

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

FORM 10-K

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

For the fiscal year ended December 31, 2019

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.  
Commission File Number: **001-34822**

**CLEARPOINT NEURO, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of Incorporation or  
Organization)*

**58-2394628**  
*(I.R.S. Employer Identification No.)*

**5 Musick**  
**Irvine, California**  
*(Address of principal executive offices)*

**92618**  
*(Zip Code)*

**(949) 900-6833**  
*(Registrant's telephone number, including area code)*

**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.01 par value per share**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	CLPT	Nasdaq Capital Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act  Yes  No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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 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   
Non-accelerated filer

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 June 30, 2019, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$42,520,854, based on the closing sale price as reported on the OTCQB Marketplace.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<b>Class</b>	<b>Outstanding at March 16, 2020</b>
Common Stock, \$.01 par value per share	15,491,863 shares

#### **DOCUMENTS INCORPORATED BY REFERENCE**

The information required by Part III is incorporated by reference from portions of the definitive proxy statement to be filed within 120 days after December 31, 2019, pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with the 2020 annual meeting of stockholders.

CLEARPOINT NEURO, INC.

TABLE OF CONTENTS

Item	Page
<b>PART I</b>	
1. <a href="#">Business.</a>	4
1A. <a href="#">Risk Factors.</a>	21
1B. <a href="#">Unresolved Staff Comments.</a>	39
2. <a href="#">Properties.</a>	39
3. <a href="#">Legal Proceedings.</a>	39
4. <a href="#">Mine Safety Disclosures.</a>	39
<b>PART II</b>	
5. <a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</a>	39
6. <a href="#">Selected Financial Data.</a>	40
7. <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations.</a>	41
7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk.</a>	47
8. <a href="#">Financial Statements and Supplementary Data.</a>	47
9. <a href="#">Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.</a>	47
9A. <a href="#">Controls and Procedures.</a>	47
9B. <a href="#">Other Information.</a>	48
<b>PART III</b>	
10. <a href="#">Directors, Executive Officers and Corporate Governance.</a>	49
11. <a href="#">Executive Compensation.</a>	49
12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</a>	49
13. <a href="#">Certain Relationships and Related Transactions, and Director Independence.</a>	49
14. <a href="#">Principal Accounting Fees and Services.</a>	
<b>PART IV</b>	
15. <a href="#">Exhibits, Financial Statement Schedules.</a>	50

**Trademarks, Trade Names and Service Marks**

*ClearPoint Neuro*<sup>®</sup>, *ClearConnect*<sup>™</sup>, *ClearPoint*<sup>®</sup>, *ClearTrace*<sup>®</sup>, *MRI Interventions*<sup>®</sup>, *SmartFlow*<sup>®</sup>, *SmartFrame*<sup>®</sup>, *SmartGrid*<sup>®</sup> and *PURSUIT*<sup>™</sup> are trademarks of ClearPoint Neuro, Inc. Any other trademarks, trade names or service marks referred to in this Annual Report are the property of their respective owners. As used in this Annual Report, Siemens refers to Siemens Healthineers AG, and its affiliates, Boston Scientific refers to Boston Scientific Corporation and its affiliates, Brainlab refers to Brainlab AG and its affiliates, IMRIS refers to IMRIS, Deerfield Imaging and its affiliates, and PTC refers to PTC Therapeutics, Inc, and its affiliates.

## PART I

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or Annual Report, contains “forward-looking statements” as defined under the United States federal securities laws. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements, expressed or implied by the forward-looking statements. Forward-looking statements may include, but are not limited to, statements about:

- future revenues from sales of ClearPoint system products;
- our ability to market, commercialize and achieve broader market acceptance for our ClearPoint system products; and
- estimates regarding the sufficiency of our cash resources and our ability to obtain additional financing, to the extent necessary or advisable.

In some cases, you can identify forward-looking statements by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would,” and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these words. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Annual Report, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain.

You should refer to the section of this Annual Report entitled “Risk Factors” for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Annual Report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We do not undertake to update any of the forward-looking statements after the date of this Annual Report, except to the extent required by applicable securities laws.

### ITEM 1. BUSINESS

#### Overview

We are a medical device company that develops and commercializes innovative platforms for performing minimally invasive surgical procedures in the brain under direct, intra-procedural magnetic resonance imaging, or MRI, guidance. From our inception in 1998 to 2002, we deployed significant resources to fund our efforts to develop the foundational capabilities for enabling MRI-guided interventions and to build an intellectual property portfolio. In 2003, our focus shifted to identifying and building out commercial applications for the technologies we developed in prior years.

We have two product platforms. Our ClearPoint system, which is in commercial use in the United States, is used to perform minimally invasive surgical procedures in the brain. We anticipate that our ClearTrace system, which is a product candidate still in development, will be used to perform minimally invasive surgical procedures in the heart. However, we have reduced our development expenditures related to ClearTrace, as we devote our resources to the continued development and commercialization of ClearPoint.

Our products are designed to provide a new, minimally invasive surgical approach to address large patient populations for whom we believe current surgical techniques are deficient. Our ClearPoint system is a neuro-navigation system designed for instruments or devices to treat a variety of neurological diseases and conditions and for performing biopsies. Our SmartFlow cannula is being used by several pharmaceutical companies to deliver drugs and biologics under such companies’ clinical trials. We believe that our ClearPoint product platform, subject to appropriate regulatory clearances and approvals as we pursue expansion of applications and geographic coverage, will provide better patient outcomes, enhance revenue potential for both physicians and hospitals, and reduce costs to the healthcare system, further discussed as follows:

- *Better Patient Outcomes.* We believe that if a physician can see the surgical field, the surgical instruments and the patient's anatomy all at the same time and in the same "imaging space," the physician can more efficiently and effectively perform a surgical intervention in the brain. We believe that our product platforms are designed to enable physicians to see the target site, guide the surgical instrument to the site, deliver the therapy, monitor for adverse events and complications and confirm the desired results of the procedure, all under high resolution, intra-procedural MRI guidance. We believe that these capabilities will translate directly into better outcomes for the patients undergoing the procedures due to improved efficiency and the potential for the reduction of adverse events and side effects, as well as the potential for faster recovery times.
- *Enhance Revenue Potential.* By providing direct, intra-procedural visualization, we believe our ClearPoint system can reduce the amount of time needed to perform the procedures for which it was designed. As a result, we believe that our ClearPoint system may improve the overall economics of the procedures for both the performing physician and the hospital. We believe that our ClearPoint system may also enable a physician to treat more patients in a given period of time and treat patients who would otherwise not be able to be treated utilizing current surgical techniques.
- *Reduce Costs to the Healthcare System.* We believe that the use of our products may result in more efficient utilization of healthcare resources and physician time. Our product platforms are designed to work in a hospital's existing MRI suite, which facilitates additional utility for an infrastructure investment that has already been made by the hospital. Further, if patient outcomes and procedure efficiencies are improved through use of our products, we believe that the result will be a reduction in overall healthcare costs.

## **Industry Background**

### ***Magnetic Resonance Imaging***

MRI is a widely practiced imaging technique that uses spatially varying magnetic fields to produce images of the human anatomy. Hydrogen nuclei, present in molecules throughout the body, are slightly magnetic. When placed in large external magnetic fields, they can be induced to emit or resonate radio frequency signals. These radio frequency signals are used to construct images of human anatomy, including high resolution images of soft tissue.

MRI has important and advantageous properties that differentiate it from other imaging methods. MRI scans can provide images of any part of the body, in any plane of view, and offer more detailed information than other modalities, including fluoroscopy and computed tomography. Some of the unique advantages of MRI include:

- soft tissue imaging that enables superior tissue visualization and enhanced differentiation between healthy and diseased tissues;
- unlimited orientation and positioning of the imaging plane;
- the ability to directly acquire volumetric (three dimensional) data sets;
- the ability to evaluate both the structure and certain functions of internal organs; and
- no harmful ionizing radiation exposure for either the patient or the physician.

There are more than 12,000 MRI scanners installed throughout the United States. MRI scanners are available in a number of different configurations and field strengths, which refers to the strength of the magnet used to create the magnetic field. Magnetic field strength is measured in Tesla, or T. The most common field strength for MRI scanners is 1.5T. Higher field strength scanners such as 3T MRI scanners are gaining commercial market adoption, offering faster scanner speeds and even higher resolution images than 1.5T MRI scanners. There are approximately 4,800 1.5T scanners and 900 3.0T scanners located within hospitals in the U.S. which potentially can be utilized for surgical procedures.

## ***Minimally Invasive Surgical Procedures***

Over the past few decades, one of the most important trends in medicine has been the replacement of open surgical procedures with minimally-invasive approaches. This has taken place in cardiology, where a coronary artery is stented open or a valve is replaced through a small radial incision under x-ray guidance in an angio-suite, instead of in the operating room. Similarly, during surgery, a laminectomy is performed through a small incision instead of a large one reducing recovery time. As one follows the trajectory of medical innovation throughout the body, we believe two observations may be made when a procedure moves to a minimally-invasive approach: (i) the number of patients who are eligible for these procedures grows significantly; and (ii) surgeons come to rely on an imaging modality to facilitate live image guidance to see inside the body in place of visualizing anatomy in an open procedure. Stereotactic neurosurgery incorporates imaging to help surgeons see through the patient's skull. The modality that best delivers the level of specificity required to delineate different regions of the brain is MRI. MRI allows surgeons to segment the brain into 22 subcortical structures and helps identify the precise target and avoid vasculature and, in turn, to avoid bleeding. In order to facilitate surgery in a large magnet, metal tools that are typically used in the operating room need to be adapted to the MRI suite. ClearPoint has reduced the size and changed the composition of stereotactic headframes, onsite navigation systems, and drills, manufacturing them out of MR safe materials such as plastics, ceramics and liquids visible under MRI. During a ClearPoint procedure, surgeons use our complete navigation system inside an MRI scanner, defining targets in real-time to decide, guide, treat and confirm the procedure with pinpoint accuracy.

ClearPoint Neuro has evolved to become a company comprised of two parts. In the past, we were viewed strictly as a medical device company providing navigation systems for neurosurgery. This part of the company participates in an existing \$100 million market that is growing at a rate of 10% per year, of which we have less than a 10% market share. However, we believe we are currently growing faster than the market as we continue to convert procedures from the operating room to the MRI suite. The other half of ClearPoint Neuro is focused on biologics and drug delivery companies, 20 of whom are our customers to whom we sell products, such as the SmartFlow cannula, for such companies' use for injection in their clinical trials, and clinical support services.

## **Our Current Products and Product Candidates**

### ***ClearPoint Neuro Navigation System***

#### *General*

Our ClearPoint system is designed to allow minimally invasive procedures in the brain to be performed in a hospital's existing MRI suite or in an inter-operative MRI. It provides guidance for the placement and operation of instruments or devices during the planning and operation of neurosurgical procedures performed within the MRI suite using MRI guidance. Our ClearPoint system is intended to be used as an integral part of procedures, such as biopsies and the insertion of catheters, electrodes and fiber lasers, which have traditionally been performed using stereotactic methodologies. It is intended to be used with both 1.5T and 3T MRI scanners. Our research efforts for our ClearPoint system began in 2003, and in June 2010, we received 510(k) clearance from the FDA to market our ClearPoint system in the United States for general neurosurgical interventional procedures. In February 2011 and May 2018, we also obtained CE marking approval for our ClearPoint system and SmartFlow cannula, respectively. The CE mark is an international symbol of adherence to quality assurance standards and compliance with applicable European Union medical device directives, and it allows us to market the ClearPoint system in the European Union. Today, ClearPoint systems are in clinical use with MRI scanners from the three major manufacturers, Siemens, GE Healthcare and Philips Healthcare, as well as the two major interventional MR/OR platforms, which are manufactured by IMRIS and Brainlab.

### ***The Need for Minimally Invasive Neurosurgical Interventions***

#### *Market Overview*

Millions of people suffer from neurological diseases including: movement disorders such as Parkinson's disease, essential tremor and dystonia; psychiatric disorders such as major depression, obsessive compulsive disorder and Alzheimer's disease; and brain tumors, such as glioblastoma multiforme. The first line of therapy for most of these conditions is systemic administration of drugs. For example, to treat the early stages of Parkinson's disease, a patient is often prescribed a drug called levodopa. Drugs such as levodopa can be effective in the earlier stages of the disease; however, as the disease progresses, systemic drugs may become less effective, and potentially ineffective, in treating the patient. Given the shortcomings of systemic drugs like levodopa, the medical community has focused significant resources to find new non-systemic or "local" therapies to treat these patients.

The development activity in, and the use of, local therapies is growing. For example, drug companies and researchers have identified and are investigating various compounds that are delivered directly into the diseased area of the brain, such as directly into the center of a tumor in the brain. Similarly, the medical community has developed a technique commonly referred to as focal ablation, under which a special probe is inserted into a target area of the brain and a small area of diseased brain tissue is then destroyed by applying laser energy or radio frequency energy through the tip of the special probe. Physicians perform this procedure to treat disorders such as Parkinson's disease, essential tremor and epilepsy. The medical community has also developed another local therapy known as deep brain stimulation, or DBS. DBS uses mild electrical pulses from an implanted device to stimulate a small target region in the brain. A DBS system looks and operates much like a cardiac pacemaker, except that instead of sending pulses to the heart, it delivers electrical stimulation through the electrodes placed at a precisely targeted area in the brain. The FDA has approved the use of DBS for the treatment of Parkinson's disease and essential tremor. The FDA has also approved the use of DBS for the treatment of dystonia and obsessive-compulsive disorder pursuant to humanitarian device exemptions. DBS is also being investigated as a therapy for other neurological disorders, such as epilepsy, treatment-resistant major depression and Alzheimer's disease.

These local therapies, among others, involve insertion of a catheter, probe or electrode into a target region of the brain, typically performed as a minimally invasive procedure. However, performing these minimally invasive interventions in the brain presents special challenges, including a need to reach a small therapeutic target often located deep within the brain, which target is often an area as small as a few millimeters in diameter. To reach these targets, the physician must act with precision to avoid damaging adjacent areas that are responsible for important neurological functions, such as memory or speech, or penetrating blood vessels which can lead to a life-threatening hemorrhage. The medical community developed stereotactic neurosurgery to address these obstacles. However, despite years of development and clinical experience, conventional stereotactic procedures remain complicated and time-consuming for many neurological interventions and can be extremely difficult on the patient.

#### *U.S. Market Opportunities*

We believe there are more than 55,000 potential neurosurgical procedures per year in the United States in which our ClearPoint system could be used as a navigational platform for functional stereotactic neurosurgery. The potential procedures include:

- *Electrode Placement* – The current standard of care for the placement of the DBS electrodes requires the patient to be awake during surgery, in order to verify proper placement. Our ClearPoint system provides real-time visualization of the placement, which we believe will drive growth in the number of potential procedures. Both St. Jude Medical (now part of Abbott Laboratories) and Boston Scientific received FDA clearances for new DBS systems and both have received conditional FDA clearance for use of these systems in an MRI setting for the treatment of epilepsy. Abbott Laboratories began marketing the Infinity® DBS system in 2017 and Boston Scientific launched the Vercise™ Deep Brain Stimulation System in 2018. DBS is used to treat the symptoms of Parkinson's Disease, a degenerative condition that affects more than one million people in the United States and 10 million people worldwide. DBS works by stimulating a targeted region of the brain through implanted leads that are powered by a device called an implantable pulse generator. We estimate 6,000 Parkinson's disease and essential tremor patients per year are potential candidates for the implantation of deep brain stimulation electrodes utilizing our ClearPoint system. In addition, patients suffering from essential tremor, dystonia, obsessive compulsive disorder or severe depression may create additional potential procedure opportunities.
- *Laser ablation of the hippocampus* – Currently, approximately 50,000 people suffer from drug treatment resistant Epilepsy. We estimate laser ablation of the hippocampus and amygdala, a small structure in the brain that may serve as the foci of certain types of epileptic seizures, is a viable therapeutic option for approximately 15,000 patients annually.
- *Brain tumor biopsy* – For smaller, harder to reach brain tumors or those near critical structures (the brain stem or large blood vessels), navigating the surgical field so that the biopsy needle reaches the brain tumor and accurately acquires a representative sample of the tumor is paramount. For small, deep-seated tumors, navigating a device to the exact target is challenging and necessary to avoid the inadvertent destruction of healthy brain tissue. We estimate brain tumor applications represent the potential for approximately 15,000 procedures per year.

- *Gene therapy and drug delivery in the brain* – The blood-brain barrier prevents large-molecule, and nearly all small-molecule, neurotherapeutics from reaching the brain. Several pharmaceutical and biotech companies are developing methods to deliver a wide variety of molecules, genes or proteins to targeted brain tissue or structures that would need to bypass the blood-brain barrier, which may enable the development of treatments for rare single-gene pediatric disorders, such as AADC Deficiency, Friedreich’s Ataxia and Angelman Syndrome, as well as adult disorders including Parkinson’s disease, Huntington’s disease and certain types of cancers, such as Glioblastoma. The potential addressable market by 2025 for these indications is estimated to be more than 300,000 patients worldwide and \$1.5 billion. If our ClearPoint system and SmartFlow cannula become approved and become the standard approach to local drug delivery in the brain, we believe the impact on our financial performance, could be significant. However, these treatments are subject to FDA-mandated clinical trial requirements, which are expensive and time consuming to conduct. Nonetheless, several of our biologics and drug delivery customers are pursuing these clinical trials and believe that the first gene therapy submissions may be reviewed by regulatory authorities in 2020, which could present an opportunity for clinical launches in the fourth quarter of 2020 or the first quarter of 2021. This said, it is early in the development cycle to estimate the potential of, and our ability to capitalize on, this market opportunity with a reasonable amount of certainty.

#### *Challenges with Conventional Stereotactic Neurosurgical Procedures*

Conventional stereotactic neurosurgical procedures are performed in a standard operating room. With this method, a large, metal stereotactic frame is typically fixed to the patient’s skull, using skull pins, to provide a fixed and common coordinate system. After the frame is attached to the patient’s skull, the patient is then imaged pre-operatively, often using MRI, in order to obtain images showing both the stereotactic frame axes and the anatomical structures of the patient’s brain. These pre-operative images are then loaded into a surgical planning workstation. Surgical planning software is used to identify the neurological target for the procedure, as well as to define a trajectory path from the skull, through the brain tissue, and to the target. The planned trajectory and target location are then calculated in relation to the frame axes and then used to guide the surgery.

Because conventional stereotaxy relies on pre-operative images, and not intra-procedural images, errors in the alignment of the pre-operative images with the patient’s brain anatomy can, and often do, occur as a consequence of brain shift, variation in patient hydration, registration errors or misalignment of the frame. As a result, the physician often must undertake additional steps to further refine the process of locating the patient’s neurological target. These steps include physiological “mapping” of the brain and require an additional procedural step called microelectrode recording, which is a tedious and time-consuming process during which small probes containing microelectrodes are inserted into the deep brain structures, usually multiple times. As these microelectrode recording probes are passed through brain tissue, they pick up electrical activity. The microelectrode recording system then converts the electrical activity into audible tones. In hearing these various audible tones, a trained neurologist or neurophysiologist can distinguish different regions of the brain. Based on these tones, locations are mapped against the pre-operative images and used to refine and adjust the neurological target as depicted on those pre-operative images. New coordinates are then calculated and a new trajectory is planned. To further confirm locations in the brain, various physiologic responses are induced or monitored with the microelectrodes. These physiological mapping steps require the patient to be awake during the surgery and off medications. Given the procedure’s complexity, it is not uncommon for the procedure to last six or more hours.

#### *Our ClearPoint System Solution*

We believe the design of our ClearPoint system can significantly simplify how stereotactic neurological interventions are performed. Instead of relying on the indirect guidance of pre-operative imaging, our ClearPoint system is based on a direct approach, during which a physician is guided by real-time high resolution MRI. The procedure is designed to be performed in a standard hospital-based MRI scanner or intra-operative MRI, instead of a traditional operating room.

Our ClearPoint system is an integrated system comprised of hardware components, disposable components and intuitive, menu-driven software.

*ClearPoint Hardware.* Our hardware components consist primarily of a head fixation frame, computer workstation and in-room monitor. The head fixation frame immobilizes the patient’s head during the procedure, and it is designed to optimize the placement of an imaging head coil in proximity to the patient’s head. Our ClearPoint system software is installed on a computer workstation networked with an MRI scanner, for which we use a commercially available laptop computer. The in-room monitor allows the physician to view the display of our ClearPoint system workstation from the scanner room while performing the procedure.



*ClearPoint Disposables.* The disposable components of our ClearPoint system consist primarily of our SmartFrame trajectory device, a hand controller and related accessories. Our SmartFrame device is an adjustable trajectory guide that attaches to the patient's skull and holds the targeting cannula. The hand controller attaches to our SmartFrame device, and it is used by the physician to adjust the roll, pitch, and X and Y orientation of the targeting cannula while the patient is in the MRI scanner. The accessories include all other components necessary to facilitate the MRI-guided neurosurgical procedure, such as our SmartGrid patch, which is an MRI-visible marking grid that enables rapid localization of the entry position into the brain, and our customized surgical draping, which creates a sterile field within the MRI scanner. For drug delivery procedures, our SmartFlow cannula, which is an MRI-compatible injection and aspiration cannula, serves as the vehicle for the delivery of the compound.

*ClearPoint Software.* Our ClearPoint system software guides the physician in surgical planning, device alignment, navigation to the target and procedure monitoring. The software receives standard images from the MRI scanner through a network connection. The software leads the physician through a series of predefined steps, including MR image acquisition, establishment of image orientation landmarks, target identification and selection, trajectory planning, entry point planning and marking, targeting cannula orientation and refinement, and confirmation that the desired anatomical target(s) have been reached. The software uses image segmentation algorithms to help locate and identify our SmartFrame device and its targeting cannula, as well as the anatomical structures of the brain. The software also performs geometric computations to provide the physician with information regarding the positioning of instruments inserted into the patient's brain relative to the target anatomical structures. At the completion of the procedure, the software generates an automated report that includes the key metrics from the procedure.

*The ClearPoint Procedure.* A procedure utilizing our ClearPoint system is performed entirely within a standard hospital-based MRI suite. Once placed in the MRI scanner, the patient's head is immobilized in our head fixation frame with the patient's head accessible to the physician. The physician then places our MRI-visible SmartGrid patch onto the patient's head where the physician expects to enter the skull. The patient is then moved to the center of the scanner and images are taken of the patient's brain that include the target area and our SmartGrid patch. Once the imaging is complete, the images are transferred to our ClearPoint system workstation so that the physician can determine the specific target site within the brain and the optimal trajectory path for the placement of the interventional device. With the trajectory path established, our ClearPoint system software will identify the specific location on our SmartGrid patch that corresponds with where the planned trajectory intersects the skull. The physician will then mark the skull using our custom marking tool. At the site of the mark, the physician will create the burr hole, which is the small hole in the patient's skull through which the interventional device can be inserted into the brain.

Our SmartFrame device is then centered and attached over the burr hole. The target and planned trajectory is reconfirmed by the physician using our ClearPoint system workstation. Using the hand controller, the physician adjusts the trajectory of the MRI-visible SmartFrame device to align the instrument with the planned trajectory. During this process, the software estimates a number of turns and direction of turn on each of the hand controller's color-coded thumbwheels to align the instrument to the planned trajectory.

Once our SmartFrame device has been aligned to the proper trajectory, the depth dimension is calculated by the software. Immediately before insertion and partway through insertion, images are taken to ensure that the probe is correctly tracking along the planned trajectory. The physician continues advancing the interventional device towards the target site until it "snaps" into place on the SmartFrame device indicating that the interventional device has reached the proper depth. At this time, images are taken at the target site to insure the interventional device is in the proper location relative to the desired target.

#### *Regulatory Status*

Our ClearPoint system has a general indication for use. Our 510(k) clearance from the FDA permits us to market and promote our ClearPoint system in the United States for use in general neurosurgical procedures, which includes procedures such as biopsies, catheter insertions and electrode insertions. This is the same general indication for use that applies to other devices that have traditionally been used in the performance of stereotactic neurosurgical procedures. Similar to other conventional stereotaxy-based systems, our ClearPoint system's general neurosurgical indication for use does not reference specific neurosurgical procedures. In the European Union, our CE mark approval carries the same indication for use as our 510(k) clearance in the United States.

Our SmartFlow cannula has received 510(k) clearance for injection of Cytarabine or for removal of cerebrospinal fluid from the ventricles. It has also received CE mark for the injection of approved fluids into the brain. Delivery of other therapeutic agents using our SmartFlow cannula is investigational. The SmartFlow cannula is a disposable device intended for single patient use only and is not intended for implant.

## **Licenses and Collaborative Relationships**

In addition to our internally-developed technologies and devices, we have established and may continue to pursue licensing and other collaborative relationships with medical device companies and academic institutions to further the development and commercialization of our product platforms and our core technologies. Our current material relationships are discussed below.

### ***The Johns Hopkins University***

We have entered into certain exclusive license agreements with The Johns Hopkins University, or Johns Hopkins. For additional information regarding these licenses, see “Business–Intellectual Property.”

### ***Mayo Clinic***

In April 2017, we entered into a joint development agreement with Mayo Clinic for the design and development of MRI-guided therapies for stroke. The initial focus of the collaboration is the development and commercialization of ClearPoint PURSUIT Neuro Aspiration System, a novel, MRI-guided, minimally invasive neurosurgical aspiration system, utilizing our ClearPoint platform, for the aspiration of blood, clotted blood, cystic components of tumors, abscesses, colloid cysts, and cerebral spinal fluid using a manual syringe during the surgery of the ventricular system or cerebrum. The PURSUIT device allows surgeons to identify the aspiration target using real-time MRI guidance and monitor the aspiration during the procedure before sending the patient to recovery. In January 2019, the PURSUIT device received FDA clearance.

## **Sales and Marketing**

Commercializing our ClearPoint system involves marketing primarily to:

- physicians who care for patients suffering from neurological disorders, including neurosurgeons, who perform the neurological procedures, and neurologists, who interact with patients prior to and following surgery and who refer patients for surgery; and
- hospitals involved in the treatment of neurological disorders, including the opinion leaders at these hospitals.

There are approximately 3,600 neurosurgeons in the United States, and approximately 6,300 neurosurgeons in the European Union. Similar to many fields of medicine, some neurosurgeons elect to focus on a particular specialty within the neurological field. For example, some neurosurgeons focus their practice on spine surgeries, others more on open craniotomy surgeries and others more on minimally invasive approaches, such as functional neurosurgery. We believe our ClearPoint system may be most applicable to those functional neurosurgeons, as well as oncologic neurosurgeons, but we also market our ClearPoint system to other neurosurgeons. We believe that our ClearPoint system represents an attractive platform for a neurosurgery team within a hospital to perform various general neurological procedures.

Our business model for the ClearPoint system is focused on producing high margin revenue from sales of the disposable components. Given that focus on disposable product sales, we sell our reusable components at lower margins in order to secure installations of our system within hospitals. In addition, we may make the reusable ClearPoint components available to hospitals pursuant to our ClearPoint Placement Program, under which we install a system at the hospital but we retain title to the system. Under that program, we may make the reusable ClearPoint components available to a hospital for use during an agreed-upon period of time while the hospital evaluates and processes the purchase opportunity. In addition, under the ClearPoint Placement Program we may permit a hospital to pay for an installed system or its use over an agreed-upon period of time. Our disposable and reusable ClearPoint products are tightly integrated, which allows us to leverage each new installation of a system to generate recurring sales of our disposable products.

As of March 16, 2020, our sales, clinical support and marketing team consisted of 21 employees. We believe that our current sales, clinical support and marketing team is sufficient for our current needs; however, we expect the size of our team to vary with the number and locations of the ClearPoint installed base and the volume of procedures utilizing the ClearPoint system.

Given the stage of development of the ClearTrace system, we have not developed a sales and marketing plan to commercialize ClearTrace either inside or outside the United States.

## Research and Development

Continued innovation through research and development is important to our future success. As of March 16, 2020, our research and development team consisted of 10 employees. We have assembled an experienced team with recognized expertise in the development of medical devices, multi-modal software and advanced MRI technologies, including interventional MRI microcoils and catheters. We believe that our current research and development team is sufficient for our current needs; however, we may increase the size of our team depending on the progress of our ongoing research and development efforts. Our principal research and development goals are to continue to enhance our ClearPoint hardware and software platforms to allow for faster workflows and flexible procedure locations, and to develop devices to facilitate drug delivery directly to the brain.

## Manufacturing and Assembly

Our ClearPoint system and SmartFlow cannula include off-the-shelf components, custom-made components produced to our proprietary specifications by various third parties and components that we assemble in our Irvine, California facility. We use third parties to manufacture these components to utilize their individual expertise, minimize our capital investment and help control costs. We purchase most custom-made components of our ClearPoint system from single-source suppliers due to quality considerations, lower costs and constraints resulting from regulatory requirements; however, we believe alternative sources are available, if needed. Generally, we purchase our components through purchase orders and do not have long-term contracts with most of our suppliers.

Our Irvine, California facility is structured to complete component processing, final assembly, packaging and distribution activities for our ClearPoint system. The assembly process is performed in a controlled environment as required by applicable regulation for medical device assembly. Our operations are subject to extensive regulation by the FDA under its Quality System Regulation, or QSR, which requires that manufacturers have a quality management system for the design and production of medical devices. To the extent we conduct such operations outside the United States, we will be subject to international regulatory requirements. In addition, our offices in Mississauga, Ontario, Canada house our software development team.

