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

FORM 10-Q

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

For the quarterly period ended September 30, 2019

OR

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

For the transition period from __________ to __________

Commission File Number 0-19437

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

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

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

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

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

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

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

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

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

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

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

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

The number of shares outstanding of the registrant's common stock, as of November 11, 2019 was 255,652,460

TRANSENTERIX, INC.

TABLE OF CONTENTS FOR FORM 10-Q

FORWARD-LOOKING STATEMENTS

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	$ 2,024	$ 5,422	$ 7,844	$ 16,578
Cost of revenue	3,446	4,249	9,849	10,536
Gross (loss) profit	(1,422)	1,173	(2,005)	6,042
Operating Expenses (Income)				
Research and development	5,884	4,838	17,834	15,384
Sales and marketing	6,883	5,819	22,425	17,835
General and administrative	5,908	3,686	14,959	9,989
Amortization of intangible assets	2,558	2,674	7,754	8,244
Change in fair value of contingent consideration	(11,647)	(1,358)	(9,689)	81
Acquisition related costs	(40)	345	5	345
Goodwill impairment	78,969	—	78,969	—
Intangible assets impairment	7,912	—	7,912	—
Loss (gain) from sale of SurgiBot assets, net	—	44	97	(11,915)
Reversal of transfer fee accrual	—	(2,994)	—	(2,994)
Total Operating Expenses	96,427	13,054	140,266	36,969
Operating Loss	(97,849)	(11,881)	(142,271)	(30,927)
Other Income (Expense)				
Change in fair value of warrant liabilities	614	(8,760)	3,036	(24,438)
Interest income	63	391	559	982
Interest expense	(1,230)	(685)	(3,407)	(3,398)
Other expense	(439)	(52)	(935)	(109)
Total Other Income (Expense), net	(992)	(9,106)	(747)	(26,963)
Loss before income taxes	(98,841)	(20,987)	(143,018)	(57,890)
Income tax benefit	1,070	781	2,549	2,554
Net loss	$ (97,771)	$ (20,206)	$ (140,469)	$ (55,336)
Comprehensive loss				
Foreign currency translation loss	(3,670)	(561)	(4,379)	(2,651)
Comprehensive loss	$ (101,441)	$ (20,767)	$ (144,848)	$ (57,987)
Net loss per common share:				
Basic	$ (0.43)	$ (0.10)	$ (0.64)	$ (0.27)
Diluted	$ (0.43)	$ (0.10)	$ (0.64)	$ (0.27)
Weighted average number of shares used in computing net loss per common share:				
Basic	229,178	209,088	221,193	204,531
Diluted	230,634	209,088	223,705	204,531

See accompanying notes to consolidated financial statements.

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

	September 30, 2019	December 31, 2018
	(unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	$ 22,106	$ 21,061
Short-term investments	—	51,790
Accounts receivable, net	2,352	8,560
Inventories	13,657	10,941
Interest receivable	22	26
Other current assets	8,762	9,205
Total Current Assets	46,899	101,583
Restricted cash	698	590
Inventories, net of current portion	9,336	—
Property and equipment, net	5,428	6,337
Intellectual property, net	30,289	39,716
In-process research and development	2,400	10,747
Goodwill	—	80,131
Other long term assets	2,584	203
Total Assets	$ 97,634	$ 239,307
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 3,403	$ 4,433
Accrued expenses	8,094	9,619
Deferred revenue – current portion	884	1,733
Contingent consideration – current portion	71	72
Deferred consideration - MST Acquisition	—	5,962
Total Current Liabilities	12,452	21,819
Long Term Liabilities		
Deferred revenue – less current portion	46	109
Contingent consideration – less current portion	877	10,565
Notes payable – net of debt discount	15,343	28,937
Warrant liabilities	1,600	4,636
Net deferred tax liabilities	1,960	4,720
Other long term liabilities	1,590	—
Total Liabilities	33,868	70,786
Commitments and Contingencies (Note 17)		
Stockholders' Equity		
Common stock $0.001 par value, 750,000,000 shares authorized at September 30, 2019 and December 31, 2018; 255,652,460 and 216,345,984 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	255	216
Additional paid-in capital	716,420	676,373
Accumulated deficit	(649,868)	(509,406)
Accumulated other comprehensive (loss) income	(3,041)	1,338
Total Stockholders' Equity	63,766	168,521
Total Liabilities and Stockholders' Equity	$ 97,634	$ 239,307

See accompanying notes to consolidated financial statements.

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

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2018	216,346	$ 216	—	—	$ 676,373	$ (509,406)	$ 1,338	$ 168,521
Stock-based compensation	—	—	—	—	2,981	—	—	2,981
Exercise of stock options and warrants	159	—	—	—	236	—	—	236
Award of restricted stock units	613	1	—	—	—	—	—	1
Return of common stock to pay withholding taxes on restricted stock	—	—	194	—	(499)	—	—	(499)
Cancellation of treasury stock	—	—	(194)	—	—	—	—	—
Cumulative effect of change in accounting principle (Note 2)	—	—	—	—	(7)	7	—	—
Other comprehensive loss	—	—	—	—	—	—	(1,949)	(1,949)
Net loss	—	—	—	—	—	(22,525)	—	(22,525)
Balance, March 31, 2019	**217,118**	**$ 217**	**—**	**—**	**$ 679,084**	**$ (531,924)**	**$ (611)**	**$ 146,766**
Stock-based compensation	—	—	—	—	3,355	—	—	3,355
Exercise of stock options and warrants	324	—	—	—	297	—	—	297
Award of restricted stock units	183	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	1,240	1,240
Net loss	—	—	—	—	—	(20,173)	—	(20,173)
Balance, June 30, 2019	**217,625**	**$ 217**	**—**	**—**	**$ 682,736**	**$ (552,097)**	**$ 629**	**$ 131,485**
Stock-based compensation	—	—	—	—	3,391	—	—	3,391
Issuance of common stock, net of issuance costs	33,084	33	—	—	23,692	—	—	23,725
Issuance of common stock consideration to MST	4,816	5	—	—	6,595	—	—	6,600
Exercise of stock options and warrants	11	—	—	—	6	—	—	6
Award of restricted stock units	117	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	(3,670)	(3,670)
Net loss	—	—	—	—	—	(97,771)	—	(97,771)
Balance, September 30, 2019	**255,653**	**255**	**—**	**—**	**716,420**	**(649,868)**	**(3,041)**	**63,766**

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2017	**199,282**	**$ 199**	**—**	**$ —**	**$ 621,261**	**$ (447,640)**	**$ 5,028**	**$ 178,848**
Stock-based compensation	—	—	—	—	1,834	—	—	1,834
Issuance of common stock and warrants, net of issuance costs	—	—	—	—	11	—	—	11
Exercise of stock options and warrants	1,038	1	—	—	2,227	—	—	2,228
Award of restricted stock units	367	—	—	—	—	—	—	—
Return of common stock to pay withholding taxes on restricted stock	—	—	174	—	—	—	—	—
Cancellation of treasury stock	—	—	(174)	—	—	—	—	—
Issuance of common stock related to sale of SurgiBot assets	1,286	1	—	—	2,999	—	—	3,000
Cumulative effect of change in accounting principle	—	—	—	—	—	11	—	11
Other comprehensive income	—	—	—	—	—	—	2,308	2,308
Net loss	—	—	—	—	—	(882)	—	(882)
Balance, March 31, 2018	**201,973**	**$ 201**	**—**	**$ —**	**$ 628,332**	**$ (448,511)**	**$ 7,336**	**$ 187,358**
Stock-based compensation	—	—	—	—	2,370	—	—	2,370
Issuance of common stock and warrants, net of issuance costs	—	—	—	—	(9)	—	—	(9)
Exercise of stock options and warrants	5,735	6	—	—	14,639	—	—	14,645
Award of restricted stock units	4	—	—	—	—	—	—	—
Return of common stock to pay withholding taxes on restricted stock	—	—	2	—	—	—	—	—
Cancellation of treasury stock	—	—	(2)	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	(4,398)	(4,398)
Net loss	—	—	—	—	—	(34,248)	—	(34,248)
Balance, June 30, 2018	**207,712**	**$ 207**	**—**	**$ —**	**$ 645,332**	**$ (482,759)**	**$ 2,938**	**$ 165,718**
Stock-based compensation	—	—	—	—	2,490	—	—	2,490
Issuance of common stock and warrants, net of issuance costs	—	—	—	—	277	—	—	277
Exercise of stock options and warrants	4,255	4	—	—	18,003	—	—	18,007
Award of restricted stock units	665	1	—	—	—	—	—	1
Return of common stock to pay withholding taxes on restricted stock	—	—	361	—	(1,663)	—	—	(1,663)
Cancellation of treasury stock	—	—	(361)	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	(561)	(561)
Net loss	—	—	—	—	—	(20,206)	—	(20,206)
Balance, September 30, 2018	**212,632**	**$ 212**	**—**	**$ —**	**$ 664,439**	**$ (502,965)**	**$ 2,377**	**$ 164,063**

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Operating Activities		
Net loss	$ (140,469)	$ (55,336)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Loss (gain) from sale of SurgiBot assets, net	97	(11,915)
Goodwill and intangible assets impairment	86,881	—
Depreciation	1,651	1,876
Amortization of intangible assets	7,754	8,244
Amortization of debt discount and debt issuance costs	1,437	575
Amortization of short-term investment discount	(328)	(51)
Interest expense on deferred consideration - MST acquisition	762	—
Stock-based compensation	9,727	6,694
Deferred tax benefit	(2,549)	(2,572)
Bad debt expense	1,630	—
Write down of inventory	761	—
Change in fair value of warrant liabilities	(3,036)	24,438
Change in fair value of contingent consideration	(9,689)	81
Loss on extinguishment of debt	—	1,400
Recovery of transfer fee	—	(2,994)
Changes in operating assets and liabilities:		
Accounts receivable	4,313	(4,262)
Interest receivable	3	28
Inventories	(14,141)	(1,276)
Other current and long term assets	(2,313)	27
Accounts payable	(914)	(903)
Accrued expenses	(1,439)	(56)
Deferred revenue	(867)	361
Other long term liabilities	1,613	—
Net cash and cash equivalents used in operating activities	$ (59,116)	$ (35,641)
Investing Activities		
Purchase of short-term investments	(12,883)	(39,619)
Proceeds from maturities of short-term investments	65,000	—
Proceeds related to sale of SurgiBot assets, net	—	4,496
Purchase of property and equipment	(392)	(490)
Proceeds from sale of property and equipment	—	32
Net cash and cash equivalents provided by (used in) investing activities	51,725	(35,581)
Financing Activities		
Payment of note payable	(15,000)	(15,305)
Proceeds from issuance of debt and warrants, net of issuance costs	(30)	18,828
Payment of contingent consideration	—	(395)
Proceeds from issuance of common stock and warrants, net of issuance costs	23,725	279
Taxes paid related to net share settlement of vesting of restricted stock units	(499)	(1,662)
Proceeds from issuance of common stock related to sale of SurgiBot assets	—	3,000
Proceeds from exercise of stock options and warrants	539	11,396
Net cash and cash equivalents provided by financing activities	8,735	16,141
Effect of exchange rate changes on cash and cash equivalents	(191)	(114)
Net increase (decrease) in cash, cash equivalents and restricted cash	1,153	(55,195)
Cash, cash equivalents and restricted cash, beginning of period	21,651	97,606
Cash, cash equivalents and restricted cash, end of period	$ 22,804	$ 42,411

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

Supplemental Disclosure for Cash Flow Information				
Interest paid	$	2,073	$	1,135
Supplemental Schedule of Noncash Investing and Financing Activities				
Transfer of inventories to property and equipment	$	478	$	2,160
Transfer of property and equipment to inventory	$	—	$	648
Reclass of warrant liability to common stock and additional paid-in capital	$	—	$	23,485
Cashless exercise of warrants	$	—	$	4,272
Issuance of common stock - MST acquisition	$	6,600	$	—

See accompanying notes to consolidated financial statements.

TransEnterix, Inc.

Notes to Consolidated Financial Statements (Unaudited)

1. Organization and Capitalization

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

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Going Concern

The Company's consolidated financial statements are prepared using U.S. GAAP applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. The Company had an accumulated deficit of $649.9 million as of September 30, 2019, and has working capital of $34.4 million as of September 30, 2019. The Company has not established sufficient sales revenues to cover its operating costs and requires additional capital to proceed with its operating plan. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. In order to continue as a going concern, the Company will need, among other things, additional capital resources.

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

Use of Estimates

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

Cash and Cash Equivalents and Restricted Cash

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

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

Short-term Investments

Short-term investments are considered to be “held-to-maturity” and are carried at amortized cost using the effective interest method. As of September 30, 2019 and December 31, 2018, short-term investments consisted of $0.0 million and $51.8 million, respectively, in U.S. government securities, all of which mature in less than a year.

The Company reassesses the appropriateness of the classification of its investments at the end of each reporting period. The Company has determined that its debt securities should be classified as held-to-maturity as of December 31, 2018. The Company had no debt securities as of September 30, 2019. This classification as of December 31, 2018 was based upon management’s determination that it has the positive intent and ability to hold the securities until their maturity dates, as the investments mature within six months and the underlying cash invested in these securities is not required prior to the investments maturity. Due to the short-term maturities of these instruments, the amortized cost approximates the related fair values, which are based on level 1 inputs as defined in Note 5. As of December 31, 2018, the gross holding gains and losses were immaterial.

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

Concentrations and Credit Risk

The Company’s principal financial instruments subject to potential concentration of credit risk are cash and cash equivalents, including amounts held in money market accounts and short-term investments. The Company places cash deposits with a federally insured financial institution. The Company maintains its cash at banks and financial institutions it considers to be of high credit quality; however, the Company’s domestic cash deposits may at times exceed the Federal Deposit Insurance Corporation’s insured limit. Balances in excess of federally insured limitations may not be insured. The Company's overseas cash deposits follows the EU Directive, whereby €0.1 million is deemed an appropriate level of protection, with deposits covered per depositor per bank. The Company’s short-term investments as of December 31, 2018 consist of U.S. government securities. The Company has not experienced losses on these accounts, and management believes that the Company is not exposed to significant risks on such accounts.

The Company’s accounts receivable are derived from sales to customers located throughout the world. The Company evaluates its customers’ financial condition and, generally, requires no collateral from its customers. The Company provides reserves for potential credit losses and recorded a bad debt charge totaling $1.6 million during the three months ended September 30, 2019. The Company had five customers who constituted 90% of the Company’s net accounts receivable at September 30, 2019. The Company had five customers who constituted 89% of the Company’s net accounts receivable at December 31, 2018. The Company had five customers who accounted for 83% of sales for the three months ended September 30, 2019 and four different customers who accounted for 96% of sales for the three months ended September 30, 2018. For the nine months ended September 30, 2019, the Company had five customers who accounted for 83% of the Company's net revenue, while for the nine months ended September 30, 2018, the Company had five different customers who accounted for 68% of the Company's net revenue.

Accounts Receivable

Accounts receivable are recorded at net realizable value, which includes an allowance for estimated uncollectible accounts. The allowance for uncollectible accounts was determined on a customer specific basis based on deemed collectibility.

Inventories

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

Any inventory on hand at the measurement date in excess of the Company's current requirements based on anticipated levels of sales is classified as long-term on the Company's consolidated balance sheets. The Company's classification of long-term inventory requires it to estimate the portion of on hand inventory that can be realized over the upcoming twelve months.

Identifiable Intangible Assets and Goodwill

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

Intellectual property consists of purchased patent rights and developed technology acquired as part of a business acquisition. Amortization of the patent rights is recorded using the straight-line method over the estimated useful life of the patents of 10 years. Amortization of the developed technology is recorded using the straight-line method over the estimated useful life of 5 to 7 years.

The Company continues to operate in one segment, which is considered to be the sole reporting unit and therefore, goodwill is tested for impairment at the enterprise level. Indefinite-lived intangible assets, such as goodwill, are not amortized.

