switzerland and (b) a joinder to this Agreement pursuant to which Pulmonx Switzerland becomes a Borrower or Guarantor hereunder and grants a security interest in and to the assets of Pulmonx Switzerland (substantially as described on Exhibit B), together with such other documents, instruments and agreements reasonably requested by Lender, all in form and substance satisfactory to Lender (including being sufficient to grant Lender a first priority Lien, subject to Permitted Liens that are permitted pursuant to the terms of this Agreement to have superior priority to Lender's Lien under this Agreement, in and to the assets of Pulmonx Switzerland). Any document, agreement, or instrument executed or issued pursuant to the Swiss Security Conditions shall be a Loan Document.

"Swiss Share Pledge Documents" means a Pledge Agreement, in form and substance reasonably satisfactory to Lender, entered into by Borrower in favor of Lender with respect to the Equity Interests of Pulmonx Switzerland, together with all other documents, instruments and other agreements entered into in connection therewith as reasonably required by Lender.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), value added taxes, or any other goods and services, use or sales taxes, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term A Loan" has the meaning set forth in Section 2.3(a)(i).

"Term A Loan Amount" means $17,000,000.

"Term B Loan" and "Term B Loans" have the meaning set forth in Section 2.3(a)(ii).

"Term B Loan Amount" means $8,000,000.

"Term C Loan" and "Term C Loans" have the meaning set forth in Section 2.3(a)(iii).

"Term C Loan Amount" means $7,000,000.

"Term Loan" and "Term Loans" have the meaning set forth in Section 2.3(a)(iii).

"Term Loan Maturity Date" means February 20, 2025.

"Trademarks" means any trademark and servicemark rights of a Person, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business connected with and symbolized by such trademarks.

"Transfer" means defined in Section 7.1.

"UFCA" has the meaning set forth in Section 12.15(b).

"UFTA" has the meaning set forth in Section 12.15(b).

"United States" means United States of America.

"Unrestricted Cash" means the result of (i) all unrestricted cash of Borrowers maintained with Lender or an Affiliate of Lender, minus (ii) all outstanding checks written by Borrowers that have not been cashed or otherwise processed.

"U.S. Person" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the IRC.

"U.S. Tax Compliance Certificate" has the meaning set forth in Section 2.7(e)(ii)(B)(3).

"Voting Stock" means, with respect to any Person, all classes of Equity Interests issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors or managers (or Persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

EXHIBIT B

COLLATERAL DESCRIPTION

The Collateral consists of all of each Loan Party's right, title and interest in and to all of its personal property wherever located, whether now owned or existing or hereafter acquired, created or arising, including the following:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and all such Loan Party's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds (both cash and non-cash) and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the "Collateral" does not include any of the following, whether now owned or hereafter acquired: (a) any intent-to-use US trademark application for which an amendment to allege use or statement of use has not been filed and accepted by the US Patent and Trademark Office and that would otherwise be deemed invalidated, cancelled or abandoned due to the grant of a security interest thereon (provided that each intent-to-use application shall be considered Collateral immediately and automatically upon such filing and acceptance); and (b) any lease, license, contract, permit, letter of credit, purchase money arrangement, instrument or agreement to which any Loan Party is a party (including any of its rights or interests thereunder) if and to the extent that the grant of such security interest shall constitute or result in (i) the abandonment, invalidation or unenforceability of any right, title or interest of such Loan Party therein or (ii) result in a breach or termination pursuant to the terms of, or default under, any such lease, license, contract, permit, letter of credit, purchase money agreement, instrument or agreement; provided that the foregoing exclusion shall in no way be construed (x) to apply if any such restriction or prohibition is unenforceable or rendered ineffective under Sections 9-406, 9-407 or 9-408 of the UCC or under other applicable law, (y) so as to limit, impair or otherwise affect Lender's continuing security interests in and liens upon any rights or interests of any Loan Party in or to (i) monies due or to become due under any such lease, license, contract, permit, letter of credit, purchase money arrangement, instrument or agreement (including any Accounts) or (ii) any proceeds from disposition of any such lease, license, contract, permit, letter of credit, purchase money arrangement, instrument or agreement, or (z) to apply to the extent that any consent or waiver has been obtained that would permit the security interest of lien notwithstanding the applicable restriction or prohibition.