Our Irvine, California facility is structured to complete component processing, final assembly, packaging and distribution activities for our ClearPoint system. The assembly process is performed in a controlled environment as required by applicable regulation for medical device assembly. Our operations are subject to extensive regulation by the FDA under its Quality System Regulation, or QSR, which requires that manufacturers have a quality management system for the design and production of medical devices. In addition, to the extent we conduct business outside the United States, we are subject to international regulatory requirements.

Our Irvine, California facility is FDA-registered, and we believe it is compliant with the FDA's QSR. We are also certified to ISO standard 13485. We have instituted a quality management system, under which we have established policies and procedures that control and direct our operations with respect to design, procurement, manufacture, inspection, testing, installation, data analysis, training and marketing. We review and internally audit our compliance with these policies and procedures, which provides a means for continued evaluation and improvement. As required by our quality management system, we undertake an assessment and qualification process for each third-party manufacturer or supplier that we use. Typically, our third-party manufacturers and suppliers are certified to ISO standard 9001 and/or 13485. We also periodically perform audit procedures on our key third-party manufacturers and suppliers to monitor their activities for compliance with our quality management system. Our facility and the facilities of the third-party manufacturers and suppliers we use are subject to periodic inspections by regulatory authorities, including the FDA and other governmental agencies.

## Customers

At March 16, 2020, more than 60 hospitals in the U.S. use the ClearPoint system. A small number of these hospital customers account for a substantial portion of our revenues from sales of ClearPoint disposable products. Our five largest hospital customers accounted for approximately 33% of such revenues in 2019.

At March 16, 2020, we had 20 biologics and drug delivery companies to whom we sold products and services. One of these customers accounted for approximately 52% of such revenues in 2019.

## Intellectual Property

We believe that in order to maintain a competitive advantage in the marketplace, we must develop and maintain the proprietary aspects of our technologies. We rely on a combination of patent, trademark, trade secret, copyright and other intellectual property rights and measures to protect our intellectual property.

Our patent portfolio includes patents and patent applications that we own, whether wholly-owned or co-owned, or license from others. We seek patent protection in the United States and internationally for our products and technologies where and when we believe it is appropriate. United States patents are granted generally for a term of 20 years from the earliest effective priority date of the patent application. The actual protection afforded by a foreign patent, which can vary from country to country, depends on the type of patent, the scope of its claims and the availability of legal remedies in the country.

We also rely on other forms of intellectual property rights and measures, including trade secrets and nondisclosure agreements, to maintain and protect proprietary aspects of our products and technologies. We require our employees and consultants to execute confidentiality agreements in connection with their employment or consulting relationships with us. We also require our employees and consultants to disclose and assign to us all inventions conceived during the term of their employment or engagement which relate to our business.

#### ***Patents and Patent Applications***

We have a significant patent portfolio in the field of MRI-guided interventions. As of March 16, 2020, we wholly-owned, co-owned or licensed a total of 93 United States patents and 26 United States patent applications, as well as 188 foreign patents and foreign patent applications corresponding with many of our United States patents and applications. Our owned, issued patents expire at various dates beginning in 2020. Some of our patents and patent applications are co-owned by Boston Scientific, and, with respect to those patents and patent applications, we have licensing and cross-licensing arrangements in place with Boston Scientific. As a result of those arrangements, we have exclusive rights to all fields outside neuromodulation and implantable medical leads for cardiac applications, and we have licensed the fields of neuromodulation and implantable medical leads for cardiac applications to Boston Scientific.

#### ***Certain License Arrangements***

##### *The Johns Hopkins University*

Shortly following our formation in 1998, we entered into a license agreement with Johns Hopkins pursuant to which we obtained an exclusive, worldwide license to a number of technologies owned by Johns Hopkins relating to devices, systems and methods for performing MRI-guided interventions, such as MRI-guided cardiac ablation procedures. The field of use for this exclusive license covers diagnostic or therapeutic methods, processes or devices using an intravascular, intralumen or intratissue miniature magnetic resonance coil detection probe. We are obligated to pay Johns Hopkins an annual maintenance fee, and we are also obligated to pay a royalty to Johns Hopkins based on the sale of products or provision of services covered by a licensed patent. To the extent we sublicense any licensed intellectual property to a third-party, we agreed to pay Johns Hopkins a percentage of revenue we receive as a result of the sublicense. This license agreement with Johns Hopkins will terminate upon the expiration of the last to expire of the licensed patents. In December 2006, we entered into a license agreement with Johns Hopkins under which we obtained an exclusive, worldwide license to certain MRI-safety technologies owned by Johns Hopkins. Under the agreement, we are obligated to pay a royalty to Johns Hopkins based on the sale of products or provision of services covered by a licensed patent, subject to a minimum annual payment. Likewise, to the extent we sublicense any intellectual property to a third party, we agreed to pay Johns Hopkins a percentage of revenue we receive as a result of the sublicense. This license agreement with Johns Hopkins will terminate upon the expiration of the last to expire of the licensed patents.

In June 2008, we also entered into an exclusive license agreement with Johns Hopkins with respect to certain catheter technology. Under the agreement, we are obligated to pay a royalty to Johns Hopkins based on the sale of products or provision of services incorporating the licensed technology. Likewise, to the extent we sublicense any licensed technology to a third party, we agreed to pay Johns Hopkins a percentage of revenue we receive as a result of the sublicense. The license agreement terminates upon the expiration of the last to expire of the licensed patents.

##### *Merge*

In July 2007, we entered into a master services and licensing agreement with Merge Healthcare Canada Corp. (formerly known as Cedara Software Corp.), or Merge (now part of IBM/Watson Health), for Merge to develop on our behalf, based on our detailed specifications, a customized software solution for our ClearPoint system. Merge was in the business of providing software development and engineering services on a contract basis to a number of companies. In developing our ClearPoint system software, Merge utilized certain of its own pre-existing software code, or Merge software. Under our agreement with Merge, we received a non-exclusive, worldwide license to the Merge software, in object code form, as an integrated component of our ClearPoint system software. In return, we agreed to pay Merge a license fee for each copy of our ClearPoint system software that we distribute. Except for the Merge software, the work performed by Merge was a “work made for hire” and we exclusively own our ClearPoint system software. Under the master services and licensing agreement, Merge also performed ongoing custom engineering, maintenance and support services with respect to our ClearPoint system software, for which we compensated Merge.

At our request, in July 2013, the master services and licensing agreement was amended to enable us to internally handle development, maintenance and support of our ClearPoint system software going forward. As a result, we now perform the software services which we previously outsourced to Merge. Under the amendment, Merge granted us a non-exclusive, non-transferable, worldwide license to the source code for the Merge software to use in our further development and commercialization of our ClearPoint system software. In return, we agreed to pay Merge a one-time license fee. Merge may terminate the source code license only for cause. We will continue to pay Merge a license fee for each copy of our ClearPoint system software that we distribute, but only for licenses in excess of the licenses we already had purchased or otherwise acquired from Merge prior to the July 2013 amendment. We already have satisfied our minimum license purchase commitments from Merge under the master services and licensing agreement.

#### *Other Software License Arrangements*

In connection with the development of ClearPoint 2.0, our most recent software platform which received FDA clearance in November 2018, we entered into two additional agreements under which we received worldwide, non-exclusive licenses to software code related to certain functional elements of ClearPoint 2.0, for which we are committed to pay royalties for each copy of our ClearPoint 2.0 system sold, or in certain cases, loaned by us to end-users.

#### *Boston Scientific*

In connection with our March 2014 sale of certain MRI-safety technologies to Boston Scientific, we entered into a license agreement with Boston Scientific. Under that license agreement, Boston Scientific granted us an exclusive, royalty-free, fully paid, irrevocable, worldwide license to the transferred intellectual property, with the right to sublicense, within fields of use other than neuromodulation and implantable medical leads for cardiac applications.

### **Competition**

#### *General*

The medical device industry is highly competitive, subject to rapid technological change and significantly affected by new product introductions and market activities of other participants. Therefore, our currently marketed products are, and future products we commercialize will be, subject to competition.

#### *ClearPoint System*

Currently, we are not aware of any other company that offers a direct MRI-guided stereotactic system for neurological interventions, although two companies, Monteris Medical Inc. and Medtronic, PLC offer devices for laser ablation under direct MRI guidance. In addition, companies such as Brainlab, Medtronic, PLC, Elekta AB, FHC Inc., Integra Life Sciences, and Neurologica Corporation, a subsidiary of Samsung Electronics Co., offer devices and systems for use in conventional stereotactic neurological procedures, such as surgical navigation workstations, frame-based and frameless stereotactic systems, portable computer tomography scanners and computer-controlled guidance systems, and these devices and systems are competitive with our ClearPoint system. Also, Zimmer Biomet Holdings, Inc.'s ROSA<sup>®</sup> robot is an operating room alternative to the ClearPoint system. Additionally, we could also face competition from other medical device, biotechnology and pharmaceutical companies that have the technology, experience and capital resources to develop alternative therapy methods, including MRI-guided technologies. Many of our competitors have substantially greater financial, manufacturing, marketing and technical resources than we have.

### **Regulatory Requirements of the United States Food and Drug Administration**

Our research, development and clinical programs, as well as our manufacturing and marketing operations, are subject to extensive regulation in the United States and other countries. Most notably, all of our products sold in the United States are subject to regulation as medical devices under the federal Food Drug and Cosmetic Act, or FDCA, as implemented and enforced by the FDA. The FDA governs the following activities that we perform or that are performed on our behalf, to ensure that the medical devices we manufacture, promote and distribute domestically or export internationally are safe and effective for their intended uses:

- product design, preclinical and clinical development and manufacture;
- product premarket clearance and approval;
- product safety, testing, labeling and storage;
- record-keeping procedures;
- product marketing, sales and distribution; and
- post-marketing surveillance, complaint handling, medical device reporting, reporting of deaths, serious injuries or device malfunctions and repair or recall of products.

## ***FDA Premarket Clearance and Approval Requirements***

Unless an exemption applies, each medical device we wish to commercially distribute in the United States will require either premarket notification, or 510(k) clearance, or approval of a PMA from the FDA. The FDA classifies medical devices into one of three classes. Class I devices, considered to have the lowest risk, are those for which safety and effectiveness can be assured by adherence to the FDA's general regulatory controls for medical devices, which include compliance with the applicable portions of the FDA's QSR, facility registration and product listing, reporting of adverse medical events, and appropriate, truthful and non-misleading labeling, advertising, and promotional materials (General Controls). Class II devices are subject to the FDA's General Controls, and any other special controls as deemed necessary by the FDA to ensure the safety and effectiveness of the device (Special Controls). Manufacturers of most Class II and some Class I devices are required to submit to the FDA a premarket notification under Section 510(k) of the FDCA requesting permission to commercially distribute the device. This process is generally known as 510(k) clearance. Devices deemed by the FDA to pose the greatest risks, such as life-sustaining, life-supporting or implantable devices, or devices that have a new intended use, or use advanced technology that is not substantially equivalent to that of a legally marketed device, are placed in Class III, requiring approval of a PMA.

### ***510(k) Clearance Pathway***

When a 510(k) clearance is required, we will be required to submit a 510(k) application demonstrating that our proposed device is substantially equivalent to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for the submission of PMAs. By regulation, the FDA is required to clear or deny a 510(k) premarket notification within 90 days of submission of the application. As a practical matter, clearance may take longer. The FDA may require further information, including clinical data, to make a determination regarding substantial equivalence.

If the FDA issues an order declaring the device to be Not Substantially Equivalent, or NSE, the device is placed into a Class III or PMA category. At that time, a company can request a de novo classification of the product. A de novo classification generally applies where there is no predicate device and the FDA believes the device is sufficiently safe so that no PMA should be required. The request must be in writing and sent within 30 days from the receipt of the NSE determination. The request should include a description of the device, labeling for the device, reasons for the recommended classification and information to support the recommendation. The de novo classification process has a 60-day review period. If the FDA classifies the device into Class II, a company will then receive an approval order to market the device. This device type can then be used as a predicate device for future 510(k) submissions. However, if the FDA subsequently determines that the device will remain in the Class III category, the device cannot be marketed until we have obtained an approved PMA.

Any modification to a 510(k)-cleared device that would constitute a major change in its intended use, or any change that could significantly affect the safety or effectiveness of the device, requires a new 510(k) clearance and may even, in some circumstances, require a PMA, if the change raises complex or novel scientific issues or the product has a new intended use. The FDA requires every manufacturer to make the determination regarding the need for a new 510(k) submission in the first instance, but the FDA may review any manufacturer's decision. If the FDA were to disagree with any of our determinations that changes to a device did not require a new 510(k) submission, it could require us to cease marketing and distribution and/or recall the modified device until 510(k) clearance or PMA approval is obtained. If the FDA requires us to seek 510(k) clearance or PMA approval for any modifications to a device, we may be required to cease marketing and/or recall the modified device, if already in distribution, until 510(k) clearance or PMA approval is obtained and we could be subject to significant regulatory fines or penalties.

The FDA is currently considering proposals to reform its 510(k) marketing clearance process, and such proposals could include increased requirements for clinical data and a longer review period. Specifically, in response to industry and healthcare provider concerns regarding the predictability, consistency and rigor of the 510(k) regulatory pathway, the FDA initiated an evaluation of the 510(k) program, and in July 2014, published a new guidance document governing the review process for the clearance of medical devices. Specifically, the FDA has adopted new practices related to the acceptance of 510(k) applications which could place a higher standard on data and evidence provided to the FDA and a reduced ability to definitionally (i.e. same intended use, same technological characteristics) consider other devices as potential predicates. The FDA intends these reform actions to improve the efficiency and transparency of the 510(k) clearance process, as well as bolster patient safety.

## ***PMA Approval Pathway***

A PMA must be submitted to the FDA if the device cannot be cleared through the 510(k) process or is not otherwise exempt from the FDA's premarket clearance and approval requirements. A PMA must generally be supported by extensive data, including, but not limited to, technical, preclinical, clinical trial, manufacturing and labeling, to demonstrate to the FDA's satisfaction the safety and effectiveness of the device for its intended use. During the review period, the FDA will typically request additional information or clarification of the information already provided. Also, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. The FDA may or may not accept the panel's recommendation. In addition, the FDA will generally conduct a pre-approval inspection of our or our third-party manufacturers' or suppliers' manufacturing facility or facilities to ensure compliance with the QSR. Once a PMA is approved, the FDA may require that certain conditions of approval be met, such as conducting a post market clinical trial.

New PMAs or PMA supplements are required for modifications that affect the safety or effectiveness of the device, including, for example, certain types of modifications to the device's indication for use, manufacturing process, labeling and design. PMA supplements often require submission of the same type of information as a PMA, except that the supplement is limited to information needed to support any changes from the device covered by the original PMA and may not require as extensive clinical data or the convening of an advisory panel. Although we believe that most components of our ClearTrace system will fall under the FDA's 510(k) regulatory process, we do believe the ablation catheter component will require the approval of a PMA. Likewise, we could seek to add new indications for use of our existing products that require the approval of a PMA, although we do not have any current plans to do so.

## ***Clinical Trials***

Clinical trials are generally required to support a PMA application and are sometimes required for 510(k) clearance. Such trials generally require an application for an investigational device exemption, or IDE, which is approved in advance by the FDA for a specified number of patients and study sites, unless the product is deemed a non-significant risk device eligible for more abbreviated IDE requirements. A significant risk device is one that presents a potential for serious risk to the health, safety, or welfare of a patient and either is implanted, used in supporting or sustaining human life, substantially important in diagnosing, curing, mitigating, or treating disease or otherwise preventing impairment of human health, or otherwise presents a potential for serious risk to a subject. Clinical trials are subject to extensive monitoring, recordkeeping and reporting requirements. Clinical trials must be conducted under the oversight of an institutional review board, or IRB, for the relevant clinical trial sites and must comply with FDA regulations, including, but not limited to, those relating to good clinical practices. To conduct a clinical trial, we also are required to obtain the patient's informed consent in a form and substance that complies with both FDA requirements and state and federal privacy and human subject protection regulations. We, the FDA or the IRB could suspend a clinical trial at any time for various reasons, including a belief that the risks to study subjects outweigh the anticipated benefits. Even if a trial is completed, the results of clinical testing may not adequately demonstrate the safety and efficacy of the device or may otherwise not be sufficient to obtain FDA clearance or approval to market the product in the United States. Similarly, in Europe, the clinical study must be approved by a local ethics committee and in some cases, including studies with high-risk devices, by the ministry of health in the applicable country.

## ***Pervasive and Continuing Regulation***

After a device is placed on the market, numerous regulatory requirements continue to apply. In addition to the requirements below, the Medical Device Reporting regulations require that we 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. Additional regulatory requirements include:

- product listing and establishment registration, which helps facilitate FDA inspections and other regulatory action;
- QSR, which requires manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the design and manufacturing process;
- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label use or indication;
- clearance of product modifications that could significantly affect safety or effectiveness or that would constitute a major change in intended use of one of our cleared devices;

- approval of product modifications that affect the safety or effectiveness of one of our approved devices;
- post-approval restrictions or conditions, including post-approval study commitments;
- post-market surveillance regulations, which apply, when necessary, to protect the public health or to provide additional safety and effectiveness data for the device;
- the FDA's recall authority, whereby it can ask, or under certain conditions order, device manufacturers to recall from the market a product that is in violation of governing laws and regulations;
- regulations pertaining to voluntary recalls; and
- notices of corrections or removals.

As a medical device manufacturer, we are subject to announced and unannounced inspections by the FDA to determine our compliance with FDA's QSR and other regulations. We believe that we are in compliance with QSR and other regulations.

Advertising and promotion of medical devices, in addition to being regulated by the FDA, are also regulated by the United States Federal Trade Commission, or FTC, and by state regulatory and enforcement authorities. Promotional activities for FDA-regulated products of other companies have been the subject of enforcement actions brought under healthcare reimbursement laws and consumer protection statutes. Furthermore, under the federal Lanham Act and similar state laws, competitors and others can initiate litigation relating to advertising claims. In addition, we are required to meet regulatory requirements in countries outside the United States, which can change rapidly with relatively short notice. If the FDA determines that our promotional materials or training constitutes promotion of an unapproved or uncleared use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an unapproved use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement.

Failure by us or by our third-party manufacturers and suppliers to comply with applicable regulatory requirements can result in enforcement action by the FDA or other regulatory authorities, which may result in sanctions including, but not limited to:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notifications or repair, replacement, refunds, recall, detention or seizure of our marketed products;
- operating restrictions, partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) clearance or PMA approvals of new products or modified products;
- withdrawing 510(k) clearances or PMA approvals that have already been granted;
- refusal to grant export approval for our marketed products; or
- criminal prosecution.

#### **International Marketing Approvals**

International sales of medical devices are subject to foreign government regulations, which vary substantially from country to country. The time required to obtain approval by a foreign country may be longer or shorter than that required for FDA clearance or approval, and the requirements may differ.

The European Union has adopted numerous directives and standards regulating the design, manufacture, clinical trials, labeling, and adverse event reporting for medical devices. Each European Union member state has implemented legislation applying these directives and standards at a national level. Other countries, such as Switzerland, have voluntarily adopted laws and regulations that mirror those of the European Union with respect to medical devices. Devices that comply with the requirements of the laws of the relevant member state applying the applicable European Union directive are entitled to bear a CE mark and, accordingly, can be distributed throughout the member states of the European Union as well as in other countries, such as Switzerland and Israel, that have mutual recognition agreements with the European Union or have adopted the European Union's regulatory standards.



The method of assessing conformity with applicable regulatory requirements varies depending on the classification of the medical device, which may be Class I, Class IIa, Class IIb or Class III. Normally, the method involves a combination of self-assessment by the manufacturer of the safety and performance of the device, and a third-party assessment by a Notified Body, usually of the design of the device and of the manufacturer's quality system. A Notified Body is a private commercial entity that is designated by the national government of a member state as being competent to make independent judgments about whether a device complies with applicable regulatory requirements. An assessment by a Notified Body in one country with the European Union is required in order for a manufacturer to commercially distribute the device throughout the European Union. In addition, compliance with ISO 13485 issued by the International Organization for Standardization, among other standards, establishes the presumption of conformity with the essential requirements for CE marking. Certification to the ISO 13485 standard demonstrates the presence of a quality management system that can be used by a manufacturer for design and development, production, installation and servicing of medical devices and the design, development and provision of related services.

## **Healthcare Laws and Regulations**

### ***Third-Party Reimbursement***

In the United States and elsewhere, healthcare providers that perform surgical procedures using medical devices such as ours generally rely on third-party payors, including governmental payors such as Medicare and Medicaid and private payors, to cover and reimburse all or part of the cost of the products. Consequently, sales of medical devices are dependent in part on the availability of reimbursement to the customer from third-party payors. The manner in which reimbursement is sought and obtained varies based upon the type of payor involved and the setting in which the product is furnished and utilized. In general, third-party payors will provide coverage and reimbursement for medically reasonable and necessary procedures and tests that utilize medical devices. Third-party payors may provide separate payments for implanted or disposable devices themselves, although no such separate payments are currently provided for our ClearPoint disposable products. Most third-party payors will not pay separately for capital equipment. Instead, payment for the cost of using the capital equipment is considered to be covered as part of payments received for performing the procedure. In determining payment rates, third-party payors are increasingly scrutinizing the prices charged for medical products and services in comparison to other therapies.

In many foreign markets, including the countries in the European Union, pricing of medical devices is subject to governmental control. In the United States, there have been, and we expect that there will continue to be, a number of federal and state proposals to limit payments by governmental payors for medical devices, and the procedures in which medical devices are used.

### ***Medicare and Medicaid***

The Medicare program is a federal health benefit program administered by the Centers for Medicare and Medicaid Services, or CMS, that covers and pays for certain medical care items and services for eligible elderly and certain disabled individuals, and individuals with end stage renal disease. The Medicaid program is a federal-state partnership under which states receive matching federal payments to fund healthcare services for the poor. Because some private commercial health insurers and some state Medicaid programs may follow the coverage and payment policies for Medicare, Medicare's coverage and payment policies are significant to our business.

Medicare coverage for the procedures in which our ClearPoint products are used currently exists in the hospital inpatient setting, which falls under Part A of the Medicare program. Under Medicare Part A, Medicare reimburses acute care hospitals a prospectively determined payment amount for beneficiaries receiving covered inpatient services in an acute care hospital. This method of payment is known as the prospective payment system, or PPS. Under PPS, the prospective payment for a patient's stay in an acute care hospital is determined by the patient's condition and other patient data and procedures performed during the inpatient stay using a classification system known as Medicare Severity Diagnosis Related Groups, or MS-DRGs. Payments also are adjusted to reflect other factors, such as regional variations in labor costs and indirect medical education expenses. Medicare pays a fixed amount to the hospital based on the MS-DRG into which the patient's stay is classified, regardless of the actual cost to the hospital of furnishing the procedures, items and services that the patient's condition requires. Accordingly, acute care hospitals generally do not receive direct Medicare reimbursement under PPS for the specific costs incurred in purchasing medical devices. Rather, reimbursement for these costs is deemed to be included within the MS-DRG-based payments made to hospitals for the services furnished to Medicare-eligible inpatients in which the devices are utilized. For cases involving unusually high costs, a hospital may receive additional "outlier" payments above the pre-determined amount. In addition, there is a mechanism by which new technology services can apply to Medicare for additional payments above the pre-determined amount, although such requests have not been granted frequently.

Because PPS payments are based on predetermined rates and may be less than a hospital's actual costs in furnishing care, and due to payment reforms enacted relatively recently, acute care hospitals have incentives to lower their inpatient operating costs by utilizing products, devices and supplies that will reduce the length of inpatient stays, decrease labor or otherwise lower their costs. For each MS-DRG, a relative weight is calculated representing the average resources required to care for cases grouped in that particular MS-DRG relative to the average resources used to treat cases in all MS-DRGs. MS-DRG relative weights are recalculated every year to reflect changes in technology and medical practice in a budget neutral manner. Under the MS-DRG payment system, there can be significant delays in obtaining adequate reimbursement amounts for hospitals for new technologies such that reimbursement may be insufficient to permit broad acceptance by hospitals.

In addition to payments to hospitals for procedures using our technology, Medicare makes separate payments to physicians for their professional services. The American Medical Association, or AMA, has developed a coding system known as the Current Procedural Terminology, or CPT, codes, which has been adopted by the Medicare program to describe and develop payment amounts for certain physician services.

The Medicare physician fee schedule uses CPT codes (and other codes) as part of the determination of allowable payment amounts to physicians. In determining appropriate payment amounts for surgeons, CMS receives guidance from the AMA regarding the relative technical skill level, level of resources used, and complexity of a new surgical procedure. Generally, the designation of a new procedure code for a new procedure using a new product does not occur until after FDA clearance or approval of the product used in the procedure. Codes are assigned by either the AMA (for CPT codes) or CMS (for Medicare-specific codes), and new codes usually become effective on January 1st of each year.

One result of the current Medicare payment system, which is also utilized by most non-governmental third-party payors, is that a patient's treating physician orders a particular service and the hospital (or other facility in which the procedure is performed) bears the cost of delivery of the service. Hospitals have limited ability to align their financial interests with that of the treating physician because Medicare law generally prohibits hospitals from paying physicians to assist in controlling the costs of hospital services, including paying physicians to limit or reduce services to Medicare beneficiaries even if such services are medically unnecessary. As a result, hospitals have traditionally stocked supplies and products requested by physicians and have had limited ability to restrict physicians' choice of products and services.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or, together, the Affordable Care Act, included a number of provisions that will likely result in more coordination between hospitals and physicians and alignment of financial incentives between hospitals and physicians to control hospital costs. Most significantly, the Affordable Care Act provided for a Medicare shared savings program whereby Medicare will share certain savings realized in the delivery of services to Medicare beneficiaries with accountable care organizations, which may be organized through various different legal structures between hospitals and physicians. Other payment reform provisions in the Affordable Care Act included pay-for-performance initiatives, payment bundling and the establishment of an independent payment advisory board.

Among other things, the Affordable Care Act will ultimately increase the overall pool of persons with access to health insurance in the United States, at least in those states that expand their Medicaid programs. Although such an increase in covered lives should ultimately benefit hospitals, the Affordable Care Act also includes a number of cuts in Medicare reimbursement to hospitals that may take effect prior to the time hospitals realize the financial benefit of a larger pool of insured persons. Such cuts in Medicare reimbursement could adversely impact the operations and finances of hospitals, reducing their ability to purchase medical devices such as our products. Further, Congress has yet to address in a comprehensive and permanent manner the pending reduction in Medicare payments to physicians under the sustainable growth rate formula, which, if not resolved, will likely result in an overall reduction of physicians willing to participate in Medicare.

On April 16, 2015, President Obama signed into law, the Medicare Access and CHIP Reauthorization Act of 2015, or the Medicare Access Act, which removed the sustainable growth rate or SGR, methodology applicable to fees for physician services. The Medicare Access Act provides for a transition from the fee-for-service payment system to a more value-based system. In this process, reimbursements from the Medicare program may be reduced. As noted above, failure by hospitals and physicians to receive an amount that they consider to be adequate reimbursement for procedures in which our products are used will deter them from purchasing or using our products and will limit our sales growth.

### ***Commercial Insurers***

In addition to the Medicare program, many private payors look to CMS policies as a guideline in setting their coverage policies and payment amounts. The current coverage policies of these private payors may differ from the Medicare program, and the payment rates they make may be higher, lower, or the same as the Medicare program. If CMS or other agencies decrease or limit reimbursement payments for hospitals and physicians, this may affect coverage and reimbursement determinations by many private payors. Additionally, some private payors do not follow the Medicare guidelines, and those payors may reimburse only a portion of the costs associated with the use of our products, or none at all.

### ***Fraud and Abuse Laws***

Because of the significant federal funding involved in Medicare and Medicaid, Congress and the states have enacted, and actively enforce, a number of laws whose purpose is to eliminate fraud and abuse in federal healthcare programs. Our business is subject to compliance with these laws.

#### ***Anti-Kickback Laws***

In the United States, there are federal and state anti-kickback laws that generally prohibit the payment or receipt of kickbacks, bribes or other remuneration in exchange for the referral of patients or other health-related business. The United States federal healthcare programs' Anti-Kickback Statute makes it unlawful for individuals or entities knowingly and willfully to solicit, offer, receive or pay any kickback, bribe or other remuneration, directly or indirectly, in exchange for or to induce the purchase, lease or order, or arranging for or recommending purchasing, leasing, or ordering, any good, facility, service, or item for which payment may be made in whole or in part under a federal healthcare program such as Medicare or Medicaid. The Anti-Kickback Statute covers "any remuneration," which has been broadly interpreted to include anything of value, including for example gifts, certain discounts, the furnishing of free supplies, equipment or services, credit arrangements, payments of cash and waivers of payments. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the arrangement can be found to violate the statute. Penalties for violations include criminal penalties and civil sanctions such as fines, imprisonment and possible exclusion from Medicare, Medicaid and other federal healthcare programs. In addition, several courts have permitted kickback cases brought under the federal False Claims Act to proceed, as discussed in more detail below.

Because the Anti-Kickback Statute is broadly written and encompasses many harmless or efficient arrangements, Congress authorized the Office of Inspector General of the United States Department of Health and Human Services, or OIG, to issue a series of regulations, known as "safe harbors." For example, there are regulatory safe harbors for payments to bona fide employees, properly reported discounts, and payments for certain investment interests. Although an arrangement that fits into one or more of these exceptions or safe harbors is immune from prosecution, arrangements that do not fit squarely within an exception or safe harbor do not necessarily violate the statute. The failure of a transaction or arrangement to fit precisely within one or more of the exceptions or safe harbors does not necessarily mean that it is illegal or that prosecution will be pursued. However, conduct and business arrangements that arguably implicate the Anti-Kickback Statute but do not fully satisfy all the elements of an exception or safe harbor may be subject to increased scrutiny by government enforcement authorities such as the OIG. The Affordable Care Act increased the investigatory authority of the OIG, clarified that Anti-Kickback Statute claims can be brought under the federal civil False Claims Act, and provided for enhanced civil monetary penalties and expanded permissible exclusion authority.