The Company typically tests goodwill for impairment annually, however, recent market conditions as well as reduced forecasts, required that we test our goodwill carrying value as of September 30, 2019.

Pursuant to ASU 2017-04, a company must record a goodwill impairment charge if a reporting unit's carrying value exceeds its fair value. The Company generally determines the fair value of its reporting unit using two valuation methods: the "Income Approach — Discounted Cash Flow Analysis" method, and the "Market Approach — Guideline Public Company Method."

Under the "Income Approach — Discounted Cash Flow Analysis" method the key assumptions consider projected sales, cost of sales, and operating expenses. These assumptions were determined by management utilizing the Company's internal operating plan, growth rates for revenues and operating expenses, and margin assumptions. An additional key assumption under this approach is the discount rate, which is determined by looking at current risk-free rates of capital, current market interest rates, and the evaluation of risk premium relevant to the business segment. If our assumptions relative to growth rates were to change or were incorrect, our fair value calculation may change.

Under the "Market Approach — Guideline Public Company Method" the Company identified several publicly traded companies, which it believed had sufficiently relevant similarities. Similar to the income approach discussed above, sales, cost of sales, operating expenses, and their respective growth rates are key assumptions utilized. The market prices of the Company's common stock and other guideline companies are additional key assumptions. If these market prices increase, the estimated market value would increase. If the market prices decrease, the estimated market value would decrease.

The results of these two methods were weighted based upon management's evaluation of the relevance of the two approaches. In the 2019 evaluation, management determined that the income and market value approach should be weighted 50%-50%. In addition, management considered the decline in both the Company's stock price and market capitalization after the September 30, 2019 measurement date as relevant factors in the analysis.

The Company also performed a recoverability test on the intellectual property and concluded that there was no impairment as of September 30, 2019.

During the third quarter of 2019, the Company performed the annual assessment, determined that the goodwill associated with the business was impaired, and recorded impairment charges of $79.0 million. The impairment charge resulted from decreased sales and estimated cash flows and a recent decline in the Company's stock price.

No impairment existed at December 31, 2018.

In-Process Research and Development

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

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

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

The Company performed an impairment test of its IPR&D at the end of the third quarter 2019 as recent events and changes in market conditions indicated that the asset might be impaired.

The impairment test consisted of a comparison of the fair value of the IPR&D with its carrying amount. If the carrying amount of the IPR&D exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Significant judgment is applied when testing for impairment. This judgment includes developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables, and incorporating general economic and market conditions.

During the third quarter of 2019, the Company concluded that the fair value determined by the market value approach, was lower than the carrying value. As a result, the Company recognized a $7.9 million impairment charge to its IPR&D.

Property and Equipment

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

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

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

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

Impairment of Long-Lived Assets

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

Contingent Consideration

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

Warrant Liabilities

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

Translation of Foreign Currencies

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

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

Business Acquisitions

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

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

Risk and Uncertainties

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

Revenue Recognition

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

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

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

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

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

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

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

The following table presents revenue disaggregated by type and geography:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands) (unaudited)			
U.S.				
Systems	$ —	$ 868	$ —	$ 1,742
Instruments and accessories	43	426	68	835
Services	99	87	359	137
Total U.S. revenue	142	1,381	427	2,714
Outside of U.S. ("OUS")				
Systems	1,277	3,450	5,301	10,686
Instruments and accessories	330	441	1,411	2,653
Services	275	150	705	525
Total OUS revenue	1,882	4,041	7,417	13,864
Total				
Systems	1,277	4,318	5,301	12,428
Instruments and accessories	373	867	1,479	3,488
Services	374	237	1,064	662
Total revenue	$ 2,024	$ 5,422	$ 7,844	$ 16,578

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

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

The Company invoices its customers based on the billing schedules in its sales arrangements. Contract assets for the periods presented primarily represent the difference between the revenue that was recognized based on the relative selling price of the related performance obligations and the contractual billing terms in the arrangements. Contract assets are included in accounts receivable and totaled $0.2 million and $0.1 million as of September 30, 2019 and 2018, respectively. Deferred revenue for the periods presented was primarily related to service obligations, for which the service fees are billed up-front, generally annually. The associated deferred revenue is generally recognized ratably over the service period. The Company did not have any significant impairment losses on its contract assets for the periods presented. Revenue recognized from deferred revenue attributable to warranty and maintenance agreements totaled $0.7 million for the nine months ended September 30, 2019. The Company also recognized$1.3 million during the nine months ended September 30, 2019 related to a 2017 system sale where revenue was deferred until its first clinical use, which occurred in the second quarter of 2019. Revenue recognized from deferred revenue for the nine months ended September 30, 2018 totaled $0.3 million.

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

Cost of Revenue

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

Research and Development Costs

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

Stock-Based Compensation

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

The Company records as expense the fair value of stock-based compensation awards, including stock options and restricted stock units. Compensation expense for stock-based compensation was approximately $9.7 million and $6.7 million for the nine months ended September 30, 2019 and 2018, respectively.

Income Taxes

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

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

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

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

Comprehensive (Loss) Income

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

Segments

The Company operates in one business segment—the research, development and sale of medical device robotics to improve minimally invasive surgery. The Company's chief operating decision maker (determined to be the Chief Executive Officer) does not manage any part of the Company separately, and the allocation of resources and assessment of performance are based on the Company's consolidated operating results. Approximately 28% and 54% of the Company's total consolidated assets are located within the U.S. as of September 30, 2019 and December 31, 2018, respectively. The remaining assets are mostly located in Europe and are primarily related to the Company's facility in Italy, and include goodwill, intellectual property, in-process research and development, other current assets, property and equipment, cash, accounts receivable and inventory of $70.5 million and $111.0 million at September 30, 2019 and December 31, 2018, respectively. Total assets outside of the U.S. excluding goodwill amounted to 72% and 34% of total consolidated assets at September 30, 2019 and December 31, 2018, respectively. The Company recognizes sales by geographic area based on the country in which the customer is based. For the nine months ended September 30, 2019 and 2018, 5% and 16%, respectively, of net revenue were generated in the United States; while 95% and 84%, respectively, were generated in Europe and Asia.

Impact of Recently Issued Accounting Standards

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

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

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

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

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

On January 1, 2019, the Company adopted ASU No. 2016-02, applying the package of practical expedients to leases that commenced before the effective date whereby the Company elected to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. The Company also elected, for all classes of underlying assets, to not separate non-lease components from lease components and instead to account for them as a single component. The Company elected to apply the transition provisions as of January 1, 2019, the date of adoption, using the effective date approach, and recorded lease ROU assets and related liabilities on its balance sheet without restating prior periods. Many of the Company's leases include base rental periods coupled with options to renew or terminate the lease, generally at the Company's discretion. In evaluating the lease term, the Company considers whether renewal is reasonably certain. To the extent a significant economic incentive exists to renew the lease, the option is included within the lease term. Based on the Company's leases, renewal options generally do not provide a significant economic incentive and are therefore excluded from the lease term. The ROU asset is included in other long-term assets on the consolidated balance sheets. The current portion of operating lease liabilities are presented within accrued liabilities while the non-current portion of operating lease liabilities are presented within other long term liabilities on the consolidated balance sheets and represents the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate, which ranges between 6.1% and 8.5% based on the terms of the lease. The weighted average discount rate as of September 30, 2019 was 7.8%. There was no change to the Company's consolidated statements of operations and comprehensive loss or cash flows.

The details of this adjustment are summarized below.

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

As of September 30, 2019, the right-of-use asset totaled $2.4 million and is included within other long term assets on the consolidated balance sheet and the lease liability totaled $2.6 million, of which $1.0 million is classified as current within accrued expenses and $1.6 million is classified as non-current within other long term liabilities on the consolidated balance sheet. Operating lease costs for the three and nine months ended September 30, 2019 totaled $0.3 million and $1.0 million, respectively, and are included within operating expenses in the consolidated statement of operations and comprehensive loss. The weighted average remaining lease term for operating leases as of September 30, 2019 was 2.8 years. Total cash paid for operating leases during the nine month period ended September 30, 2019 was $1.3 million and is included within cash flows from operating activities within the consolidated statement of cash flows.

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

October 1, 2019 to December 31, 2019	329
January 1, 2020 to December 31, 2020	1,312
January 1, 2021 to December 31, 2021	659
January 1, 2022 to December 31, 2022	398
January 1, 2023 to December 31, 2023	194
January 1, 2024 to December 31, 2024	34
Thereafter	—
Total minimum lease payments	2,926
Less: Amount of lease payments representing interest	(294)
Present value of future minimum lease payments	2,632

3. Acquisitions

MST Medical Surgery Technologies Ltd. Acquisition

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

Under the terms of the MST Purchase Agreement, at the closing the Buyers purchased substantially all of the assets of the Seller. The acquisition price consisted of two tranches. At or prior to the closing of the transaction the Buyers paid $5.8 million in cash and the Company issued 3.15 million shares of the Company's common stock (the "Initial Shares"). A second tranche of $6.6 million in additional consideration was payable in cash, stock or cash and stock, at the discretion of the Company, within one year after the closing date. On August 7, 2019, the Company notified MST that the Company would satisfy the additional consideration payment of $6.6 million by issuing shares of TransEnterix common stock. The number of shares issued to MST was 4,815,504 (the "Additional Consideration Shares" and, together with the Initial Shares, the "Securities Consideration").

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

In connection with the closing under the MST Purchase Agreement (the "MST Acquisition"), the Company and the Seller entered into a Lock-Up Agreement, dated October 31, 2018, pursuant to which the Seller agreed, subject to certain exceptions, not to sell, transfer or otherwise convey any of the Initial Shares for six months following the Closing Date. As of the date of this report, 75% of the Initial Shares are free from the lock-up restrictions. For the remaining 25% of the Initial Shares, the Lock-Up Agreement provides that the remaining Initial Shares will be released from the lock-up restrictions on the eighteen-month anniversary of the closing date, or earlier upon certain other conditions. The Lock-Up Agreement further provides that the Seller may not sell, transfer or convey the Additional Consideration Shares until after the six-month anniversary of the issuance of the Additional Consideration Shares, or earlier upon certain other conditions.

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

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

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

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

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

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

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

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

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

Senhance Surgical Robotic System

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

Under the terms of the Purchase Agreement, the consideration consisted of the issuance of (i) 15,543,413 shares of the Company's common stock (the "Securities Consideration") and (ii) approximately $25.0 million U.S. Dollars and €27.5 million Euro in cash consideration (the "Cash Consideration"). On December 30, 2016, the Company and Sofar entered into an Amendment to the Purchase Agreement (the "Amendment") to restructure the terms of the second tranche of the Cash Consideration (the "Second Tranche"). The initial Securities Consideration was issued in full at the closing of the Senhance Acquisition; under the Amendment, the second tranche of the Cash Consideration was restructured, and an additional issuance of 3,722,685 shares of the Company's common stock with an aggregate fair market value of €5.0 million occurred in January 2017. Following the Amendment, the total Cash Consideration was $25.0 million U.S. Dollars and approximately €22.5 million Euro, of which all but €15.1 million Euro has been paid as of September 30, 2019. The majority of the remaining Cash Consideration to be paid is the third tranche of the Cash Consideration (the "Third Tranche") of €15.0 million which shall be payable upon achievement of trailing revenues from sales or services contracts of the Senhance System of at least €25.0 million over a calendar quarter. The Third Tranche payments will be accelerated in the event that (i) the Company or TransEnterix International is acquired, (ii) the Company significantly reduces or suspends selling efforts of the Senhance System, or (iii) the Company acquires a business that offers alternative products that are directly competitive with the Senhance System.

4. Cash, Cash Equivalents, and Restricted Cash

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

5. Fair Value

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

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

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

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

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

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

	September 30, 2019 (In thousands) (unaudited)			
Description	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets measured at fair value				
Cash and cash equivalents	$ 22,106	$ —	$ —	$ 22,106
Restricted cash	698	—	—	698
Total Assets measured at fair value	$ 22,804	$ —	$ —	$ 22,804
Liabilities measured at fair value				
Contingent consideration	—	—	948	948
Warrant liabilities	—	—	1,600	1,600
Total liabilities measured at fair value	$ —	$ —	$ 2,548	$ 2,548

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

The Company's financial liabilities consisted of contingent consideration potentially payable to Sofar related to the Senhance Acquisition in September 2015 (Note 3). This liability is reported as Level 3 as estimated fair value of the contingent consideration related to the acquisition requires significant management judgment or estimation and is calculated using the income approach, using various revenue and cost assumptions and applying a probability to each outcome. The decrease in fair value of the contingent consideration of $9.7 million for the nine months ended September 30, 2019 was primarily due to a change in our long-term forecast. The increase in fair value of the contingent consideration of $0.1 million for the nine months ended September 30, 2018 was primarily due to the passage of time on the fair value measurement, the impact of foreign currency exchange rates and changes in the Company's long-range forecast. Adjustments associated with the change in fair value of contingent consideration are included in the Company's consolidated statements of operations and comprehensive loss.

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

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

The Series B Warrants contain provisions, often referred to as "down-round protection," that leads to adjustment of the exercise price and number of underlying warrant shares if we issue securities, including our common stock or convertible securities or debt securities, in the future at sale prices below the then-current exercise price. This adjustment feature of the Series B Warrants was triggered during the three months ended September 30, 2019 with the issuance of common stock in the 2019 ATM Offering at prices below the then applicable exercise price of the outstanding Series B Warrants (Note 15). As such, the exercise price of all outstanding Series B Warrants was adjusted from $1.00 per share to $0.67 per share and the number of shares of common stock reserved for and issuable upon the exercise of outstanding Series B Warrants is increased by 1,336,326 underlying warrant shares, from 2,729,085 underlying warrant shares at June 30, 2019 to 4,065,411 underlying warrant shares at September 30, 2019.

The change in fair value of all outstanding Series B Warrants for the nine months ended September 30, 2019 was a decrease of $3.0 million compared to an increase of $24.4 million for the nine months ended September 30, 2018, and is included in the Company's consolidated statements of operations and comprehensive loss. The following table presents the inputs and valuation methodologies used for the Company's fair value of the Series B Warrants:

Series B	September 30, 2019	December 31, 2018	April 28, 2017 (date of issuance)
Fair value	$1.6 million	$4.6 million	$6.2 million
Valuation methodology	Monte Carlo	Monte Carlo	Black-Scholes Merton
Term	2.6 years	3.3 years	5.0 years
Risk free rate	1.56%	2.47%	1.81%
Dividends	—	—	—
Volatility	91.4%	87.60%	73.14%
Share price	$0.67	$2.26	$0.65
Probability of additional financing	100% in 2019	100% in 2019	Not Applicable

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

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

The following table summarizes the change in fair value, as determined by Level 3 inputs for the warrants and revenue projections for the contingent consideration for the nine months ended September 30, 2019:

	Fair Value Measurement at Reporting Date (Level 3)	
	(In thousands) (unaudited)	
	Common stock warrants	Contingent consideration
Balance at December 31, 2018	$ 4,636	$ 10,637
Change in fair value	(3,036)	(9,689)
Balance at September 30, 2019	$ 1,600	$ 948
Current portion	—	71
Long-term portion	1,600	877
Balance at September 30, 2019	$ 1,600	$ 948

6. Accounts Receivable, Net

The following table presents the components of accounts receivable:

	September 30, 2019	December 31, 2018
	(In thousands)	
	(unaudited)	
Gross accounts receivable	$ 4,036	$ 8,640
Allowance for uncollectible accounts	(1,684)	(80)
Total accounts receivable, net	$ 2,352	$ 8,560

The Company recorded $1.6 million in bad debt expense during the three and nine months ended September 30, 2019.