EXHIBIT C

LOAN REQUEST

Canadian Imperial Bank of Commerce
Credit Processing Services
595 Bay Street, 5th floor
Toronto, Ontario
M5G 2C2
e-mail: gregory.mcdonald@cibc.com
Attention: Gregory McDonald

Date: _____

Ladies and Gentleman:

The undersigned, a Responsible Officer of Pulmonx Corporation, a Delaware corporation ("Borrower Representative"), refers to that certain Loan and Security Agreement, dated as of February 20, 2020 (as amended, restated, supplemented or otherwise modified, from time to time, the "Agreement"), among CANADIAN IMPERIAL BANK OF COMMERCE ("Lender"), Borrower Representative, each other Person party thereto as a borrower from time to time (collectively, "Borrowers", and each, a "Borrower") and each Person party thereto as a guarantor from time to time, and hereby gives you notice, irrevocably, pursuant to and as required by Section 3.2(a) of the Agreement, that Loan Parties hereby request a Term [B][C] Loan under the Agreement, and in that connection set forth below the information relating to such Term [B][C] Loan:

1. The requested Funding Date of such Credit Extension is [_____, 20___];
2. The requested principal amount of such Credit Extension is [_____]; and
3. The Deposit Account maintained at CIBC Bank USA to which funds are to be disbursed is as follows: [_____].

Lender is hereby authorized to deduct amounts from the foregoing Credit Extension to be applied to Lender Expenses and outstanding fees then due as set forth on the attached Schedule 1.

Borrower Representative represents that each of the conditions precedent to the Credit Extension set forth in the Agreement are satisfied and shall be satisfied on the Funding Date, including: (i) the representations and warranties set forth in the Agreement and in the other Loan Documents are true and correct in all material respects (other than such representations and warranties that are already qualified by materiality, Material Adverse Effect or similar language, in which case such representations and warranties shall be true and correct in all respects) on the date hereof and on the Funding Date; provided, however, that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects (other than such representations and warranties that are already qualified by materiality, Material Adverse Effect or similar language, in which case such representations and warranties shall be true and correct in all respects) as of such date, (ii) no Default or Event of Default has occurred and is continuing or would result from the Credit Extension, and (iii) no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred.

Borrower Representative agrees to notify Lender promptly before the Funding Date if any of the matters which have been represented above shall not be true and correct in all material respects on the Funding Date and if Lender has received no such notice before the Funding Date then the statements set forth above shall be deemed to have been made and shall be deemed to be true and correct in all material respects as of the Funding Date.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURE PAGE TO LOAN REQUEST]

This Loan Request is hereby executed as of the date first written above.

BORROWER REPRESENTATIVE:

PULMONX CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT D

COMPLIANCE CERTIFICATE

TO: CANADIAN IMPERIAL BANK OF COMMERCE Date: _____
FROM: PULMONX CORPORATION

Reference is made to that certain Loan and Security Agreement, dated as of February 20, 2020 (as amended, restated, supplemented or otherwise modified, from time to time, the "Agreement"), among CANADIAN IMPERIAL BANK OF COMMERCE ("Lender"), PULMONX CORPORATION, a Delaware corporation, each other Person party thereto as a borrower from time to time (collectively, "Borrowers", and each, a "Borrower") and each Person party thereto as a guarantor from time to time. Capitalized terms have meanings as defined in the Agreement.

The undersigned authorized officer of Borrower Representative, hereby certifies in accordance with the terms of the Agreement as follows:

(1) Each Loan Party is in compliance for the period ending _____ with all covenants set forth in the Agreement; (2) no Event of Default has occurred and is continuing; and (3) the representations and warranties in the Agreement are true and correct in all material respects on this date; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further, that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects as of such date.

Schedule 1 sets forth true and correct calculations with respect to the financial covenants in Section 6.10 of the Agreement.

The undersigned certifies that all financial statements delivered herewith are prepared in accordance with GAAP (other than, with respect to unaudited financials for the absence of footnotes and being subject to normal year-end adjustments), consistently applied from one period to the next. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No/N/A under "Complies" column.