Many states have laws that implicate anti-kickback restrictions similar to the federal Anti-Kickback Statute. Some of these state prohibitions apply regardless of whether federal healthcare program business is involved, such as for self-pay or private pay patients.

Government officials have focused their enforcement efforts on marketing of healthcare services and products, among other activities, and recently have brought cases against companies, and certain sales, marketing and executive personnel, for allegedly offering unlawful inducements to potential or existing customers in an attempt to procure their business.

### *Federal Civil False Claims Act and State False Claims Laws*

The federal civil False Claims Act imposes liability on any person or entity that, among other things, knowingly and willfully presents, or causes to be presented, a false or fraudulent claim for payment by a federal healthcare program, including Medicare and Medicaid. The “qui tam” or “whistleblower” provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government and to share in any monetary recovery. In recent years, the number of suits brought against healthcare providers by private individuals has increased dramatically. Medical device companies, like us, can be held liable under false claims laws, even if they do not submit claims to the government where they are deemed to have caused submission of false claims by, among other things, providing incorrect coding or billing advice about their products to customers that file claims, or by engaging in kickback arrangements with customers that file claims.

The False Claims Act also has been used to assert liability on the basis of misrepresentations with respect to the services rendered and in connection with alleged off-label promotion of products. Our activities relating to the manner in which we sell our products and document our prices such as the reporting of discount and rebate information and other information affecting federal, state and third-party reimbursement of our products, and the sale and marketing of our products, may be subject to scrutiny under these laws.

The Affordable Care Act may increase the number of cases asserting civil False Claims Act violations since it removes a significant defense to such claims and clarifies that a violation of the Anti-Kickback Statute and the retention of a federal healthcare program overpayment are both actionable under the civil False Claims Act.

When an entity is determined to have violated the False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties for each separate false claim. There are many potential bases for liability under the False Claims Act. A number of states have enacted false claim laws analogous to the federal civil False Claims Act and many of these state laws apply where a claim is submitted to any state or private third-party payor.

### *HIPAA Fraud and Other Regulations*

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, created a class of federal crimes known as the “federal healthcare offenses,” including healthcare fraud and false statements relating to healthcare matters. The HIPAA healthcare fraud statute prohibits, among other things, knowingly and willfully executing, or attempting to execute, a scheme or artifice to defraud any healthcare benefit program, or to obtain by means of false or fraudulent pretenses, any money under the control of any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment and/or exclusion from government-sponsored programs. The Affordable Care Act also provides for civil monetary penalties for knowingly participating in certain federal healthcare offenses and enhances sentences under the Federal Sentencing Guidelines for such offenses. The HIPAA false statements statute prohibits, among other things, knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation in connection with the delivery of or payment for healthcare benefits, items or services. A violation of this statute is a felony and may result in fines and/or imprisonment. Entities that are found to have aided or abetted in a violation of the HIPAA federal healthcare offenses are deemed by statute to have committed the offense and are punishable as a principal.

We are also subject to the United States Foreign Corrupt Practices Act and similar anti-bribery laws applicable in non-United States jurisdictions that generally prohibit companies and their intermediaries from making improper payments to non-United States government officials for the purpose of obtaining or retaining business. Because of the predominance of government sponsored healthcare systems around the world, we expect that many of customer relationships outside of the United States will be with governmental entities and therefore subject to such anti-bribery laws.

### *HIPAA and Other Privacy & Security Laws*

As a part of HIPAA, Congress enacted the Administrative Simplification provisions, which are designed to require the establishment of uniform standards governing the conduct of certain electronic healthcare transactions and protecting the security and privacy of individually identifiable health information maintained or transmitted by healthcare providers, health plans and healthcare clearinghouses, which are referred to as “covered entities.” Several regulations have been promulgated under HIPAA, including: the Standards for Privacy of Individually Identifiable Health Information, or the Privacy Rule, which restricts the use and disclosure of certain individually identifiable health information; the Standards for Electronic Transactions, which establishes standards for common healthcare transactions, such as claims information, plan eligibility, payment information and the use of electronic signatures; and the Security Standards for the Protection of Electronic Protected Health Information, or the Security Rule, which requires covered entities to implement and maintain certain security measures to safeguard certain electronic health information. Although we do not believe we are a covered entity and therefore are not currently subject to these standards directly, we expect that our customers generally will be covered entities and may ask us to contractually comply with certain aspects of these standards by entering into confidentiality agreement or, when appropriated, business associate agreements. While the government intended this legislation to reduce administrative expenses and burdens for the healthcare industry, our compliance with certain provisions of these standards could entail significant costs for us.

The Health Information Technology for Economic and Clinical Health Act, or HITECH, which was enacted in February 2009, strengthened and expanded the HIPAA Privacy and Security Rules and the restrictions on use and disclosure of patient identifiable health information. HITECH also fundamentally changed a business associate's obligations by imposing a number of Privacy Rule requirements and a majority of Security Rule provisions directly on business associates that were previously only directly applicable to covered entities. HITECH includes, but is not limited to, prohibitions on exchanging patient identifiable health information for remuneration (directly or indirectly), restrictions on marketing to individuals and obligations to agree to provide individuals an accounting of virtually all disclosures of their health information. Moreover, HITECH requires covered entities to report any unauthorized use or disclosure of patient identifiable health information that compromises the security or privacy of the information, known as a breach, to the affected individuals, the United States Department of Health and Human Services, or HHS, and depending on the size of any such breach, the media for the affected market. Business associates are similarly required to notify covered entities of a breach.

HITECH has increased civil penalty amounts for violations of HIPAA by either covered entities or business associates up to an annual maximum of \$1.5 million for each uncorrected violation based on willful neglect. Imposition of these penalties is more likely now because HITECH significantly strengthens enforcement. It requires HHS to conduct periodic audits to confirm compliance and to investigate any violation that involves willful neglect. Additionally, state attorneys general are authorized to bring civil actions seeking either injunctions or damages in response to violations of HIPAA Privacy and Security Rules that threaten the privacy of state residents.

In addition to federal regulations issued under HIPAA, some states have enacted privacy and security statutes or regulations that, in some cases, are more stringent than those issued under HIPAA. Further, the majority of states have enacted state data breach laws, which also require notification of certain alleged breaches of the privacy or security of personal information.

Federal and state consumer protection laws are being applied increasingly by the FTC and state attorneys general to regulate the collection, use, storage and disclosure of personal or patient information, through websites or otherwise, and to regulate the presentation of web site content. Courts may also adopt the standards for fair information practices promulgated by the FTC, which concern consumer notice, choice, security and access. Numerous other countries have or are developing laws governing the collection, use, disclosure and transmission of personal or patient information.

HIPAA, as well as other federal and state laws, will apply to our receipt of patient identifiable health information in connection with any clinical trials we conduct. In addition, we collaborate with other individuals and entities in conducting research and all involved parties must comply with applicable laws. Therefore, the compliance of the physicians, hospitals or other providers or entities with which we collaborate affects our company.

#### **Employees**

As of March 16, 2020, we had 49 full time employees, of whom 10 were engaged primarily in research and development, 15 in manufacturing and quality assurance, 21 in sales, clinical support and marketing, and 3 in administrative and finance functions. None of our employees are covered by a collective bargaining agreement, and we consider our relationship with our employees to be good.

#### **ITEM 1A. RISK FACTORS**

*Any investment in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below and all information contained in this Annual Report before you decide whether to purchase our common stock. If any of the following risks or uncertainties actually occurs, our business, financial condition, results of operations and prospects would likely suffer, possibly materially. In addition, the trading price of our common stock could decline due to any of these risks or uncertainties, and you may lose part or all of your investment.*

#### **Risks Related to Our Business and Industry**

***Our ClearPoint system may not achieve broad market acceptance or be commercially successful.***

We expect that sales of our ClearPoint system products will account for the majority of our revenues for at least the next few years. Our ClearPoint system may not gain broad market acceptance unless we continue to convince physicians, hospitals and patients of its benefits. Moreover, even if physicians and hospitals understand the benefits of our ClearPoint system, they still may elect not to use our ClearPoint system for a variety of reasons, such as:

- the shift in location of the procedure from the operating room to the MRI suite;
- demand for the MRI suite within the hospital, which may result in limited or no MRI scanner availability for procedures in which our ClearPoint system would be used;
- the familiarity of the physician with other devices and surgical approaches;
- the physician's perception that there are insufficient benefits of our ClearPoint system relative to those other devices and surgical approaches;
- budgetary constraints with respect to the purchase of our ClearPoint system hardware and software;
- the price of our ClearPoint system disposable products, which may be higher than devices used with other surgical approaches; and
- the physician's perception that there is a lack of clinical data on the use of our ClearPoint system.

If physicians and hospitals do not perceive our ClearPoint system as an attractive alternative to other products and procedures, we will not achieve significant market penetration or be able to generate significant revenues. To the extent that our ClearPoint system is not commercially successful or is withdrawn from the market for any reason, our revenues will be adversely impacted, and our business, operating results and financial condition will be harmed.

***COVID-19 could adversely impact our business***

COVID-19 and the measures designed by certain local, state and federal government agencies to control its spread have resulted in the postponement of elective medical procedures and non-essential movement, which adversely affects the current demand for our products and services. The extent to which COVID-19, and measures designed to control its spread, impacts us will depend on future developments, which are highly uncertain and cannot be accurately predicted. Accordingly, in the event of a sustained outbreak and measures continuing to defer elective medical procedures for a year or longer, the disaster recovery and business continuity plans we have in place may not be adequate, in which case our business, revenues, operating results and financial condition would be adversely impacted.

***We have relatively limited experience marketing and selling our ClearPoint system, and if we are unable to expand, manage and maintain our marketing and sales capabilities, we may be unable to generate significant growth in our product revenues.***

We started selling our ClearPoint system on a limited basis in August 2010, and we did not begin to meaningfully expand our sales and clinical support capabilities until 2013. As a result, we have relatively limited experience marketing and selling our ClearPoint system. Our operating results are directly dependent upon the marketing and sales efforts of our employees. If our team fails to adequately promote, market and sell our products, our sales will suffer.

We expect to continue building our team to market, sell and support our ClearPoint system products in the United States. That effort, though, could take longer than we anticipate, in which case our commercialization efforts would be negatively impacted. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, motivating and retaining a sufficient number of qualified personnel.

***If coverage and reimbursement from third-party payors for procedures utilizing our ClearPoint system products are inadequate, adoption of our products will be adversely affected and our revenues and prospects for profitability will suffer.***

Our ClearPoint system products are purchased primarily by hospitals, which bill various third-party payors, including governmental healthcare programs, such as Medicare, and private insurance plans, for procedures in which our ClearPoint system is used. Reimbursement is a significant factor considered by hospitals in determining whether to acquire and utilize medical devices such as our ClearPoint system products. Therefore, our ability to successfully commercialize our ClearPoint system depends significantly on the adequacy of coverage and reimbursement from these third-party payors.

Third-party payors, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In addition, in the United States, no uniform policy of coverage and reimbursement for medical device products and services exists among third-party payors. Therefore, coverage and reimbursement for medical device products and services can differ significantly from payor to payor. In addition, payors continually review new technologies for possible coverage and can, without notice, deny coverage for these new products and procedures. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be obtained or maintained if obtained.

Reimbursement systems in international markets vary significantly by country and by region within some countries, and reimbursement approvals must be obtained on a country-by-country basis. In many international markets, a product must be approved for reimbursement before it can be approved for sale in that country. Further, many international markets have government-managed healthcare systems that control reimbursement for new devices and procedures. In most markets, there are private insurance systems as well as government-managed systems.

Because hospitals are reimbursed for the procedures in which our ClearPoint system products are used and our products are not separately reimbursed, the additional cost associated with the use of our products could impact hospital profit margins. Some hospitals could believe third-party reimbursement levels are not adequate to cover the cost of our ClearPoint system products. Furthermore, some physicians could believe third-party reimbursement levels are not adequate to compensate them for performing the procedures in which our products are used. Failure by hospitals and physicians, whether in the United States or abroad, to receive an amount that they consider to be adequate reimbursement for procedures in which our products are used will deter them from purchasing or using our products and will limit our revenues and prospects for profitability.

***We currently have significant customer concentration, so economic difficulties or changes in the purchasing policies or patterns of our key customers could have a significant impact on our business and operating results.***

A small number of our hospital customers account for a substantial portion of our revenues from sales of ClearPoint disposable products. Our five largest customers account for approximately 33% of our revenues. Sales to almost all our customers, including our five largest customers, are not based on long-term, committed volume purchase contracts, and we may not continue to generate a similar level of revenues from these customers, or any other customer. Because of our current customer concentration, our revenues could fluctuate, possibly significantly, due to a reduction or delay in orders from any of our significant customers, which could harm our business and results of operations.

***We have limited internal manufacturing resources, and if we are unable to provide an adequate supply of our ClearPoint disposable products, our growth could be limited and our business could be harmed.***

Final assembly of many of our ClearPoint disposable components occurs at our Irvine, California facility. If our facility experiences a disruption, we would have no other means of assembling those components until we are able to restore the manufacturing capability at our current facility or develop the same capability at an alternative facility.

In connection with the continued commercialization of our ClearPoint system, we expect that we will need to increase, or “scale up,” the production process of our disposable components over the current level of production. While we have taken steps in anticipation of growth, manufacturers often encounter difficulties in scaling up production, such as problems involving yields, quality control and assurance, and shortages of qualified personnel. If the scaled-up production process is not efficient or produces a product that does not meet quality and other standards, we may be unable to meet market demand and our revenues, business and financial prospects would be adversely affected.

***Our reliance on single-source suppliers could harm our ability to meet demand for our ClearPoint system in a timely manner or within budget.***

Many of the components and component assemblies of our ClearPoint system are provided to us by single-source suppliers. We generally purchase components and component assemblies through purchase orders rather than long-term supply agreements and generally do not maintain large volumes of inventory. While alternative suppliers exist and have been identified for substantially all components, the disruption or termination of the supply of components and component assemblies could cause a significant increase in the cost of these components, which could affect our operating results. Our dependence on a limited number of third-party suppliers and the challenges we may face in obtaining adequate supplies involve several risks, including limited control over pricing, availability, quality and delivery schedules. A disruption or termination in the supply of components could also result in our inability to meet demand for our ClearPoint system, which could harm our ability to generate revenues, lead to customer dissatisfaction and damage our reputation. Furthermore, if we are required to change the supplier of a key component or component assembly of our ClearPoint system, we may be required to verify that the new supplier maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The delays associated with the verification of a new supplier could also adversely affect our ability to meet demand for our ClearPoint system.

***Our ClearTrace system remains a product candidate in development. We cannot be certain that we will be able to successfully complete development of, and obtain regulatory clearances or approvals for, our ClearTrace system in a timely fashion, or at all.***

Our ClearTrace system is a product candidate in development, although in 2015 we reduced our development expenditures related to ClearTrace to enable us to focus resources on our ClearPoint system. At the time we reduced our ClearTrace development work, we had conducted only animal studies and other preclinical work with respect to that product candidate. Our ClearTrace system will require substantial additional development and testing. There can be no assurance that we will resume our ClearTrace development program, or that, if resumed, our development efforts will be successfully completed, or that the ClearTrace system will have the capabilities we expect. If we resume our work, we may encounter significant difficulties and costs during the course of our development efforts and we may encounter significant additional delays. Even if we successfully complete development of our ClearTrace system, there can be no assurance that we will obtain the regulatory clearances or approvals to market and commercialize it. If we are unable to obtain regulatory clearances or approvals for our ClearTrace system, or otherwise experience delays in obtaining such regulatory clearances or approvals, the commercialization of the ClearTrace system will be delayed or prevented. Even if cleared or approved, the ClearTrace system may not be cleared or approved for the indications that are necessary or desirable for successful commercialization. Delays in developing our ClearTrace system or obtaining regulatory clearances or approvals may also result in the loss of potential competitive advantages that might otherwise be attained by bringing products to market earlier than our competitors. Any of these contingencies could adversely affect our business. Likewise, in lieu of resuming our ClearTrace development program and undertaking the remaining development work, we may explore collaborations with one or more third parties pursuant to which the technologies underlying our ClearTrace system would be further developed and potentially commercialized. If we enter into any such collaboration with a third party, we may have to relinquish valuable rights to our ClearTrace system and its underlying technologies.

***To the extent we seek a new indication for use of, or new claims for, our ClearPoint system, the FDA may not grant 510(k) clearance or premarket approval application (“PMA”) approval of such new use or claims, which may affect our ability to grow our business.***

We received 510(k) clearance to market our ClearPoint system for use in general neurological interventional procedures, including DBS. We could seek to obtain additional, more specific indications for use of our ClearPoint system beyond the general neurological intervention claim. To the extent we seek expanded claims for our ClearPoint system, such claims could, depending on their nature, require 510(k) clearance or FDA approval of a PMA. Moreover, some specific ClearPoint system claims could require clinical trials to support regulatory clearance or approval. In the event we seek a new indication for use of, or new claims for, the ClearPoint system that we believe are necessary or desirable for successful commercialization, the FDA may refuse our requests for 510(k) clearance or PMA approval. Likewise, to the extent clinical trials are necessary, we may not successfully complete or have the funds to initiate such clinical trials.

Clinical trials necessary to support 510(k) clearance or PMA approval for our ClearTrace system or any new indications for use for our ClearPoint system would be expensive and could require the enrollment of large numbers of suitable patients, who could be difficult to identify and recruit. Delays or failures in any necessary clinical trials would prevent us from commercializing any modified product or new product candidate and could adversely affect our business, operating results and prospects.

Initiating and completing clinical trials necessary to support 510(k) clearance or PMA approval for our ClearTrace system or any other product candidates that we may develop, or additional safety and efficacy data that the FDA may require for 510(k) clearance or PMA approval for any new specific indications of our ClearPoint system that we may seek, would be time consuming and expensive with an uncertain outcome. Moreover, the results of early clinical trials are not necessarily predictive of future results, and any product candidate we advance into clinical trials may not have favorable results in later clinical trials.

Conducting successful clinical trials could require the enrollment of large numbers of patients, and suitable patients could be difficult to identify and recruit. Patient enrollment in clinical trials and completion of patient participation and follow-up depends on many factors, including the size of the patient population, the nature of the trial protocol, the attractiveness of, or the discomforts and risks associated with, the treatments received by enrolled subjects, the availability of appropriate clinical trial investigators and support staff, the proximity to clinical sites of patients that are able to comply with the eligibility and exclusion criteria for participation in the clinical trial, and patient compliance. For example, patients could be discouraged from enrolling in our clinical trials if the trial protocol requires them to undergo extensive post-treatment procedures or follow-up to assess the safety and effectiveness of our product candidates or if they determine that the treatments received under the trial protocols are not attractive or involve unacceptable risks or discomforts. In addition, patients participating in clinical trials may die before completion of the trial or suffer adverse medical events unrelated to our product candidates.



Development of sufficient and appropriate clinical protocols to demonstrate safety and efficacy will be required and we may not adequately develop such protocols to support clearance or approval. Further, the FDA could require us to submit data on a greater number of patients than we originally anticipated and/or for a longer follow-up period or change the data collection requirements or data analysis applicable to our clinical trials. Delays in patient enrollment or failure of patients to continue to participate in a clinical trial could cause an increase in costs and delays in the approval and attempted commercialization of our product candidates or result in the failure of the clinical trial. Such increased costs and delays or failures could adversely affect our business, operating results and prospects.

***The results of our clinical trials may not support our product candidate claims or any additional claims we may seek for our products and may result in the discovery of adverse side effects.***

Even if any clinical trial that we need to undertake is completed as planned, we cannot be certain that its results will support our product candidate claims or any new indications that we may seek for our products or that the FDA or foreign authorities will agree with our conclusions regarding the results of those trials. The clinical trial process may fail to demonstrate that our products or a product candidate is safe and effective for the proposed indicated use, which could cause us to stop seeking additional clearances or approvals for our ClearPoint system, abandon our ClearTrace system or delay development of other product candidates. Any delay or termination of our clinical trials will delay the filing of our regulatory submissions and, ultimately, our ability to commercialize a product candidate. It is also possible that patients enrolled in clinical trials will experience adverse side effects that are not currently part of the product candidate's profile.

***The markets for medical devices are highly competitive, and we may not be able to compete effectively against the larger, well-established companies in our markets or emerging and small innovative companies that may seek to obtain or increase their share of the market.***

We will face competition from products and techniques already in existence in the marketplace. The markets for the ClearPoint system and the ClearTrace system are intensely competitive, and many of our competitors are much larger and have substantially more financial and human resources than we do. Many have long histories and strong reputations within the industry, and a relatively small number of companies dominate these markets. Examples of such large, well-known companies include Medtronic, PLC, St. Jude Medical Inc. and Biosense Webster Inc., a division of Johnson & Johnson.

These companies enjoy significant competitive advantages over us, including:

- broad product offerings, which address the needs of physicians and hospitals in a wide range of procedures;
- greater experience in, and resources for, launching, marketing, distributing and selling products, including strong sales forces and established distribution networks;
- existing relationships with physicians and hospitals;
- more extensive intellectual property portfolios and resources for patent protection;
- greater financial and other resources for product research and development;
- greater experience in obtaining and maintaining FDA and other regulatory clearances or approvals for products and product enhancements;
- established manufacturing operations and contract manufacturing relationships; and
- significantly greater name recognition and more recognizable trademarks.

We may not succeed in overcoming the competitive advantages of these large and established companies. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These companies may introduce products that compete effectively against our products in terms of performance, price or both.

***Our business will be subject to economic, political, regulatory and other risks associated with international operations.***

At present, our commercialization activities for our ClearPoint system are focused in the United States. However, we do have CE marking approval to market our ClearPoint system in the European Union. In addition, we ultimately intend to market our ClearPoint system in other foreign jurisdictions as well. There are a number of risks associated with conducting business internationally, including:

- differences in treatment protocols and methods across the markets in which we expect to market our ClearPoint system;
- requirements necessary to obtain product reimbursement;
- product reimbursement or price controls imposed by foreign governments;
- difficulties in compliance with foreign laws and regulations;

- changes in foreign regulations and customs;
- changes in a specific country's or region's political or economic environment;
- trade protection measures, import or export licensing requirements or other restrictive actions by U.S. or foreign governments; and
- negative consequences from changes in tax laws.

Any of these risks could adversely affect our financial results and our ability to operate outside the United States, which could harm our business.

#### **Risks Related to Our Financial Position**

***We have incurred losses since our inception and we may continue to incur losses. If we fail to generate significant revenue from sales of our products and services, we may never achieve or sustain profitability.***

We have incurred losses in each year since our inception in 1998 that have resulted principally from costs incurred in connection with our sales and marketing activities, research and development efforts, manufacturing activities and other general and administrative expenses associated with our operations, and we may continue to incur losses as we continue to invest capital in the sales and marketing of our ClearPoint platform products and services, and growth of our business generally.

As a result of the numerous risks and uncertainties associated with developing medical devices and with our biologic and drug delivery customers' development of safe and effective drugs, we are unable to predict the extent of any future losses or when we will become profitable, if at all. Our profitability will depend on revenues from the sale of our products and services. We cannot provide any assurance that we will ever achieve profitability and, even if we achieve profitability, that we will be able to sustain or increase profitability on a quarterly or annual basis. Further, because of our relatively limited commercialization history, we have limited insight into the trends that may emerge and affect our business. We may make errors in predicting and reacting to relevant business trends, which could harm our business and financial condition. Any failure to achieve and maintain profitability would continue to have an adverse effect on our stockholders' equity and working capital and could result in a decline in our stock price or cause us to cease operations.

***We may need additional funding for our business, and we may not be able to raise capital when needed or on terms that are acceptable to us, which could force us to delay, reduce or eliminate our commercialization efforts or our product development programs.***

The cumulative net loss from our inception through December 31, 2019 was approximately \$113 million. Net cash used in operations was \$2.8 million for the year ended December 31, 2019 and at December 31, 2019, we had cash and cash equivalent balances aggregating \$5.7 million. Since our inception, we have financed our operations principally from the sale of equity securities, the issuance of notes payable and license arrangements. Recent such financing activities consist of: (i) a January 2020 private placement of secured convertible notes due in 2025, which resulted in net proceeds of \$17.1 million (the "2020 Financing Transaction"); and (ii) a May 2019 private placement of equity, which resulted in net proceeds of \$7.4 million (the "2019 PIPE"). In addition, at any time up to January 11, 2022, we have the right, but not the obligation, to request one of the noteholders in the 2020 Financing Transaction to purchase up to an additional \$15.0 million of secured convertible notes (the "Additional Convertible Notes"), provided that such noteholder has the right, but not the obligation, to purchase the Additional Convertible Notes.

Our plans for the next twelve months reflect our anticipation of increases in revenues from sales of the ClearPoint system and related disposable products as a result of greater utilization at existing installed sites and the installation of the ClearPoint system at new sites, from sales of clinical services. We also anticipate increases over the next twelve months in operating expenses to support the expected increase in revenues, with resulting decreases in loss from operations and in cash flow used in operations. However, there is no assurance that we will be able to achieve anticipated results, and even in the event such results are achieved, we expect to continue to consume cash in operations over at least the next twelve months.

As a result of the foregoing, we believe it may be necessary to seek additional sources of funds from the issuance of the Additional Convertible Notes, or the sale of equity or other debt securities, which likely would result in dilution to existing ownership interests, from the establishment of a credit facility, or from entry into an agreement with a strategic partner or some other form of collaborative relationship. There is no assurance, however, that we will be able to obtain such additional financing on commercially reasonable terms, if at all, and there is no assurance that any additional financing we do obtain will be sufficient to meet our needs. If we are not able to obtain the additional financing on a timely basis, we may be unable to achieve anticipated results, and may not be able to meet other obligations as they become due. An inability to obtain a sufficient amount of additional funding would create substantial doubt as to our ability to continue as a going concern.

The funding requirements for our business will depend on many factors, including:

- the timing of broader market acceptance and adoption of our ClearPoint platform products and services;
- the scope, rate of progress and cost of our ongoing product development activities relating to our ClearPoint system;
- the cost and timing of expanding our sales, clinical support, marketing and distribution capabilities and other corporate infrastructure;
- the cost and timing of establishing inventories at levels sufficient to support our sales;
- the scope, rate of progress and cost of our research and development activities relating to new products;
- the effect of competing technological and market developments;
- the terms and timing of any future collaborative, licensing or other arrangements that we may establish;
- the cost and timing of any clinical trials;
- the cost and timing of regulatory filings, clearances and approvals; and
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

***Raising additional funds may cause dilution to existing stockholders, restrict our operations or require us to relinquish proprietary rights.***

To the extent we raise additional capital through the sale of equity or convertible debt securities, existing ownership interests will be diluted, and the terms may include liquidation or other preferences that adversely affect such existing stockholders' rights. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring additional debt, making capital expenditures or declaring dividends. If we secure additional funds through arrangements with a strategic or other collaboration partner, we may have to relinquish valuable rights to our technologies, products or product candidates or grant licenses on terms that are not favorable to us. Any of these events could adversely affect our ability to achieve our commercialization and/or product development goals and have a material adverse effect on our business, financial condition, results of operations and prospects.

#### **Risks Related to Our Intellectual Property**

***If we, or the third parties from whom we license intellectual property, are unable to secure and maintain patent or other intellectual property protection for the intellectual property covering our marketed products or our product candidates, our ability to compete will be harmed.***

Our commercial success depends, in part, on obtaining patent and other intellectual property protection for the technologies contained in our products and product candidates. The patent positions of medical device companies, including ours, can be highly uncertain and involve complex and evolving legal and factual questions. Our patent position is uncertain and complex, in part, because of our dependence on intellectual property that we license from others. If we, or the third parties from whom we license intellectual property, fail to obtain adequate patent or other intellectual property protection for intellectual property covering our products or product candidates, or if any protection is reduced or eliminated, others could use the intellectual property covering our products or product candidates, resulting in harm to our competitive business position. In addition, patent and other intellectual property protection may not provide us with a competitive advantage against competitors that devise ways of making competitive products without infringing any patents that we own or to which we have rights.

United States patents and patent applications may be subject to interference proceedings and United States patents may be subject to reissue and reexamination proceedings in the United States Patent and Trademark Office. Foreign patents may be subject to opposition or comparable proceedings in the corresponding foreign patent offices. Any of these proceedings could result in either loss of the patent or denial of the patent application, or loss or reduction in the scope of one or more of the claims of the patent or patent application. Changes in either patent laws or in interpretations of patent laws may also diminish the value of our intellectual property or narrow the scope of our protection. Interference, reexamination and opposition proceedings may be costly and time consuming, and we, or the third parties from whom we license intellectual property, may be unsuccessful in such proceedings. Thus, any patents that we own or license may provide limited or no protection against competitors. In addition, our pending patent applications and those we may file in the future may not result in patents being issued or may have claims that do not cover our products or product candidates. Even if any of our pending or future patent applications are issued, they may not provide us with adequate protection or any competitive advantages. Our ability to develop additional patentable technology is also uncertain.

Non-payment or delay in payment of patent fees or annuities, whether intentional or unintentional, may also result in the loss of patents or patent rights important to our business. Many countries, including certain countries in Europe, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States, particularly in the field of medical devices and procedures.