7. Inventories

The components of inventories are as follows:

	September 30, 2019	December 31, 2018
	(In thousands)	
	(unaudited)	
Finished goods	$ 9,766	$ 5,439
Raw materials	13,227	5,502
Total inventories	$ 22,993	$ 10,941
Current portion	$ 13,657	$ 10,941
Long-term portion	9,336	—
Total inventories	$ 22,993	$ 10,941

8. Other Current Assets

The following table presents the components of other current assets:

	September 30, 2019	December 31, 2018
	(In thousands)	
	(unaudited)	
Advances to vendors	$ 6,555	$ 7,758
Prepaid expenses	2,186	1,438
Other receivables	21	9
Total	$ 8,762	$ 9,205

9. Property and Equipment

Property and equipment consisted of the following:

	September 30, 2019	December 31, 2018
	(In thousands)	
	(unaudited)	
Machinery, manufacturing and demonstration equipment	$ 12,326	$ 12,320
Computer equipment	2,313	2,260
Furniture	629	639
Leasehold improvements	2,283	2,280
Total property and equipment	17,551	17,499
Accumulated depreciation and amortization	(12,123)	(11,162)
Property and equipment, net	$ 5,428	$ 6,337

Depreciation expense was approximately $1.7 million and $1.9 million, for the nine months ended September 30, 2019 and 2018, respectively.

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

Goodwill

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

	Goodwill
	(In thousands) (unaudited)
Balance at December 31, 2018	$80,131
Impairment	(78,969)
Foreign currency translation impact	(1,162)
Balance at September 30, 2019	$ —

As of September 30, 2019, goodwill was deemed to be fully impaired, and the Company recorded an impairment charge of $79.0 million. See Note 2. No impairment was recorded during the nine months ended September 30, 2018.

Accumulated impairment of goodwill as of September 30, 2019 and December 31, 2018 was $140.8 million and $61.8 million, respectively.

In-Process Research and Development

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

As of September 30, 2019, IPR&D was deemed to be significantly impaired, and the Company recorded an impairment charge of $7.9 million. See Note 2.

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

	In-Process Research and Development
	(In thousands) (unaudited)
Balance at December 31, 2018	$ 10,747
Impairment	(7,912)
Foreign currency translation impact	(435)
Balance at September 30, 2019	$ 2,400

Intellectual Property

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

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

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

	September 30, 2019 (In thousands) (unaudited)				December 31, 2018 (In thousands)			
	Gross Carrying Amount	**Accumulated Amortization**	**Foreign currency translation impact**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Foreign currency translation impact**	**Net Carrying Amount**
Developed technology	$ 66,413	$ (38,272)	$ 1,838	$ 29,979	$ 66,413	$ (30,550)	$ 3,495	$ 39,358
Technology and patents purchased	400	(104)	14	310	400	(72)	30	358
Total intellectual property	$ 66,813	$ (38,376)	$ 1,852	$ 30,289	$ 66,813	$ (30,622)	$ 3,525	$ 39,716

The weighted average remaining useful life of the developed technology and technology and patents purchased was 3.0 years and 7.6 years, respectively as of September 30, 2019. The weighted average remaining useful life of the developed technology and technology and patents purchased was 3.8 years and 8.3 years, respectively as of December 31, 2018.

11. Income Taxes

Income taxes have been accounted for using the asset and liability method in accordance with ASC 740 “Income Taxes”. The Company computes its interim provision for income taxes by applying the estimated annual effective tax rate method. The Company estimates an annual effective tax rate of 2.3% for the year ending December 31, 2019. This rate does not include the impact of any discrete items. The Company incurred losses for the nine month period ended September 30, 2019 and is forecasting additional losses through the year, resulting in an estimated net loss for both financial statement and tax purposes for the year ending December 31, 2019. Due to the Company’s history of losses, there is not sufficient evidence to record a net deferred tax asset associated with the U.S., Europe and Asian operations. Accordingly, a full valuation allowance has been recorded related to the net deferred tax assets in those jurisdictions. The Swiss jurisdiction has indefinite-lived intangibles that create deferred tax liabilities which cannot be offset against the deferred tax assets, resulting in a net deferred tax liability recorded in that jurisdiction. There is no net deferred tax asset recorded in relation to TransEnterix Italia and accordingly no valuation allowance has been recorded in that jurisdiction. The deferred tax benefit during the nine months ended September 30, 2019 and 2018, was approximately $2.5 million and $2.6 million, respectively.

The Company’s effective tax rate for each of the nine month periods ended September 30, 2019 and 2018 was 1.8% and 4.4%, respectively. At September 30, 2019, the Company had no unrecognized tax benefits that would affect the Company’s effective tax rate.

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

12. Accrued Expenses

The following table presents the components of accrued expenses:

	September 30, 2019	December 31, 2018
	(In thousands)	
	(unaudited)	
Compensation and benefits	$ 2,779	$ 6,225
Consulting and other vendors	2,172	895
Other	355	539
Lease liability	1,042	—
Royalties	662	498
Legal and professional fees	313	432
Deferred rent	—	391
Taxes and other assessments	650	383
Interest	121	256
Total	$ 8,094	$ 9,619

13. Notes Payable

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

Effective April 30, 2019, the Hercules Loan Agreement was amended (the "Hercules Amendment") to eliminate the availability of the Tranche III Loan facility, add a new Tranche IV Loan facility of up to $20.0 million, revise certain financial covenants and make other changes. The availability of advances under the Tranche IV Loan was not milestone-based, rather the Company could request advances in minimum $5.0 million increments at any time during the period from July 1, 2019 through December 31, 2020, subject to the funding discretion of the Lender. The monthly trailing six month net revenue financial covenant was amended to be tested quarterly and to change the projected net revenue percentage to be met for the six months ending on the last day of each fiscal quarter. If such quarterly financial covenant is not achieved as of the last day of any fiscal quarter, as tested on the thirtieth day after quarter end, the Company must comply with the waiver conditions in the Hercules Amendment from such test date until the next quarterly test date. The Hercules Amendment was executed by the parties on May 7, 2019. The Amendment was treated as a debt modification for accounting purposes.

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

Under the Hercules Second Amendment, the applicable waiver condition for fiscal year 2019 was changed to maintenance of unrestricted cash equal to $7.0 million.

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

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

On November 4, 2019, the Company entered into a payoff letter with the Agent pursuant to which the Company terminated the Hercules Loan Agreement, as amended. The Company determined it was in the best interests of the Company to pay down the debt and terminate the Hercules Agreement to simplify the Company's balance sheet and provide additional flexibility as the Board of Directors continues to explore strategic and financial alternatives for the Company. Under the payoff letter, the Company repaid all amounts owed under the Hercules Loan Agreement totaling approximately $16.4 million, which included end of term fees of $1.4 million, and Hercules released all security interests held on the assets of the Company and its subsidiaries, including, without limitation, on the intellectual property assets of the Company.

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

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

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

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

14. Warrants

The Series B warrants contain provisions, often referred to as "down-round protection," that leads to adjustment of the exercise price and number of underlying warrant shares if the Company issues securities, including its common stock or convertible securities or debt securities, in the future at sale prices below the then-current exercise price. This adjustment feature of the Series B Warrants was triggered during the three months ended September 30, 2019 with the issuance of common stock in the 2019 ATM Offering and Firm Commitment Offering at prices below the then applicable exercise price of the outstanding Series B Warrants (Note 15). As such, the exercise price of the Series B Warrants was adjusted from $1.00 per share to $0.67 per share and the number of shares of common stock reserved for and issuable upon the exercise of outstanding Series B Warrants is increased by 1,336,326 underlying warrant shares, from 2,729,085 underlying warrant shares at June 30, 2019 to 4,065,411 underlying warrant shares at September 30, 2019.

The following table summarizes the change in warrant shares for all outstanding warrants, including the Series B Warrants for the nine months ended September 30, 2019:

	Number of Warrant Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Weighted Average Fair Value
Outstanding at December 31, 2018	4,329,437	$1.03	3.7	$ 0.26
Exercised	(200,000)	1.00	8.2	—
Expired	—	—	—	—
Reserved for future issuance	1,336,326	0.67	2.6	0.20
Outstanding at September 30, 2019	5,465,763	$0.78	2.7	$ 0.22

15. At-The-Market Offering and Firm Commitment Offering

On August 12, 2019, the Company terminated the At-the-Market Equity Offering Sales Agreement dated December 28, 2018 (the “Stifel Sales Agreement”) with Stifel, Nicolaus & Company, Incorporated (“Stifel”) pursuant to which the Company was entitled to sell from time to time, at its option, up to an aggregate of $75.0 million of shares of the Company's common stock through Stifel, as sales agent. The Company sold no shares of its common stock under the Stifel Sales Agreement.

On August 12, 2019, the Company entered into a Controlled Equity Offering Sales Agreement (the “2019 Sales Agreement”) with Cantor Fitzgerald & Co. (“Cantor”) pursuant to which the Company may sell from time to time, at its option, up to an aggregate of $25.0 million, shares of the Company’s common stock, through Cantor, as sales agent (the “ATM Offering”). Pursuant to the Sales Agreement, sales of the Common Stock were made under the Company’s previously filed and currently effective Registration Statement on Form S-3. The aggregate compensation payable to Cantor was 3.0% of the aggregate gross proceeds from each sale of the Company’s Common Stock.

On September 4, 2019, the Company entered into an Underwriting Agreement (the “Underwriting Agreement”) with Cantor Fitzgerald & Co. (the “Underwriter”). Subject to the terms and conditions of the Underwriting Agreement, the Company agreed to sell to the Underwriter, in a firm commitment underwritten offering, 28,000,000 shares of the Company’s common stock (the “Firm Commitment Offering”). In addition, the Company granted the Underwriter a 30-day option to purchase 4,200,000 of additional shares of common stock. The 30-day option was not exercised.

The following table summarizes the total sales under the 2019ATM Offering and Firm Commitment Offering for the period indicated (in thousands except for per share amounts):

	2019 ATM Offering For the Quarter Ended September 30, 2019	Firm Commitment Offering For the Quarter Ended September 30, 2019	Total September 30, 2019
Total shares of common stock sold	5,084,151	28,000,000	33,084,151
Average price per share	$ 0.999	$ 0.6713	0.722
Gross proceeds	$ 5,081	$ 18,796	$ 23,877
Commissions earned by Cantor	$ 152	$ —	$ 152
Net Proceeds	$ 4,929	$ 18,796	$ 23,725

16. Basic and Diluted Net Loss per Share

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

For the three and nine month periods ended September 30, 2019, the effect of outstanding warrants is reflected in diluted net loss per common share by applying the treasury stock method resulting in 1.5 million and 2.5 million incremental shares that were included in the weighted average number of common shares used in the diluted net loss per common share calculation for the three months and nine months ended September 30, 2019, respectively. Additionally, the gain on the fair value of warrant liabilities of $0.6 million and $3.0 million for the three and nine month periods ended September 30, 2019, respectively, increased the net loss attributable to common stockholders in calculating diluted net loss per common share.

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

As of September 30, 2019, there were 25,547,652 outstanding options, 1,400,352 outstanding warrants, and 6,109,752 unvested restricted stock units that were excluded from the calculation of diluted net loss per common share as the effect of including these instruments would have been anti-dilutive.

17. Commitments and Contingencies

Contingent Consideration

As discussed in Note 3, in September 2015, the Company completed the Senhance Acquisition using a combination of cash, stock and potential post-acquisition milestone payments. These milestone payments may be payable in the future, depending on the achievement of certain commercial milestones. On December 30, 2016, the Company entered into an Amendment to restructure the terms of the Second Tranche of the Cash Consideration. Under the Amendment, the Second Tranche was restructured to reduce the contingent cash consideration by €5.0 million in exchange for the issuance of 3,722,685 shares of the Company's common stock with an aggregate fair market value of €5.0 million. As of September 30, 2019 and December 31, 2018, the fair value of the contingent consideration was $0.9 million and $10.6 million, respectively.

Legal Proceedings

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

18. Subsequent Events

On October 14, 2019, Joseph P. Slattery, the Executive Vice President and Chief Financial Officer of the Company notified the Company of his decision to retire from his role as the public company principal financial officer of the Company.

Mr. Slattery will remain as Executive Vice President and Chief Financial Officer of the Company and its subsidiaries until December 31, 2019, and then will enter into a seven-month consulting agreement with the Company to provide additional transition services to the Company. The Company and Mr. Slattery entered into a Transition Agreement, dated October 17, 2019 (the "Transition Agreement") pursuant to which he will continue in his current roles and continue to perform the duties of an executive officer of the Company. Under the Transition Agreement, his compensation and benefits will continue through December 31, 2019 and his outstanding equity awards will continue in full force, subject to the rights and conditions of such awards under the Company's 2019 Amended and Restated Equity Incentive Compensation Plan (the "Plan"), including, without limitation, the change in control provisions of the Plan. If he should die or become disabled before December 31, 2019, he or his estate will be paid his base salary through December 31, 2019.

Under the Consulting Agreement, Mr. Slattery's equity awards will continue to vest in accordance with his Award Agreements through July 31, 2020. If there is a change in control (as defined in the Plan) during the consulting term, his outstanding equity awards shall accelerate and vest on the closing of such transaction.

The Company intends to initiate a search for a principal financial officer.

On October 15, 2019, the Company entered into an Amended and Restated System Sale Agreement (the "Amended AutoLap Agreement") with GBIL to restructure the sale of its AutoLap assets. Pursuant to the Amended AutoLap Agreement, the Company sold the AutoLap laparoscopic vision system ("AutoLap") and related assets to GBIL for $17.0 million. The Company had acquired AutoLap and its related assets from MST Medical Surgical Technologies Ltd. in October 2018. See Note 3. The assets include inventory, spare parts, production equipment, testing equipment and certain intellectual property specifically related to the AutoLap. The equity investment of $30.0 million, which was agreed to in the initial agreement in July 2019, is no longer an element of the

Amended AutoLap Agreement. In addition, the Company will enter into a cross-license agreement with the Buyer to retain rights to use any AutoLap-related intellectual property sold to the Buyer, and to non-exclusively license additional intellectual property to the Buyer. The total consideration of $17.0 million is to be paid in installments of $3.0 million, which was received on October 15, 2019, $13.0 million to be paid through the delivery of an irrevocable, confirmed letter of credit by October 31, 2019 and $1.0 million to be paid by December 15, 2019. The Amended AutoLap Agreement did not meet the criteria of assets held for sale pursuant to ASC 360 at September 30, 2019 as there was no carrying value on the Company' balance sheet attributable to the assets sold.

On October 17, 2019, the Company announced that it has engaged J.P. Morgan Securities LLC to assist the Board of Directors in considering strategic alternatives for the Company to enhance stockholder value, including, but not limited to a sale of the Company, a financing of the Company, a strategic partnership or collaboration or some other form of commercial relationship. In addition, the Company announced the implementation of a restructuring plan to reduce operating expenses as it continues the global market development of the Senhance platform.

On October 30, 2019, the Company announced that its Board of Directors had approved a proposal, to be submitted to stockholders for approval at a Special Meeting of Stockholders to be held on December 11, 2019, to authorize the Board of Directors to effect a reverse stock split of the Company's common stock. The reverse stock split proposal includes a proposed range between 1-for-10 and 1-for-40 shares of outstanding common stock. The final ratio will be determined by the Board of Directors after stockholder approval. In addition, if the reverse stock split selected is in the range of 1-for-20 to 1-for-30, the authorized common stock would be reduced to 500,000,000 shares, and if the range selected is greater than 1-for-30, the authorized common stock would be reduced to 250,000,000 shares.

On November 4, 2019, the Company entered into a payoff letter with the Agent pursuant to which the Company terminated the Hercules Loan Agreement, as amended. The Company determined it was in the best interests of the Company to pay down the debt and terminate the Hercules Agreement to simplify the Company's balance sheet and provide additional flexibility as the Board of Directors continues to explore strategic and financial alternatives for the Company. Under the payoff letter, the Company repaid all amounts owed under the Hercules Loan Agreement totaling approximately $16.4 million, which included end of term fees of $1.4 million, and Hercules released all security interests held on the assets of the Company and its subsidiaries, including, without limitation, on the intellectual property assets of the Company.