Reporting Covenants	Required	Complies
Quarterly financial statements and Compliance Certificate	Quarterly, within 45 days (60 days in the case of Q4)	Yes No N/A
Annual Projections and Budget	Annually, within 60 days of fiscal year end	Yes No N/A
Annual audited financial statements and Compliance Certificate	Annually, within 180 days of fiscal year end	Yes No N/A
SEC filings	Within five days after filing with SEC	Yes No N/A
Legal action notices	Promptly	Yes No N/A
IP reports	Together with the Compliance Certificate delivered for the end of each calendar month constituting the end of a fiscal quarter	Yes No N/A
Evidence of bank balances	Together with each Compliance Certificate	Yes No N/A
Insurance reductions	30 days prior to any proposed revocation	Yes No N/A
Material amendments to Operating Documents	Promptly (and prior to an initial public offering)	Yes No N/A
Defaults	Within 3 Business Days upon a Loan Party becoming aware of the existence	Yes No N/A

Financial Covenants	Required	Complies
Minimum Revenue	See Schedule 1 hereto	Yes No

Unrestricted cash	See Schedule 1 hereto	Yes No
Unrestricted cash	Monthly requirement	N/A

Other Covenants	Required	Actual	Complies
Purchase money Indebtedness (including capital leases)	Not to exceed $1,000,000 (or its equivalent) outstanding at any time	$	Yes No
Indebtedness in respect of cash management services and credit cards	Not to exceed $1,000,000 (or its equivalent) outstanding at any time	$	Yes No
Indebtedness in respect of letters of credit, bank guarantees, bankers' acceptances, warehouse receipts or similar instruments	Not to exceed $1,000,000 (or its equivalent) outstanding at any time	$	Yes No
Repurchases of stock pursuant to Section 7.7(a)	Not to exceed $100,000 per fiscal year (or $500,000 per fiscal year per Section 7.7)	$	Yes No
Investments of cash and Cash Equivalents in Subsidiaries	Not to exceed (a) $5,000,000 (or its equivalent) in any fiscal year in Pulmonx Switzerland, and (b) $5,000,000 (or its equivalent) in any fiscal year in all Subsidiaries of Pulmonx other than Pulmonx Switzerland	(a) $ (b) $	Yes No
Investments for travel advances and employee loans	Not to exceed $250,000 (or its equivalent) outstanding	$	Yes No
Liens of carriers, warehousemen, suppliers	Securing obligations not to exceed $1,000,000 (or its equivalent) at any time	$	Yes No

Other Matters

Has any Loan Party changed its legal name, jurisdiction of organization or chief executive office? If yes, please complete details below: Yes No

_____

Has there been any change of Chief Executive Officer, President or Chief Financial Officer of Borrower Representative? If so, please describe appointment of any interim replacement or full-time replacement by a candidate with equivalent qualifications: Yes No

_____

Have any new Subsidiaries been formed? If yes, please provide complete schedule below. Yes No

Legal Name of Subsidiary	Jurisdiction of Organization	Holder of Subsidiary Equity Interests	Equity Interests Certificated? (Y/N)	Jurisdiction

Have any new Deposit Accounts or Securities Accounts been opened? If yes, please complete schedule below. Yes No

Accountholder	Deposit Account / Intermediary	Address	Account Number	Account Control Agreement in place? (Y/N)

The following are the exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions to note.")

BORROWER REPRESENTATIVE:

PULMONX CORPORATION

By: _____
Name: _____
Title: _____

SCHEDULE 1

FINANCIAL COVENANT CALCULATIONS

[Attached.]