***Others may assert that our products infringe their intellectual property rights, which may cause us to engage in costly disputes and, if we are not successful in defending ourselves, could also cause us to pay substantial damages and prohibit us from selling our marketed products.***

There may be United States and foreign patents issued to third parties that relate to our business, including MRI-guided intervention systems and the components and methods and processes related to these systems. Some of these patents may be broad enough to cover one or more aspects of our present technologies and/or may cover aspects of our future technologies. We do not know whether any of these patents, if they exist and if asserted, would be held valid, enforceable and infringed. We cannot provide any assurance that a court or administrative body would agree with any arguments or defenses we may have concerning invalidity, unenforceability or non-infringement of any third-party patent. The medical device industry has been characterized by extensive litigation and administrative proceedings regarding patents and other intellectual property rights, and companies have employed such actions to gain a competitive advantage. If third parties assert infringement or other intellectual property claims against us, our management personnel will experience a significant diversion of time and effort and we will incur large expenses defending our company. If third parties in any patent action are successful, our patent portfolio may be damaged, we may have to pay substantial damages and we may be required to stop selling our products or obtain a license which, if available at all, may require us to pay substantial royalties. We cannot be certain that we will have the financial resources or the substantive arguments to defend our products from infringement or our patents from claims of invalidity or unenforceability, or to defend our products against allegations of infringement of third-party patents. In addition, any public announcements related to litigation or administrative proceedings initiated by us, or initiated or threatened against us, could negatively impact our business.

***If the combination of patents, trade secrets and contractual provisions that we rely on to protect our intellectual property is inadequate, our ability to successfully commercialize our marketed products and product candidates will be harmed, and we may not be able to operate our business profitably.***

Our success and ability to compete is dependent, in part, upon our ability to maintain the proprietary nature of our technologies. We rely on a combination of patent, copyright, trademark and trade secret law and nondisclosure agreements to protect our intellectual property. However, such methods may not be adequate to protect us or permit us to gain or maintain a competitive advantage. Our patent applications may not issue as patents in a form that will be advantageous to us, or at all. Our issued patents, and those that may issue in the future, may be challenged, invalidated or circumvented, which could limit our ability to stop competitors from marketing related products.

To protect our proprietary rights, we may in the future need to assert claims of infringement against third parties to protect our intellectual property. There can be no assurance that we will be successful on the merits in any enforcement effort. In addition, we may not have sufficient resources to litigate, enforce or defend our intellectual property rights. Litigation to enforce our intellectual property rights in patents, copyrights or trademarks is highly unpredictable, expensive and time consuming and would divert human and monetary resources away from managing our business, all of which could have a material adverse effect on our financial condition and results of operations even if we were to prevail in such litigation. In the event of an adverse judgment, a court could hold that some or all of our asserted intellectual property rights are not infringed, or that they are invalid or unenforceable, and could award attorney fees.

Despite our efforts to safeguard our unpatented and unregistered intellectual property rights, we may not be successful in doing so or the steps taken by us in this regard may not be adequate to detect or deter misappropriation of our technologies or to prevent an unauthorized third party from copying or otherwise obtaining and using our products, technologies or other information that we regard as proprietary. Additionally, third parties may be able to design around our patents. Furthermore, the laws of foreign countries may not protect our proprietary rights to the same extent as the laws of the United States. Our inability to adequately protect our intellectual property could allow our competitors and others to produce products based on our technologies, which could substantially impair our ability to compete.

We have entered into confidentiality and intellectual property assignment agreements with our employees and consultants as one of the ways we seek to protect our intellectual property and other proprietary technologies. However, these agreements may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements.

Our employees and consultants may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third party illegally obtained and is using our proprietary know-how is expensive and time-consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect know-how than courts in the United States. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. Failure to obtain or maintain intellectual property protection could adversely affect our competitive business position.

***If we lose access to third-party software that is integrated into our ClearPoint system software, our costs could increase and new installations of our ClearPoint system could be delayed, potentially hurting our competitive position.***

We have received non-exclusive, non-transferable, worldwide licenses from third parties to certain software, in source code form, that is integrated into the software component of our ClearPoint system. In return, we agreed to pay one such third party a one-time license fee, as well as a license fee for each copy of the ClearPoint system software that we distribute, subject to certain minimum license purchase commitments which we already have satisfied, and we have agreed to pay royalties to other third parties based on our placements of new ClearPoint system installations. The source code licensees are perpetual, except in the event we breach our agreement with any of the third parties, in which case such a third party may terminate the license for cause. A loss of any of the licenses could impede our ability to install our ClearPoint system at new sites until equivalent software could be identified, licensed or developed, and integrated into the software component of our ClearPoint system. These delays, if they occur, would harm our business, operating results and financial condition.

***We may be dependent upon one of our licenses from The Johns Hopkins University to develop and commercialize some components of the ClearTrace system.***

We have entered into exclusive license agreements with The Johns Hopkins University, or Johns Hopkins, with respect to a number of technologies owned by Johns Hopkins. Under one of those agreements, which we entered into in 1998, we licensed a number of technologies relating to devices, systems and methods for performing MRI-guided interventions, particularly MRI-guided cardiac ablation procedures. Therefore, that license is important to the development of the ClearTrace system. Without that license, we may not be able to commercialize some of the components of the ClearTrace system, when and if developed, subject to regulatory clearance or approval. Johns Hopkins has the right to terminate the license under specified circumstances, including a breach by us and failure to cure such breach. We are obligated to use commercially reasonable efforts to develop and commercialize products based on the licensed patents and patent applications. This obligation could require us to take actions related to the development of the ClearTrace system that we would otherwise not take.

#### **Risks Related to Legal and Regulatory Compliance**

***We operate in a highly-regulated industry and any failure to comply with the extensive government regulations may subject us to fines, injunctions and other penalties that could harm our business.***

We are subject to extensive regulation by the FDA and various other federal, state and foreign governmental authorities. Government regulations and foreign requirements specific to medical devices are wide ranging and govern, among other things:

- design, development and manufacturing;
- testing, labeling and storage;
- product safety;
- marketing, sales and distribution;
- premarket clearance or approval;
- recordkeeping procedures;
- advertising and promotions;
- recalls and field corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury; and
- product export.

We are subject to ongoing FDA requirements, including: required submissions of safety and other post-market information; manufacturing facility registration and device listing requirements; compliance with the FDA's medical device current Good Manufacturing Practice regulations, as codified in the Quality System Regulation, or QSR; requirements regarding field corrections and removals of our marketed products; reporting of adverse events and certain product malfunctions to the FDA; and numerous recordkeeping requirements. If we or any of our collaborators or suppliers fail to comply with applicable regulatory requirements, a regulatory agency may take action against us, including any of the following sanctions:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notifications or orders for the repair or replacement of our products or refunds;
- recall, detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) clearances or PMA approvals of new products or modified products;
- withdrawing 510(k) clearances or PMA approvals that have already been granted; or
- refusing to grant export approval for our products.

The FDA's and foreign regulatory agencies' statutes, regulations or policies may change, and additional government regulation or statutes may be enacted, which could increase post-approval regulatory requirements, or delay, suspend or prevent marketing of our products. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the United States or abroad.

***Federal legislation and other payment and policy changes may have a material adverse effect on our business.***

The Affordable Care Act includes a number of provisions that should result in increased coordination between hospitals and physicians and alignment of financial incentives between hospitals and physicians to control hospital costs. Most significantly, the Affordable Care Act provides for a Medicare shared savings program whereby Medicare will share certain savings realized in the delivery of services to Medicare beneficiaries with accountable care organizations, which may be organized through various different legal structures between hospitals and physicians. Other payment reform provisions in the Affordable Care Act include pay-for-performance initiatives, payment bundling and the establishment of an independent payment advisory board. We expect that the overall result of such payment reform efforts and the increased coordination among hospitals and physicians will be voluntary reductions in the array of choices currently available to physicians with respect to diagnostic services, medical supplies and equipment. Such a reduction in physician choices may also result in hospitals reducing the overall number of vendors from which they purchase supplies, equipment and products. The Affordable Care Act could limit the acceptance and availability of our products, which would have an adverse effect on our financial results and business.

On April 16, 2015, President Obama signed into law, the Medicare Access and CHIP Reauthorization Act, or the Medicare Access Act, which removed the sustainable growth rate or SGR, methodology applicable to fees for physician services. The Medicare Access Act provides for a transition from the fee-for-service payment system to a more value-based system. In this process, reimbursements from the Medicare program may be reduced. As noted above, failure by hospitals and physicians to receive an amount that they consider to be adequate reimbursement for procedures in which our products are used will deter them from purchasing or using our products and will limit our sales growth.

The Affordable Care Act also imposes, among other things, an annual excise tax on any entity that manufactures or imports medical devices offered for sale in the United States. A two-year moratorium applied to this tax through December 2019. In December 2019, President Trump signed into law a permanent repeal of the medical device tax under the Affordable Care Act, but there is no guarantee that Congress or the President will not reverse course in the future. If such an excise tax on sales of our products in the United States is enacted, it could have a material adverse effect on our business, results of operations and financial condition.

Various healthcare reform proposals have also emerged at the state level. We cannot predict what healthcare initiatives will be implemented at the federal or state level, or the effect any recently promulgated or future legislation or regulation will have on us. However, an expansion in government's role in the United States healthcare industry may lower reimbursements for our products, reduce medical procedure volumes and adversely affect our business, possibly materially.

***We could become subject to product liability claims that could be expensive, divert management's attention and harm our business.***

Our business exposes us to potential product liability risks that are inherent in the manufacturing, marketing and sale of medical devices. We may be held liable if our products cause injury or death or are found otherwise unsuitable or defective during usage. Our ClearPoint system incorporates mechanical and electrical parts, complex computer software and other sophisticated components, any of which can have defective or inferior parts or contain defects, errors or failures. Complex computer software is particularly vulnerable to errors and failures, especially when first introduced.

Because our ClearPoint system is designed to be used to perform complex surgical procedures, defects could result in a number of complications, some of which could be serious and could harm or kill patients. The adverse publicity resulting from any of these events could cause physicians or hospitals to review and potentially terminate their relationships with us.

The medical device industry has historically been subject to extensive litigation over product liability claims. A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs. Although we maintain product liability insurance that we believe is appropriate, this insurance coverage is subject to deductibles and coverage limitations, and may not be adequate to protect us against any future product liability claims. Additionally, we may be unable to maintain our existing product liability insurance in the future at satisfactory rates or in adequate amounts. A product liability claim, regardless of its merit or eventual outcome, could result in:

- decreased demand for our products;
- injury to our reputation;
- diversion of management's attention;
- significant costs of related litigation;
- payment of substantial monetary awards by us;
- product recalls or market withdrawals;
- a change in the design, manufacturing process or the indications for which our marketed products may be used;
- loss of revenue; and
- an inability to commercialize product candidates.

***Our products may in the future be subject to product recalls that could harm our reputation, business operating results and financial condition. Likewise, products that are manufactured and sold by third parties and that are needed for procedures in which physicians use our products also may be subject to recalls, which could adversely impact our business, operating results and financial condition.***

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, manufacture or labeling. In the case of the FDA, the authority to require a recall must be based on an FDA finding that there is a reasonable probability that the device would cause serious injury or death. In addition, foreign governmental bodies have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture. Manufacturers may, under their own initiative, recall a product if any material deficiency in a device is found. A government-mandated or voluntary recall by us could occur as a result of component failures, manufacturing errors, design or labeling defects or other deficiencies and issues. Recalls of any of our products would divert managerial and financial resources and have an adverse effect on our financial condition and results of operations. We may initiate certain voluntary recalls involving our products in the future. Companies are required to maintain certain records of recalls, even if they are not reportable to the FDA. If we determine that certain of those recalls do not require notification to the FDA, the FDA may disagree with our determinations and require us to report those actions as recalls. A future recall announcement could harm our reputation with customers and negatively affect our sales. In addition, the FDA could take enforcement actions against us, which could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. Regulatory investigations or product recalls could also result in our incurring substantial costs, losing revenues and implementing a change in the design, manufacturing process or the indications for which our products may be used, each of which would harm our business.

In addition, products that are manufactured and sold by other companies and that are needed for procedures in which physicians use our ClearPoint system also could become subject to a recall. Our ClearPoint system is designed to enable a range of minimally-invasive procedures in the brain. Those procedures involve insertion of a catheter, probe, electrode or other similar device into a target region of the brain, and most of those devices are manufactured and sold by other companies. Any of those devices may become the subject of a recall, whether required by the FDA or a foreign governmental body or initiated by the third party manufacturer. The shortage or absence of any of those devices in the marketplace could adversely impact the number of procedures performed by physicians using our ClearPoint system, which would adversely impact our financial condition and results of operations.

***If our products cause or contribute to a death or a serious injury, or malfunction in certain ways, we will be subject to Medical Device Reporting regulations, which can result in voluntary corrective actions or agency enforcement actions.***

Under the FDA's Medical Device Reporting regulations, we are required to report to the FDA any incident in which our products may have caused or contributed to a death or serious injury or in which our products malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. In the future, we may experience events that may require reporting to the FDA pursuant to the medical device reporting regulations. In addition, all manufacturers placing medical devices in European Union markets are legally bound to report any serious or potentially serious incidents involving devices they produce or sell to the relevant authority in whose jurisdiction the incident occurred. Any adverse event involving our products 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. In addition, failure to report such adverse events to appropriate government authorities on a timely basis, or at all, could result in an enforcement action against us.

***We may incur significant liability if it is determined that we are promoting off-label uses of our products in violation of federal and state regulations in the United States or elsewhere.***

We obtained 510(k) clearance of our ClearPoint system from the FDA for a general neurological intervention claim. This general neurological intervention indication is the same indication for use that applies to other devices that have traditionally been used in the performance of stereotactic neurological procedures. Unless and until we receive regulatory clearance or approval for use of our ClearPoint system in specific procedures, uses in procedures other than general neurological interventional procedures, such as biopsies and catheter and electrode insertions, may be considered off-label uses of our ClearPoint system.

Under the federal Food, Drug, and Cosmetic Act and other similar laws, we are prohibited from labeling or promoting our ClearPoint system, or training physicians, for such off-label uses. The FDA defines labeling to include not only the physical label attached to the product, but also items accompanying the product. This definition also includes items as diverse as materials that appear on a company's website. As a result, we are not permitted to promote off-label uses of our products, whether on our website, in product brochures or in customer communications. However, although manufacturers are not permitted to promote for off-label uses, in their practice of medicine, physicians may lawfully choose to use medical devices for off-label uses. Therefore, a physician could use our ClearPoint system for uses not covered by the cleared labeling.

The FDA and other regulatory agencies actively enforce regulations prohibiting promotion of off-label uses and the promotion of products for which marketing clearance or approval has not been obtained. If the FDA determines that our promotional materials 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 an untitled letter, warning letter, injunction, seizure, civil fine and criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an unapproved 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 market adoption of our products would be impaired. In addition, the off-label use of our products may increase the risk of injury to patients, and, in turn, the risk of product liability claims. Product liability claims are expensive to defend and could divert our management's attention and result in substantial damage awards against us.

***If we or our third-party suppliers fail to comply with the FDA's QSR or any applicable state equivalent, our manufacturing operations could be interrupted, and our potential product sales and operating results could suffer.***

We and some of our third-party suppliers are required to comply with the FDA's QSR, which covers the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of our products and product candidates. We and our suppliers will also be subject to the regulations of foreign jurisdictions regarding the manufacturing process to the extent we market our products in these jurisdictions. The FDA enforces the QSR through periodic and unannounced inspections of manufacturing facilities. Our facilities were last inspected by the FDA for QSR compliance in July 2018. We anticipate that we and certain of our third-party suppliers will be subject to future inspections. The failure by us or one of our third-party suppliers to comply with applicable statutes and regulations administered by the FDA and other regulatory bodies, or the failure to timely and adequately respond to any adverse inspectional observations, could result in enforcement actions against us, which could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. If we fail to comply with the FDA's QSR or any applicable state equivalent, we would be required to incur the costs and take the actions necessary to bring our operations into compliance, which may have a negative impact on our future sales and our ability to generate a profit.



***We are subject to environmental laws and regulations that can impose significant costs and expose us to potential financial liabilities.***

The manufacture of certain of our products and the handling of materials used in the product testing process involve the use of biological, hazardous and/or radioactive materials and wastes. Our business and facilities and those of our suppliers are subject to foreign, federal, state, and local laws and regulations relating to the protection of human health and the environment, including those governing the use, manufacture, storage, handling, and disposal of, and exposure to, such materials and wastes. In addition, under some environmental laws and regulations, we could be held responsible for costs relating to any contamination at our past or present facilities and at third-party waste disposal sites even if such contamination was not caused by us. A failure to comply with current or future environmental laws and regulations could result in severe fines or penalties. Any such expenses or liability could have a significant negative impact on our business, results of operations, and financial condition.

***We may be subject, directly or indirectly, to federal and state healthcare fraud and abuse laws and regulations and could face substantial penalties if we are unable to fully comply with such laws.***

Although we do not provide healthcare services or receive payments directly from Medicare, Medicaid or other third-party payors for our products or the procedures in which our products may be used, many state and federal healthcare laws and regulations governing financial relationships between medical device companies and healthcare providers apply to our business and we could be subject to enforcement by both the federal government, private whistleblowers and the states in which we conduct our business. The healthcare laws and regulations that may affect our ability to operate include:

- The federal healthcare programs' Anti-Kickback Statute, which prohibits, among other things, individuals or entities from knowingly and willfully soliciting, receiving, offering or providing any kickback, bribe or other remuneration, directly or indirectly, in exchange for or to induce the purchase, lease or order, or arranging for or recommending of, any item or service for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs.
- Federal false claims laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment to Medicare, Medicaid or other federally-funded healthcare programs that are false or fraudulent, or are for items or services not provided as claimed, and which may apply to entities like us to the extent that our interactions with customers may affect their billing or coding practices. Changes to the federal false claims law enacted as part of the Affordable Care Act will likely increase the number of whistleblower cases brought against providers and suppliers of health care items and services.
- The federal Health Insurance Portability and Accountability Act of 1996, as amended, or HIPAA, which established new federal crimes for knowingly and willfully executing a scheme to defraud any healthcare benefit program or making false statements in connection with the delivery of or payment for healthcare benefits, items or services.
- State and foreign law equivalents of each of the above federal laws, such as: (i) anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers; and (ii) the Foreign Corrupt Practices Act, which may apply to interactions with foreign government officials, including physician employees of a foreign government entity, by our employees and third-party business partners.
- The Affordable Care Act, which imposes certain reporting obligations on manufacturers of drugs, devices and biologics. Specifically, such manufacturers are required to report payments or other transfers of value to or on behalf of a physician or teaching hospital by such manufacturers, as well as any ownership or investment interest held by physicians in such manufacturers. Violations of the reporting requirements are subject to civil monetary penalties.
- The Affordable Care Act also grants the Office of Inspector General additional authority to obtain information from any individual or entity to validate claims for payment or to evaluate the economy, efficiency or effectiveness of the Medicare and Medicaid programs, expands the permissible exclusion authority to include any false statements or misrepresentations of material facts, enhances the civil monetary penalties for false statements or misrepresentation of material facts, and enhances the Federal Sentencing Guidelines for those convicted of federal healthcare offenses.

The medical device industry has been under heightened scrutiny as the subject of government investigations and government enforcement or private whistleblower actions under the Anti-Kickback Statute and the False Claims Act involving manufacturers who allegedly offered unlawful inducements to potential or existing customers in an attempt to procure their business, including specifically arrangements with physician consultants.

We may from time to time have agreements with physicians that could be scrutinized or could be subject to reporting requirements in the future, including consulting contracts in which we compensate physicians for various services, which could include:

- providing training and other similar services on the proper use of our products;
- advising us with respect to the commercialization of products in their respective fields;
- keeping us informed of new developments in their respective fields of practice;
- advising us on our research and development projects related to their respective fields;
- advising us on improvements to methods, processes and devices related to their respective fields (such as advice on the development of prototype devices); and
- assisting us with the technical evaluation of our methods, processes and devices related to their respective fields.

The Affordable Care Act mandates increased transparency of arrangements between physicians and medical device companies, which we expect will increase our overall cost of compliance. We believe that this increased transparency will also result in a heightened level of government scrutiny of the relationships between physicians and medical device companies. While we believe that all of our arrangements with physicians comply with applicable law, the increased level of scrutiny, coupled with the expanded enforcement tools available to the government under the Affordable Care Act, may increase the likelihood of a governmental investigation. If we become subject to such an investigation, our business and operations would be adversely affected even if we ultimately prevail because the cost of defending such investigation would be substantial. Moreover, companies subject to governmental investigations could lose both overall market value and market share during the course of the investigation.

In addition, we may provide customers with information on products that could be deemed to influence their coding or billing practices, and may have sales, marketing or other arrangements with hospitals and other providers that could also be the subject of scrutiny under these laws. If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and the curtailment or restructuring of our operations. Any penalties, damages, fines, exclusions, curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that many of these laws are broad and their provisions are open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If the physicians or other providers or entities with which we do business are found to be non-compliant with applicable laws, they may be subject to sanctions, which could also have a negative impact on our business.

***We may be subject to privacy and data protection laws governing the transmission, use, disclosure, security and privacy of health information which may impose restrictions on technologies and subject us to penalties if we are unable to fully comply with such laws.***

Numerous federal, state and international laws and regulations govern the collection, use, disclosure, storage and transmission of patient-identifiable health information. These laws include:

- HIPAA and the Privacy and Security Rules promulgated thereunder apply to covered entities, which include most healthcare facilities that purchase and use our products. The HIPAA Privacy and Security Rules set forth minimum standards for safeguarding individually identifiable health information, impose certain requirements relating to the privacy, security and transmission of individually identifiable health information and provide certain rights to individuals with respect to that information. HIPAA also requires covered entities to contractually bind third parties, known as business associates, in the event that they perform an activity or service for or on behalf of the covered entity that involves access to patient identifiable health information.
- The federal Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, which strengthens and expands the HIPAA Privacy and Security Rules and its restrictions on use and disclosure of patient identifiable health information, including imposing liability on business associates of covered entities.
- Both HITECH and state data breach laws that necessitate the notification in certain situations of a breach that compromises the privacy or security of personal information.
- Other federal and state laws restricting the use and protecting the privacy and security of patient information may apply, many of which are not preempted by HIPAA. Federal and state consumer protection laws are being applied increasingly by the United States Federal Trade Commission and state attorneys general to regulate the collection, use, storage and disclosure of personal or patient information, through websites or otherwise, and to regulate the presentation of website content.

- Other countries also have, or are developing, laws governing the collection, use and transmission of personal or patient information.
- Federal and state laws regulating the conduct of research with human subjects.

We are required to comply with federal and state laws governing the transmission, security and privacy of patient identifiable health information that we may obtain or have access to in connection with manufacture and sale of our products. We do not believe that we are a HIPAA-covered entity because we do not submit electronic claims to third-party payors, but there may be limited circumstances in which we may operate as a business associate to covered entities if we receive patient identifiable data through activities on behalf of a healthcare provider. We may be required to make costly system modifications to comply with the HIPAA privacy and security requirements that will be imposed on us contractually through business associate agreements by covered entities and directly under HITECH or HIPAA regulations. Our failure to comply may result in criminal and civil liability because the potential for enforcement action against business associates is now greater. Enforcement actions can be costly and interrupt regular operations which may adversely affect our business.

In addition, numerous other federal and state laws protect the confidentiality of patient information as well as employee personal information, including state medical privacy laws, state social security number protection laws, state data breach laws and federal and state consumer protection laws. These various laws in many cases are not preempted by the HIPAA rules and may be subject to varying interpretations by the courts and government agencies, creating complex compliance issues for us and our customers and potentially exposing us to additional expense, adverse publicity and liability. In connection with any clinical trials we conduct, we will be subject to state and federal privacy and human subject protection regulations. The HIPAA requirements and other human subjects research laws could create liability for us or increase our cost of doing business because we must depend on our research collaborators to comply with the applicable laws. We may adopt policies and procedures that facilitate our collaborators' compliance, and contractually require compliance, but we cannot ensure that non-employee collaborators or investigators will comply with applicable laws. As a result, unauthorized uses and disclosures of research subject information in violation of the law may occur. Any such violations could lead to sanctions that could adversely affect our business.

### **Risks Related to Our Facilities, Employees and Growth**

*We are dependent on our senior management team, our sales, clinical support and marketing team and our engineering team, and the loss of any of them could harm our business.*

All our employees, including the members of our senior management team, are at-will employees, and therefore they may terminate employment with us at any time. Accordingly, there are no assurances that the services of any of our employees will be available to us for any specified period of time. The loss of members of our senior management team, our sales, clinical support and marketing team or our engineering team, or our inability to attract or retain other qualified personnel, could have a material adverse effect on our business, financial condition and results of operations. If the need to replace any of our key employees arises, the replacement process likely would involve significant time and costs, and may significantly delay or prevent the achievement of our business objectives.

*Damage to our reputation could harm our businesses, including our competitive position and business prospects.*

Our ability to attract and retain customers, supplier, investors and employees is impacted by our reputation. Harm to our reputation can arise from various sources, including employee misconduct, security breaches, unethical behavior, litigation or regulatory outcomes, the suitability or harm, which could, among other consequences, increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses.

*We need to hire and retain additional qualified personnel to grow and manage our business. If we are unable to attract and retain qualified personnel, our business and growth could be seriously harmed.*

Our performance depends on the talents and efforts of our employees. Our future success will depend on our ability to attract, retain and motivate highly skilled personnel in all areas of our organization, but particularly as part of our sales, clinical support, product development and marketing teams. We plan to continue to grow our business and will need to hire additional personnel to support this growth. It is often difficult to hire and retain these persons, and we may be unable to replace key persons if they leave or fill new positions requiring key persons with appropriate experience. If we experience difficulties locating and hiring suitable personnel in the future, our growth may be hindered. Qualified individuals are in high demand, particularly in the medical device industry, and we may incur significant costs to attract and retain them. If we are unable to attract and retain the personnel we need to succeed, our business and growth could be harmed.

***If we do not effectively manage our growth, we may be unable to successfully market and sell our products or develop our product candidates.***

Our future revenue and operating results will depend on our ability to manage the anticipated growth of our business. In order to achieve our business objectives, we must continue to grow. However, continued growth presents numerous challenges, including:

- expanding our sales, clinical support, product development and marketing infrastructure and capabilities;
- expanding our assembly capacity and increasing production;
- implementing appropriate operational and financial systems and controls;
- improving our information systems;
- identifying, attracting and retaining qualified personnel in our areas of activity; and
- hiring, training, managing and supervising our personnel.

We cannot be certain that our systems, controls, infrastructure and personnel will be adequate to support our future operations. Any failure to effectively manage our growth could impede our ability to successfully develop, market and sell our products and our business will be harmed.

***Our operations are vulnerable to interruption or loss due to natural disasters, power loss and other events beyond our control, which would adversely affect our business.***

We do not have redundant facilities. We conduct substantially all our activities, including executive management, research and development, component processing, final assembly, packaging and distribution activities for our ClearPoint system, at our facility located in Irvine, California, which is a seismically active area that has experienced major earthquakes in the past, as well as other natural disasters, including wildfires. We have taken precautions to safeguard our facility, including obtaining business interruption insurance. However, any future natural disaster, such as an earthquake or a wildfire, pandemics, such as the recent outbreak of the novel coronavirus COVID-19, or other unanticipated catastrophes, such as telecommunications failures, cyberattacks, or terrorist attacks, at any of the locations in which we or our key partners, suppliers and customers do business, could significantly disrupt our operations, and delay or prevent product assembly and shipment during the time required to repair, rebuild or replace our facility, which could be lengthy and result in significant expenses. Furthermore, the insurance coverage we maintain may not be adequate to cover our losses in any particular case or continue to be available at commercially reasonable rates and terms. In addition, our facility may be subject to shortages of electrical power, natural gas, water and other energy supplies. Any future shortage or conservation measure could disrupt our operations and cause expense, thus adversely affecting our business and financial results.

***COVID-19 could adversely impact our business***

COVID-19 and the measures designed by certain local, state and federal government agencies to control its spread have resulted in the postponement of elective medical procedures and non-essential movement, which adversely affects the current demand for our products and services. The extent to which COVID-19, and measures designed to control its spread, impacts us will depend on future developments, which are highly uncertain and cannot be accurately predicted. Accordingly, in the event of a sustained outbreak and measures continuing to defer elective medical procedures for a year or longer, the disaster recovery and business continuity plans we have in place may not be adequate, in which case our business, revenues, operating results and financial condition would be adversely impacted.

**Risks Related to Our Common Stock**

***Our common stock may be traded infrequently and in low volumes, so stockholders may be unable to sell their shares of common stock at or near the quoted bid prices if they wish to sell their shares.***

The shares of our common stock may trade infrequently and in low volumes, meaning that the number of persons interested in purchasing our common shares at or near bid prices at any given time may be relatively small or non-existent. This situation may be attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community who can generate or influence sales volume. Even if we come to the attention of such institutionally oriented persons, they may be risk-averse in the current economic environment and could be reluctant to follow a company such as ours or purchase or recommend the purchase of our shares until such time as we become more seasoned. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give any assurance that a broader or more active public trading market for our shares will develop or be sustained. Due to these conditions, we can give no assurance that stockholders will be able to sell their shares at or near bid prices or at all if they need money or otherwise desire to liquidate their shares. As a result, investors could lose all or part of their investment.