On November 8, 2019, the Company announced that Todd M. Pope was leaving the positions of President and Chief Executive Officer and was leaving the Board of Directors, and Anthony Fernando was appointed as President and Chief Executive Officer and elected to the Board of Directors with immediate effect. The Company entered into a separation agreement with Mr. Pope and a consulting agreement with Mr. Pope to secure transition services from him. The Company also entered into an amended and restated employment agreement with Mr. Fernando on November 8, 2019.

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

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

Overview

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

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

On October 17, 2019, the Company announced that it has engaged J.P. Morgan Securities LLC to assist the Board of Directors in considering strategic alternatives for the Company to enhance stockholder value, including, but not limited to a sale of the Company, a financing of the Company, a strategic partnership or collaboration or some other form of commercial relationship. In addition, the

Company announced the implementation of a restructuring plan to reduce operating expenses as it continues the global market development of the Senhance platform.

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

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

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

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

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

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

Since inception, we have been unprofitable. As of September 30, 2019, we had an accumulated deficit of $649.9 million.

Due to a decline in market conditions and changes in our forecast, the Company tested its goodwill and in-process research & development ("IPR&D") for potential impairment as of September 30, 2019.

The Company performed the impairment testing using the Income Approach and Market Approach, applying a weighted average value of 50%-50% between the two approaches. In addition, management considered the decline in both our stock price and market capitalization after the September 30, 2019 measurement date as relevant factors in the analysis.

During the third quarter of 2019, the Company determined that the carrying value of both its goodwill and IPR&D were impaired, and recorded impairment charges of $79.0 million and $7.9 million, respectively.

The Company is currently implementing a restructuring plan, and is looking at reducing our operating costs in sales and marketing, general and administrative, and research and development expenses while we continue the global market development of the Senhance platform.

We operate in one business segment.

Debt Refinancing

On May 23, 2018, the Company and its domestic subsidiaries, as co-borrowers, entered into a Loan and Security Agreement, or the Hercules Loan Agreement, with several banks and other financial institutions or entities from time to time party to the Hercules Loan Agreement, collectively, the Lender, and Hercules Capital, Inc., as administrative agent and collateral agent, or the Agent. Under the Hercules Loan Agreement, the Lender agreed to make certain term loans to the Company in the aggregate principal amount of up to $40.0 million, with funding of the first $20.0 million tranche occurring on May 23, 2018, or the Initial Funding Date. On October 23, 2018, the Lender funded the second tranche of $10.0 million under the Hercules Loan Agreement. The Company was entitled to make interest-only payments until December 1, 2020, and at the end of the interest-only period, the Company would be required to repay the term loans over an eighteen-month period based on an eighteen-month amortization schedule, with a final maturity date of June 1, 2022. The term loans would be required to be repaid if the term loans are accelerated following an event of default. Effective April 30, 2019, the Hercules Loan Agreement was amended, or the Hercules Amendment, to eliminate the availability of the Tranche III loan facility, add a new Tranche IV loan facility of up to $20 million, revise certain financial covenants and make other changes.

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

Under the Hercules Second Amendment, the applicable waiver condition for fiscal year 2019 was changed to maintenance of unrestricted cash equal to $7.0 million.

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

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

On November 4, 2019, the Company entered into a payoff letter with the Agent pursuant to which the Company terminated the Hercules Loan Agreement, as amended. The Company determined it was in the best interests of the Company to pay down the debt and terminate the Hercules Agreement to simplify the Company's balance sheet and provide additional flexibility as the Board of Directors continues to explore strategic and financial alternatives for the Company. Under the payoff letter, the Company repaid all amounts owed under the Hercules Loan Agreement totaling approximately $16.4 million, which included end of term fees of $1.4 million, and Hercules released all security interests held on the assets of the Company and its subsidiaries, including, without limitation, on the intellectual property assets of the Company.

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

Public Offering of Units

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

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

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

The exercise prices and the number of shares issuable upon exercise of the outstanding Series B Warrants are subject to adjustment upon the occurrence of certain events, including, but not limited to, stock splits or dividends, business combinations, sale of assets, similar recapitalization transactions, or other similar transactions. The Series B Warrants are subject to adjustment in the event that the Company issues or is deemed to issue shares of common stock for less than the then applicable exercise price of the Series B Warrants. Such adjustments occurred in August and September 2019 due to sales under the 2019 Sales Agreement and the Underwriting Agreement at prices less than the then applicable exercise price of the Series B Warrants. See "Notes to Consolidated Financial Statements (unaudited) - Note 14 Warrants." The exercisability of the Series B Warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of our common stock. If, at any time Series B Warrants are outstanding, any fundamental transaction occurs, as described in the Series B Warrants and generally including any consolidation or merger into another corporation, the consummation of a transaction whereby another entity acquires more than 50% of the Company’s outstanding voting stock, or the sale of all or substantially all of its assets, the successor entity must assume in writing all of the obligations to the Series B Warrant holders. Additionally, in the event of a fundamental transaction, each Series B Warrant holder will have the right to require the Company, or its successor, to repurchase the Series B Warrants for an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of such Series B Warrants.

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

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

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

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

At-the-Market Offering and Firm Commitment Offering

On December 28, 2018, we entered into an At-the-Market Equity Offering Sales Agreement, or the 2018 Sales Agreement with Stifel, under which we could offer and sell, through Stifel, up to approximately $75.0 million in shares of common stock in an at-the-market offering, or the 2018 ATM Offering. All sales of shares were to be made pursuant to an effective shelf registration statement on Form S-3 filed with the SEC. Stifel would have received a commission of approximately 3% of the aggregate gross proceeds received from all sales of common stock under the 2018 Sales Agreement. Effective August 12, 2019, the Company terminated the 2018 Sales Agreement. The Company sold no shares of its common stock under the 2018 Sales Agreement.

On August 12, 2019, the Company entered into a Controlled Equity Offering Sales Agreement (the "2019 Sales Agreement") with Cantor Fitzgerald & Co. ("Cantor") pursuant to which the Company may sell from time to time, at its option, up to an aggregate of $25.0 million shares of the Company's common stock, through Cantor, as sales agent (the "2019 ATM Offering"). Pursuant to the 2019 Sales Agreement, sales of the common stock were made under the Company's previously filed and currently effective Registration Statement on Form S-3. The aggregate compensation payable to Cantor was 3.0% of the aggregate gross proceeds from each sale of the Company's common stock. The Company raised gross proceeds of $5.1 million under the 2019 ATM Offering and net proceeds of $4.9 million during the quarter ended September 30, 2019.

On September 4, 2019, the Company entered into an Underwriting Agreement (the "Underwriting Agreement") with Cantor (the "Underwriter"). Subject to the terms and conditions of the Underwriting Agreement, the Company agreed to sell to the Underwriter, in a firm commitment underwritten offering, 28,000,000 shares of the Company's common stock. In addition, the Company granted the Underwriter a 30-day option to purchase 4,200,000 of additional shares of common stock. The Company raised $18.8 million in gross / net proceeds under this offering. The option to purchase additional shares of common stock was not exercised.

MST Acquisition and Related Transactions

Purchase Agreement

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

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

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

On July 3, 2019, the Company entered into an AutoLap System Sale Agreement (the "AutoLap Sale Agreement") with GBIL. Pursuant to the AutoLap Sale Agreement, the Company sold the AutoLap laparoscopic vision system ("AutoLap") and related assets to GBIL for $17.0 million plus an additional equity investment in the Company by GBIL of $30.0 million. The Company acquired AutoLap and its related assets from MST in October 2018. The assets include inventory, spare parts, production equipment, testing equipment and certain intellectual property specifically related to the AutoLap.

The purchase price was to be paid in two installments. The initial $5.0 million was due on July 31, 2019 and the remaining $12.0 million was due to be paid upon the transfer of the AutoLap and related assets, which was expected to occur in November 2019. In addition, GBIL agreed to pay $30.0 million for the purchase of 15,000,000 shares of the Company's common stock at $2.00 per share (the “AutoLap Shares”).

On October 15, 2019, the Company amended the previously-announced AutoLap Sale Agreement such that the total consideration of $17.0 million is to be paid in installments of $3.0 million, which was received on October 15, 2019, $13 million to be paid through the delivery of an irrevocable, confirmed letter of credit by October 31, 2019 and $1.0 million to be paid by December 15, 2019. As of November 8, 2019, the Company believes that it has satisfied all requirements to release the letter of credit funds and has submitted the letter of credit for payment. The Company continues to anticipate receiving the final $1.0 million payment by December 15, 2019. The equity investment of $30.0 million is no longer an element of the Amended AutoLap Agreement. Under the Amended AutoLap Agreement, the Company will enter into a cross-license agreement with GBIL to retain rights to use any AutoLap-related intellectual property sold to GBIL, and to non-exclusively license additional intellectual property to GBIL. The Amended AutoLap Agreement did not meet the criteria of assets held for sale pursuant to ASC 360 at September 30, 2019 as there was nominal carrying value on the Company's balance sheet attributable to the assets sold.

Registration Rights and Lock-Up Agreements

In connection with the closing under the MST Purchase Agreement (the “MST Acquisition”), the Company and the Seller entered into a Lock-Up Agreement, dated October 31, 2018, pursuant to which the Seller agreed, subject to certain exceptions, not to sell, transfer or otherwise convey any of the Initial Shares for six months following the Closing Date. As of the date of this report, 75% of the Initial Shares are free from the lock-up restrictions. For the remaining 25% of the Initial Shares, the Lock-Up Agreement provides that all of the Initial Shares will be released from the lock-up restrictions on the eighteen-month anniversary of the closing date, or earlier upon certain other conditions. The Lock-Up Agreement further provides that the Seller may not sell, transfer or convey the Additional Consideration Shares until after the six-month anniversary of the issuance of the Additional Consideration Shares, or earlier upon certain other conditions.

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

Senhance Acquisition and Related Transactions

Membership Interest Purchase Agreement and Amendment

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

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

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

As of September 30, 2019, the Company has paid all Cash Consideration due under the second tranche and approximately €2.4 million of the €2.5 million due under the fourth tranche. The fourth tranche of the Cash Consideration is payable in installments by

December 31 of each year as reimbursement for certain debt payments made by Sofar under an existing Sofar loan agreement in such year.

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

Registration Rights

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

Results of Operations

Revenue

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

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

Product and service revenue for the three months ended September 30, 2019 decreased to $2.0 million compared to $5.4 million for the three months ended September 30, 2018. The $3.4 million decrease was the result of one system sale during the three months ended September 30, 2019 as compared to four systems sold during the three months ended September 30, 2018.

Product and service revenue for the nine months ended September 30, 2019 was $7.8 million compared to $16.6 million for the nine months ended September 30, 2018. The $8.8 million decrease was primarily the result of three system sales during the nine months ended September 30, 2019 as compared to ten systems sold during the nine months ended September 30, 2018. Revenue for the nine months ended September 30, 2019 includes $1.3 million from a prior year sale that had deferred proceeds related to uncompleted performance obligations. The Company completed these performance obligations during the second quarter of 2019.

Cost of Revenue

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

Cost of revenue for the three months ended September 30, 2019 decreased to $3.4 million as compared to $4.2 million for the three months ended September 30, 2018. During the three months ended September 30, 2019, product costs totaled $1.2 million, with employee related costs of $1.5 million. Cost of revenue exceed revenue primarily due to costs attributable to product demonstrations, which are expensed when incurred, along with increased costs related to freight, travel and supplies. For the three months ended September 30, 2019, demonstration costs totaled $0.4 million, with freight, travel and supply costs totaling $0.2 million, $0.2 million and $0.1 million, respectively. These costs were slightly offset by $0.2 million in reduced standard cost variances.

Cost of revenue for the nine months ended September 30, 2019 decreased to $9.8 million as compared to $10.5 million for the nine months ended September 30, 2018. During the nine months ended September 30, 2019, product costs totaled $2.3 million, with employee related costs of $4.2 million. Cost of revenue exceed revenue primarily due to costs attributable to product demonstrations, which are expensed when incurred, along with increased costs related to freight, travel and supplies. For the nine months ended September 30, 2019, demonstration costs totaled $1.2 million, with freight, travel, supplies and other miscellaneous costs totaling $0.5 million, $0.6 million, $0.5 million and $0.5 million, respectively.

Research and Development

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

R&D expenses for the three months ended September 30, 2019 increased 23% to $5.9 million as compared to $4.8 million for the three months ended September 30, 2018. The $1.1 million increase primarily relates to increased personnel related costs of $1.0 million and $0.1 million in product demonstration costs.

R&D expenses for the nine months ended September 30, 2019 increased 16% to $17.8 million as compared to $15.4 million for the nine months ended September 30, 2018. The $2.4 million increase primarily relates to increased personnel related costs of $3.0 million. partially offset by reduced consulting costs of $0.3 million and testing / validation costs of $0.3 million, respectively.

Sales and Marketing

Sales and marketing expenses include costs for sales and marketing personnel, travel, demonstration product, market development, physician training, tradeshows, marketing clinical studies and consulting expenses. The Company expect sales and marketing expenses to decrease significantly as we streamline our overall sales team and reduce overall head count.

Sales and marketing expenses for the three months ended September 30, 2019 increased 19% to $6.9 million compared to $5.8 million for the three months ended September 30, 2018. The $1.1 million increase was primarily related to increased personnel costs of $0.8 million, increased travel related costs of $0.2 million and an increase in outside services of $0.1 million.

Sales and marketing expenses for the nine months ended September 30, 2019 increased 26% to $22.4 million compared to $17.8 million for the nine months ended September 30, 2018. The $4.6 million increase was primarily related to increased personnel costs of $2.3 million, increased travel related expenses of $1.2 million, increased product demonstration and trade show costs of $0.6 million, and an increase in outside services of $0.5 million as we increased our U.S. sales and marketing team as we focused on the commercialization of the Senhance System.

General and Administrative

General and administrative expenses consist of personnel costs related to the executive, finance, legal and human resource functions, as well as professional service fees, legal fees, accounting fees, insurance costs, and general corporate expenses. As the Company is currently implementing a restructuring plan, we expect general and administrative costs to decrease in future periods.

General and administrative expenses for the three months ended September 30, 2019 increased 59% to $5.9 million compared to $3.7 million for the three months ended September 30, 2018. The $2.2 million increase was primarily due to increased personnel costs of $0.5 million, a bad debt charge of $1.6 million and increased consulting-outsourced services costs of $0.1 million. The Company recorded the bad debt charge due to doubt regarding collectibility on a 2018 system sale in North Africa.

General and administrative expenses for the nine months ended September 30, 2019 increased 50% to $15.0 million compared to $10.0 million for the nine months ended September 30, 2018. The $5.0 million increase was primarily due to increased personnel costs of $2.2 million, a bad debt charge of $1.6 million, increased consulting-outsourced services expense of $1.1 million and increased information technology costs of $0.2 million, partially offset by a reduction in depreciation of $0.1 million.

Loss (Gain) from Sale of SurgiBot Assets, Net

The loss from the sale of SurgiBot assets to GBIL of $0.1 million for the nine months ended September 30, 2019 was primarily due to additional outside service costs to transfer the assets. The gain from the sale of SurgiBot assets, net of $11.9 million for the nine months ended September 30, 2018, is further explained in the “Overview” section.

Amortization of Intangible Assets

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

Amortization of intangible assets for the nine months ended September 30, 2019 decreased to $7.8 million compared to $8.2 million for the nine months ended September 30, 2018. The $0.4 million decrease was primarily the result of foreign currency exchange rates.

Impairment of Goodwill and Intangible Assets

The Company typically tests goodwill for impairment annually, however, recent market conditions as well as reduced forecasts, required that we test our goodwill and IPR&D carrying values as of September 30, 2019.

Pursuant to ASU 2017-04, a company must record a goodwill impairment charge if a reporting unit's carrying value exceeds its fair value. The Company generally determines the fair value of its reporting unit using two valuation methods: the "Income Approach — Discounted Cash Flow Analysis" method, and the "Market Approach — Guideline Public Company Method."