EXHIBIT E

REQUIREMENTS FOR INSURANCE DOCUMENTATION

Contact Information for Insurance Documentation:

CANADIAN IMPERIAL BANK OF COMMERCE
595 Bay Street, 5th Floor
Toronto ON M5G 2C2

Document Requirements:

DOCUMENT	REQUIREMENT
1. Certificate of Liability Insurance	• Canadian Imperial Bank of Commerce and its successors and assigns to be designated as **"Additional Insured"**. • Canadian Imperial Bank of Commerce name and address to be listed as Certificate Holder.
2. General Liability Endorsement (Additional Insured Endorsement)	• Canadian Imperial Bank of Commerce and its successors and assigns to be named in additional insured endorsement.
3. Evidence of Commercial Property Insurance	• All-risk commercial property insurance incurring all of each Loan Party's property • Canadian Imperial Bank of Commerce and its successors and assigns to be designated as **"Lender's Loss Payee,"** with **Lender's Loss** Payable provision designated. • Canadian Imperial Bank of Commerce name and address to be designated in Name and Address of Additional Interest. • Insured locations to include all locations of Loan Parties listed in the Perfection Certificate
4. Commercial Property Endorsement **(Lender's Loss Payable Endorsement)**	• Canadian Imperial Bank of Commerce and its successors and assigns to be scheduled and designated as "Lender Loss Payee" by endorsement • Lender loss payable clause with stipulation that coverage will not be cancelled or diminished without a minimum of 10 days' prior written notice for non-payment of premium, or 30 days for any other cancellation.

SCHEDULE 1

DISQUALIFIED INSTITUTIONS

None.

Pulmonx Corporation

Amended and Restated
Non-Employee Director Compensation Policy

Approved by the Board of Directors
March 23, 2021

Eligibility

Each member of the board of directors (the "***Board***") of Pulmonx Corporation (the "***Company***") who is not a full- or part- time officer or employee of the Company or any of its subsidiaries (a "***Non-Employee Director***") is eligible to receive compensation under this Non-Employee Director Compensation Policy (this "***Policy***") during the period of the Non-Employee Director's service as a member of the Board. A Non-Employee Director may decline all or any portion of his or her compensation by giving notice to the Company prior to the date cash is to be paid or equity awards are to be granted, as the case may be.

Equity Compensation

Equity awards will be granted under the Company's 2020 Equity Incentive Plan, as amended from time to time, or any successor equity incentive plan (the "***Plan***"). Unless otherwise defined herein, capitalized terms used in this Policy have the meaning given to such terms in the Plan. All stock options granted under this Policy will be Non-statutory Stock Options, with a term of ten years from the date of grant (subject to earlier termination upon a termination of the Non-Employee Director's Continuous Service) and an exercise price per share equal to the closing price of a share of the Company's Common Stock on the date of grant. Grants of equity hereunder will be made on the applicable Quarterly Granting Date.

- *Certain Definitions*. As used in this Policy:
  - "***Calculation Stock Price***" means the average closing price of the Company's Common Stock over the thirty business days ended on the business day immediately prior to the Company Quarterly Granting Date when such Initial Equity Grant or an Annual Equity Grant (as defined below) is to be made.
  - "***Fair Market Value:***"
    - For **stock options** granted hereunder will be based on the Black-Scholes pricing method and will use the Calculation Stock Price.
    - For Restricted Stock Units ("***RSUs"*)** granted hereunder will be based on the value of such RSU grant divided by the Calculation Stock Price.
  - "***Quarterly Granting Date***" means the four annual dates on which the Company grants equity awards.
- *Initial Equity Grant*. Each Non-Employee Director who is elected or appointed to the Board for the first time after the effective date of this Policy will be granted, at the discretion of the Board of Directors, either or a combination of (a) an option to purchase shares of Common Stock (the "***Initial Stock Option Grant***") or (b) Company RSUs (the "***Initial RSU Grant***") with an aggregate Fair Market Value of $180,000 on the Company Quarterly Granting Date immediately following the date of his or her initial election or appointment to the Board (the Initial Stock

Option Grant and the Initial RSU Grant shall be referred to alternatively or collectively herein as the "***Initial Equity Grant***").

- *Initial Stock Option Grant*. One-thirty-sixth (1/36th) of the shares subject to the Initial Stock Option Grant will vest on the one-month anniversary of the date of grant and each month thereafter on the same day of the month as the grant date, subject to the Non-Employee Director's Continuous Service through each vesting date.
- *Initial RSU Grant*. One-third (1/3rd) of the RSUs subject to the Initial RSU Grant will vest on each of the three succeeding one-year anniversaries of the date of grant on the same day of the month as the grant date, or if such date is not a business day, then on the next business day, subject to the Non-Employee Director's Continuous Service through each vesting date.