***If our common stock becomes subject to the penny stock rules, it may become more difficult to trade our shares.***

The Securities and Exchange Commission, or SEC, has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. If we do not retain a listing on The Nasdaq Capital Market, and if the price of our common stock is less than \$5.00, our common stock will be deemed a penny stock and be subject to the following requirements:

- a broker-dealer must deliver, prior to the transaction, a disclosure schedule prepared by the SEC relating to the penny stock market;
- a broker-dealer must disclose the commissions payable to the broker-dealer and its registered representative;
- a broker-dealer must disclose current quotations for the securities; and
- a broker-dealer must furnish its customers with monthly statements disclosing recent price information for all penny stocks held in the customer's account and information on the limited market in penny stocks.

Additional sales practice requirements are imposed on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and must have received the purchaser's written consent to the transaction prior to sale. If our common stock becomes subject to these penny stock rules these disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for our common stock. As a result, fewer broker-dealers may be willing to make a market in our stock, which could affect our stockholders' ability to sell their shares.

***The market price of our common stock may be highly volatile, and a stockholder may not be able to resell their shares at or above the price at which the shares were purchased.***

Companies trading in the stock market in general have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. The market price of our common stock may be volatile. Our stock price could be subject to wide fluctuations in response to a variety of factors, including the following:

- Failure to develop successfully our products;
- Changes in laws or regulations applicable to future products;
- Inability to obtain adequate product supply for our product candidates or the inability to do so at acceptable prices;
- Adverse regulatory decisions;
- Introduction of new products, services or technologies by our competitors;
- Failure to meet or exceed financial projections we may provide to the public;
- Inability to obtain additional funding;
- Failure to meet or exceed the financial projections of the investment community;
- Disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- Additions or departures of key personnel;
- Significant lawsuits, including patent or stockholder litigation;
- Changes in the market valuations of similar companies;
- Sales of our common stock by us or our stockholders in the future; and
- Trading volume of our common stock.

***Sales of a substantial number of shares of our common stock in the public market, or the perception that they may occur, may depress the market price of our common stock.***

As of March 16, 2020, almost all of our outstanding shares were freely transferable or could be publicly resold pursuant to Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned restricted securities for at least six months, including our affiliates, would be entitled to sell such securities, subject to the availability of current public information about the company. A person who has not been our affiliate at any time during the three months preceding a sale, and who has beneficially owned his shares for at least one year, would be entitled under Rule 144 to sell such shares without regard to any limitations under Rule 144. Under Rule 144, sales by our affiliates are subject to volume limitations, manner of sale provisions and notice requirements. Any substantial sale of common stock pursuant to this prospectus, Rule 144 or otherwise may have an adverse effect on the market price of our common stock by creating an excessive supply. Likewise, the availability for sale of substantial amounts of our common stock could reduce the prevailing market price.

***Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.***

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. Our existing NOLs may be subject to substantial limitations arising from previous ownership changes. In addition, future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 of the Code. Our NOLs may also be impaired under state law. Accordingly, we may not be able to utilize a material portion of our NOLs. Furthermore, our ability to utilize our NOLs is conditioned upon our attaining profitability and generating U.S. federal taxable income. We have incurred net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future; thus, we do not know whether or when we will generate the U.S. federal taxable income necessary to utilize our NOLs.

***We have not paid dividends in the past and do not expect to pay dividends in the future.***

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all future earnings for the operation and expansion of our business and, therefore, do not anticipate declaring or paying cash dividends in the foreseeable future. The payment of dividends will be at the discretion of our Board of Directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payments of dividends present in any of our future debt agreements and other factors our Board of Directors may deem relevant. If we do not pay dividends, a return on our stockholders’ investment will only occur if our stock price appreciates.

***Anti-takeover provisions in our certificate of incorporation, bylaws and Delaware law could prevent or delay a change in control.***

We have 200,000,000 shares of common stock authorized. As a result, our Board will be able to issue a substantial number of additional shares of common stock, without seeking stockholder approval. In addition, provisions in our certificate of incorporation and bylaws, as well as provisions of Delaware law, may discourage, delay or prevent a merger, acquisition or change of control. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions. These provisions:

- permit our Board of Directors to issue shares of preferred stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change in our control;
- provide that the authorized number of directors may be changed only by resolution of the Board of Directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder’s notice;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose);
- provide that special meetings of our stockholders may be called only by the chairman of the Board of Directors, our Chief Executive Officer or by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors; and

- provide that stockholders will be permitted to amend our bylaws only upon receiving at least 66 2/3% of the votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any broad range of business combinations with any stockholder who owns, or at any time in the last three years owned, 15% or more of our outstanding voting stock, for a period of three years following the date on which the stockholder became an interested stockholder. This provision could have the effect of delaying or preventing a change of control, whether or not it is desired by or beneficial to our stockholders.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not applicable.

**ITEM 2. PROPERTIES.**

We lease approximately 7,400 square feet of space in Irvine, California under a lease that expires in September 2023. Our principal executive office and our principal operations are based at this facility. We also lease an office in Mississauga, Ontario, Canada under a lease that expires in July 2020, which is renewable for additional one-year periods at our option. Our software development team is based in this office. We believe that these facilities are sufficient to meet our needs for the foreseeable future.

**ITEM 3. LEGAL PROCEEDINGS.**

In the ordinary course of our business, we may be subject to various claims, pending and potential legal actions for damages, investigations relating to governmental laws and regulations and other matters arising out of the normal conduct of our business. We are not aware of any material pending legal proceedings to which we are a party or of which any of our properties is the subject.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the Nasdaq Capital Market under the symbol "CLPT."

#### Holders

As of March 16, 2020, we had 15,491,863 shares of common stock outstanding and no shares of preferred stock outstanding. As of March 16, 2020, we had 236 stockholders of record. In addition, as of March 16, 2020, options and warrants to purchase 6,743,777 shares of common stock were outstanding.

#### Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all future earnings for the operation and expansion of our business and, therefore, do not anticipate declaring or paying cash dividends in the foreseeable future. The payment of dividends will be at the discretion of our Board of Directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payments of dividends present in any of our future debt agreements and other factors our Board of Directors may deem relevant.

#### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights  (a)	Weighted-average exercise price of outstanding options, warrants and rights  (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))  (c)
Equity compensation plans approved by stockholders <sup>(1)</sup>	1,145,167	\$ 6.56	475,639
Equity compensation plans not approved by stockholders <sup>(1)(2)(3)(4)(5)(6)(7)</sup>	494,000	\$ 17.56	—
<b>Total</b>	<b>1,639,167</b>	<b>\$ 9.87</b>	<b>475,639</b>

(1) The information presented in this table is as of December 31, 2019.

(2) We adopted our 2010 Non-Qualified Stock Option Plan in December 2010. The plan provided for the issuance of non-qualified stock options to purchase up to 64,141 shares of our common stock. We ceased making awards under the plan upon the adoption of our 2012 Incentive Compensation Plan. As of December 31, 2019, options to purchase 53,625 shares of our common stock were outstanding under the 2010 Non-Qualified Stock Option Plan.

(3) In December 2013, we adopted our 2013 Non-Employee Director Equity Incentive Plan. The plan provides for the issuance of awards with respect to an aggregate of 14,250 shares of our common stock. As of December 31, 2019, awards with respect to 10,375 shares of our common stock were outstanding under the 2013 Non-Employee Director Equity Incentive Plan.

(4) In October 2014, we entered into a written compensatory contract with Francis P. Grillo, our then-Chief Executive Officer, pursuant to which we awarded Mr. Grillo non-qualified stock options to purchase 60,000 shares of our common stock.

(5) In December 2014, we entered into a written compensatory contract with Wendelin C. Maners, our then-Vice President, Marketing, pursuant to which we awarded Ms. Maners non-qualified stock options to purchase 8,750 shares of our common stock.

(6) In March 2015, we entered into a written compensatory contract with Harold A. Hurwitz, our Chief Financial Officer, pursuant to which we awarded Mr. Hurwitz non-qualified stock options to purchase 11,250 shares of our common stock.

(7) In November 2017, we entered into a written compensatory contract with Joseph M. Burnett, our Chief Executive Officer, pursuant to which we awarded Mr. Burnett non-qualified stock options to purchase 350,000 shares of our common stock.

### ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.



## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes thereto included elsewhere in this Annual Report. This discussion and analysis contains forward-looking statements that are based upon current expectations and involve risks, assumptions and uncertainties. You should review the "Risk Factors" section of this Annual Report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements described in the following discussion and analysis.*

### Overview

We are a medical device company that develops and commercializes innovative platforms for performing minimally invasive surgical procedures in the brain under direct, intra-procedural MRI guidance. Our principal product platform is our ClearPoint system, which is in commercial use and is used to perform minimally invasive surgical procedures in the brain. The ClearPoint system utilizes intra-procedural MRI to guide the procedures and are designed to work in a hospital's existing MRI suite. We believe that this product platform delivers better patient outcomes, enhances revenue potential for both physicians and hospitals, and reduces costs to the healthcare system.

In 2010, we received regulatory clearance from the FDA to market our ClearPoint system in the U.S. for general neurological procedures. In 2011, we also obtained CE marking approval for our ClearPoint system, which enables us to sell our ClearPoint system in the European Union. Substantially all our product revenues for the years ended December 31, 2019 and 2018 relate to sales of our ClearPoint system products. We have financed our operations and internal growth primarily through the sale of equity securities, the issuance of convertible and other secured notes, and license arrangements. We have incurred significant losses since our inception in 1998 as we have devoted substantial efforts to research and development. As of December 31, 2019, we had accumulated losses of approximately \$113 million. We may continue to incur operating losses as we expand our ClearPoint system platform and our business generally.

### Factors Which May Influence Future Results of Operations

The following is a description of factors which may influence our future results of operations, and which we believe are important to an understanding of our business and results of operations.

#### Revenues

In 2010, we received 510(k) clearance from the FDA to market our ClearPoint system in the U.S. for general neurological procedures. Future revenues from sales of our ClearPoint platform products and services are difficult to predict and may not be sufficient to offset our continuing research and development expenses and our increasing selling, general and administrative expenses.

Generating recurring revenues from the sale of functional neurosurgical products is an important part of our business model for our ClearPoint system. We anticipate that, over time, recurring revenues will constitute an increasing percentage of our total revenues as we leverage installations of our ClearPoint system to generate recurring sales of our functional neurosurgical products. Our product revenues were approximately \$9.5 million and \$6.7 million for the years ended December 31, 2019 and 2018, respectively, and were almost entirely related to our ClearPoint system.

In addition, we expect that, over time, service revenues will constitute an increasing portion of our total revenues based on: (a) leveraging current and future installations of ClearPoint systems, as discussed above, so as to result in an increase in functional neurosurgical service revenues; and (b) increasing biologics and drug delivery service revenues should our customers in this space be successful in expansion of their clinical trials, and should we be successful in continuing to establish relationships with new biologic and drug delivery partners. Our service revenues were approximately \$1.7 million and \$700,000 for the years ended December 31, 2019 and 2018, respectively.

Our revenue recognition policies are more fully described in the "Critical Accounting Policies and Significant Judgments and Estimates" section below.

#### Cost of Revenues

Cost of revenues includes the direct costs associated with the assembly and purchase of components for functional neurosurgical products, drug delivery and biologic products, non-neurosurgical therapy products, and ClearPoint capital equipment which we have sold, and for which we have recognized the revenue in accordance with our revenue recognition policy. Cost of revenues also includes the allocation of manufacturing overhead costs and depreciation of loaned systems installed under our ClearPoint placement program, as well as provisions for obsolete, impaired, or excess inventory. With the anticipated increases in the contribution to total revenues of sales of recurring products and services, as discussed above, we expect gross margin, as a percentage of total revenue, to increase over time.

### ***Research and Development Costs***

Our research and development costs consist primarily of costs associated with the conceptualization, design, testing, and prototyping of our ClearPoint system products. Such costs include salaries, travel, and benefits for research and development personnel, including related share-based compensation; materials and laboratory supplies in research and development activities; consultant costs; and licensing costs related to technology not yet commercialized. We anticipate that, over time, our research and development costs may increase as we: (i) continue to develop enhancements to our ClearPoint system; and (ii) seek to expand the application of our technological platforms. From our inception through December 31, 2019, we have incurred approximately \$56 million in research and development expenses.

Product development timelines, likelihood of success, and total costs can vary widely by product candidate. There are also risks inherent in the regulatory clearance and approval process. At this time, we are unable to estimate with any certainty the costs that we will incur in our efforts to expand the application of our technological platforms.

### ***Sales and Marketing, and General and Administrative Expenses***

Our sales and marketing, and general and administrative expenses consist primarily of salaries, incentive-based compensation, travel and benefits, including related share-based compensation; marketing costs; professional fees, including fees for attorneys and outside accountants; occupancy costs; insurance; and other general and administrative expenses, which include, but are not limited to, corporate licenses, director fees, hiring costs, taxes, postage, office supplies and meeting costs. Our sales and marketing expenses are expected to increase due to costs associated with the commercialization of our ClearPoint system and the increased headcount necessary to support growth in operations.

### **Critical Accounting Policies and Significant Judgments and Estimates**

Our management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements as well as the reported expenses during the reporting periods. The accounting estimates that require our most significant, difficult and subjective judgments are discussed below. We evaluate our estimates and judgments on an ongoing basis. Actual results may differ materially from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our consolidated financial statements included elsewhere in this Annual Report, we believe that the following accounting policies and estimates are most critical to a full understanding and evaluation of our reported financial results.

**Revenue Recognition.** Our revenues are comprised primarily of: (1) product revenues resulting from the sale of functional neurosurgical products, drug delivery and biologic products, and non-neurosurgical therapy products; (2) product revenues resulting from the sale of ClearPoint capital equipment; (3) functional neurosurgical services outsourced to us by customers; (4) clinical case support revenues in connection with customer-sponsored clinical trials; and (5) revenues resulting from the rental, service, installation, training and shipping related to ClearPoint capital equipment. We recognize revenue when control of our products and services is transferred to our customers in an amount that reflects the consideration we expect to receive from our customers in exchange for those products and services. This process involves identifying the contract with a customer, determining the performance obligations in the contract, determining the contract price, allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in a contract when it provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and is separately identified in the contract. We consider a performance obligation satisfied once we have transferred control of a good or service to the customer, meaning the customer has the ability to use and obtain the benefit of the good or service. We recognize revenue for satisfied performance obligations only when we determine there are no uncertainties regarding payment terms or transfer of control.

*Lines of Business; Timing of Revenue Recognition*

- *Functional neurosurgery product, biologics and drug delivery systems product, and non-neurosurgery therapy product sales:* Revenues from the sale of functional neurosurgery products (consisting of disposable products sold commercially and related to cases utilizing our ClearPoint system), biologics and drug delivery systems (consisting primarily of disposable products related to customer-sponsored clinical trials utilizing the ClearPoint system), and non-neurosurgery therapy products (consisting of disposable products for non-neurosurgery procedures) are generally based on customer purchase orders, the predominance of which require delivery within one week of the order having been placed, and are recognized at the point in time of delivery to the customer, which is the point at which legal title, and risks and rewards of ownership, along with physical possession, transfer to the customer.
- *Capital equipment sales*
  - *Capital equipment sales preceded by evaluation periods:* The predominance of capital equipment sales (consisting of integrated computer hardware and software that are integral components of our ClearPoint system) are preceded by customer evaluation periods of generally 90 days. During these evaluation periods, installation of, and training of customer personnel on, the systems have been completed and the systems have been in operation. Accordingly, revenue from capital equipment sales following such evaluation periods is at the point in time that we are in receipt of an executed purchase agreement or purchase order.
  - *Capital equipment sales not preceded by evaluation periods:* Revenue from sales of capital equipment not having been preceded by an evaluation period is recognized at the point in time that the equipment has been delivered to the customer.

For both types of capital equipment sales described above, our determination of the point in time at which to recognize revenue represents that point at which the customer has legal title, physical possession, and the risks and rewards of ownership, and we have a present right to payment.
- *Functional neurosurgery and related services:* Revenues from functional neurosurgery and related services are recognized over the period of time such services are rendered.
- *Biologics and drug delivery services*
  - *Outsourced recruitment and/or designation of a clinical services liaison between our customer and us:* We recognize revenue at the point in time that the liaison is either recruited or designated, which is the point at which the customer is able to direct, and obtain benefit from, use of the liaison. We made this determination based on the decision made by the customer to outsource this function to us, rather than to incur its own recruiting costs. Upon such recruitment or designation, the liaison becomes the customer's outsourced clinical support services coordinator.
  - *Outsourced technical clinical support of cases performed pursuant to customer-sponsored clinical trials:* When our fee arrangement with a customer is based on our attendance at cases, we recognize revenue at the point in time a clinical trial case is performed based on the allocated per-case transaction price. When our fee arrangement with a customer is based on a stand-ready service to be available when cases are performed, we recognize revenue ratably over the period covered by the fee. A time-elapsd output method is used for such service revenues because we transfer control evenly by providing this stand-ready service.
  - *Other related services:* We recognize revenue for such services at the point in time that the performance obligation has been satisfied.
- *Capital equipment-related services*
  - *Rental, service and other revenues:* Revenues from rental of ClearPoint capital equipment are recognized ratably on a monthly basis over the term of the rental agreement, which is less than one year. Revenue from service of ClearPoint capital equipment previously sold to customers is based on agreements with terms ranging from one to three years and revenue is recognized ratably on a monthly basis over the term of the service agreement. A time-elapsd output method is used for rental and service revenues because we transfer control evenly by providing a stand-ready service.

- o *Installation, training and shipping:* Consistent with our recognition of revenue for capital equipment sales as described above, fees for installation, training and shipping in connection with sales of capital equipment that have been preceded by customer evaluation periods are recognized as revenue at the point in time we are in receipt of an executed purchase order for the equipment. Installation, training and shipping fees related to capital equipment sales not having been preceded by an evaluation period are recognized at the point in time that the related services are performed.

*Inventory.* Inventory is carried at the lower of cost (first-in, first-out method) or net realizable value. All items included in inventory relate to our functional neurosurgical products, drug delivery and biologic products, non-neurosurgical therapy products and ClearPoint capital equipment. Software license inventory related to ClearPoint systems undergoing on-site customer evaluation is included in inventory in the accompanying consolidated balance sheets. All other software license inventory is classified as a non-current asset. We periodically review our inventory for obsolete items and provide a reserve upon identification of potentially obsolete items.

*Share-Based Compensation.* We account for compensation for all arrangements under which employees and others receive shares of stock or other equity instruments (including options and warrants) based on fair value. The fair value of each award is estimated as of the grant date and amortized as compensation expense over the requisite vesting period. The fair values of our share-based awards are estimated on the grant dates using the Black-Scholes valuation model. This valuation model requires the input of highly subjective assumptions, including the expected stock volatility, estimated award terms and risk-free interest rates for the expected terms. To estimate the expected terms, we utilize the “simplified” method for “plain vanilla” options discussed in the SEC’s Staff Accounting Bulletin 107, or SAB 107. We believe that all factors listed within SAB 107 as prerequisites for utilizing the simplified method apply to us and to our share-based compensation arrangements. We intend to utilize the simplified method for the foreseeable future until more detailed information about exercise behavior becomes available. We base our estimate of expected volatility on the average of historical volatilities of publicly traded companies we deem similar to us because we lack our own relevant historical volatility data. We will consistently apply this methodology until we have sufficient historical information regarding the volatility of our own share prices to use as the input for all of our share-based fair value calculations. We utilize risk-free interest rates based on a zero-coupon U.S. treasury instrument, the term of which is consistent with the expected term of the share-based award. We have not paid, and do not anticipate paying, cash dividends on shares of our common stock; therefore, the expected dividend yield is assumed to be zero.

*Research and Development Costs.* Costs related to research, design and development of products are charged to research and development expense as incurred. These costs include direct salary and employee benefit-related costs for research and development personnel, costs incurred under the terms of collaborative agreements, costs for materials used in research and development activities, and costs for outside services.

## Results of Operations

### Comparison of the Year Ended December 31, 2019 to the Year Ended December 31, 2018

	Year Ended December 31,		Percentage
	2019	2018	Change
Product revenues	\$ 9,476,364	\$ 6,685,020	42%
Service and other revenues	1,740,573	668,246	160%
Total revenues	11,216,937	7,353,266	53%
Cost of revenues	3,832,884	2,433,069	58%
Research and development costs	2,922,279	2,310,139	26%
Sales and marketing expenses	4,755,516	3,532,040	35%
General and administrative expenses	4,299,936	4,325,786	(1)%
Other income (expense):			
Gain on change in fair value of derivative liabilities	—	64,318	(100)%
Other income, net	9,054	364	2,387%
Interest expense, net	(955,166)	(980,383)	(3)%
Net loss	\$ (5,539,790)	\$ (6,163,469)	(10)%

*Revenue.* Total revenues were approximately \$11.2 million and \$7.4 million for the years ended December 31, 2019 and 2018, respectively.

Functional neurosurgery revenue, which consists of disposable product commercial sales related to cases utilizing the ClearPoint system and related services, increased 29% to \$6.9 million during the year ended December 31, 2019 from \$5.3 million for the same period in 2018. The increase was due primarily to 801 cases utilizing our ClearPoint Neuro Navigation System in 2019, as compared to 670 such cases in 2018, an increase of 20%. The increase in sales was also influenced by two factors: (a) FDA actions taken in early 2018, that adversely affected third-party providers in the laser ablation space; and (b) the introduction by a third-party provider of a new deep brain stimulation system that did not have approval for use in the MRI suite for most of 2018. The FDA actions were resolved by the affected third-parties, but not until the fourth quarter of 2018, and the new deep brain stimulation system received FDA clearance for use in the MRI suite in the third quarter of 2018. There were no increases in functional neurosurgery product prices during 2019 that would be reasonably expected to affect a typical customer order.

Biologics and drug delivery revenues, which include sales of services related to customer-sponsored clinical trials utilizing the ClearPoint system and of related disposable products, increased 116% to \$2.3 million for the year ended December 31, 2019, from \$1.1 million for the same period in 2018. This increase was due primarily to an increase from 2018 to 2019 of: (a) approximately \$839,000, or 305%, in biologics and drug delivery services; and (b) approximately \$543,000, or 59%, in biologics and drug delivery product sales. There were no increases in biologics and drug delivery product prices during 2019 that would be reasonably expected to affect a typical customer order.

Capital equipment revenue, consisting of sales of ClearPoint reusable hardware and software, increased 147% to \$1.0 million for the year ended December 31, 2019, from \$420,000 for the same period in 2018. Revenues from this product line historically have varied from period to period. This increase was due primarily to an increase in the number of ClearPoint systems sold. There were no increases in capital equipment product prices during the year ended December 31, 2019 that would be reasonably expected to affect a typical customer order.

Capital equipment-related services, consisting of fees for capital equipment rental, service, installation, training and shipping, increased 59% to \$625,000 for the year ended December 31, 2019, from \$393,000 for the same period in 2018. The increase was due primarily to an increase in service fee revenue.

*Cost of Revenues.* Cost of revenues was \$3.8 million for the year ended December 31, 2019, representing gross margin of 66%, compared to \$2.4 million for the same period in 2018, representing gross margin of 67%. The slight decrease in gross margin was due primarily to an increased contribution from lower margin capital equipment sales in 2019, when compared to 2018, and to increased direct and indirect costs in 2019, when compared to 2018. These factors were substantially offset by an increased contribution from sales of services, which bear higher margins relative to other lines of revenue.

*Research and Development Costs.* Research and development costs were \$2.9 million for the year ended December 31, 2019, compared to \$2.3 million for the same period in 2018, an increase of \$612,000, or 26%. The increase was due primarily to increases in: (a) compensation costs, due primarily to increases in incentive compensation and headcount, of \$207,000; (b) product and software development costs of \$222,000; (c) intellectual property costs of \$65,000; and (d) license fees of \$76,000.

*Sales and Marketing Expenses.* Sales and marketing expenses were \$4.8 million for the year ended December 31, 2019, compared to \$3.5 million for the same period in 2018, an increase of \$1.2 million, or 35%. This increase was primarily due to a \$1.0 million increase in compensation costs, attributable to increase in incentive-based compensation and headcount, both of which are commensurate with the increase in revenues from 2018 to 2019.

*General and Administrative Expenses.* General and administrative expenses were \$4.3 million for each of the years ended December 31, 2019 and 2018. Most general and administrative cost categories were not materially changed between 2018 and 2019, with decreases in professional fees offset by increases in public company costs due to the uplisting of the exchange on which our common stock is traded.

*Interest Expense, net.* Net interest expense for the year ended December 31, 2019 was \$955,000, compared with \$980,000 for the same period in 2018. The decrease was due to the repayment in 2019 of the 2014 Secured Notes, substantially offset by increased amortization of the discount associated with the 2014 Secured Notes and the 2010 Secured Notes, both as described in Note 6 to the Consolidated Financial Statements included elsewhere in this Annual Report.

## Liquidity and Capital Resources

At December 31, 2019, we had cash and cash equivalent balances aggregating \$5.7 million, resulting primarily from completion of the 2019 PIPE discussed in Note 8 to the Consolidated Financial Statements included elsewhere in this Annual Report. Net cash used in operating activities was \$2.8 million and \$4.6 million for the years ended December 31, 2019 and 2018, respectively.

We have incurred net losses since its inception which has resulted in a cumulative deficit at December 31, 2019 of approximately \$113 million. Since inception, we have financed our operations principally from the sale of equity securities, the issuance of notes payable and license arrangements. As a result, management historically has expressed substantial doubt as to the Company's ability to continue as a going concern. As discussed in Note 8 to the Consolidated Financial Statements included elsewhere in this Annual Report, in May 2019, we entered into the 2019 PIPE, resulting in proceeds of approximately \$7.5 million, before deducting offering expenses aggregating approximately \$94,000. In addition, as discussed in Note 11 to the Consolidated Financial Statements included elsewhere in this Annual Report, in January 2020, we entered into a Securities Purchase Agreement with two investors under which we issued to such investors an aggregate principal amount of \$17.5 million of floating rate secured convertible notes (the "2020 Secured Notes"). From the proceeds received from the issuance of the 2020 Secured Notes, which have a five-year term, we repaid and retired the 2010 Junior Secured Notes Payable that otherwise would have matured in October and November 2020. As a result, in management's opinion, our cash and cash equivalent balances at December 31, 2019, when combined with the proceeds from issuance of the 2020 Secured Notes (after repayment of the 2010 Secured Notes), are sufficient to support our operations for at least the next twelve months and to alleviate doubt as to our ability to continue as a going concern.

### Cash Flows

Cash activity for the years ended December 31, 2019 and 2018 is summarized as follows:

(\$s in thousands)	Years Ended December 31,	
	2019	2018
Cash used in operating activities	\$ (2,850)	\$ (4,631)
Cash used in investing activities	(160)	(63)
Cash provided (used) by financing activities	5,604	(1,495)
Net change in cash and cash equivalents	\$ 2,594	\$ (6,189)

*Net Cash Flows from Operating Activities.* We used \$2.8 million and \$4.6 million of cash for operating activities in 2019 and 2018, respectively.

In 2019, uses of cash in operating activities consisted of: (i) our \$5.5 million loss; (ii) increases in inventory of \$1.0 million and prepaid expenses and other current assets of \$144,000; and (iii) decrease in the lease liability of \$109,000. These uses were offset by: (a) decreases in accounts receivable of \$144,000 and other assets of \$15,000; (b) increases in accounts payable and accrued expenses of \$1.2 million and in deferred revenue of \$864,000; and (c) non-cash expenses included in our net loss aggregating \$1.8 million and consisting of depreciation and amortization, share-based compensation, amortization of debt issuance costs and original issue discounts and amortization of lease right of use assets, net of accretion in lease liabilities.

In 2018, uses of cash in operating activities consisted of: (i) our \$6.2 million loss; (ii) increases in accounts receivable of \$284,000, prepaid expenses and other current assets of \$21,000 and other assets of \$11,000; (iii) a decrease in accounts payable and accrued expenses of \$284,000. These uses were partially offset by: (a) a decrease in inventory of \$122,000; (b) an increase in deferred revenue of \$95,000; and (c) non-cash expenses included in our net loss aggregating \$1.9 million and consisting of depreciation and amortization, share-based compensation, expenses paid through the issuance of common stock, and amortization of debt issuance costs and original issue discounts, partially offset by a \$64,000 decrease in the fair value of our derivative liabilities.

*Net Cash Flows from Investing Activities.* Net cash flows used in investing activities in 2019 were \$160,000 and consisted primarily of an acquisition of medical device license rights.

Net cash flows used in investing activities in 2018 were \$63,000 and consisted primarily of equipment purchases.

*Net Cash Flows from Financing Activities.* Net cash provided by financing activities in 2019 consisted of proceeds from the 2019 PIPE of \$7.4 million and the exercise of warrants of \$389,000. These proceeds were partially offset by (i) the prepayment in 2019 of financing costs in connection with the 2020 Secured Notes; and (ii) principal repayments of the 2014 and 2010 Secured Notes of \$2.1 million.

Net cash used by financing activities in 2018 of \$1.5 million consisted of the repayment of a note payable to Brainlab in the principal amount of \$2.0 million, partially offset by proceeds from the exercise of warrants for the purchase of our common stock amounting to \$505,000.

#### **Off-balance Sheet Arrangements**

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

#### **Operating Capital and Capital Expenditure Requirements**

To date, we have not achieved profitability. We could continue to incur net losses as we continue our efforts to expand the commercialization of our ClearPoint system products and pursue additional applications for our technology platforms. Our cash balances are typically held in a variety of demand accounts with a view to liquidity and capital preservation.