Under the "Income Approach — Discounted Cash Flow Analysis" method the key assumptions consider projected sales, cost of sales, and operating expenses. These assumptions were determined by management utilizing the Company's internal operating plan, growth rates for revenues and operating expenses, and margin assumptions. An additional key assumption under this approach is the discount rate, which is determined by looking at current risk-free rates of capital, current market interest rates, and the evaluation of risk premium relevant to the business segment. If our assumptions relative to growth rates were to change or were incorrect, our fair value calculation may change.

Under the "Market Approach — Guideline Public Company Method" the Company identified several publicly traded companies, which it believed had sufficiently relevant similarities. Similar to the income approach discussed above, sales, cost of sales, operating expenses, and their respective growth rates are key assumptions utilized. The market prices of the Company's common stock and other guideline companies are additional key assumptions. If these market prices increase, the estimated market value would increase. If the market prices decrease, the estimated market value would decrease.

The results of these two methods were weighted based upon management's evaluation of the relevance of the two approaches. In the 2019 evaluation, management determined that the income and market value approach should be weighted 50%-50%. In addition, management considered the decline in both our stock price and market capitalization after the September 30, 2019 measurement date as relevant factors in the analysis.

As of September 30, 2019, the Company determined that the goodwill associated with the business was impaired, and recorded impairment charges of $79.0 million. The impairment charge resulted from decreased sales and estimated cash flows and a recent decline in the Company's stock price. The Company also recognized a $7.9 million impairment charge to its IPR&D as it concluded that under the market value approach, the fair value of the IPR&D was lower than the carrying value.

Change in Fair Value of Contingent Consideration

The change in fair value of contingent consideration in connection with the Senhance Acquisition was an $11.6 million decrease for the three months ended September 30, 2019 compared to a $1.4 million decrease for the three months ended September 30, 2018. The $10.2 million decrease was due to a significant reduction in the Company's five-year revenue forecast.

The change in fair value of contingent consideration in connection with the Senhance Acquisition was a $9.7 million decrease for the nine months ended September 30, 2019 compared to an increase of $0.1 million for the nine months ended September 30, 2018. The $9.8 million decrease was primarily due to a significant reduction in the Company's five-year revenue forecast.

Change in Fair Value of Warrant Liabilities

The change in fair value of Series B Warrants issued in April 2017 was a decrease of $0.6 million for the three months ended September 30, 2019 compared to an increase of $8.8 million for the three months ended September 30, 2018. The net $9.4 million decrease for the three months ended September 30, 2019 over the three months ended September 30, 2018 includes re-measurement associated with the warrants exercised during the quarter ended September 30, 2018. The decrease in value at September 30, 2019 was primarily the result of the difference in the stock price at June 30, 2019 versus September 30, 2019.

The change in fair value of Series B Warrants issued in April 2017 was a decrease of $3.0 million for the nine months ended September 30, 2019 compared to an increase of $24.4 million for the nine months ended September 30, 2018. The net $27.4 million decrease in change in fair value of warrant liabilities for the nine months ended September 30, 2019 over the nine months ended September 30, 2018 includes re-measurement associated with the warrants exercised during the nine months ended September 30, 2019 and 2018, and the outstanding warrants at September 30, 2019. The decrease in value at September 30, 2019 was primarily the result of the difference in the stock price at December 31, 2018 versus September 30, 2019.

Interest Income

Interest income for the three months ended September 30, 2019 was $0.1 million compared to $0.4 million for the three months ended September 30, 2018. The decrease of $0.3 million was due to less cash and short-term investments on hand at September 30, 2019 earning less interest.

Interest income for the nine months ended September 30, 2019 was $0.6 million compared to $1.0 million for the nine months ended September 30, 2018. The decrease of $0.4 million was due to less cash and short-term investments on hand at September 30, 2019 earning less interest.

Interest Expense

Interest expense for the three months ended September 30, 2019 was $1.2 million compared to $0.7 million for the three months ended September 30, 2018. The increase in interest expense relates to the write-down of debt issuance costs due to the repayment of $15.0 million in principal to Hercules Capital during the quarter.

Interest expense for the nine months ended September 30, 2019 was $3.4 million compared to$3.4 million for the nine months ended September 30, 2018. The Company incurred a $1.4 million loss on extinguishment of debt, classified as interest expense, during the second quarter of 2018, and this loss was offset by interest incurred on the increased notes payable.

Income Tax Benefit

Income tax benefit consists primarily of taxes related to the amortization of purchase accounting intangibles in connection with the Italian taxing jurisdiction for TransEnterix Italia as a result of the acquisition of the Senhance System. We recognized $1.1 million and $2.5 million of income tax benefit for the three months and nine months ended September 30, 2019, respectively, compared to $0.8 million and $2.6 million of income tax benefit for the same comparable three and nine month periods of 2018.

Liquidity and Capital Resources

Going Concern

The Company's consolidated financial statements are prepared using U.S. GAAP applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. The Company had an accumulated deficit of $649.9 million as of September 30, 2019, and has working capital of $34.4 million as of September 30, 2019. The Company has not established sufficient sales revenues to cover its operating costs and requires additional capital to proceed with its operating plan. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. In order to continue as a going concern, the Company will need, among other things, additional capital resources.

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

Sources of Liquidity

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

We currently have one effective shelf registration statement on file with the SEC, which registers up to $150.0 million of debt securities, common stock, preferred stock, or warrants, or any combination thereof for future financing transactions. The shelf registration statement was declared effective by the SEC on May 19, 2017. We have raised $50.0 million in gross proceeds and approximately $48.5 million in net proceeds under such shelf registration statement through the sale of all the shares available under the 2017 ATM Offering.

On December 28, 2018, we entered into the 2018 Sales Agreement with Stifel, as sales agent, pursuant to which we could sell through Stifel, from time to time, up to $75.0 million in shares of common stock in an at-the-market offering under the shelf registration statement. Effective August 12, 2019, the Company terminated the 2018 Sales Agreement. The Company sold no shares of its common stock under the Stifel Sales Agreement.

On August 12, 2019, the Company entered into the 2019 Sales Agreement with Cantor as sales agent, to which we can sell through Cantor from time to time up to an aggregate of $25.0 million shares of the Company's common stock. As of September 30, 2019, the Company has raised $5.1 million in gross proceeds under this ATM.

On September 4, 2019, the Company entered into the 2019 Underwriting Agreement with Cantor as underwriter, offering 28,000,000 shares of the Company's common stock. In addition, the Company granted the Underwriter a 30-day option to purchase 4,200,000 of additional shares of common stock, which was not exercised. As of September 30, 2019, the Company raised $18.8 million in gross proceeds under the 2019 Underwriting Agreement.

As of September 30, 2019, the Company had approximately $56.2 million available under the effective shelf registration statement.

As of September 30, 2019, the Company did not meet the financial covenant related to actual net revenue as compared to projected net revenue. Under the Hercules Second Amendment, the applicable waiver condition for fiscal year 2019 has been changed to maintenance of unrestricted cash equal to $7.0 million. The Hercules Loan Agreement was terminated on November 4, 2019. Please see the description of the Hercules Loan Agreement above in this "Management's Discussion and Analysis of Financial Condition and Results of Operations - Debt Refinancing."

At September 30, 2019, we had cash and cash equivalents, excluding restricted cash, of approximately $22.1 million. With the proceeds from the amended AutoLap agreement of $17.0 million and cost cutting measures being implemented, the Company believes it has adequate cash on hand to operate into the first quarter of 2020. Please see the description of the sale of the AutoLap Assets above in this Management's Discussion and Analysis of Financial Condition and Results of Operations - MST Acquisition and Related Transactions - Sale of AutoLap Assets."

On October 17, 2019, the Company announced that it has engaged J.P. Morgan Securities LLC to assist the Board of Directors in considering strategic alternatives for the Company to enhance stockholder value, including, but not limited to a sale of the Company, a financing of the Company, a strategic partnership or collaboration or some other form of commercial relationship. In addition, the Company announced the implementation of a restructuring plan to reduce operating expenses as it continues the global market development of the Senhance platform.

Consolidated Cash Flow Data

	Nine Months Ended September 30,	
	2019	2018
(in millions)		
Net cash (used in) provided by		
Operating activities	$ (59.1)	$ (35.6)
Investing activities	51.7	(35.6)
Financing activities	8.7	16.1
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(0.1)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 1.2	$ (55.2)

Operating Activities

For the nine months ended September 30, 2019, cash used in operating activities of $59.1 million consisted of a net loss of $140.5 million and cash used for working capital of $13.7 million, offset by non-cash items of $95.1 million. The non-cash items primarily consisted of $86.9 million in impairment charges, $9.7 million of stock-based compensation expense, $8.9 million of amortization, $1.7 million of depreciation, $1.6 million in bad debt expense, $0.8 million in interest expense on deferred consideration related to the MST acquisition, and $0.8 million related to the write-down of obsolete inventory, offset by a $3.0 million change in fair value of warrant liabilities, $9.7 million change in fair value of contingent consideration and $2.5 million deferred income tax benefit. The decrease in cash from changes in working capital primarily relates to $14.1 million in increased inventory, and a $2.3 million increase in other current and long-term assets, which was partially offset by cash provided from accounts receivable of $4.3 million.

For the nine months ended September 30, 2018, cash used in operating activities of $35.6 million consisted of a net loss of $55.3 million and cash used for working capital of $6.1 million, offset by non-cash items of $25.8 million. The non-cash items primarily consisted of $24.4 million change in fair value of warrant liabilities, $8.8 million of amortization, $6.7 million of stock-based compensation expense, $1.9 million of depreciation, $1.4 million loss on debt extinguishment, and $0.1 million change in fair value of contingent consideration, offset by $11.9 million gain from sale of SurgiBot assets, $3.0 million recovery of transfer fee and $2.6 million deferred income tax benefit. The decrease in cash from changes in working capital included $1.3 million increase in inventories, $4.3 million increase in accounts receivable and $0.9 million decrease in accounts payable, offset by $0.4 million increase in deferred revenue.

Investing Activities

For the nine months ended September 30, 2019, net cash provided by investing activities was $51.7 million. This amount primarily consists of $65.0 million in proceeds from maturities of short-term investments, offset by $12.9 million and $0.4 million in purchases of short-term investments and property and equipment, respectively.

For the nine months ended September 30, 2018, net cash used in investing activities was $35.6 million. This amount primarily consists of $39.6 million and $0.5 million in purchases of short-term investments and property and equipment, respectively, offset by $4.5 million proceeds related to the sale of SurgiBot assets.

Financing Activities

For the nine months ended September 30, 2019, net cash provided by financing activities was $8.7 million. The net change primarily related to proceeds received from the issuance of common stock, net of issuance costs, and from the exercise of stock options and warrants, totaling $23.7 million and $0.5 million, respectively, partially offset by the $15.0 million principal repayment to Hercules Capital and taxes paid by the Company in February 2019 related to the settlement of vested RSUs of $0.5 million.

For the nine months ended September 30, 2018, net cash provided by financing activities was $16.1 million. This amount was primarily related to $18.8 million in proceeds from the issuance of debt, which was partially offset by $15.3 million in payment of debt, $11.4 million in proceeds from the exercise of stock options and warrants and $3.0 million received for shares issued related to the sale of the SurgiBot assets, offset by $1.6 million related to the taxes withheld on RSU awards and $0.4 million payment of contingent consideration.

Operating Capital and Capital Expenditure Requirements

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

Cash and cash equivalents held by our foreign subsidiaries totaled $1.5 million at September 30, 2019, including restricted cash. We do not intend or currently foresee a need to repatriate cash and cash equivalents held by our foreign subsidiaries. If these funds are needed in the U.S., we believe that the potential U.S. tax impact to repatriate these funds would be immaterial.

Hercules Loan Agreement

On May 23, 2018, the Company and its domestic subsidiaries, as co-borrowers, entered into the Hercules Loan Agreement with several banks and other financial institutions or entities from time to time party to the Hercules Loan Agreement and Hercules Capital, Inc., as administrative agent and Collateral Agent. Effective April 30, 2019, the Hercules Loan Agreement was amended to eliminate the availability of the Tranche III loan facility, add a new Tranche IV loan facility of up to $20 million, revise certain financial covenants and make other changes. On July 10, 2019, the Company entered into the Consent and Second Amendment to the Loan and Security Agreement on July 10, 2019 (the "Hercules Second Amendment"). Under the Hercules Second Amendment, in consideration for the consent to the sale of, and the release of the Lender's security interest on, the AutoLap assets, the Company reduced its indebtedness under the Hercules Loan Agreement by repaying $15.0 million (net of issuance costs totaling $0.7 million), of the $30.0 million of outstanding indebtedness thereunder, without any prepayment penalties, amendment fee or acceleration of the end of term charges, and received adjustments to the quarterly financial covenants and related waiver conditions to reflect the decreased outstanding indebtedness. On November 4, 2019, the Company entered into a payoff letter with the Agent pursuant to which the Company terminated the Hercules Loan Agreement, as amended. The Company determined it was in the best interests of the Company to pay down the debt and terminate the Hercules Agreement to simplify the Company's balance sheet and provide additional flexibility as the Board of Directors continues to explore strategic and financial alternatives for the Company. Under the payoff letter, the Company repaid all amounts owed under the Hercules Loan Agreement totaling approximately $16.4 million, which included end of term fees of $1.4 million, and Hercules released all security interests held on the assets of the Company and its subsidiaries, including, without limitation, on the intellectual property assets of the Company. Please see the description of the Hercules Loan Agreement above in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Debt Refinancing.”

Innovatus Loan Agreement

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

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

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

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

Identifiable Intangible Assets and Goodwill

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

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

Due to recent market conditions as well as reduced forecasts, the Company did an impairment analysis of its goodwill and its IPR&D as of September 30, 2019. For a description of the procedures followed see above under "Management's Discussion and Analysis and Results of Operations - Impairment of Goodwill and Intangible Assets."

As of September 30, 2019, the Company determined that the goodwill associated with the business was impaired, and recorded an impairment charge of $79.0 million. The impairment charge resulted from decreased sales and estimated cash flows and a recent decline in the Company's stock price.

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

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

Business Acquisitions

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

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

In-Process Research and Development

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

As of September 30, 2019, the Company also did an impairment analysis related to its IPR&D, and concluded that under the market value approach, the fair value of its IPR&D was lower than the carrying value and recorded an impairment charge of $7.9 million.

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

Contingent Consideration

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

Warrant Liabilities

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

Stock-Based Compensation

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

Inventory

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

Any inventory on hand at the measurement date in excess of the Company's current requirements based on anticipated levels of sales is classified as long-term on the Company's consolidated balance sheets. The Company's classification of long-term inventory requires us to estimate the portion of on hand inventory that can be realized over the upcoming twelve months.

Revenue Recognition

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

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

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

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

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

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

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

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

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

Income Taxes

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

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

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

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

Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

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

Interest Rates

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

Foreign Currency Exchange Rate Risk

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

During the three months ended September 30, 2019, 95% of our revenue and approximately 44% of our operating expenses (excluding the change in fair value of contingent consideration and impairment of goodwill and intangible assets) were denominated in currencies other than the U.S. dollar, most notably the Euro. Based on actual results over the past year, a hypothetical 10% increase or decrease in the U.S. dollar against the Euro would have increased or decreased revenue by approximately $3.4 million and operating expenses by approximately $15.0 million.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Changes in Internal Controls Over Financial Reporting

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

PART II. OTHER INFORMATION

Item 1 Legal Proceedings

None.

Item 1A Risk Factors.

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

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

We have a limited operating history. We are not profitable and have incurred losses since our inception. Substantial doubt exists about our ability to continue as a going concern as a result of anticipated capital needs as well as past recurring losses and an accumulated deficit. Our accumulated deficit was $649.9 million as of September 30, 2019, and our working capital was $34.4 million as of September 30, 2019. We believe that our existing cash and cash equivalents, together with cash received from sales of our products, will not be sufficient to meet our anticipated cash needs past 2019.