- *Annual Equity Grant*. With respect to each annual meeting following the applicable Non-Employee Director's Initial Equity Grant, each person who continues to serve as a Non-Employee Director following such annual meeting, and who has been in Continuous Service as a Non-Employee Director for at least six months as of such date, will be granted, at the discretion of the Board of Directors, either or a combination of (a) an option to purchase shares of Common Stock (the "***Annual Stock Option Grant***") or (b) Company RSUs (the "***Annual RSU Grant***") with an aggregate Fair Market Value of $120,000 on the Company Quarterly Granting Date immediately following the date of the Company's Annual Meeting of Stockholders (the Annual Stock Option Grant and the Annual RSU Grant shall be referred to alternatively or collectively herein as the "***Annual Equity Grant***").

  - *Annual Stock Option Grant*. One-twelfth (1/12th) of the shares subject to each Annual Stock Option Grant will vest on the one-month anniversary of the date of grant and each month thereafter on the same day of the month as the grant date, provided that the twelfth vesting date of each such grant will occur no later than the date of the Annual Meeting for the year subsequent to the date such Annual Stock Option Grant is made, subject to the Non-Employee Director's Continuous Service through each vesting date.

  - *Annual RSU Grant*. In the case of the Annual RSU Grant, all of the RSUs subject to the Annual RSU Grant will vest on the earlier of (i) the one-year anniversary of the date of grant on the same day of the month as the grant date, or if such date is not a business day, then on the next business day, or (ii) the date of the Annual Meeting for the year subsequent to the date such Annual RSU Grant is made, subject to the Non-Employee Director's Continuous Service through such vesting date.

- *Change in Control*. Notwithstanding the above, for each Non-Employee Director who remains in Continuous Service with the Company until immediately prior to the closing of a Change in Control, any unvested shares subject to his or her then-outstanding equity awards that were granted pursuant to this Policy will become fully vested and exercisable immediately prior to the closing of such Change in Control.

Cash Compensation

Each Non-Employee Director will receive an annual Board service retainer of $40,000 in cash for serving on the Board. A Non-Employee Director who serves as a non-executive chairperson of the Board will receive an additional annual cash service retainer of $35,000 for serving in that role.

The chairperson and other members of the three standing committees of the Board will be entitled to the following additional annual cash retainers:

Board Committee	Chairperson	Other Member
Audit Committee	$ 20,000	$ 10,000
Compensation Committee	$ 15,000	$ 7,500
Nominating and Corporate Governance Committee	$ 10,000	$ 5,000

All annual cash retainers will be payable in equal quarterly installments, in arrears, no later than 30 days following the end of each quarter in which the Board service occurs, prorated for any partial quarter of service (based on the number of days served in the applicable position divided by the total number of days in the quarter). All annual cash retainers will be vested upon payment.

The Company will also reimburse each Non-Employee Director for all ordinary, necessary and reasonable out-of-pocket travel expenses incurred by the Non-Employee Director in attending in person and participating in meetings of the Board or any committee thereof and any meetings of the stockholders of the Company, provided the Non-Employee Director timely submits to the Company appropriate documentation substantiating such expenses in accordance with the Company's travel and expense policy, as in effect from time to time.

Amendments

This Policy may be amended by the Board or the Compensation Committee of the Board at any time.

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Glendon E. French, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pulmonx Corporation;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2021

By: /s/ Glendon E. French
Glendon E. French
President, Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Derrick Sung, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pulmonx Corporation;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2021

By: /s/ Derrick Sung
Derrick Sung, Ph.D.
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pulmonx Corporation (the "Company") on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glendon E. French, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 12, 2021

By: /s/ Glendon E. French
Glendon E. French
President, Chief Executive Officer and Director

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Pulmonx Corporation under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pulmonx Corporation (the "Company") on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Derrick Sung, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 12, 2021

By: /s/ Derrick Sung
Derrick Sung, Ph.D.
Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Pulmonx Corporation under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.