Because of the numerous risks and uncertainties associated with the development and commercialization of medical devices, we are unable to estimate the exact amounts of capital outlays and operating expenditures necessary to successfully commercialize our ClearPoint system products and pursue additional applications for our technology platforms. Our future capital requirements will depend on many factors, including, but not limited to, the following:

- the timing of broader market acceptance and adoption of our ClearPoint system products;
- the scope, rate of progress and cost of our ongoing product development activities relating to our ClearPoint system;
- the cost and timing of expanding our sales, clinical support, marketing and distribution capabilities, and other corporate infrastructure;
- the cost and timing of establishing inventories at levels sufficient to support our sales;
- the effect of competing technological and market developments;
- the cost of pursuing additional applications of our technology platforms under current collaborative arrangements, and the terms and timing of any future collaborative, licensing or other arrangements that we may establish;
- the cost and timing of any clinical trials;
- the cost and timing of regulatory filings, clearances and approvals; and
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The Report of Independent Registered Public Accounting Firm and Financial Statements are set forth on pages [14](#) to [15](#) of this Annual Report.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

#### **ITEM 9A. CONTROLS AND PROCEDURES.**

##### **Management's Evaluation of Disclosure Controls and Procedures**

We have established disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, or the Exchange Act. Our disclosure controls and procedures are designed to ensure that material information relating to us is made known to our principal executive officer and principal financial officer by others within our organization. Under their supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2019, to ensure that the 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2019.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States generally accepted accounting principles. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance that the objectives of the internal control system are met.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's assessment was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's assessment in this Annual Report.

### **Changes in Internal Control over Financial Reporting**

During the year ended December 31, 2019, there were no changes in our internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 9B. OTHER INFORMATION.**

None.



### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The information required by this item is incorporated by reference from the definitive proxy statement to be filed within 120 days after December 31, 2019, pursuant to Regulation 14A under the Exchange Act in connection with our 2020 annual meeting of stockholders.

Our Board of Directors has adopted a Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), agents and representatives, including directors and consultants. The Code of Business Conduct and Ethics is posted on our website at [www.clearpointneuro.com](http://www.clearpointneuro.com). We will provide a copy of this document to any person, without charge, upon request, by writing to our Investor Relations Department, 5 Musick, Irvine, CA 92618. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics, or waivers of such provisions, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, persons performing similar functions or our directors on our website identified above. The inclusion of our website address in this Annual Report does not include or incorporate by reference the information on our website into this Annual Report.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated by reference from the definitive proxy statement to be filed within 120 days after December 31, 2019, pursuant to Regulation 14A under the Exchange Act in connection with our 2020 annual meeting of stockholders.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The information required by this item is incorporated by reference from the definitive proxy statement to be filed within 120 days after December 31, 2019, pursuant to Regulation 14A under the Exchange Act in connection with our 2020 annual meeting of stockholders.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information required by this item is incorporated by reference from the definitive proxy statement to be filed within 120 days after December 31, 2019, pursuant to Regulation 14A under the Exchange Act in connection with our 2020 annual meeting of stockholders.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

The information required by this item is incorporated by reference from the definitive proxy statement to be filed within 120 days after December 31, 2019, pursuant to Regulation 14A under the Exchange Act in connection with our 2020 annual meeting of stockholders.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a)(1) The following documents are filed under “Item 8. Financial Statements and Supplementary Data,” pages [•] through [•], and are included as part of this Annual Report:

Report of Independent Registered Public Accounting Firm	[•]
Consolidated Balance Sheets as of December 31, 2019 and 2018	[•]
Consolidated Statements of Operations for the years ended December 31, 2019 and 2018	[•]
Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2019 and 2018	[•]
Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018	[•]
Notes to Consolidated Financial Statements	[•]

(a)(2) Financial statement schedules are omitted as they are not applicable.

(a)(3) See Item 15(b) below.

## (b) Exhibits

Exhibit Number	Exhibit Description	Incorporation by Reference			
		Form	SEC File No.	Exhibit	Filing Date
<a href="#">3.1</a>	<a href="#">Amended and Restated Certificate of Incorporation</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">3.1</a>	<a href="#">May 11, 2012</a>
<a href="#">3.2</a>	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of MRI Interventions, Inc.</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">3.1</a>	<a href="#">June 8, 2015</a>
<a href="#">3.3</a>	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of MRI Interventions, Inc.</a>	<a href="#">S-1</a>	<a href="#">333-211647</a>	<a href="#">3.3</a>	<a href="#">August 2, 2016</a>
<a href="#">3.4</a>	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of ClearPoint Neuro, Inc.</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">3.1</a>	<a href="#">February 12, 2020</a>
<a href="#">3.5</a>	<a href="#">Amended and Restated Bylaws</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">3.2</a>	<a href="#">May 11, 2012</a>
<a href="#">3.6</a>	<a href="#">Second Amended and Restated Bylaws of ClearPoint Neuro, Inc.</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">3.2</a>	<a href="#">February 12, 2020</a>
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4				
<a href="#">4.2</a>	<a href="#">Specimen of Common Stock Certificate of MRI Interventions, Inc.</a>	<a href="#">S-1</a>	<a href="#">333-211647</a>	<a href="#">4.3</a>	<a href="#">July 6, 2016</a>
<a href="#">4.3</a>	<a href="#">Specimen of Common Stock Certificate of ClearPoint Neuro, Inc.</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">4.1</a>	<a href="#">February 12, 2020</a>
<a href="#">4.4</a>	<a href="#">Form of Junior Secured Promissory Note Due 2020, as amended by that certain Omnibus Amendment dated as of April 5, 2011, as further amended by that certain Second Omnibus Amendment dated as of October 14, 2011</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">4.4</a>	<a href="#">December 28, 2011</a>
<a href="#">4.5</a>	<a href="#">Third Omnibus Amendment to the Junior Secured Promissory Notes Due 2020, dated March 25, 2014</a>	<a href="#">S-1</a>	<a href="#">333-201471</a>	<a href="#">4.5</a>	<a href="#">January 13, 2015</a>
<a href="#">4.6</a>	<a href="#">Form of 12% Second-Priority Secured Non-Convertible Promissory Note Due 2019 issued in March 2014 private offering</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">4.1</a>	<a href="#">March 10, 2014</a>
<a href="#">4.7</a>	<a href="#">Form of Warrant to Purchase Common Stock issued in March 2014 private offering</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">4.2</a>	<a href="#">March 10, 2014</a>
<a href="#">4.8</a>	<a href="#">Form of Warrant to Purchase Common Stock issued in December 2014 private offering</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">4.1</a>	<a href="#">December 19, 2014</a>
<a href="#">4.9</a>	<a href="#">Form of Series A Warrant to Purchase Common Stock issued in 2015 private offering</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">4.1</a>	<a href="#">December 15, 2015</a>
<a href="#">4.10</a>	<a href="#">Form of Series B Warrant to Purchase Common Stock issued in 2015 private offering</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">4.2</a>	<a href="#">December 15, 2015</a>
<a href="#">4.11</a>	<a href="#">Form of Series A Warrant to Purchase Common Stock issued to Brainlab AG</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">4.1</a>	<a href="#">March 22, 2016</a>

Exhibit Number	Exhibit Description	Incorporation by Reference			
		Form	SEC File No.	Exhibit	Filing Date
<a href="#">4.12</a>	<a href="#">Form of Series B Warrant to Purchase Common Stock issued to Brainlab AG</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">4.2</a>	<a href="#">March 22, 2016</a>
<a href="#">4.13</a>	<a href="#">Form of Omnibus Amendment dated June 30, 2016 by and among MRI Interventions, Inc., and certain holders of MRI Interventions, Inc.'s 12% Second-Priority Secured Non-Convertible Promissory Notes Due 2019</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">10.1</a>	<a href="#">July 1, 2016</a>
<a href="#">4.14</a>	<a href="#">Form of Omnibus Amendment dated June 30, 2016 to Second Amended and Restated Secured Note Due 2018</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">10.2</a>	<a href="#">July 1, 2016</a>
<a href="#">4.15</a>	<a href="#">Form of Warrant to Purchase Common Stock issued in connection with August 2016 note conversion</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">4.1</a>	<a href="#">September 1, 2016</a>
<a href="#">4.16</a>	<a href="#">Form of Second Omnibus Amendment dated August 31, 2016 by and among MRI Interventions, Inc., and certain holders of the Company's 12% Second-Priority Secured Non-Convertible Promissory Notes Due 2019</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.3</a>	<a href="#">September 1, 2016</a>
<a href="#">4.17</a>	<a href="#">Form of Third Omnibus Amendment Dated September 25, 2018 by and among MRI Interventions, Inc., and the holders of the Company's 12% Second-Priority Secured Non-Convertible Promissory Notes Due 2019</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.1</a>	<a href="#">September 25, 2018</a>
<a href="#">4.18</a>	<a href="#">Form of Warrant to Purchase Common Stock issued in 2017 private offering</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">4.1</a>	<a href="#">May 25, 2017</a>
<a href="#">4.19</a>	<a href="#">Form of Senior Secured Convertible Note (First Closing)</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">4.1</a>	<a href="#">January 13, 2020</a>
<a href="#">4.20</a>	<a href="#">Form of Senior Secured Convertible Note (Second Closing)</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">4.2</a>	<a href="#">January 13, 2020</a>
<a href="#">4.21</a>	<a href="#">Form of Senior Secured Convertible Note (Third Closing)</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">4.3</a>	<a href="#">January 13, 2020</a>
<a href="#">4.22</a>	<a href="#">Fourth Omnibus Amendment to the Junior Secured Promissory Notes Due 2020, dated January 27, 2020</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">4.4</a>	<a href="#">January 29, 2020</a>
<a href="#">4.23*</a>	<a href="#">Description of Securities</a>				
<a href="#">10.1</a>	<a href="#">Security Agreement by and between MRI Interventions, Inc. and Landmark Community Bank, in its capacity as collateral agent, dated as of March 25, 2014</a>	<a href="#">S-1</a>	<a href="#">333-201471</a>	<a href="#">10.2</a>	<a href="#">January 13, 2015</a>

Exhibit Number	Exhibit Description	Incorporation by Reference			
		Form	SEC File No.	Exhibit	Filing Date
<a href="#">10.2</a>	<a href="#">Junior Security Agreement by and between SurgiVision, Inc. and Landmark Community Bank, in its capacity as collateral agent, dated as of November 5, 2010, as amended by that certain First Amendment dated April 5, 2011, and as further amended by that certain Second Amendment dated October 14, 2011</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.6</a>	<a href="#">December 28, 2011</a>
<a href="#">10.3</a>	<a href="#">Third Amendment to Junior Security Agreement by and between MRI Interventions, Inc. and Landmark Community Bank, in its capacity as collateral agent, dated March 25, 2014</a>	<a href="#">S-1</a>	<a href="#">333-201471</a>	<a href="#">10.4</a>	<a href="#">January 13, 2015</a>
<a href="#">10.4†</a>	<a href="#">License Agreement by and between SurgiVision, Inc. and The Johns Hopkins University entered into on or around June 20, 1998, as amended by that certain Amendment to License Agreement dated as of January 15, 2000, and as further amended by that certain Addendum to License Agreement entered into on or around December 7, 2004</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.9</a>	<a href="#">December 28, 2011</a>
<a href="#">10.5†</a>	<a href="#">License Agreement by and between SurgiVision, Inc. and The Johns Hopkins University entered into on or around December 7, 2006</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.10</a>	<a href="#">December 28, 2011</a>
<a href="#">10.6†</a>	<a href="#">License Agreement by and between SurgiVision, Inc. and The Johns Hopkins University entered into on or around June 30, 2008</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.21</a>	<a href="#">December 28, 2011</a>
<a href="#">10.7†</a>	<a href="#">Technology License Agreement dated as of December 30, 2005 by and between SurgiVision, Inc. and Boston Scientific Neuromodulation Corporation (formerly known as Advanced Bionics Corporation), as amended by that certain Omnibus Amendment dated June 30, 2007, as further amended by that certain Omnibus Amendment #2 dated March 19, 2008</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.11</a>	<a href="#">March 15, 2012</a>
<a href="#">10.8†</a>	<a href="#">System and Lead Development and Transfer Agreement dated as of December 30, 2005 by and between SurgiVision, Inc. and Boston Scientific Neuromodulation Corporation (formerly known as Advanced Bionics Corporation), as amended by that certain Amendment No. 1 dated May 31, 2006, as further amended by that certain Omnibus Amendment dated June 30, 2007, as further amended by that certain Omnibus Amendment #2 dated March 19, 2008</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.12</a>	<a href="#">March 15, 2012</a>
<a href="#">10.9†</a>	<a href="#">Omnibus Amendment No. 3 to Technology License Agreement and System and Lead Development and Transfer Agreement effective February 2, 2012, between MRI Interventions, Inc. and Boston Scientific Neuromodulation Corporation</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.38</a>	<a href="#">March 15, 2012</a>

Exhibit Number	Exhibit Description	Incorporation by Reference			
		Form	SEC File No.	Exhibit	Filing Date
<a href="#">10.10†</a>	<a href="#">Omnibus Amendment No. 4 to Technology License Agreement and System and Lead Development and Transfer Agreement , between MRI Interventions, Inc. and Boston Scientific Neuromodulation Corporation, effective March 19, 2014</a>	<a href="#">10-Q/A</a>	<a href="#">000-54575</a>	<a href="#">10.5</a>	<a href="#">August 29, 2014</a>
<a href="#">10.11†</a>	<a href="#">Technology License Agreement dated as of March 19, 2008 by and between SurgiVision, Inc. and Cardiac Pacemakers, Inc.</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.13</a>	<a href="#">December 28, 2011</a>
<a href="#">10.12†</a>	<a href="#">Omnibus Amendment No. 1 to Technology License Agreement and Development Agreement between MRI Interventions, Inc. and Cardiac Pacemakers, Inc., dated March 19, 2014</a>	<a href="#">10-Q/A</a>	<a href="#">000-54575</a>	<a href="#">10.4</a>	<a href="#">August 29, 2014</a>
<a href="#">10.13†</a>	<a href="#">Development Agreement dated as of March 19, 2008 by and between SurgiVision, Inc. and Cardiac Pacemakers, Inc.</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.14</a>	<a href="#">December 28, 2011</a>
<a href="#">10.14†</a>	<a href="#">Asset Purchase Agreement dated March 19, 2014 between MRI Interventions, Inc. and Boston Scientific Neuromodulation Corporation</a>	<a href="#">10-Q/A</a>	<a href="#">000-54575</a>	<a href="#">10.2</a>	<a href="#">August 29, 2014</a>
<a href="#">10.15†</a>	<a href="#">Exclusive License Agreement dated March 19, 2014 between MRI Interventions, Inc. and Boston Scientific Neuromodulation Corporation</a>	<a href="#">10-Q/A</a>	<a href="#">000-54575</a>	<a href="#">10.3</a>	<a href="#">August 29, 2014</a>
<a href="#">10.16†</a>	<a href="#">Development Agreement between MRI Interventions, Inc. and Siemens Medical Solutions USA, Inc.</a>	<a href="#">10-Q/A</a>	<a href="#">000-54575</a>	<a href="#">10.1</a>	<a href="#">August 29, 2014</a>
<a href="#">10.17†</a>	<a href="#">Co-Development and Distribution Agreement dated as of April 5, 2011 by and between SurgiVision, Inc. and Brainlab AG, as amended by that certain First Amendment dated as of July 18, 2011</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.17</a>	<a href="#">March 15, 2012</a>
<a href="#">10.18†</a>	<a href="#">Second Amendment to Co-Development and Distribution Agreement, dated March 6, 2013, between MRI Interventions, Inc. and Brainlab AG</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">10.1</a>	<a href="#">March 7, 2013</a>
<a href="#">10.19†</a>	<a href="#">Master Services and Licensing Agreement dated as of July 20, 2007 by and between SurgiVision, Inc. and Cedara Software Corp., as amended by that certain First Amendment dated January 18, 2011</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.20</a>	<a href="#">March 15, 2012</a>
<a href="#">10.20†</a>	<a href="#">Second Amendment to the Master Services and Licensing Agreement, dated as of June 22, 2012, by and between Merge Healthcare Canada Corp. and MRI Interventions, Inc.</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">10.1</a>	<a href="#">June 26, 2012</a>
<a href="#">10.21†</a>	<a href="#">Third Amendment to the Master Services and Licensing Agreement, dated as of July 28, 2013, by and between Merge Healthcare Canada Corp. and MRI Interventions, Inc.</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.56</a>	<a href="#">August 14, 2013</a>

Exhibit Number	Exhibit Description	Incorporation by Reference			
		Form	SEC File No.	Exhibit	Filing Date
<a href="#">10.22</a>	<a href="#">License and Collaboration Agreement, dated April 25, 2017, by and between MRI Interventions, Inc. and Acoustic Medsystems, Inc.</a>	<a href="#">10-Q</a>	<a href="#">001-34822</a>	<a href="#">10.1</a>	<a href="#">May 9, 2017</a>
<a href="#">10.23†</a>	<a href="#">License and Collaboration Agreement, dated as of October 16, 2018, by and between MRI Interventions, Inc. and Clinical Laserthermia Systems AB</a>	<a href="#">10-Q</a>	<a href="#">001-34822</a>	<a href="#">10.2</a>	<a href="#">November 13, 2018</a>
<a href="#">10.24†</a>	<a href="#">Distribution Agreement, dated as of October 16, 2018, by and between MRI Interventions, Inc. and Clinical Laserthermia Systems AB</a>	<a href="#">10-Q</a>	<a href="#">001-34822</a>	<a href="#">10.3</a>	<a href="#">November 13, 2018</a>
<a href="#">10.25</a>	<a href="#">Lease Agreement, dated as of April 21, 2008, by and between Shaw Investment Company, LLC and Surgi-Vision, Inc., as amended by that certain Amendment to Lease dated January 20, 2011, as further amended by that certain Amendment to Lease dated March 26, 2012</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.27</a>	<a href="#">May 11, 2012</a>
<a href="#">10.26</a>	<a href="#">Second Amendment to Lease Agreement dated as of February 24, 2015, by and between Shaw Investment Company, LLC and MRI Interventions, Inc.</a>	<a href="#">10-K</a>	<a href="#">000-54575</a>	<a href="#">10.24</a>	<a href="#">March 17, 2015</a>
<a href="#">10.27</a>	<a href="#">Amendment to Standard Industrial/Commercial Single-Tenant Lease-Net, dated as of May 11, 2018, by and between MRI Interventions, Inc. and Shaw Investment Company, LLC</a>	<a href="#">10-Q</a>	<a href="#">001-34822</a>	<a href="#">10.1</a>	<a href="#">August 14, 2018</a>
<a href="#">10.28</a>	<a href="#">Form of Securities Purchase Agreement by and among MRI Interventions, Inc. and the investors party thereto with respect to March 2014 private offering</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">10.1</a>	<a href="#">March 10, 2014</a>
<a href="#">10.29</a>	<a href="#">Form of Securities Purchase Agreement by and among MRI Interventions, Inc. and the investors party thereto with respect to December 2014 private offering</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">10.1</a>	<a href="#">December 19, 2014</a>
<a href="#">10.30</a>	<a href="#">Form of Securities Purchase Agreement by and among MRI Interventions, Inc. and the investors party thereto with respect to December 2015 private offering</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">10.1</a>	<a href="#">December 15, 2015</a>
<a href="#">10.31</a>	<a href="#">Form of Securities Purchase Agreement by and between MRI Interventions, Inc. and Brainlab AG with respect to March 2016 private offering</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">10.1</a>	<a href="#">March 22, 2016</a>
<a href="#">10.32</a>	<a href="#">Form of Patent and Technology License Agreement by and between MRI Interventions, Inc. and Brainlab AG</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">10.3</a>	<a href="#">March 22, 2016</a>
<a href="#">10.33</a>	<a href="#">Form of Securities Purchase Agreement by and between the Company and the investors party thereto with respect to the August 2016 private offering</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.1</a>	<a href="#">September 1, 2016</a>

Exhibit Number	Exhibit Description	Incorporation by Reference			
		Form	SEC File No.	Exhibit	Filing Date
<a href="#">10.34</a>	<a href="#">Form of Securities Purchase Agreement by and between the Company and the investors party thereto with respect to the May 2017 private offering</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.1</a>	<a href="#">May 25, 2017</a>
<a href="#">10.35</a>	<a href="#">Form of Registration Rights Agreement by and between the Company and the investors party thereto with respect to the May 2017 private offering</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.2</a>	<a href="#">May 25, 2017</a>
<a href="#">10.36+</a>	<a href="#">2010 Incentive Compensation Plan</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.4</a>	<a href="#">December 28, 2011</a>
<a href="#">10.37+</a>	<a href="#">2010 Non-Qualified Stock Option Plan</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.5</a>	<a href="#">December 28, 2011</a>
<a href="#">10.38+</a>	<a href="#">MRI Interventions, Inc. 2012 Incentive Compensation Plan</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.34</a>	<a href="#">February 9, 2012</a>
<a href="#">10.39+</a>	<a href="#">MRI Interventions, Inc. Amended and Restated 2013 Incentive Compensation Plan</a>	<a href="#">Schedule 14A</a>	<a href="#">000-54575</a>	<a href="#">B</a>	<a href="#">April 17, 2015</a>
<a href="#">10.40+</a>	<a href="#">Second Amended and Restated 2013 Incentive Compensation Plan</a>	<a href="#">Schedule 14A</a>	<a href="#">001-34822</a>	<a href="#">A</a>	<a href="#">September 5, 2017</a>
<a href="#">10.41+</a>	<a href="#">MRI Interventions, Inc. 2013 Incentive Compensation Plan Form of Incentive Stock Option Agreement</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.53</a>	<a href="#">August 14, 2013</a>
<a href="#">10.42+</a>	<a href="#">MRI Interventions, Inc. 2013 Incentive Compensation Plan Form of Non-Qualified Stock Option Agreement</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.54</a>	<a href="#">August 14, 2013</a>
<a href="#">10.43+</a>	<a href="#">MRI Interventions, Inc. 2013 Incentive Compensation Plan Form of Non-Qualified Stock Option Agreement for Non-Employee Directors</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.55</a>	<a href="#">August 14, 2013</a>
<a href="#">10.44+</a>	<a href="#">MRI Interventions, Inc. 2013 Incentive Compensation Plan Form of Restricted Share Award Agreement</a>	<a href="#">10-Q</a>	<a href="#">001-34822</a>	<a href="#">10.2</a>	<a href="#">August 12, 2019</a>
<a href="#">10.45+</a>	<a href="#">MRI Interventions, Inc. 2013 Non-Employee Director Equity Incentive Plan Form of Non-Qualified Stock Option Agreement</a>	<a href="#">10-K</a>	<a href="#">000-54575</a>	<a href="#">10.41</a>	<a href="#">March 28, 2014</a>
<a href="#">10.46+</a>	<a href="#">MRI Interventions, Inc. Non-Employee Director Compensation Plan, as amended and restated by the Board of Directors of MRI Interventions, Inc. on December 12, 2017</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.1</a>	<a href="#">December 14, 2017</a>
<a href="#">10.47+</a>	<a href="#">Form of Indemnification Agreement</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.8</a>	<a href="#">December 28, 2011</a>
<a href="#">10.48+</a>	<a href="#">Employment Agreement, dated as of June 19, 2012, by and between Peter G. Piferi and MRI Interventions, Inc.</a>	<a href="#">8-K</a>	<a href="#">000-54575</a>	<a href="#">10.2</a>	<a href="#">June 21, 2012</a>



Exhibit Number	Exhibit Description	Incorporation by Reference			
		Form	SEC File No.	Exhibit	Filing Date
<a href="#">10.49+</a>	<a href="#">Employment Offer Letter between MRI Interventions, Inc. and Harold A. Hurwitz</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.1</a>	<a href="#">May 7, 2015</a>
<a href="#">10.50+</a>	<a href="#">Non-Competition Agreement between Harold A. Hurwitz and MRI Interventions, Inc.</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.2</a>	<a href="#">May 7, 2015</a>
<a href="#">10.51+</a>	<a href="#">Non-Disclosure and Proprietary Rights Agreement between Harold A. Hurwitz and MRI Interventions, Inc.</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.3</a>	<a href="#">May 7, 2015</a>
<a href="#">10.52+</a>	<a href="#">Consulting Agreement dated April 1, 2015 between MRI Interventions, Inc. and Kimble L. Jenkins</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.4</a>	<a href="#">May 7, 2015</a>
<a href="#">10.53+</a>	<a href="#">Omnibus Amendment dated April 1, 2015 between MRI Interventions, Inc. and Kimble L. Jenkins</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.5</a>	<a href="#">May 7, 2015</a>
<a href="#">10.54+</a>	<a href="#">Second Amended and Restated Key Personnel Incentive Program</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.3</a>	<a href="#">August 14, 2013</a>
<a href="#">10.55+</a>	<a href="#">Second Amended and Restated Key Personnel Incentive Award Agreement, dated June 13, 2013, by and between MRI Interventions, Inc. and Paul A. Bottomley</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.31</a>	<a href="#">August 14, 2013</a>
<a href="#">10.56+</a>	<a href="#">Amended and Restated Key Personnel Incentive Award Agreement, dated June 13, 2013, by and between MRI Interventions, Inc. and Paul A. Bottomley</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.32</a>	<a href="#">August 14, 2013</a>
<a href="#">10.57+</a>	<a href="#">Second Amended and Restated Key Personnel Incentive Award Agreement, dated June 13, 2013, by and between MRI Interventions, Inc. and Parag V. Karmarkar</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.33</a>	<a href="#">August 14, 2013</a>
<a href="#">10.58+</a>	<a href="#">SurgiVision, Inc. Cardiac EP Business Participation Plan</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.29</a>	<a href="#">December 28, 2011</a>
<a href="#">10.59+</a>	<a href="#">Cardiac EP Business Participation Plan Award Agreement, dated June 3, 2010, by and between SurgiVision, Inc. and Nassir F. Marrouche</a>	<a href="#">10</a>	<a href="#">000-54575</a>	<a href="#">10.30</a>	<a href="#">December 28, 2011</a>
<a href="#">10.60+</a>	<a href="#">Non-Qualified Stock Option Agreement, effective as of November 10, 2012, granted by MRI Interventions, Inc. to Robert C. Korn</a>	<a href="#">S-8</a>	<a href="#">333-191908</a>	<a href="#">99.3</a>	<a href="#">October 25, 2013</a>
<a href="#">10.61+</a>	<a href="#">Non-Qualified Stock Option Agreement, effective as of December 5, 2013, granted by MRI Interventions, Inc. to Parag Karmarkar</a>	<a href="#">10-K</a>	<a href="#">000-54575</a>	<a href="#">10.56</a>	<a href="#">March 28, 2014</a>
<a href="#">10.62+</a>	<a href="#">Non-Qualified Stock Option Agreement, effective as of December 5, 2013, granted by MRI Interventions, Inc. to Paul A. Bottomley</a>	<a href="#">10-K</a>	<a href="#">000-54575</a>	<a href="#">10.57</a>	<a href="#">March 28, 2014</a>
<a href="#">10.63+</a>	<a href="#">Non-Qualified Stock Option Agreement, effective as of October 6, 2014, granted by MRI Interventions, Inc. to Francis P. Grillo</a>	<a href="#">S-1</a>	<a href="#">333-201471</a>	<a href="#">10.63</a>	<a href="#">January 13, 2015</a>

**Incorporation by Reference**

Exhibit Number	Exhibit Description	Form	SEC File No.	Exhibit	Filing Date
<a href="#">10.64+</a>	<a href="#">Non-Qualified Stock Option Agreement, effective as of November 10, 2014, granted by MRI Interventions, Inc. to Robert C. Korn</a>	<a href="#">S-1</a>	<a href="#">333-201471</a>	<a href="#">10.64</a>	<a href="#">January 13, 2015</a>
<a href="#">10.65+</a>	<a href="#">Non-Qualified Stock Option Agreement, effective as of December 1, 2014, granted by MRI Interventions, Inc. to Wendelin C. Maners</a>	<a href="#">S-1</a>	<a href="#">333-201471</a>	<a href="#">10.65</a>	<a href="#">January 13, 2015</a>
<a href="#">10.66+</a>	<a href="#">Non-Qualified Stock Option Agreement, effective as of March 30, 2015 granted by MRI Interventions, Inc. to Harold A. Hurwitz</a>	<a href="#">10-Q</a>	<a href="#">000-54575</a>	<a href="#">10.1</a>	<a href="#">August 10, 2015</a>
<a href="#">10.67*+</a>	<a href="#">Amendment No. 1 dated December 15, 2016 to Consulting Agreement dated April 1, 2015 between MRI Interventions, Inc. and Kimble L. Jenkins</a>	<a href="#">10-K</a>	<a href="#">001-34822</a>	<a href="#">10.78</a>	<a href="#">March 9, 2017</a>
<a href="#">10.68+</a>	<a href="#">Amendment No. 2, dated April 1, 2017, to Consulting Agreement dated April 1, 2015 between MRI Interventions, Inc. and Kimble L. Jenkins</a>	<a href="#">10-Q</a>	<a href="#">001-34822</a>	<a href="#">10.2</a>	<a href="#">May 9, 2017</a>
<a href="#">10.69+</a>	<a href="#">Separation, Transition and Consulting Agreement, dated as of October 6, 2017 by and between MRI Interventions, Inc. and Francis P. Grillo</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.1</a>	<a href="#">October 10, 2017</a>
<a href="#">10.70+</a>	<a href="#">Employment Agreement, dated as of October 6, 2017, by and between MRI Interventions, Inc. and Joseph Michael Burnett</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.2</a>	<a href="#">October 10, 2017</a>
<a href="#">10.71+</a>	<a href="#">Transition and Release Agreement, dated as of March 9, 2018 by and between MRI Interventions, Inc. and Wendelin Maners</a>	<a href="#">10-Q</a>	<a href="#">001-34822</a>	<a href="#">10.1</a>	<a href="#">May 5, 2018</a>
<a href="#">10.72</a>	<a href="#">Form of Securities Purchase Agreement, dated as of May 9, 2019, by and among MRI Interventions, Inc. and each purchaser identified on the signature pages thereto</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.1</a>	<a href="#">May 9, 2019</a>
<a href="#">10.73</a>	<a href="#">Securities Purchase Agreement, dated January 11, 2020, by and among MRI Interventions, Inc., each investor identified on the signature pages thereto, and Petrichor Opportunities Fund I LP, as collateral agent.</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.1</a>	<a href="#">January 13, 2020</a>
<a href="#">10.74</a>	<a href="#">First Omnibus Amendment to Securities Purchase Agreement and Senior Secured Promissory Notes, dated January 29, 2020, by and among MRI Interventions, Inc., PTC Therapeutics, Inc., and Petrichor Opportunities Fund I LP</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.2</a>	<a href="#">January 29, 2020</a>
<a href="#">10.75</a>	<a href="#">Security Agreement, dated January 29, 2020, by and between MRI Interventions, Inc. and Petrichor Opportunities Fund I LP, in its capacity as collateral agent</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.3</a>	<a href="#">January 29, 2020</a>
<a href="#">10.76</a>	<a href="#">Board Observer Agreement, dated January 29, 2020, by and between MRI Interventions, Inc. and Petrichor Opportunities Fund I LP</a>	<a href="#">8-K</a>	<a href="#">001-34822</a>	<a href="#">10.4</a>	<a href="#">January 29, 2020</a>

Exhibit Number	Exhibit Description	Incorporation by Reference			
		Form	SEC File No.	Exhibit	Filing Date
<u>10.77</u>	<u><a href="#">Fourth Amendment to Junior Security Agreement, dated January 27, 2020, by and between MRI Interventions, Inc. and Landmark Community Bank, in its capacity as collateral agent</a></u>	<u>8-K</u>	<u>001-34822</u>	<u>10.5</u>	<u>January 29, 2020</u>
21*	<u><a href="#">Subsidiaries of MRI Interventions, Inc.</a></u>				
23.1*	<u><a href="#">Consent of Cherry Bekaert LLP</a></u>				
24.1*	<u><a href="#">Power of Attorney</a></u> (included on the signature pages hereto)				
31.1*	<u><a href="#">Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934</a></u>				
31.2*	<u><a href="#">Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934</a></u>				
32++	<u><a href="#">Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) Under the Securities Exchange Act of 1934 and Section 1350 of Chapter 60 of Title 18 of the United States Code</a></u>				
101.INS*	XBRL Instance				
101.SCH*	XBRL Taxonomy Extension Schema				
101.CAL*	XBRL Taxonomy Extension Calculation				
101.DEF*	XBRL Taxonomy Extension Definition				
101.LAB*	XBRL Taxonomy Extension Labels				
101.PRE*	XBRL Taxonomy Extension Presentation				
*	Filed herewith.				
†	Confidential treatment granted under Rule 24b-2 under the Securities Exchange Act of 1934. The confidential portions of this exhibit have been omitted and are marked accordingly. The confidential portions have been filed separately with the Securities and Exchange Commission pursuant to the request for confidential treatment.				
+	Indicates management contract or compensatory plan.				
++	This certification is being furnished solely to accompany this Annual Report pursuant to 18 U.S.C. Section 1350, and it is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.				