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

We announced that we are seeking strategic and financing alternatives. We may not be successful in achieving a suitable transaction.

On October 17, 2019, we announced that we had engaged J.P. Morgan Securities LLC to assist the Board of Directors in considering strategic alternatives for the Company to enhance stockholder value, including, but not limited to a sale of the Company, a financing of the Company, a strategic partnership or collaboration or some other form of commercial relationship. In addition, we announced the implementation of a restructuring plan to reduce operating expenses as we continue the global market development of the Senhance platform. We may not be able to identify, successfully negotiate with and consummate a suitable transaction with a buyer or other commercial partner. We may not be able to raise the funds needed to operate the business for any specific period of time. If we are not successful in consummating a transaction or financing, our financial condition will be materially adversely affected.

We have announced a restructuring plan to reduce our operating expenses. If we are not successful in reducing our operating expenses, our financial condition will be materially adversely affected.

We have begun to implement a restructuring plan to significantly reduce our operating expenses while focusing on the global market development of the Senhance platform. We need to fully implement the restructuring plan while pursuing strategic alternatives. We may encounter unexpected costs while implementing the restructuring plan, and may not be successful in reducing our operating expenses as much as needed. If we are unable to successfully reduce our operating expenses, our financial condition will be materially adversely affected.

We have recently had significant management changes. Such changes could divert attention from the operation of the business and create uncertainty.

On October 17, 2019, we announced that Joseph P. Slattery, our chief financial officer, had announced his intention to retire. Mr. Slattery intends to remain as our chief financial officer until December 31, 2019, and then to provide consulting services through July 31, 2020. We intend to implement a search for a new chief financial officer but may have difficultly recruiting a new chief financial officer with the current issues facing the Company.

On November 8, 2019, we announced the departure of Todd M. Pope as our president and chief executive officer, and as a member of our Board of Directors, and announced the appointment of Anthony Fernando as president and chief executive officer and his election to the Board of Directors. Any such significant management changes can divert focus away from the operation of the business and could create uncertainty in our personnel. We cannot assure you that the change in senior leadership will not have an adverse impact on the Company and its financial condition.

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

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

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

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

We are also expanding the potential market for robotic surgical systems with our focus on laparoscopic surgery. Such expansion requires a different sales and marketing approach than a focus on open procedures. We are finding that our sales cycle is protracted for each sale for a number of reasons, including the need to interact and obtain buy-in from the executive office and finance as well as surgeons at each facility. Any delay in completing sales in a particular quarter could cause our operating results to fall below expectations. We also find that such a lengthy sales cycle makes it more difficult for us to accurately forecast revenue and may cause revenues and operating results to continue to vary significantly in future periods.

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

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

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

None.

Item 3 Defaults Upon Senior Securities.

None.

Item 4 Mine Safety Disclosures.

Not applicable.

Item 5 Other Information.

On November 8, 2019, the Company announced that Todd M. Pope was leaving the positions of President and Chief Executive Officer and was leaving the Board of Directors, and all positions with subsidiaries of the Company, and Anthony Fernando was appointed as President and Chief Executive Officer and elected to the Board of Directors with immediate effect. The Board of Directors thanks Mr. Pope for his service to the Company. The Company entered into a separation agreement with Mr. Pope that: (1) provides him with the severance compensation due under his Amended and Restated Employment Agreement, dated March 6, 2018 (the “Employment Agreement”); (2) provides that if, in 2020, 2019 annual bonuses are paid to the executive officers of the Company, in the discretion of the Board of Directors, Mr. Pope will be eligible for a pro-rated 2019 annual bonus at the same time; (3) provides for Mr. Pope to enter into a consulting agreement with the Company to provide transition services until December 31, 2020, unless earlier terminated; (4) recites the understanding of the parties with respect to the continuation of the non-competition, non-solicitation, confidentiality and non-disparagement provisions of his Employment Agreement; (5) secures a general release of claims; and (6) extends the Change in Control protections of his Employment Agreement through December 31, 2020. In addition, under a consulting agreement with Mr. Pope, the Company secured transition services from him through December 31, 2020. The principal compensation under the consulting agreement is the commitment to continue his outstanding equity awards in full force and effect during the term of the consulting agreement, to extend the vesting term of stock options for one year after termination or expiration of the consulting agreement, and to accelerate the vesting of awards due to vest through July 2021 at the end of the consulting term as consideration for one-year non-competition, non-solicitation covenants at the end of the term of the consulting agreement. The foregoing summary of the separation agreement and consulting agreement are not complete. The agreements are filed as exhibits to this Quarterly Report on Form 10-Q and incorporated herein by reference.

On November 8, 2019, Anthony Fernando, the Company's Chief Operating Officer, was appointed as President and Chief Executive Officer of the Company and elected to its Board of Directors. The Company entered into an amended and restated employment agreement with Mr. Fernando (the "Agreement") to establish his new roles with the Company. Under the amended and restated employment agreement, Mr. Fernando's base salary increased to $440,000 per annum, his annual bonus target was set at 75% of base salary, including a pro-rated target bonus for 2019, based on the period of 2019 for which he will serve as President and Chief Executive Officer. Severance payments due upon a termination of employment without cause or for good reason were increased to twelve months outside of a Change in Control (as defined in the Agreement) and to twenty-four months upon a termination without cause or for good reason during a Change in Control Period (as defined in the Agreement). The foregoing summary of the Agreement is not complete. The Agreement is filed as an exhibit to this Quarterly Report on Form 10-Q and incorporated herein by reference.

Before being appointed as President and Chief Executive Officer on November 8, 2019, Mr. Fernando has served as our Chief Operating Officer since June 1, 2017. Prior to his appointment as our Chief Operating Officer, Mr. Fernando served as our Chief Technology Officer, since January 2016, and as our Vice President, International Development from August 2015 through January 2016. Previously, Mr. Fernando served as Vice President, Innovation and Technology, International, of Stryker Singapore Pvt. Ltd, a global medical technology company, from October 2013 until July 2015. From August 2010 until October 2013, Mr. Fernando served as Director of Research and Development, greater Asia, for Becton Dickinson & Company, a global medical technology company engaged in the development, manufacture and sale of medical devices. From July 2007 until July 2010, Mr. Fernando served as the Director of Research and Development, Asia - Environmental Health, at Perkinelmer Singapore Pvt. Ltd. Until July 2015, Mr. Fernando also served as a director of Stryker India Private Limited and Stryker Global Technology Center (India). Mr. Fernando holds a BSc and MSc, Mechanical Engineering from the University of Nevada Las Vegas and an MBA, Finance & Strategy from the University of North Carolina at Chapel Hill.

There are no related person transactions or agreements involving the Company and Mr. Fernando.

In addition, the Board approved short-term retention bonuses for Anthony Fernando and for Eric Smith, Chief Commercial Officer, if they remain with the Company or any of its subsidiaries until January 31, 2020. Such bonuses, equal to six months' base salary for Mr. Fernando and two months' base salary for Mr. Smith, will be paid, if earned, upon receipt of sufficient funds through the successful completion of a financing or strategic transaction. This summary of the short-term retention bonuses is not complete. Reference is made to the form of Award Agreement attached to this Quarterly Report on Form 10-Q as an exhibit and incorporated by reference herein.

Item 6. EXHIBITS

Exhibit No.	Description
10.1	Controlled Equity Offering Sales Agreement, dated as of August 12, 2019, between TransEnterix, Inc. and Cantor Fitzgerald & Co. (incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K filed on August 12, 2019).
10.2	Underwriting Agreement, dated September 4, 2019, between TransEnterix, Inc. and Cantor Fitzgerald & Co. (incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K filed on September 4, 2019).
10.3	Amended and Restated AutoLap System Sale Agreement between TransEnterix, Inc., and Great Belief International Limited, dated October 15, 2019(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on October 17, 2019).
10.4	Consent and Second Amendment to Loan and Security Agreement, dated and effective as of July 10, 2019, by and among TransEnterix, Inc., TransEnterix Surgical, Inc., TransEnterix International, Inc., SafeStitch, LLC, the several banks party to the Loan and Security Agreement and Hercules Capital, Inc., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, filed on August 8, 2019).
10.5+ *	Transition Agreement, dated October 17, 2019, between TransEnterix, Inc. and Joseph P. Slattery and the related Consulting Agreement.
10.6 + *	Separation and General Release Agreement, dated November 8, 2019, between TransEnterix, Inc. and Todd M. Pope and the related Consulting Agreement, dated November 8, 2019, between TransEnterix, Inc. and Todd M. Pope.
10.7 + *	Amended and Restated Employment Agreement, dated November 8, 2019, between TransEnterix, Inc. and Anthony Fernando.
10.8 + *	Form of Retention Reward Agreement for Executive Officers
31.1 *	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
32.1 *	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	XBRL Instance Document.
101.SCH *	XBRL Taxonomy Extension Schema Document.
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL (included in Exhibit 101).

+ A management contract, compensatory plan or arrangement required to be separately identified.
* Filed herewith.

SIGNATURES

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

TransEnterix, Inc.

Date: November 12, 2019	By: /s/ Anthony Fernando
	Anthony Fernando
	President and Chief Executive Officer
	By: /s/ Joseph P. Slattery
Date: November 12, 2019	Joseph P. Slattery
	Executive Vice President and Chief Financial Officer

Exhibit 31.1

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

I, Anthony Fernando, certify that:

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

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

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

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

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 12, 2019

By: /s/ Anthony Fernando

Anthony Fernando
President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

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

I, Joseph P. Slattery, certify that:

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

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

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

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

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 12, 2019

By: /s/ Joseph P. Slattery

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

Exhibit 32.1

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

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

By: /s/ Anthony Fernando

Anthony Fernando
President and Chief Executive Officer
(Principal Executive Officer)

November 12, 2019

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

Exhibit 32.2

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

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

By: /s/ Joseph P. Slattery

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

November 12, 2019

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

EXHIBIT 10.5

TRANSITION AGREEMENT

This Transition Agreement (the "Agreement"), effective as of October 17, 2019, is entered into by and between Joseph P. Slattery ("Employee") on the one hand, and TransEnterix, Inc. (the "Company") on the other hand.

RECITALS

WHEREAS, Employee is employed by the Company as Executive Vice President and Chief Financial Officer, and is party with the Company to that certain Employment Agreement, dated March 6, 2018 (the "Employment Agreement") attached hereto as Exhibit A;

WHEREAS, the Employee has decided that he wants to retire from his roles as the principal financial officer of a public company, and the parties have agreed to a transition period based on the Company's needs until December 31, 2019, and then to secure additional transition assistance from the Employee as a consultant until July 31, 2020;

WHEREAS, the parties have reached agreement on the terms governing the Employee's transition and desire to memorialize the terms and conditions by entering into this Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable considerations, the receipt and sufficiency of which hereby are acknowledged, the Company and Employee agree as follows:

1. Employment Status. Employee shall retire as the Executive Vice President and Chief Financial Officer of the Company, on December 31, 2019. Until December 31, 2019, Employee shall continue in the roles of Executive Vice President and Chief Financial Officer of the Company, and continue to perform all duties applicable to such roles. The following terms will apply prior to December 31, 2019:

(a) Employee's retirement shall be under Section 7(b) of the Employment Agreement, and Employee acknowledges that he will not be eligible to receive any post-employment benefits under the Employment Agreement once he retires, and the Employment Agreement shall terminate as of December 31, 2019, without any other action on the part of the Employee and the Company;

(b) Employee's salary and benefits shall continue at the current level through December 31, 2019;

(c) as of January 1, 2020, Employee shall be eligible for all post-employment benefits afforded to all similarly situated employees of the Company, including, without limitation, the right to elect COBRA benefits;

(d) Employee will continue to be eligible for disability benefits offered by the Company to full-time, exempt employees through December 31, 2019;

(e) in the event of the death of the Employee prior to December 31, 2019, the Employee's estate shall be entitled to receive (i) his base salary through December 31, 2019, and (ii) any reimbursement amounts for all reasonable expenses incurred by him in connection with the conduct of business of the Company, provided he properly accounts therefor in accordance with the Company's policies; and

(f) the provisions of the TransEnterix, Inc. 2019 Amended and Restated Incentive Compensation Plan (the "Plan") will apply with respect to all outstanding awards under the Plan in the event of death or disability of the Employee.

2. Consulting Agreement. The Employee and the Company have entered into a Consulting Agreement, as set forth as Exhibit B to this Agreement, under which Employee shall provide designated consulting services to the Company and its subsidiaries effective as of January 1, 2020.

3. Consideration. Employee acknowledges and agrees that the continuation of his Employment Agreement until December 31, 2019, and entry into the Consulting Agreement constitute good and valuable consideration to which Employee would not otherwise be entitled.

4. General Release of Claims and Covenant Not to Sue. Employee agrees, that as a condition to the Company's obligation under the Consulting Agreement, Employee shall execute and deliver a General Release of Claims and Covenant Not to Sue (the "Release"), as set forth as Exhibit C attached hereto, so that the Release is effective as of December 31, 2019, to provide a release of Claims (as defined in the Release).

5. No Future Payments Except Those Described Herein. Except as set forth in this Agreement and the Consulting Agreement, it is expressly agreed and understood by the parties that the Company does not have, and will not have, any obligation to provide Employee at any time in the future with any bonus or other payments, benefits, or consideration other than those set forth in Sections 1 and 2.

6. Return of Corporate Property. By December 31, 2019, Employee shall return to the Company any and all corporate property and copies thereof in his possession or under his custody or control, including without limitation: corporate credit cards, keys and access cards, calling cards, cellular or mobile telephone, parking permit, laptop, computer equipment and software.

7. Cooperation. Employee agrees to fully cooperate with the Company and Company counsel to provide information and/or testimony regarding any current or future litigation or investigations from actions or events occurring during his employment with the Company. Except as prohibited by law, the Company shall reimburse Employee for pre-approved reasonable out-of-pocket expenses for providing such assistance and shall pay a reasonable reimbursement for his time spent pursuant to this Section 7. This Section 7 does not cover payment for separate counsel for Employee unless expressly pre-approved by the Company.

8. Waiver. If a party, by its actions or omissions, waives or is adjudged to have waived any breach of this Agreement, any such waiver shall not operate as a waiver of any other subsequent breach of this Agreement.

9. Successor and Assigns. This Agreement is binding upon and shall inure to the benefit of the parties hereto, and the Releasees under the Release once executed, and their respective heirs, executors, administrators, personal or legal representatives, successors and/or assigns.

10. Severability. If any provision of this Agreement is or shall be declared invalid or unenforceable by a court of competent jurisdiction, the remaining provisions shall not be affected thereby and shall remain in full force and effect.

11. Integration and Modification. This Agreement, the Consulting Agreement, the Release, and the ongoing effectiveness of the Employment Agreement until December 31, 2019, contain all of the promises and understandings of the parties. There are no other agreements or understandings except as set forth herein, and this Agreement may be amended only by a written agreement signed by Employee and the Company.

12. Advice to Consult Legal Representation. Employee is advised to consult with legal counsel of his choosing, at his own expense, regarding the meaning and binding effect of this Agreement and every term hereof prior to executing it.

13. Governing Law. Without regard to principles of conflicts of laws, the internal laws of the State of North Carolina shall govern and control the validity, interpretation, performance, and enforcement of this Agreement. The Company and the Employee agree that any action relating to this Agreement shall be instituted and prosecuted only in the courts of Durham County, North Carolina or the federal courts of the Middle District of North Carolina, and the Company and the Employee hereby consent to the jurisdiction of such courts and waive any right or defense relating to venue and jurisdiction over the person.

14. Counterparts. This Agreement may be executed in any number of counterparts and each such counterpart shall have the same force and binding effect as if executed by all parties. Facsimile or pdf signatures shall have the same force and effect as an original signature.