## SIGNATURES

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

CLEARPOINT NEURO, INC.

Date: March 27, 2020

/s/ Joseph M. Burnett  
Joseph M. Burnett  
Chief Executive Officer and President  
(Principal Executive Officer)

## POWER OF ATTORNEY

**KNOW ALL PERSONS BY THESE PRESENT**, that each person whose signature appears below constitutes and appoints Joseph M. Burnett and Harold A. Hurwitz, and each of them, acting individually, as his attorney-in-fact, each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Joseph M. Burnett</u> <b>Joseph M. Burnett</b>	<i>President, Chief Executive Officer, and Director</i> <i>(Principal Executive Officer)</i>	March 27, 2020
<u>/s/ Harold A. Hurwitz</u> <b>Harold A. Hurwitz</b>	<i>Chief Financial Officer</i> <i>(Principal Financial Officer and</i> <i>Principal Accounting Officer)</i>	March 27, 2020
<u>/s/ Kimble L. Jenkins</u> <b>Kimble L. Jenkins</b>	<i>Chairman and Director</i>	March 27, 2020
<u>/s/ R. John Fletcher</u> <b>R. John Fletcher</b>	<i>Director</i>	March 27, 2020
<u>/s/ Pascal E.R. Girin</u> <b>Pascal E.R. Girin</b>	<i>Director</i>	March 27, 2020
<u>/s/ B. Kristine Johnson</u> <b>B. Kristine Johnson</b>	<i>Director</i>	March 27, 2020

/s/ Marcio Souza  
**Marcio Souza**

*Director*

March 27, 2020

/s/ John N. Spencer, Jr.  
**John N. Spencer, Jr.**

*Director*

March 27, 2020

## Table of Contents

	Page
<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	F-2
<b>Audited Financial Statements:</b>	
<a href="#"><u>Consolidated Balance Sheets</u></a>	F-3
<a href="#"><u>Consolidated Statements of Operations</u></a>	F-4
<a href="#"><u>Consolidated Statements of Stockholders' Equity</u></a>	F-5
<a href="#"><u>Consolidated Statements of Cash Flows</u></a>	F-6
<a href="#"><u>Notes to Consolidated Financial Statements</u></a>	F-8

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
ClearPoint Neuro, Inc.  
Irvine, California

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ClearPoint Neuro, Inc. (formerly, MRI Interventions, Inc.) (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Cherry Bekaert LLP

We have served as the Company's auditor since 2008.

Tampa, Florida  
March 27, 2020

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**

**Consolidated Balance Sheets**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,695,722	\$ 3,101,133
Accounts receivable, net	1,089,917	1,233,896
Inventory, net	3,240,218	2,105,976
Prepaid expenses and other current assets	357,227	213,684
Total current assets	10,383,084	6,654,689
Property and equipment, net	447,162	377,706
Operating lease rights of use	374,218	—
Software license inventory	504,400	801,900
Other assets	217,573	22,538
Total assets	\$ 11,926,437	\$ 7,856,833
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 965,783	\$ 500,929
Accrued compensation	1,408,292	764,960
Other accrued liabilities	328,460	390,838
Operating lease liabilities, current portion	113,520	—
Deferred product and service revenues	1,016,892	210,768
Total current liabilities	3,832,947	1,867,495
Accrued interest	959,659	857,500
Operating lease liabilities, net of current portion	276,669	—
Deferred product and service revenues, net of current portion	197,862	140,195
2010 secured notes payable, net of unamortized discount of \$765,073 and \$1,459,209 at December 31, 2019 and 2018, respectively	2,072,583	1,540,791
2014 junior secured notes payable, net of unamortized discount and deferred issuance costs aggregating \$35,149 at December 31, 2018	—	1,939,850
Total liabilities	7,339,720	6,345,831
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 25,000,000 shares authorized at December 31, 2019 and 2018; none issued and outstanding at December 31, 2019 and 2018	—	—
Common stock, \$0.01 par value; 200,000,000 shares authorized at December 31, 2019 and 2018; 15,235,308 and 11,018,364 shares issued and outstanding at December 31, 2019 and 2018, respectively	152,353	110,183
Additional paid-in capital	117,173,984	108,600,405
Accumulated deficit	(112,739,620)	(107,199,586)
Total stockholders' equity	4,586,717	1,511,002
Total liabilities and stockholders' equity	\$ 11,926,437	\$ 7,856,833

See notes to consolidated financial statements.



**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**

**Consolidated Statements of Operations**

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>		
Product revenues	\$ 9,476,364	\$ 6,685,020
Service and other revenues	1,740,573	668,246
Total revenues	11,216,937	7,353,266
Cost of revenues	3,832,884	2,433,069
Research and development costs	2,922,279	2,310,139
Sales and marketing expenses	4,755,516	3,532,040
General and administrative expenses	4,299,936	4,325,786
Operating loss	(4,593,678)	(5,247,768)
<b>Other income (expense):</b>		
Gain on change in fair value of derivative liabilities	—	64,318
Other income, net	9,054	364
Interest expense, net	(955,166)	(980,383)
Net loss	\$ (5,539,790)	\$ (6,163,469)
<b>Net loss per share attributable to common stockholders:</b>		
Basic and diluted	\$ (0.42)	\$ (0.56)
<b>Weighted average shares outstanding:</b>		
Basic and diluted	13,155,163	10,928,213

See notes to consolidated financial statements.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**

**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2019 and 2018**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balances, January 1, 2018	10,693,851	\$ 106,937	\$ 106,757,920	\$ (101,036,117)	\$ 5,828,740
Issuances of common stock:					
Share-based compensation	53,200	532	1,230,847	—	1,231,379
Under contractual arrangements	25,000	250	77,250	—	77,500
Warrant exercises	246,313	2,464	534,388	—	536,852
Net loss for the year				(6,163,469)	(6,163,469)
Balances, December 31, 2018	11,018,364	110,183	108,600,405	(107,199,586)	1,511,002
Cumulative adjustment for adoption of new accounting standard	—	—	—	(244)	(244)
Issuances of common stock:					
Share-based compensation	194,694	1,947	797,164	—	799,111
Warrant and option exercises	1,595,795	15,958	372,833	—	388,791
May 2019 private placement, net of offering costs of \$94,162	2,426,455	24,265	7,403,582	—	7,427,847
Net loss for the year	—	—	—	(5,539,790)	(5,539,790)
Balances, December 31, 2019	<u>15,235,308</u>	<u>\$ 152,353</u>	<u>\$ 117,173,984</u>	<u>\$ (112,739,620)</u>	<u>\$ 4,586,717</u>

See notes to consolidated financial statements.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**

**Consolidated Statements of Cash Flows**

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (5,539,790)	\$ (6,163,469)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	143,604	109,439
Share-based compensation	799,111	1,231,379
Expenses paid through the issuance of common stock	—	77,500
Gain on change in fair value of derivative liabilities	—	(64,318)
Amortization of debt issuance costs and original issue discounts	729,287	562,529
Amortization of lease right of use assets, net of accretion in lease liabilities	106,956	—
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	143,979	(284,481)
Inventory	(1,024,612)	122,220
Prepaid expenses and other current assets	(143,543)	(20,957)
Other assets	14,965	(10,897)
Accounts payable and accrued expenses	1,165,722	(284,322)
Lease liability	(108,985)	—
Deferred revenue	863,791	94,785
Net cash flows from operating activities	(2,849,515)	(4,630,592)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(10,190)	(63,490)
Acquisition of licensing rights	(150,000)	—
Net cash flows from investing activities	(160,190)	(63,490)
<b>Cash flows from financing activities:</b>		
Proceeds from private offering, net of offering costs	7,427,847	—
Prepayment of offering costs in connection with January 2020 private placement	(75,000)	—
Proceeds from exercise of warrants	388,791	505,384
Principal repayment of 2014 and 2010 notes	(2,137,344)	(2,000,000)
Net cash flows from financing activities	5,604,294	(1,494,616)
Net change in cash and cash equivalents	2,594,589	(6,188,698)
Cash and cash equivalents, beginning of year	3,101,133	9,289,831
Cash and cash equivalents, end of year	\$ 5,695,722	\$ 3,101,133

**SUPPLEMENTAL CASH FLOW INFORMATION**

<b>Cash paid for:</b>		
Income taxes	\$ —	\$ —
Interest	\$ 316,558	\$ 210,722

See notes to consolidated financial statements.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Consolidated Statements of Cash Flows**

**NON-CASH INVESTING AND FINANCING TRANSACTIONS:**

- During the years ended December 31, 2019 and 2018, the Company recorded net transfers of ClearPoint reusable components having an aggregate net book value of \$187,870 and \$155,987, respectively from inventory to loaned systems, which are included in property and equipment in the accompanying consolidated balance sheets.
- During the year ended December 31, 2018, exercise of warrants (accounted for as derivatives) resulted in reductions in the balance of derivative liabilities and corresponding increases to stockholders' equity amounting to \$31,468.

See notes to consolidated financial statements.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

**1. Description of the Business and Financial Condition**

ClearPoint Neuro, Inc. (formerly MRI Interventions, Inc.; see Note 11) (the “Company”) is a medical device company focused on the development and commercialization of technology that enables physicians to see inside the brain and heart using direct, intra-procedural magnetic resonance imaging (“MRI”) guidance while performing minimally invasive surgical procedures. The Company was incorporated in the state of Delaware in March 1998. The Company’s principal executive office and principal operations are located in Irvine, California. The Company established MRI Interventions (Canada) Inc., a wholly-owned subsidiary incorporated in Canada, in August 2013. This subsidiary was established primarily for the purpose of performing software development, and its activities are reflected in these consolidated financial statements.

The Company’s ClearPoint system, an integrated system comprised of capital equipment and disposable products, is designed to allow minimally invasive procedures in the brain to be performed in an MRI suite. The Company received 510(k) clearance from the U.S. Food and Drug Administration (“FDA”) in 2010 to market the ClearPoint system in the United States for general neurological interventional procedures. The Company’s ClearTrace system is a product candidate that is designed to allow catheter-based minimally invasive procedures in the heart to be performed in an MRI suite. Although still a product candidate, the Company has reduced its efforts to commercialize the ClearTrace system.

*Liquidity and Management’s Plans*

The Company has incurred net losses since its inception which has resulted in a cumulative deficit at December 31, 2019 of approximately \$113 million. Since inception, the Company has financed its operations principally from the sale of equity securities, the issuance of notes payable and license arrangements. As a result, management historically has expressed substantial doubt as to the Company’s ability to continue as a going concern. As discussed in Note 8, in May 2019, the Company entered into a Securities Purchase Agreement with certain accredited investors under which such investors purchased 2,426,455 shares of the Company’s common stock at \$3.10 per share (the “2019 PIPE”), resulting in proceeds of approximately \$7.5 million, before deducting offering expenses aggregating approximately \$94,000. In addition, as discussed in Note 11, in January 2020, the Company entered into a Securities Purchase Agreement with two investors under which the Company issued to such investors an aggregate principal amount of \$17.5 million of floating rate secured convertible notes (the “2020 Secured Notes”). From the proceeds received from the issuance of the 2020 Secured Notes, which have a five-year term, the Company repaid and retired the 2010 Junior Secured Notes Payable that otherwise would have matured in October and November 2020. As a result, in management’s opinion, the Company’s cash and cash equivalent balances at December 31, 2019, when combined with the proceeds from issuance of the 2020 Secured Notes (after repayment of the 2010 Secured Notes), are sufficient to support the Company’s operations for at least the next twelve months and to alleviate doubt as to the Company’s ability to continue as a going concern.

**2. Summary of Significant Accounting Policies**

*Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, ClearPoint Neuro (Canada) Inc. All significant inter-company accounts and transactions have been eliminated.

*Basis of Presentation and Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

*Cash and Cash Equivalents*

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

*Inventory*

Inventory is carried at the lower of cost (first-in, first-out method) or net realizable value. Items in inventory relate predominantly to the Company's ClearPoint system. Software license inventory related to ClearPoint systems undergoing on-site customer evaluation is included in inventory in the accompanying consolidated balance sheets. All other software license inventory is classified as a non-current asset. The Company periodically reviews its inventory for obsolete items and provides a reserve upon identification of potential obsolete items.

*Property and Equipment*

Property and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives, principally five to seven years. Leasehold improvements are depreciated on a straight-line basis over the lesser of their estimated useful lives or the term of the related lease.

*Impairment of Long-Lived Assets*

The Company periodically evaluates the recoverability of its long-lived assets (finite-lived intangible assets and property and equipment). Whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable, the expected undiscounted future cash flows are compared to the net book value of the related assets. If the net book value of the related assets were to exceed the undiscounted expected future cash flows of the assets, the carrying amount would be reduced to the present value of the expected future cash flows and an impairment loss would be recognized. The Company has not recorded any impairment losses for the years ended December 31, 2019 or 2018.

*Revenue Recognition*

Effective January 1, 2018, the Company adopted the provisions of Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which, with subsequent amendments thereto, created a new Topic 606 within the Accounting Standards Codification ("ASC"). Topic 606 is principle-based and provides a five-step model to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Prior to adoption, the Company assessed the impact of Topic 606 and determined that adoption would not have a material effect on its consolidated financial statements. The Company adopted Topic 606 in conformity with its provisions on January 1, 2018 under the modified retrospective method.

The Company's revenues are comprised primarily of: (1) product revenues resulting from the sale of functional neurological products, and drug delivery and biologic products; (2) product revenues resulting from the sale of ClearPoint capital equipment; (3) revenues resulting from the rental, service, installation, training and shipping related to ClearPoint capital equipment; and (4) clinical case support revenues in connection with customer-sponsored clinical trials. The Company recognizes revenue when control of the Company's products and services is transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those products and services. This process involves identifying the contract with a customer, determining the performance obligations in the contract, determining the contract price, allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in a contract when it provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and is separately identified in the contract. The Company considers a performance obligation satisfied once it has transferred control of a good or service to the customer, meaning the customer has the ability to use and obtain the benefit of the good or service. The Company recognizes revenue for satisfied performance obligations only when it determines there are no uncertainties regarding payment terms or transfer of control.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

*Lines of Business; Timing of Revenue Recognition*

- *Functional neurosurgery product, biologics and drug delivery systems product, and therapy product sales:* Revenues from the sale of functional neurosurgery products (consisting of disposable products sold commercially and related to cases utilizing the Company's ClearPoint system), biologics and drug delivery systems (consisting primarily of disposable products related to customer-sponsored clinical trials utilizing the ClearPoint system), and therapy products (consisting primarily of disposable laser-related products used in non-neurosurgical procedures are generally based on customer purchase orders, the predominance of which require delivery within one week of the order having been placed, and are recognized at the point in time of delivery to the customer, which is the point at which legal title, and risks and rewards of ownership, along with physical possession, transfer to the customer.
- *Capital equipment sales*
  - o *Capital equipment sales preceded by evaluation periods:* The predominance of capital equipment sales (consisting of integrated computer hardware and software that are integral components of the Company's ClearPoint system) are preceded by customer evaluation periods of generally 90 days. During these evaluation periods, installation of, and training of customer personnel on, the systems have been completed and the systems have been in operation. Accordingly, revenue from capital equipment sales following such evaluation periods is recognized at the point in time that the Company is in receipt of an executed purchase agreement or purchase order.
  - o *Capital equipment sales not preceded by evaluation periods:* Revenue from sales of capital equipment not having been preceded by an evaluation period is recognized at the point in time that the equipment has been delivered to the customer.

For both types of capital equipment sales described above, the Company's determination of the point in time at which to recognize revenue represents that point at which the customer has legal title, physical possession, and the risks and rewards of ownership, and the Company has a present right to payment.

- *Functional neurosurgery and related services:* Revenues from functional neurosurgery and related services are recognized over the period of time such services are rendered.
- *Biologics and drug delivery services*
  - o *Outsourced recruitment and/or designation of a clinical services liaison between Company and its customer:* The Company recognizes revenue at the point in time that the liaison is either recruited or designated, which is the point at which the customer is able to direct, and obtain benefit from, use of the liaison. The Company made this determination based on the decision made by the customer to outsource this function to the Company, rather than to incur its own recruiting costs. Upon such recruitment or designation, the liaison becomes the customer's outsourced clinical support services coordinator.
  - o *Outsourced technical clinical support of cases performed pursuant to customer-sponsored clinical trials:*
    - *Service Access Fees:* For contracts in which the Company receives a periodic fixed fee, irrespective of the number of cases attended by Company personnel during such periods, revenue is recognized ratably over the period covered by such fees. A time-elapsed output method is used for such fees because the Company transfers control evenly by providing a stand-ready service.
    - *Procedure-Based Fees:* The Company recognizes revenue at the point in time a case is attended by Company personnel.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

- o *Therapy services:* The Company recognizes revenue for such services at the point in time that the performance obligation has been satisfied.
- *Capital equipment-related services*
  - o *Rental and equipment service:* Revenue from rental of ClearPoint capital equipment is recognized ratably on a monthly basis over the term of the rental agreement, which is less than one year. Revenue from service of ClearPoint capital equipment previously sold to customers is based on agreements with terms ranging from one to three years and revenue is recognized ratably on a monthly basis over the term of the service agreement. A time-elapsed output method is used for rental and service revenues because the Company transfers control evenly by providing a stand-ready service.
  - o *Installation, training and shipping:* Consistent with the Company's recognition of revenue for capital equipment sales as described above, fees for installation, training and shipping in connection with sales of capital equipment that have been preceded by customer evaluation periods are recognized as revenue at the point in time the Company is in receipt of an executed purchase order for the equipment. Installation, training and shipping fees related to capital equipment sales not having been preceded by an evaluation period are recognized as revenue at the point in time that the related services are performed.

The Company operates in one industry segment, and substantially all its sales are to U.S.-based customers.

Payment terms under contracts with customers generally are in a range of 30-60 days after the customers' receipt of the Company's invoices.

The Company provides a one-year warranty on its functional neurosurgery products, biologics and drug delivery systems products, and capital equipment products that are not otherwise covered by a third-party manufacturer's warranty. The Company's contracts with customers do not provide for a right of return other than for product defects.

See Note 3 for additional information regarding revenue recognition.

*Research and Development Costs*

Costs related to research, design and development of products are charged to research and development expense as incurred.

*Income Taxes*

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Such assets and liabilities are measured using enacted tax rates expected to apply to taxable income or loss in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized in the period that includes the enactment date. The Company provides a valuation allowance against net deferred income tax assets unless, based upon available evidence, it is more likely than not the deferred income tax assets will be realized. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of December 31, 2019 and 2018, the Company had no accrued interest or penalties related to uncertain tax positions.

*Net Loss Per Share*

The Company computes net loss per share using the weighted-average number of common shares outstanding during the period. Basic and diluted net loss per share are the same because the conversion, exercise or issuance of all potential common stock equivalents, which comprise the entire amount of the Company's outstanding common stock options and warrants as described in Note 8, would be anti-dilutive.



**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

*Share-Based Compensation*

The Company accounts for compensation for all arrangements under which employees, directors and others receive shares of stock or other equity instruments (including options and warrants) based on fair value. The fair value of each award is estimated as of the grant date and amortized as compensation expense over the requisite vesting period. The fair values of the Company's share-based awards are estimated on the grant dates using the Black-Scholes valuation model. This valuation model requires the input of highly subjective assumptions, including the expected stock volatility, estimated award terms and risk-free interest rates for the expected terms. To estimate the expected terms, the Company utilizes the "simplified" method for "plain vanilla" options discussed in the Staff Accounting Bulletin 107 ("SAB 107") issued by the Securities and Exchange Commission (the "SEC"). The Company believes that all factors listed within SAB 107 as pre-requisites for utilizing the simplified method apply to the Company and its share-based compensation arrangements. The Company intends to utilize the simplified method for the foreseeable future until more detailed information about exercise behavior becomes available. The Company based its estimate of expected volatility on the average of: (i) historical volatilities of publicly traded companies it deemed similar to the Company; and (ii) the Company's historical volatility, which is limited, and will consistently apply this methodology until its own sufficient relevant historical data is exists. The Company utilizes risk-free interest rates based on zero-coupon U.S. treasury instruments, the terms of which are consistent with the expected terms of the equity awards. The Company has not paid and does not anticipate paying cash dividends on its shares of common stock; therefore, the expected dividend yield is assumed to be zero.

*Fair Value Determination of Share-Based Transactions*

The Company's common stock is traded on the Nasdaq Capital Market under the symbol "CLPT." Quoted closing stock prices are used as a key input in determining the fair value for share-based transactions. For the period from December 9, 2019 until the Company's corporate name change and stock trading symbol change on February 12, 2020 (see Note 11), the Company's common stock was traded on the Nasdaq Capital Market under the symbol "MRIC." For the period from July 3, 2019 through December 8, 2019, the Company's common stock was traded on the NYSE American LLC, and prior to July 3, 2019, the Company's common stock was traded in the over-the-counter market and was quoted on the OTCQB Marketplace and the OTC Bulletin Board under the symbol "MRIC."

*Concentration Risks and Other Risks and Uncertainties*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company holds its cash and cash equivalents on deposit with financial institutions in the U.S. insured by the Federal Deposit Insurance Corporation. At December 31, 2019, the Company had approximately \$24,000 in bank balances that were in excess of the insured limits.

Information with respect to accounts receivable from those customers whose balances comprised more than 10% of accounts receivable at December 31, 2019 and 2018 is as follows:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Customer – 1	12%	17%
Customer – 2	—	12%

Sales to one customer comprised 10% of total revenue for the year ended December 31, 2019. No customer accounted for sales in excess of 10% of total revenue for the year ended December 31, 2018.

Prior to granting credit, the Company performs credit evaluations of its customers' financial condition, and generally does not require collateral from its customers. The Company will provide an allowance for doubtful accounts when collections become doubtful. The allowance for doubtful accounts at December 31, 2019 and 2018 was \$29,000 and \$38,000, respectively.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

The Company is subject to risks common to emerging companies in the medical device industry, including, but not limited to: new technological innovations; acceptance and competitiveness of its products; dependence on key personnel; dependence on key suppliers; changes in general economic conditions and interest rates; protection of proprietary technology; compliance with changing government regulations; uncertainty of widespread market acceptance of products; access to credit for capital purchases by customers; and product liability claims. Certain components used in manufacturing have relatively few alternative sources of supply and establishing additional or replacement suppliers for such components cannot be accomplished quickly. The inability of any of these suppliers to fulfill the Company's supply requirements may negatively impact future operating results.

*Adoption of New Accounting Standard – Leases*

Effective January 1, 2019, the Company adopted the provisions of Accounting Standards Update ("ASU") 2016-02, "Leases," which created a new Topic 842 within the Accounting Standards Codification. Topic 842 established the core principle that a lessee should recognize the assets, representing rights-of-use, and liabilities to make lease payments that arise from leases.

See Note 7 for additional information regarding leases.

**3. Revenue Recognition**

*Revenue by Service Line*

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Products:		
Disposable products:		
Functional neurosurgery	\$ 6,884,085	\$ 5,351,557
Biologics and drug delivery	1,458,850	913,424
Therapy	96,925	—
Capital equipment	<u>1,036,505</u>	<u>420,039</u>
Total product revenue	<u>9,476,365</u>	<u>6,685,020</u>
Services:		
Biologics and drug delivery	889,702	175,223
Therapy	225,000	100,000
Capital equipment and other	<u>625,870</u>	<u>393,023</u>
Total service revenue	<u>1,740,572</u>	<u>668,246</u>
Total revenue	<u>\$ 11,216,937</u>	<u>\$ 7,353,266</u>

*Contract Balances*

- *Contract assets* – Substantially all the Company's contracts with customers are based on customer-issued purchase orders for distinct products or services. Customers are billed upon delivery of such products or services, and the related contract assets comprise the accounts receivable balances included in the accompanying consolidated balance sheets.
- *Contract liabilities* – The Company generally bills and collects capital equipment-related service fees at the inception of the service agreements, which have terms ranging from one to three years. The unearned portion of such service fees are classified as deferred revenue.

During the year ended December 31, 2019, the Company recognized capital equipment-related service revenue of approximately \$228,000 which was previously included in deferred revenue in the accompanying consolidated balance sheet at December 31, 2018.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

In September 2019, the Company entered into a Development Services Agreement with a customer under which the Company was entitled to bill the customer for an upfront payment of \$127,600, of which \$102,000 is included in deferred revenue in the accompanying December 31, 2019 consolidated balance sheet. In September 2019, the Company entered into a Letter of Intent (the "LOI") with a customer who is a stockholder and whose Chief Operating Officer is a member of the Company's Board of Directors. The purpose of the LOI was to permit the commencement of a product development project in anticipation of negotiating a detailed Statement of Work (the "SOW") which was entered into in November 2019. Under the terms of the LOI, the Company was entitled to bill the customer for an upfront, nonrefundable payment of \$500,000, and under the terms of the SOW, the Company was entitled to bill the customer on a quarterly basis, commencing in the fourth quarter of 2019, for service fees of \$500,000. The Company recognizes as revenue each of the upfront payments described in this paragraph in proportional relationship to the transaction prices of the performance obligations contained in the related agreements, and recognizes as revenue the quarterly service fees described in this paragraph as stand-by services which commenced during the fourth quarter of 2019. Based on the foregoing, \$625,000 of the aggregate amount of all the payments described in this paragraph were included in deferred revenue in the accompanying consolidated balance sheet at December 31, 2019.

During the year ended December 31, 2019, the Company offered an upgraded version of its software at no additional charge to customers purchasing a three-year systems service agreement. The transaction prices of the software and the service agreement were determined through an allocation of the service agreement price based on the standalone prices of the software and the service agreements. The transaction price of the software was recognized as revenue upon its installation and comprised approximately \$172,000 of unbilled amounts included in accounts receivable in the accompanying December 31, 2019 consolidated balance sheet.

*Remaining Performance Obligations*

The Company's contracts with customers, other than capital equipment-related service agreements discussed below, are predominantly of terms less than one year. Accordingly, the transaction price of remaining performance obligations related to such contracts at December 31, 2019 are not significant.

Revenue with respect to remaining performance obligations related to capital equipment-related service agreements with original terms in excess of one year and the upfront payments discussed under the heading "Contract Balances" above amounted to approximately \$1.1 million at December 31, 2019. The Company expects to recognize this revenue within the next three years.

**4. Inventory**

Inventory consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Raw materials and work in process	\$ 1,495,190	\$ 1,219,753
Software licenses	332,500	122,500
Finished goods	<u>1,412,528</u>	<u>763,723</u>
Inventory included in current assets	3,240,218	2,105,976
Software licenses – non-current	<u>504,400</u>	<u>801,900</u>
	<u>\$ 3,744,618</u>	<u>\$ 2,907,876</u>

**5. Property and Equipment**

Property and equipment consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 1,195,237	\$ 1,176,038
Furniture and fixtures	112,143	112,143
Leasehold improvements	201,065	190,875
Computer equipment and software	148,017	148,017
Loaned systems	<u>584,911</u>	<u>468,782</u>
	2,241,373	2,095,855
Less accumulated depreciation and amortization	<u>(1,794,211)</u>	<u>(1,718,149)</u>
Total property and equipment, net	<u>\$ 447,162</u>	<u>\$ 377,706</u>

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2019 and 2018 was \$143,604 and \$109,439, respectively. Loaned systems are ClearPoint systems that are in operation at customer sites on an evaluation basis.

**6. Notes Payable**

*2014 Junior Secured Notes Payable*

On June 6, 2019, the Company repaid in full all the outstanding principal, which, together with accrued and unpaid interest, totaled approximately \$2.0 million, of its 12% Second-Priority Secured Non-Convertible Promissory Notes due 2019, as amended (the "2014 Secured Notes"). The 2014 Secured Notes had a maturity date of September 30, 2020, and interest was payable semi-annually in arrears. In connection with the repayment, the security agreement under which the 2014 Secured Note had been collateralized by all the assets of the Company was terminated.

*2010 Junior Secured Notes Payable*

The indebtedness outstanding under the 2010 Junior Secured Notes Payable (the "2010 Secured Notes") at December 31, 2019 and 2018 was \$2.8 million and \$3.0 million, respectively. As discussed in Note 11, in the Company's first fiscal quarter of 2020, it repaid in full the aggregate principal amount outstanding of the 2010 Secured Notes which, together with the Company's payment of the related accrued interest, resulted in the retirement of the 2010 Secured Notes.

At each of December 31, 2019 and 2018, the Company's chairman of the board of directors and one of the Company's officers held 2010 Secured Notes, which they purchased at the date of original issuance having an aggregate principal balance of \$197,000.

In January 2020, the 2010 Secured Notes were effectively refinanced through the completion of the 2020 Financing Transaction (see Note 11). Accordingly, the 2010 Secured Notes retained their non-current classification on the accompanying December 31, 2019 consolidated balance sheet as allowed by GAAP.

*Scheduled Notes Payable Maturities.*

Scheduled principal payments as of December 31, 2019 with respect to notes payable are summarized as follows:

<b>Years ending December 31,</b>	
2020	\$ 2,837,656
Total scheduled principal payments	2,837,656
Less unamortized discounts	(765,073)
	<u>\$ 2,072,583</u>

**7. Leases**

The Company leases office space in Irvine, California that houses its headquarters and manufacturing facility under a non-cancellable operating lease. The lease term commenced on October 1, 2018 and expires in September 2023. The Company has the option to renew the lease for two additional periods of five years each. The Company also leases office space in Mississauga, Ontario, Canada for its software development personnel. The lease term commenced on August 1, 2018, is set to expire in July 2020, and provides for automatic one-year renewals at the Company's option. Both office leases are classified as operating leases in conformity with the provisions of Topic 842.

The lease cost, included in general and administrative expense, was \$113,393 and \$106,911 for the years ended December 31, 2019 and 2018, respectively.

At December 31, 2019, the weighted average discount rate was 6.69% and the weighted average remaining lease term was 47.36 months with respect to the leases described above.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

The assumptions used in determining the foregoing information are as follows:

- Lease term – Topic 842 provides that the lease term consists of: (a) the non-cancelable period of the Irvine and Mississauga office leases; and (b) the period covered by the Company option to extend each office lease for which the Company is reasonably certain to do so. Based on the foregoing, management determined the lease term to extend to September 2023 for the Irvine office lease, and to July 2020 for the Mississauga office lease.
- Discount rate – Topic 842 provides that the discount rate is the rate implicit in the lease unless that rate cannot be determined, in which case the lessee's incremental borrowing rate shall be used. Because neither the rate implicit in the lease nor the Company's incremental borrowing rate were determinable, discount rates were obtained with reference to published U.S. High Yield CCC corporate bond rates at the inception dates of each of the leases, which, with respect to the Irvine office lease was 6.7%, and with respect to the Mississauga office lease was 6.9%.

## **8. Stockholders' Equity**

### *2019 Private Placement*

On May 9, 2019, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investors (collectively, the "Investors") for the private placement of 2,426,455 shares of the Company's common stock at \$3.10 per share (the "2019 PIPE"). The Company received aggregate gross proceeds of approximately \$7.5 million, before deducting offering expenses aggregating approximately \$94,000.

The Purchase Agreement also contains representations and warranties by the Company and the Investors and covenants of the Company and the Investors (including indemnification from the Company in the event of breaches of its representations and warranties), certain information rights and other rights, obligations and restrictions, which the Company believes are customary for transactions of this type.

### *Issuance of Common Stock in Lieu of Cash Payments*

Under the terms of the Amended and Restated Non-Employee Director Compensation Plan, each non-employee member of the Company's Board of Directors may elect to receive all or part of his or her director fees in shares of the Company's common stock. Director fees, whether paid in cash or in shares of common stock, are payable quarterly on the last day of each fiscal quarter. The number of shares of common stock issued to directors is determined by dividing the product of: (i)(a) the fees otherwise payable to each director in cash, times (b) the percentage of fees the director elected to receive in shares of common stock, by (ii) the volume weighted average price per share of common stock over the last five trading days of the quarter. During the years ended December 31, 2019 and 2018, 29,861 shares and 57,386 shares, respectively, were issued to directors as payment for director fees, amounting to \$117,163 and \$113,665, in 2019 and 2018, respectively, in lieu of cash.

### *Stock Incentive Plans*

The Company has various share-based compensation plans and share-based compensatory contracts (collectively, the "Plans") under which it has granted share-based awards, such as stock grants, and incentive and non-qualified stock options, to employees, directors, consultants and advisors. Awards may be subject to a vesting schedule as set forth in individual award agreements. Certain of the Plans also have provided for cash-based performance bonus awards.

Since October 2017, the Company has granted share-based awards under the Company's Second Amended and Restated 2013 Incentive Compensation Plan (the "2013 Plan"). Under the 2013 Plan, a total of 1,956,250 shares of the Company's common stock are reserved for issuance. Of this amount, stock grants of 394,377 shares have been awarded and option grants, net of options terminated, expired or forfeited, of 1,086,234 shares were outstanding as of December 31, 2019. Accordingly, 475,639 shares remained available for grants under the 2013 Plan as of that date.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

Activity with respect to stock options issued by the Company is summarized as follows:

	<u>Options Outstanding</u>	<u>Options Exercisable</u>	<u>Range of Exercise Prices</u>		<u>Weighted- average Exercise price per share</u>	<u>Intrinsic Value (1)</u>
Outstanding at January 1, 2018	1,238,199		\$ 1.95	\$ 385.60	\$ 12.47	\$78,486
Exercisable at January 1, 2018		<u>567,210</u>				
Activity during the year ended December 31, 2018						
Granted	167,500		\$ 1.40	\$ 2.18	\$ 1.81	\$11,050
Cancelled or forfeited	<u>(19,303)</u>		\$ 1.95	\$ 385.60	\$ 18.77	
Outstanding at December 31, 2018	1,386,396		\$ 1.40	\$ 385.60	\$ 11.09	\$11,050
Exercisable at December 31, 2018		<u>973,498</u>				-
Activity during the year ended December 31, 2019						
Granted	256,601		\$ 1.65	\$ 4.11	\$ 3.44	\$348,828
Exercised	(3,025)		\$ 1.74	\$ 2.60	\$ 1.89	
Cancelled or forfeited	<u>(805)</u>		\$ 2.60	\$ 385.60	\$ 95.37	
Outstanding at December 31, 2019	<u>1,639,167</u>		\$ 1.40	\$ 83.60	\$ 9.87	\$2,892,027
Exercisable at December 31, 2019		<u>1,293,121</u>				<u>\$2,244,783</u>

(1) Intrinsic value is calculated as the estimated fair value of the Company's stock at the end of the related period less the option exercise price of in-the-money options.

The following table summarizes information about stock options at December 31, 2019 (contractual life expressed in years):

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>		
	<u>Number Outstanding</u>	<u>Weighted - Average Remaining Contractual Life</u>	<u>Weighted - Average Exercise Price Per Share</u>	<u>Number Exercisable</u>	<u>Weighted - Average Remaining Contractual Life</u>	<u>Weighted - Average Exercise Price Per Share</u>
\$1.40-\$45.20	1,563,540	7.72	\$ 7.01	1,217,494	7.42	\$ 8.17
\$46.40--\$83.60	<u>75,627</u>	1.88	\$ 69.09	<u>75,627</u>	1.88	\$ 69.09
	<u>1,639,167</u>	7.45	\$ 9.87	<u>1,293,121</u>	7.10	\$ 11.73

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

The per share weighted average grant date fair value of options granted during the years ended December 31, 2019 and 2018 was \$1.72 and \$0.95, respectively. A summary of the status of the Company's nonvested stock options during the years ended December 31, 2019 and 2018 is presented below:

<b>Nonvested Stock Options</b>	<b>Shares</b>	<b>Weighted - Average Per Share Grant Date Fair Value</b>
Nonvested, January 1, 2018	670,989	\$ 1.45
Activity during the year ended December 31, 2018		
Granted	167,500	0.95
Forfeited	(15,327)	25.22
Vested	(442,879)	1.71
Nonvested, December 31, 2018	380,283	0.94
Activity during the year ended December 31, 2019		
Granted	256,601	1.72
Exercised	(2,725)	1.89
Forfeited	(580)	42.66
Vested	(287,533)	1.35
Nonvested, December 31, 2019	<u>346,046</u>	\$ 1.46

The Company records share-based compensation expense on a straight-line basis over the related vesting period. For the years ended December 31, 2019 and 2018, share-based compensation expense was:

<b>Years Ended December 31,</b>	
<b>2019</b>	<b>2018</b>
\$ 799,111	\$ 1,231,379

As of December 31, 2019, approximately \$553,221 of unrecognized compensation cost related to share-based compensation arrangements granted under the Plans. That cost is expected to be recognized over a weighted-average period of 1.71 years.

The assumptions used in calculating the fair value under the Black-Scholes option-pricing model are as follows:

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Dividend yield	0%	0%
Expected Volatility	52.17% to 52.90%	51.58% to 54.21%
Risk free Interest rates	1.39% to 1.72%	2.77% to 3.00%
Expected lives (in years)	5.5 to 6.0	5.8

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

*Warrants*

Warrants have generally been issued in connection with financing transactions and for terms of up to five years. Common stock warrant activity for the years ended December 31, 2019 and 2018 is as follows:

	<b>Shares</b>	<b>Weighted - Average Exercise Price</b>
Outstanding at January 1, 2018	8,949,078	\$ 4.12
Activity during the year ended December 31, 2018		
Exercised	(221,773)	\$ 2.15
Terminated	(50,824)	\$ 6.64
Outstanding at December 31, 2018	8,676,481	\$ 4.17
Activity during the year ended December 31, 2019		
Exercised	(2,928,681)	\$ 2.20
Terminated	(215,533)	\$ 35.32
Outstanding at December 31, 2019	<u>5,532,267</u>	\$ 4.00

Information regarding outstanding warrants at December 31, 2019 is as follows (contractual life expressed in years):

<b>Exercise Price</b>	<b>Number Outstanding</b>	<b>Weighted - Average Remaining Contractual Life</b>	<b>Intrinsic Value (1)</b>
\$ 1.83	1,540	0.96	\$ 4,574
\$ 2.20	4,025,167	2.40	10,465,434
\$ 5.50	1,110,580	1.67	—
\$ 16.23	242,021	0.96	—
\$ 21.10	152,084	0.96	—
\$ 40.00	875	0.07	—
	<u>5,532,267</u>	<u>2.15</u>	<u>\$ 10,470,008</u>

(1) Intrinsic value is calculated as the estimated fair value of the Company's stock at December 31, 2019 less the warrant exercise price of in-the-money warrants.

**9. Income Taxes**

The Company had no income tax expense for the years ended December 31, 2019 and 2018. Due to uncertainties surrounding the realization of its deferred income tax assets in future periods, the Company has recorded a 100% valuation allowance against its net deferred income tax assets. If it is determined in the future that it is more likely than not that any deferred income tax assets are realizable, the valuation allowance will be reduced by the estimated net realizable amounts. For the years ended December 31, 2019 and 2018, the valuation allowance increased by \$1.3 million and \$2.8 million, respectively, based on changes in deferred tax assets and liabilities.



**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

The tax effect of temporary differences and net operating losses that give rise to components of deferred income tax assets and liabilities consist of the following:

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
Deferred income tax assets:		
Net operating loss carryforwards	\$ 21,062,933	\$ 20,080,697
Share based compensation	1,985,627	1,926,408
Accrued expenses	778,903	297,700
Property and equipment	—	74,447
Other	2,798	90,910
	23,830,261	22,470,162
Less valuation allowance	(23,745,060)	(22,470,162)
Total deferred income tax assets	85,201	—
Deferred tax liability - depreciation	(85,201)	—
Net deferred tax assets	\$ —	\$ —

Approximately \$1.3 million of federal net operating loss carryforwards expired in 2019; no state net operating loss carryforwards expired during 2019. At December 31, 2019, the Company had cumulative federal and state net operating losses of approximately \$89.6 million and \$30.3 million, respectively, available to reduce future taxable income, if any. The federal net operating loss carryforward begins expiring in 2020, and the state net operating loss carryforward begins expiring in 2028. It is possible that the Company will not generate taxable income in time to use these net operating loss carryforwards before their expiration. In addition, under Sections 382 of the Internal Revenue Code of 1986 (the "Code"), as amended, if a corporation undergoes an "ownership change" (as defined in the Code), the corporation's ability to use its pre-change tax attributes to offset its post-change income may be limited. In general, an "ownership change" occurs if there is a cumulative change in a "loss corporation's" (as defined in the Code) ownership by 5% shareholders that exceeds 50 percentage points over a rolling three-year period. The Company has not determined whether such an ownership change has occurred. However, given the equity transactions in which the Company has engaged, the Company believes that the use of the net operating losses shown as deferred tax assets will be significantly limited.

Management has evaluated the effect of guidance provided by GAAP regarding accounting for uncertainty in income taxes and determined the Company has no uncertain tax positions that could have a significant impact on its consolidated financial statements. The Company's federal income tax return for 2016 and subsequent years remain open for examination.

**10. Commitments**

*Licenses*

Certain license arrangements require minimum royalty payments. As of December 31, 2019, future minimum payments under these arrangements are as follows:

<b>Years ending December 31,</b>	
2020	\$ 60,000
2021	85,000
2022	150,000
2023	200,000
2024	200,000
Thereafter	1,710,000
Total minimum payments	\$ 2,405,000

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

Royalty payment amounts may be greater than the minimum required payment amounts based on the negotiated royalty rates. If the Company sublicenses the intellectual property that is licensed from the licensor and the Company receives any royalty payment under, or with respect to, such sublicense, the Company is obligated to pay the licensor an agreed upon percentage of any such payments. Under the terms of these license agreements, the Company is required to reimburse the licensor for costs incurred by the licensor associated with patent filing, prosecution and maintenance. The Company may terminate these license agreements for any reason, upon giving the licensor either 60 or 90 days written notice, depending on the agreement.

Under the license agreements described above, the Company incurred royalty expense of \$40,000 for each of the years ended December 31, 2019 and 2018

*Technical Service and Training Agreements*

The Company is a party to agreements with a university under which the Company may receive technical and training services. Pursuant to the terms of the amended agreements, the Company incurred expense of approximately \$26,347 and \$37,146 for technical research services during the years ended December 31, 2019 and 2018, respectively.

*Software License Agreements*

The Company is a party to a Master Services and Licensing Agreement (as amended, the “Master Software Agreement”) with Merge Healthcare Canada Corp. f/k/a Cedara Software Corp. (“Merge”) under which the Company may internally perform development, maintenance and support of its ClearPoint system software that was originally developed for the Company by Merge, utilizing certain of its own pre-existing software code. Under the Master Software Agreement, the Company received a non-exclusive, worldwide license to Merge’s software code, in exchange for which the Company agreed to pay Merge a license fee for each copy of the ClearPoint system software that the Company sells in which the Merge code is embedded, subject to a minimum license purchase commitment (the “Minimum License Purchase”) that the Company satisfied in 2013. The per license cost is charged to costs of sales based on the Company’s sales of the ClearPoint system software in which the Merge code is embedded. The Company will have an obligation to pay Merge a license fee for each copy of the ClearPoint system software in which the Merge code is embedded that the Company sells in excess of the licenses it purchased under the Minimum License Purchase.

In connection with the development of the Company’s most recent software platform (“ClearPoint v2”), the Company entered into two additional agreements under which it received worldwide, non-exclusive licenses to software code related to certain functional elements of ClearPoint v2, for which the Company is committed to pay royalties for each copy of its ClearPoint v2 system sold, or in certain cases, loaned by to end-users.

Royalties incurred by the Company under the software license agreements described above during the years ended December 31, 2019 and 2018 amounted to \$138,000 and \$107,200, respectively.

*Minimum Purchase Commitments*

On October 16, 2018, the Company entered into a distribution agreement and a license agreement with a third-party for the purchase of integrated hardware and software systems and related disposable products. The agreements subject the Company to minimum purchase commitments for the systems and disposable products for approximately five years following the date such systems and products are made commercially available by the third party, which has not yet occurred.

*Cardiac EP Business Participation Plan*

The Company is party to agreements under which it may provide a key product development advisor and consultant with financial rewards in the event that the Company sells its business operations relating to catheter-based MRI-guided cardiac ablation to treat cardiac arrhythmias (“Cardiac EP Operations”). In the event the Company sells its Cardiac EP Operations, whether on a stand-alone basis or as part of the sale of the Company, the participant will receive a payment under the plan equal to: (i) the transaction value paid for or allocated to the Cardiac EP Operations in the sale, multiplied by (ii) the participant’s “participation interest” at the time of the sale. The participant was initially awarded a participation interest of 6.6%. However, pursuant to the terms of the plan, the participation interest is equitably reduced from time to time to take into account equity financing transactions in which the Company issues shares of its common stock, or securities convertible into shares of its common stock, in exchange for cash proceeds. At December 31, 2019, the participation interest was 0.38%. The plan will terminate in June 2025.

**CLEARPOINT NEURO, INC.**  
**(formerly MRI Interventions, Inc.)**  
**Notes to Consolidated Financial Statements**

*Employment Agreements*

The Company has employment agreements with its executive officers that, among other provisions customary for agreements of this nature, provide for severance payments in the event the Company terminates the officer's employment without cause. The agreements also provide for certain payments in connection with a change of control transaction and a termination of employment following a change of control transaction.

*Key Personnel Incentive Program*

Under the terms of the Company's Key Personnel Incentive Program (as amended, "KPIP"), two participants, one a consultant to the Company and a former non-employee director of the Company, and the other a former employee of the Company, will each be entitled to receive a \$1 million payment in the event of a sale of the Company. In addition, one of the participants will be entitled to receive a payment equal to \$700,000 in the event the net proceeds from a sale of the Company exceeds \$50,000,000. If a sale of the Company has not occurred by December 31, 2025, the KPIP will terminate.

**11. Subsequent Events**

*2020 Financing Transaction*

On January 29, 2020 (the "Closing Date"), the Company completed a financing transaction (the "2020 Financing Transaction") with two investors (the "2020 Convertible Noteholders"), whereby the Company issued an aggregate principal amount of \$17,500,000 of floating rate secured convertible notes (the "2020 Secured Notes") pursuant to a Securities Purchase Agreement (the "SPA") dated January 11, 2020. Unless earlier converted or redeemed, the 2020 Secured Notes will mature on the fifth anniversary of the Closing Date, and bear interest at a rate equal to the sum of (i) the greater of (x) the three (3)-month London Interbank Offered Rate and (y) two percent (2%), plus (ii) a margin of 2% on the outstanding balance of the 2020 Notes, payable quarterly on the first business day of each calendar quarter. The 2020 Secured Notes may not be pre-paid without the consent of the noteholder, provided that the Company must offer to pre-pay such other noteholder on the same terms and conditions. Prior to maturity, the 2020 Convertible Noteholders will have the right to convert all or any portion of the outstanding balance of their notes, including any accrued but unpaid interest, into shares of the Company's common stock at a conversion price of \$6.00 per share, subject to certain adjustments as set forth in the note agreements. The 2020 Secured Notes are collateralized by all the assets of the Company.

Pursuant to the terms and subject to the conditions of the SPA, at any time on or prior to January 11, 2022, the Company shall have the right, but not the obligation, to request that one of the 2020 Convertible Noteholders purchase an additional \$5,000,000 in aggregate principal amount of Second Closing Notes (as defined in the SPA) and an additional \$10,000,000 in aggregate principal amount of additional Third Closing Notes (as defined in the SPA) (together, the "Additional Convertible Notes"), provided that the such 2020 Convertible Noteholder has the right, but not the obligation, to purchase such notes. There is no principal amount outstanding under the Additional Convertible Notes. The terms of the Additional Convertible Notes are the same as the terms of the 2020 Secured Notes, except that: (a) the Additional Convertible Notes would bear interest at a rate equal to the sum of (i) the greater of (x) the three (3)-month London Interbank Offered Rate and (y) 2%, plus (ii) a margin of 7% on their outstanding balance; and (b) only 70% of the Additional Convertible Notes' principal amount outstanding would be convertible into shares of the Company's common stock.

The Chief Operating Officer of one of the 2020 Convertible Noteholders is a member of the Company's Board of Directors, and, pursuant to the terms of the SPA and a Board Observer Agreement entered into by the other 2020 Convertible Noteholder and the Company, such 2020 Convertible Noteholder appointed an individual to attend and observe meetings of the Company's Board of Directors (the "Observer").

On January 27, 2020, as a condition to completion of the 2020 Financing Transaction, the Company entered into the Fourth Omnibus Amendment to the 2010 Secured Notes, whereby the 2010 Secured Notes were subordinated to the Company's obligations under the terms of the 2020 Secured Notes and the Additional Convertible Notes, as applicable. During the Company's first fiscal quarter of 2020, the Company repaid in full the aggregate outstanding principal amount of the 2010 Secured Notes, amounting to approximately \$2.8 million, which, along with the Company's payment of accrued interest amounting to approximately \$920,000, resulted in the retirement of the 2010 Secured Notes.

*Corporate Name Change*

On February 12, 2020, the Company changed its corporate name from MRI Interventions, Inc. to ClearPoint Neuro, Inc.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

ClearPoint Neuro, Inc. ("ClearPoint," "we," "us," and "our") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): our common stock, par value \$0.01 per share ("Common Stock").

**Authorized Shares of Capital Stock**

ClearPoint's authorized capital stock consists of 225,000,000 shares, consisting of 200,000,000 shares of Common Stock, and 25,000,000 shares of preferred stock, par value \$.01 per share ("Preferred Stock").

**DESCRIPTION OF COMMON STOCK**

The following description of Common Stock is a summary and is qualified in its entirety by reference to the actual terms and provisions contained in our Amended and Restated Certificate of Incorporation, as amended from time to time (the "Certificate of Incorporation"), and our Second Amended and Restated Bylaws, as amended from time to time (the "Bylaws"), each of which is filed as an exhibit to our Annual Report on Form 10-K of which this Exhibit 4.23 is a part and incorporated by reference herein. We encourage you to read our Certificate of Incorporation, our Bylaws, and the applicable provisions of the Delaware General Corporation Law ("DGCL"), for additional information.

**Dividends**

Subject to preferential rights that may be applicable to any then outstanding preferred stock, holders of Common Stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by our board of directors out of legally available funds.

**Voting Rights**

Each holder of our Common Stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Under our Certificate of Incorporation and Bylaws, our stockholders do not have cumulative voting rights. Because of this, the holders of a majority of the shares of Common Stock entitled to vote in any election of directors can elect all of the directors standing for election, if they should so choose.

**Liquidation Rights**

In the event of our liquidation, dissolution or winding up, after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock, holders of Common Stock will be entitled to share ratably in the net assets legally available for distribution to stockholders.

**Fully Paid and Nonassessable**

The outstanding shares of our Common Stock are fully paid and nonassessable.

**Absence of Other Rights**

Holders of Common Stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to the Common Stock. The rights, preferences and privileges of the holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

---

## Listing

Our Common Stock is listed on The Nasdaq Capital Market under the symbol "CLPT."

## Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Continental Stock Transfer & Trust Company.

## DESCRIPTION OF PREFERRED STOCK

Under our Certificate of Incorporation, we have 25,000,000 authorized shares of Preferred Stock, \$0.01 par value per share. Our board of directors has the authority, without further action by the stockholders, to issue up to that number of shares of Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding. The board of directors may authorize the issuance of Preferred Stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of Preferred Stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of the ClearPoint and may adversely affect the market price of our Common Stock and the voting and other rights of the holders of our Common Stock. As of the date hereof, we have no shares of Preferred Stock outstanding.

## CERTAIN MATTERS OF CORPORATE GOVERNANCE

### Delaware Anti-Takeover Statute

We are subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, Section 203, subject to certain exceptions, prohibits a publicly held Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that such person or entity became an interested stockholder, unless:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding specified shares; or
- at or subsequent to such date of the transaction that resulted in a person or entity becoming an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

The application of Section 203 may limit the ability of stockholders to approve a transaction that they may deem to be in their best interests. In addition, Section 203 makes it more difficult for an interested stockholder to effect various business combinations with a corporation for a three-year period, although the stockholders may, by adopting an amendment to our Certificate of Incorporation or Bylaws, elect not to be governed by this section, effective 12 months after adoption.

In general, Section 203 defines "business combination" as:

- any merger or consolidation involving the corporation and the interested stockholder;
  - any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 10% or more of the assets of the corporation to or with the interested stockholder;
  - subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
  - any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
  - the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.
-

In general, Section 203 defines an “interested stockholder” as any person that is:

- the owner of 15% or more of the outstanding voting stock of the corporation;
- an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the relevant date; or
- an affiliate or associate of the above.

Our Certificate of Incorporation and Bylaws do not exclude us from the restrictions imposed under Section 203. We anticipate that the provisions of Section 203 may encourage companies interested in acquiring us to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if a majority of the directors then in office approve either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder.

#### **Certificate of Incorporation and Bylaws Provisions**

Our Certificate of Incorporation and Bylaws:

- permits our board of directors to issue shares of Preferred Stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change in our control;
- provides that the authorized number of directors may be changed only by resolution of the board of directors;
- provides that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- requires that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provides that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing to our Secretary in a timely manner, not less than 90 nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders, provided, however, that if the date of the annual meeting is more than 30 days before or delayed more than 30 days after such anniversary date, no proxy statement was delivered in connection with the previous year’s annual meeting, or there was no annual meeting in the preceding year, notice by the stockholder to be timely must be given, not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such annual meeting was first made. To be timely, a stockholder’s notice for nominations to be made at a special meeting must be made not earlier than the 120th day prior to such special meeting and not later than the 90th day prior to such special meeting or, if later, the 10th day following the day on which public announcement of the date of such special meeting was first made. Our Bylaws also specify requirements as to the form and content of a stockholder’s notice;
- does not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose);
- provides that special meetings of our stockholders may be called only by the chairman of the board of directors, our chief executive officer or by the board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors; and
- provides that stockholders will be permitted to amend our Bylaws only upon receiving at least 66 2/3% of the votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class.

These and other provisions contained in our Certificate of Incorporation and Bylaws could delay or discourage some types of transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares over then current prices, and may limit the ability of stockholders to remove current management or approve transactions that stockholders may deem to be in their best interests and, therefore, could adversely affect the price of our Common Stock.

**List of Subsidiaries****Name of Subsidiary****Jurisdiction of Formation**

MRI Interventions (Canada) Inc.

Canada (New Brunswick)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the inclusion or incorporation by reference of our report, dated March 27, 2020, with respect to the consolidated balance sheets of ClearPoint Neuro, Inc. (formerly, MRI Interventions, Inc.) and subsidiary (the "Company") as of December 31, 2019 and 2018 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, in (i) the Company's Registration Statement on Form S-8 (No. 333-183382), (ii) the Company's Registration Statement on Form S-8 (No. 333-191908), (iii) the Company's Registration Statement on Form S-8 (No. 333-206432), and (iv) the Company's Registration Statement on Form S-8 (No. 333-220783).

/s/ Cherry Bekaert LLP

Tampa, Florida  
March 27, 2020



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

I, Joseph M. Burnett, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended December 31, 2019, of ClearPoint Neuro, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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: March 27, 2020

/s/ Joseph M. Burnett

Joseph M. Burnett

Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

I, Harold A. Hurwitz, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended December 31, 2019, of ClearPoint Neuro, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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: March 27, 2020

/s/ Harold A. Hurwitz  
Harold A. Hurwitz  
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND  
CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(b) UNDER  
THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 1350 OF  
CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE**

Each of the undersigned, Joseph M. Burnett and Harold A. Hurwitz, certifies pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code, that (1) this annual report on Form 10-K for the fiscal year ended December 31, 2019, of ClearPoint Neuro, Inc. (the "Company") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and (2) the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 27, 2020

/s/ Joseph M. Burnett

\_\_\_\_\_  
Joseph M. Burnett

Chief Executive Officer

/s/ Harold A. Hurwitz

\_\_\_\_\_  
Harold A. Hurwitz

Chief Financial Officer