15. Acknowledgement. Employee acknowledges that:

(a) he has read and understood the terms and the meaning of this Agreement and the Consulting Agreement, and that this Agreement and the Consulting Agreement are written in a manner that he understands;

(b) the certain Employment, Confidential Information, Noncompetition and Invention Assignment Agreement, dated September 26, 2013, shall remain in full force and effect; and

(c) other than accrued and unpaid salary, benefits and business expenses as of the date of this Agreement, he is not owed any payments from the Company for services rendered, whether as wages or salary, bonuses, commissions, or other benefits, except as provided for in this Agreement and the Consulting Agreement;

(d) he has had an adequate period of time to consider this Agreement before signing it;

(e) he has been advised to consult with an attorney of his own choosing concerning the legal significance of this Agreement and the Consulting Agreement;

(f) he is not aware of any factual basis for a claim that the Company in any way, has engaged in any improper acts or committed any improper omissions, or have defrauded the United States Government; and

(g) the Company, its agents, representatives and employees have not made any representations to him concerning the terms or effects of this Agreement, other than those contained in the Agreement.

[Signatures on the next page.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates set forth below.

EMPLOYEE:	TRANSENTERIX, INC.:
By: /s/ Joseph P. Slattery	By: /s/ Todd M. Pope
Name: Joseph P. Slattery	Name: Todd M. Pope
Date: October 17, 2019	Title: President and Chief Executive Officer
	Date: October 17, 2019

Exhibits:

Exhibit A	Employment Agreement, dated March 6, 2018, and effective as of March 1, 2018, by and between the Registrant and Joseph P. Slattery (filed as Exhibit 10.6 to our Annual Report on Form 10-K, filed with the SEC on March 8, 2018 and incorporated by reference herein).
Exhibit B	Form of Consulting Agreement – attached
Exhibit C	Form of Release

Certain exhibits to this Transition Agreement and the Consulting Agreement are not included in this filing as they are not material to any understanding of the Agreements. The Company will provide such exhibits supplementally to the SEC upon request.

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is made and entered into as of January 1, 2020 (the "Effective Date"), by and between **TRANSENTERIX, INC**., a Delaware corporation with its principal place of business in Research Triangle Park, North Carolina ("TransEnterix"), and **Joseph P. Slattery**, an individual ("Consultant"). TransEnterix and Consultant are individually referred to herein as the "Party" and collectively as the "Parties" to this Agreement.

1. **Consulting Relationship**. During the term of this Agreement, Consultant shall well and faithfully render and perform such advisory or consulting services as may from time-to-time be requested by TransEnterix, including but not limited to those services described on Exhibit A attached hereto and incorporated herein by reference, relative to the "Area of Interest" as defined in **Exhibit A** (the "Services"). Consultant represents that Consultant has the qualifications, experience, and ability to perform the Services properly. Consultant shall devote such time and effort as may reasonably be deemed necessary for the performance of the Services and shall perform the Services in a professional manner. Consultant shall adhere to the policies of TransEnterix in performance of the Services.

2. **Consultant's Fee**. TransEnterix shall pay Consultant the fee for the performance of the Services as set forth on Exhibit B in accordance with the payment terms set forth on **Exhibit B**, attached hereto and incorporated herein by reference. The Parties acknowledge and agree that the compensation set forth in this Agreement represents the fair market value of the Services to be performed by Consultant to TransEnterix.

3. **Independent Contractor**. Consultant's sole relationship with TransEnterix is that of an independent contractor. Consultant is not and shall not be deemed to be an employee of TransEnterix. Nothing contained in this Agreement is intended to or shall be construed to create between TransEnterix and Consultant a relationship of employer/employee or principal/agent, or a joint venture, partnership, franchise, or other legal relationship. Consultant at no time under any circumstances shall hold itself out to be an employee of TransEnterix, whether by words, actions, or otherwise. Consultant further understands and agrees as follows:

(a) Method of Provision of Services. Consultant shall perform the Services in compliance with the terms and conditions set forth in this Agreement and on **Exhibit A**.

(b) No Authority to Bind TransEnterix. Neither Consultant, nor any agent of Consultant, has authority to enter into contracts that bind TransEnterix or create obligations on the part of TransEnterix without the prior written authorization of TransEnterix.

(c) No Benefits. TransEnterix acknowledges that Consultant is eligible to elect COBRA continuation coverage as a result of Consultant's employment by TransEnterix, which employment ended on December 31, 2019. Any such election to receive COBRA continuation coverage shall be at Consultant's sole expense. Consultant otherwise acknowledges and agrees that Consultant will not be eligible for any TransEnterix employee benefits, including severance, and, to the extent Consultant otherwise would be eligible for any TransEnterix employee benefits but for the express terms of this

Agreement, Consultant hereby expressly waives and declines to participate in such TransEnterix employee benefits.

(d) Expenses. Consultant shall be responsible for any expenses incurred as a result of Consultant's performance of the Services and shall not be authorized to incur on behalf of TransEnterix any expenses without the prior consent of TransEnterix, which consent shall be evidenced in writing. As a condition to receipt of reimbursement, Consultant shall be required to submit to TransEnterix an itemized account of authorized expenses, with appropriate receipts, in a manner that is reasonably acceptable to TransEnterix and in accordance with TransEnterix policies. All travel and related expenses will be paid in accordance with TransEnterix' company policies.

(e) Withholding; Indemnification. TransEnterix shall report all amounts paid to Consultant pursuant to this Agreement to the U.S. Internal Revenue Service. Consultant shall have full responsibility for applicable withholding taxes for all compensation paid to Consultant under this Agreement, and for compliance with all applicable labor and employment requirements with respect to Consultant's self-employment, sole proprietorship or other form of business organization, including all federal and local income taxes in the Consultant's country of domicile, and all pension, employee welfare, worker's compensation insurance coverage requirements in the Consultant's country. Consultant agrees to indemnify, defend, and hold TransEnterix harmless from any liability for, or assessment of, any claims or penalties with respect to such withholding taxes, income taxes, labor, or employment requirements, including any liability for, or assessment of, withholding taxes imposed on TransEnterix by the relevant taxing authorities with respect to any compensation paid to Consultant, except Consultant shall not be required to indemnify, defend, or hold TransEnterix harmless from any liability resulting from a local, state, or federal government or agency assessing tax or other penalties against TransEnterix based on a finding that TransEnterix improperly classified Consultant as an independent contractor..

4. **Term and Termination**.

(a) This Agreement shall be effective as of the Effective Date and shall continue until July 31, 2020, subject to the right of TransEnterix to terminate for Cause (as defined below) immediately at any time, and the right of the Consultant to terminate this Agreement on thirty (30) days prior written notice. The Agreement can be extended by mutual agreement of the Parties. Upon any termination, Consultant shall have no further rights under this Agreement and shall be entitled only to receive the amounts due, if any, pursuant to Section 2 through the effective date of termination.

(b) For purposes of this Section 4, TransEnterix shall have "Cause" to terminate this Agreement upon: a determination by TransEnterix, in good faith, that Consultant: (i) has breached in any material respect any of the terms or conditions of this Agreement or any TransEnterix policy; provided, that TransEnterix shall provide written notice of such alleged breach and, to the extent TransEnterix believes, in its reasonable discretion, that such alleged breach is curable, shall provide Consultant with thirty (30) days to cure such breach, or (ii) has discriminated against any employee, customer, or other person covered by any anti-discrimination laws, regulations, or policies; or (iii) is engaging or has engaged in conduct involving moral turpitude, willful misconduct, or conduct which is detrimental in any material respect to the standing, reputation or business prospects of TransEnterix or which has had, or likely will have, a material adverse effect on TransEnterix' business or reputation.

5. **Covenant Not to Disclose Confidential Information**.

(a) Confidential Information. Consultant agrees that during the term of this Agreement, Transenterix may disclose or make available certain confidential, privileged, and proprietary information relating to TransEnterix' copyrights, trade secrets, inventions, patents, trademarks, marketing research, computer code and other technical information, software programs, prices, costs, discounts, data, books, records, files, forms, lists, reports, accounts, financial information, venture discussions, memoranda, summaries, instructions, resources, processes, technologies, projects, research, procedures, experiments, contracts, proposals, documentation, and information obtainable from examination of any such items, in oral, written, machine-readable, or other form, and on tape, microfilm, microfiche, computer, optical, or other format, and other similar matters that are not publicly known or publicly available (collectively, the "Confidential Information"). The term "trade secrets" shall be given its broadest possible interpretation under the law.

(b) Exclusions. Confidential Information does not include information that Consultant can demonstrate by written or other documentary records: (i) was rightfully known to Consultant without restriction on use or disclosure prior to such information being disclosed or made available to the Consultant in connection with this Agreement; (ii) was or becomes generally known by the public other than by the Consultant's noncompliance with this Agreement; or (iii) was or is received by the Consultant on a non-confidential basis from a third party that was not or is not, at the time of such receipt, under any obligation to maintain its confidentiality.

(c) Non-Disclosure. As a condition to being provided with any disclosure of or access to Confidential Information, Consultant agrees that during the term of this Agreement and thereafter (whether this Agreement has expired or has been terminated):

(i) Consultant shall not, directly or indirectly, use, reveal, or allow to be used or revealed any aspect of the Confidential Information to any person, firm, partnership, trust, corporation, or other association or entity (whether governmental or private) except as expressly authorized by TransEnterix in writing, or as reasonably required in order to perform Consultant's duties and responsibilities under the terms of this Agreement, or as required by law;

(ii) Consultant shall refrain from any action or conduct which might reasonably be expected to compromise the confidentiality or proprietary nature of the Confidential Information;

(iii) Consultant shall follow the reasonable suggestions made by TransEnterix from time-to-time regarding the confidentiality and proprietary nature of the Confidential Information;

(iv) Consultant shall not use the Confidential Information in any manner outside the scope of this Agreement, in any manner competitive with TransEnterix, in any unlawful manner, or to interfere with or attempt to terminate or otherwise adversely affect any business relationship of TransEnterix;

(v) Consultant has no right and shall not in the future have any right to apply or attempt to apply for or to obtain any patent, copyright, or other form of intellectual property protection with regard to the Confidential Information;

(vi) Consultant shall safeguard the Confidential Information from unauthorized use, access or disclosure using at least the degree of care it uses to protect its own sensitive information and in no event less than a reasonable degree of care; and

(vii) Consultant shall notify the TransEnterix in writing within two (2) business days of any unauthorized disclosure or use of the Consultant's Confidential Information and cooperate with the

Consultant to protect the confidentiality and ownership of all Confidential Information, privacy rights and other rights therein.

6. **Proprietary Information**. Consultant will make full and prompt disclosure to TransEnterix of all inventions, improvements, discoveries, data, know-how, research, procedures, designs, formulas, techniques, methods, trade secrets, developments, technology, software and works of authorship, products, formulas, business methods, documentation, data, designs, flow charts, specifications, and algorithms, including any modifications, improvements or derivative works whether patentable or not, which are or have been created, made, conceived or reduced to practice by Consultant or under Consultant's direction or jointly with others during and relating to Consultant's engagement by TransEnterix or the business activities of TransEnterix, whether or not during normal working hours or on the premises of TransEnterix (all of which are collectively referred to in this Agreement as "Developments"). Consultant hereby agrees to assign, and does hereby assign, to TransEnterix Surgical, Inc. or any of its affiliates as directed by TransEnterix, all of Consultant's right, title and interest in and to all Developments and all related patents, patent applications, copyrights and copyright applications, together with all rights to sue for and collect damages by reason of past, present and future infringement of such assigned Developments, as fully and entirely as the same would have been held and enjoyed by Consultant or Consultant's agents, representatives, or subcontractors had this Agreement not been made. Consultant agrees that these obligations are binding upon Consultant's assigns, executors, administrators and other legal representatives. Consultant agrees that to the extent copyrightable, any such original works of authorship shall be deemed to be "works for hire" and that TransEnterix shall be deemed the author thereof under the U.S. Copyright Act, provided that in the event and to the extent such works are determined not to constitute "works for hire" as a matter of law, Consultant hereby irrevocably assigns and transfers to TransEnterix all right, title and interest in such works, including but not limited to copyrights thereof. Consultant agrees to cooperate fully with TransEnterix, both during and after any term, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and foreign countries) relating to Developments.

7. **Insider Trading**. TransEnterix consultants are prohibited from trading in the TransEnterix' stock or other securities while in possession of material, non-public information about TransEnterix. In addition, Company consultants are prohibited from recommending, "tipping" or suggesting that anyone else buy or sell TransEnterix' stock or other securities on the basis of material, nonpublic information. Violation of insider trading laws can result in severe fines and criminal penalties, as well as immediate termination of this Agreement.

8. **Indemnity**.

(a) Transenterix. TransEnterix shall indemnify, defend and hold Consultant harmless from all third party claims, costs, and reasonable attorneys' fees actually incurred ("Claims") arising out of or resulting from TransEnterix' (i) negligence or misconduct under this Agreement, or (ii) breach of its representations and warranties, provided such Claims are not the result of (x) a material breach of this Agreement by Consultant, or (y) the negligence or willful misconduct of Consultant, or Consultant's employees, agents, representatives, or consultants.

(b) Consultant. Consultant shall indemnify, defend and hold TransEnterix harmless from all third party Claims arising out of or resulting from Consultant's (i) negligence or misconduct in providing the Services under this Agreement; (ii) failure to perform its obligations under this Agreement, (iii) medical or professional malpractice, and (iv) a breach of any representations, warrants or covenants in this Agreement, provided such Claims are not the result of (x) a material breach of this Agreement by TransEnterix, or (y) all or in part, the negligence or willful misconduct of TransEnterix, or TransEnterix' employees, agents, representatives, or consultants (not including Consultant).

(c) Indemnification Procedures. The indemnified Party shall promptly notify the indemnifying Party in writing of any such suit or claim, and shall take such action as may be necessary to avoid default or other adverse consequences in connection with such claim. The indemnifying Party shall have the right to select counsel and to control the defense and settlement of such claim; provided, however, that the indemnified Party shall be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in handling the claim, and provided further, that the indemnifying Party shall not take any action in defense or settlement of the claim that would negatively impact the indemnified Party. The indemnified Party shall provide cooperation and participation of its personnel as required for the defense at the cost and expense of the indemnifying Party.

9. **Representations, Warranties and Covenants**.

(a) General. Consultant represents and warrants that (i) the Services will be performed in a professional manner, in accordance with industry standards and in compliance with applicable laws; (ii) Consultant has all required licenses and is in good standing in accordance with applicable state laws to provide the Services; (iii) Consultant is authorized to work in the United States as required under the Immigration Reform and Control Act ("IRCA") of 1986; and (iv) Consultant's execution, delivery and performance of this Agreement will not violate the terms or provisions of any other agreement, contract or other instrument, whether oral or written, to which Consultant is a party.

(b) Non-Infringement. Consultant represents and warrants that the Developments produced under this Agreement shall be the sole product of Consultant; that Consultant will not incorporate any invention, improvement, or discovery owned by Consultant or any third party into any Development without TransEnterix' prior written permission, and that the use and disclosure of the Developments does not and will not infringe upon or violate any patent, copyright, trade secret or other property right of any third party.

(c) Compliance with Laws and Policies. Each Party represents and warrants that it will perform its obligations hereunder in compliance with all laws and regulations applicable to this Agreement, including, but not limited to, the following:

(i) laws, regulations, including safe harbor regulations, and official guidance pertaining to the federal anti-kickback law (42 United States Code ("U.S.C.") §§ 1320a-7b, et seq. and its implementing regulations), state anti-kickback laws, and laws prohibiting the submission of false claims to governmental or private health care payors (31 U.S.C. §§ 3729, et seq. and its implementing regulations). Consultant shall be responsible for conducting training, as necessary, to assure Consultant's employees comply with the requirements of this Section;

(ii) federal and state laws and regulations relating to the protection of individual and patient privacy. In the event that any Services provided under this Agreement involve the use or disclosure of Protected Health Information or "PHI" (as defined under the Health Insurance Portability and Accountability Act of 1996 (as codified at 42 U.S.C. § 1320d-8), as amended and any regulations promulgated thereunder;

(iii) federal, state and local laws and regulations relating to discrimination, harassment or retaliation, whether based on race, color, religion, gender, sex, age, sexual orientation, handicap and/or disability, national origin, whistleblowing or any other legally protected class; and

(iv) the U.S. Foreign Corrupt Practices Act ("FCPA"). Consultant will not make any payments or offers to pay anything of value to any government official in contravention of the FCPA.

(d) Consultant Exclusion and Debarment Lists; State Licensing. Consultant represents warrants and covenants that Consultant is not, and shall not be during the term:

(i) excluded from a federal health care program as outlined in Sections 1128 and 1156 of the Social Security Act;

(ii) debarred by the Food and Drug Administration ("FDA") under 21 U.S.C. 335a; or

(iii) otherwise excluded from contracting with the federal government.

10. **Equitable Relief**. Consultant acknowledges and agrees that a breach or threatened breach by such Party of any of its obligations under Sections 5 and 6, would cause the TransEnterix irreparable harm for which monetary damages would not be an adequate and agrees that, in the event of such breach or threatened breach, TransEnterix will be entitled to equitable relief, including a restraining order, an injunction, specific performance and any other relief that may be available from any court, without any requirement to post a bond or other security, or to prove actual damages or that monetary damages are not an adequate remedy. Such remedies are not exclusive and are in addition to all other remedies that may be available at law, in equity or otherwise.

11. **Attorneys' Fees**. In the event that any action, suit, or other legal or administrative proceeding is instituted or commenced by either Party hereto against the other Party arising out of or related to this Agreement, the prevailing Party shall be entitled to recover its reasonable attorneys' fees and court costs from the non-prevailing Party.

12. **Miscellaneous**.

(a) Survival. Without limiting the survival of any term or provision of this Agreement which expressly or implicitly contemplates survival beyond the termination or expiration of this Agreement, the provisions of Sections 3(e), 5, 6, 7, 8, 11, and 12 shall expressly survive the termination or expiration of this Agreement.

(b) Assignment. Consultant may not without TransEnterix' written consent thereto assign, transfer, or convey his rights under this Agreement. This Agreement and all of TransEnterix' rights and obligations hereunder may be assigned, delegated, or transferred by it, in whole or in part, to and shall be binding upon and inure to the benefit of any successor of TransEnterix.

(c) Notice. Any notice required hereunder shall be deemed sufficient and service thereof completed upon receipt, refusal, or nondelivery of same if same shall be in writing and hand-delivered or addressed to the addressee at the last known post office address thereof, in the case of Consultant, or the registered office of TransEnterix, in the case of TransEnterix, and mailed certified or registered mail, with return receipt requested, postage prepaid.

(d) Severability. The provisions of this Agreement are deemed by the Parties to be severable, and the invalidity or unenforceability of any one or more of the provisions of this Agreement shall not affect the validity or enforceability of any other provision.

(e) Waiver of Breach. The waiver by either Party of any breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of any provision of this Agreement.

(f) Governing Law and Venue. The Parties hereto agree that without regard to principles of conflicts of laws, the internal laws of the State of North Carolina shall govern and control the validity, interpretation, performance, and enforcement of this Agreement. TransEnterix and Consultant agree that any action relating to this Agreement shall be instituted and prosecuted only in the courts of Durham County, North Carolina or the federal courts of the Middle District of North Carolina, and TransEnterix and Consultant hereby consent to the jurisdiction of such courts and waive any right or defense relating to venue and jurisdiction over the person.

(g) Entire Agreement. This Agreement sets forth the entire understanding between the Parties with respect to the subject matter discussed herein and supersedes any previous understandings or agreements, written or oral, between TransEnterix and Consultant. All prior negotiations between TransEnterix and Consultant are merged herein. This Agreement may be modified only by an agreement in writing, signed by both Parties, expressly purporting to modify this Agreement.

(h) Article Headings. The article headings are for convenience of reference only and shall not be construed as terms of this Agreement.

(i) Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which will be deemed to be an original of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. This Agreement, to the extent signed and delivered by means of a facsimile machine or by other electronic transmission of a manual signature (by portable document format (pdf) or other method that enables the recipient to reproduce a copy of the manual signature), shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

IN WITNESS WHEREOF, he Parties have executed this Agreement as of the Effective Date.

CONSULTANT:

____
Joseph P. Slattery

COMPANY:

TRANSENTERIX, INC.

By: ____________________
Name:
Title:

Exhibit 10.6

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (the "Agreement") is entered into by and between Todd M. Pope ("Executive") on the one hand, and TransEnterix, Inc. (the "Company") on the other hand.

RECITALS

WHEREAS, Executive is employed by the Company as Chief Executive Officer and President, is a member of the Board of Directors (the "Board") of the Company, and is party with the Company to that certain Amended and Restated Employment Agreement, dated March 6, 2018 (the "Employment Agreement") attached hereto as Exhibit A and that certain Employment, Confidential Information, and Invention Assignment Agreement, executed as of September 5, 2008 (the "Confidential Information Agreement") attached hereto as Exhibit B;

WHEREAS, the Executive and the Company have determined that a separation from service by the Executive is in the best interests of the Company and the Executive;

WHEREAS, the Executive has agreed to provide consulting services to the Company;

WHEREAS, the parties have reached agreement on the terms governing the Executive's transition from his roles and duties as an executive officer of the Company, and desire to memorialize the terms and conditions by entering into this Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable considerations, the receipt and sufficiency of which hereby are acknowledged, the Company and Executive agree as follows:

1. Employment Status. Executive's employment as Chief Executive Officer and President is terminated, effective as of November 8, 2019. In connection with such separation from service:

(a) Executive's employment is deemed to be terminated without Cause under Section 6(a) of the Employment Agreement effective as of November 8, 2019, and Executive is hereby resigning from the Board of Directors of the Company and as an officer, manager, director, and from similar roles, from each of the Company's subsidiaries, effective as of such date;

(b) Executive acknowledges that the presentation of the terms of this Agreement to him has met the written notice requirement set forth in Section 6(a) of the Employment Agreement;

(c) Executive shall have no further authority as an officer or director of the Company or any of its subsidiaries, or in any agency capacity as of and after November 8, 2019, and there shall be no restrictions on his outside activities, including, without limitation, service on boards of other entities, subject only to his ongoing non-competition and non-solicitation provisions; provided, however, if requested by the Chair of the Board, the Executive shall execute and deliver the certificate of the principal executive officer to accompany the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2019;

(d) In accordance with Section 9(a) of the Employment Agreement:

(i) the Company shall pay to the Executive any accrued and unpaid base salary and any other compensation and benefits to the extent actually earned by the Executive under the Employment Agreement or under any benefit plan or program of the Company as of November 8, 2019 (including, for the avoidance of doubt, payment for any accrued but unused vacation and personal days as of such date) at the normal time for payment of such salary, compensation or benefits;

(ii) the Company shall reimburse the Executive for all unreimbursed reasonable expenses incurred by him in connection with the conduct of the business of the Company, provided he properly accounts therefor in accordance with the Company's policies;

(iii) subject to the Executive's timely execution and non-revocation of this Separation and Release Agreement, the Company shall pay to the Executive as a severance benefit for each month during the twelve (12) month period beginning with the month next following the date of termination of the Executive's employment an amount equal to one-twelfth of the sum of (1) his annual rate of base salary as of November 7, 2019, and (2) his target annual bonus for fiscal year 2019; and

(iv) subject to the Executive's timely execution and non-revocation of this Separation and Release Agreement, during the period of twelve (12) months beginning on November 8, 2019, the Executive shall remain covered by the medical, dental, vision, life insurance, and, if reasonably commercially available through nationally reputable insurance carriers, long-term disability plans of the Company that covered him immediately prior to his termination of employment as if he had remained in employment for such period. In the event that the Executive's participation in any such plan is barred, the Company shall arrange to provide the Executive with substantially similar benefits (but, in the case of long-term disability benefits, only if reasonably commercially available). Any medical insurance coverage for such 12-month period pursuant to this subsection (d)(iv) shall become secondary upon the earlier of (1) the date on which the Executive begins to be covered by comparable medical coverage provided by a new employer, or (2) the earliest date upon which the Executive becomes eligible for Medicare or a comparable Government insurance program. The Executive's COBRA entitlements shall run concurrently with the benefit coverage provided pursuant to this subsection (d)(iv). The Executive shall notify the Company if he is eligible to receive comparable medical coverage from a new employer. The payments under this subsection shall be made in compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(e) Payment of Severance Payments. The cash severance payments under Section 1(d)(iii) shall be paid on a monthly basis beginning in December 2019. Each month's payment shall be made no later than the 15th day of the applicable month. In the event that the Executive dies before the end of such twelve-month period, the payments for the remainder of such period shall be made to the Executive's estate. The payments under this subsection shall be made in compliance with Section 409A of the Code.

(f) Prorated 2019 Annual Cash Incentive. If the Company pays bonuses under the 2019 Annual Cash Incentive program, the Executive shall be entitled to receive a pro-rated bonus amount, payable in no event later than the date in calendar year 2020 that payment is made to executive officers of the Company, based on achievement of the defined goals, as determined in good faith by the Board consistent with manner in which bonus amounts are determined for the Company's executive officers. Any such 2019 bonus payment shall be pro-rated to November 8, 2019, and shall otherwise be administered consistent with the terms and conditions of the 2019 Annual Cash Incentive program.

2. Change in Control. In the event a Change in Control (as defined in the Employment Agreement) of the Company is consummated prior to December 31, 2020, or has been agreed to under a definitive agreement but is not yet consummated as of December 31, 2020, Executive shall be entitled to receive the Change in Control severance benefits set forth in Section 9(e) of the Employment Agreement, minus any severance benefits actually received by him under this Agreement prior to such Change in Control, and the payment of such benefits shall be accelerated as set forth in the Employment Agreement. For the avoidance of doubt, any then outstanding equity awards shall accelerate and vest in accordance with the Section 9(e) of the Employment Agreement. Any such payments shall be subject to reduction in accordance with Section 15, Golden Parachute Reduction, of the Employment Agreement, if applicable.

3. Consulting Agreement. On the date hereof, Executive and the Company are entering into a Consulting Agreement, set forth as Exhibit C to this Agreement, under which Executive shall provide consulting services to the Company and its subsidiaries from November 9, 2019 until December 31, 2020, or its termination date if earlier terminated in accordance with its terms.

4. Consideration. Executive acknowledges and agrees that Section 2 of this Agreement and the Consulting Agreement constitute good and valuable consideration to which Executive would not otherwise be entitled.

5. Confidential Information, Inventions and Proprietary Information. The obligations under Section 13 of the Employment Agreement are unaffected by this Agreement and will continue to apply to the Executive in accordance with the terms of the Employment Agreement.

6. Non-solicitation and Non-competition. The obligations under Section 12 of the Employment Agreement are unaffected by this Agreement and shall continue to apply to the Executive during the term of the Consulting Agreement and for one(1) year thereafter in accordance with the terms of the Employment Agreement.

7. Non-Disparagement. Neither the Executive nor the Company will at any time publish or communicate to any person or entity any Disparaging remarks, comments or statements concerning the other. For purposes of this Section, the "Company," refers to the Company, its subsidiaries and affiliates, and their respective present and former members, partners, directors, officers, shareholders, employees, agents, attorneys, successors and assigns. The Company will instruct its directors and officers not to publish or communicate to any person or entity any Disparaging remarks, comments or statements concerning the Executive. "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity or morality or business acumen or abilities in connection with any aspect of the operation of business of the individual or entity in question.

8. Indemnification Agreement. The provisions of the Indemnification Agreement, dated June 11, 2014, between the Company and the Executive (the "Indemnification Agreement") attached hereto as Exhibit D remain in full force and effect with respect to his activities on behalf of the Company prior to and on the date of termination hereunder.

9. General Release of Claims and Covenant Not to Sue.

(a) FOR HIMSELF AND HIS RESPECTIVE ADMINISTRATORS, EXECUTORS, AGENTS, BENEFICIARIES AND ASSIGNS, EMPLOYEE AGREES TO WAIVE, RELEASE AND FOREVER DISCHARGE RELEASEES (AS DEFINED BELOW) OF AND FROM ANY AND ALL CLAIMS (AS DEFINED BELOW). Executive further agrees that should any other person, organization or entity file a lawsuit or arbitration to assert any such Claim, Executive will not seek any personal relief in such an action. This General Release of Claims and Covenant Not to Sue ("Release") covers all Claims arising from the beginning of time up to and including the date Executive executes this Agreement. This Release includes Claims which Executive may have for any type of damages cognizable under any of the laws referenced herein, including, but not limited to, any and all Claims for compensatory damages, punitive damages, and attorneys' fees and costs.

(b) Exclusions: Notwithstanding any other provision of this Release, the following are not barred by the Release: (i) Claims relating to the validity of this Release; (ii) Claims by either party to enforce this Release; (iii) Claims related to Executive's right to indemnification under the Company's Bylaws and under the Indemnification Agreement; (iv) Claims related to Executive's rights under this Agreement or the Consulting Agreement; (v) Claims related to the shares of Company stock held by the Executive or his outstanding equity or equity-based compensation awards, including pursuant to any equity or equity-based compensation award agreements; and (vi) Claims that legally may not be waived. Further, it is understood and agreed that this Release does not bar Executive's right to file an administrative charge with the Securities and Exchange Commission ("SEC"), the Equal Employment Opportunity Commission ("EEOC"), the United States Department of Labor ("USDOL"), the National Labor Relations Board ("NLRB"), the Occupational Safety and Health Administration ("OSHA") or any other federal, state or local agency; prevent Executive from reporting to any government agency any concerns Executive may have regarding a Releasee's practices; or preclude Executive's participation in an investigation by the SEC, EEOC, USDOL, NLRB, OSHA or any other federal, state or local agency, although the Release does bar Executive's right to recover any personal relief (including monetary relief) if Executive or any person, organization, or entity asserts a charge or complaint on Executive's behalf, including in a subsequent lawsuit or arbitration, except that Executive may receive an award from the SEC under the federal securities laws.

(c) The following provisions further explain this Release:

(i) Definitions.

(1) "Claims" includes without limitation all actions or demands of any kind that Executive now has or may have or claim to have in the future. More specifically, Claims include actions, lawsuits, claims, demands in law or equity, rights, causes of action, damages, penalties, losses, attorneys' fees, costs, expenses, obligations, agreements, judgments and all other liabilities of any kind or description whatsoever, either in law or in equity, whether known or unknown, suspected or unsuspected.

(2) "Releasees" refers to the Company and its past, present and future parents, subsidiaries, predecessors, successors, affiliated and related companies and all of their past and present directors, members, partners, officers, equity holders, trustees, insurers, employees, agents, servants, attorneys, assigns and representatives.

(ii) The nature of Claims covered by this Release includes without limitation all actions or demands in any way based on Executive's employment with the Company, the Employment Agreement, the terms and conditions of such employment or separation from employment. More specifically, all of the following are among the types of Claims which, to the extent permitted by law, are waived and barred by this Release: (1) contract Claims (whether express or implied); (2) tort Claims, such as for defamation or emotional distress; (3) Claims under federal, state and municipal laws, regulations, ordinance or court decisions of any kind; (4) Claims of discrimination, harassment or retaliation, whether based on race, color, religion, gender, sex, age, sexual orientation, handicap and/or disability, national origin, whistleblowing or any other legally protected class, including Claims arising under Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Civil Rights Act of 1866; the Civil Rights Act of 1870; the Consolidated Omnibus Budget Reconciliation Act; the National Labor Relations Act; the Labor Management Relations Act; the Equal Pay Act; the Americans with Disabilities Act; the Executive Retirement Income Security Act; the Rehabilitation Act; the Age Discrimination in Employment Act; the Family and Medical Leave Act; the Older Workers' Benefit Protection Act; the Fair Labor Standards Act; the North Carolina Employment Practices Act; the Retaliatory Employment Discrimination Act; Persons with Disabilities Protection Act; Discrimination Against Persons with Sickle Cell Trait; Discrimination Based Upon Genetic Testing and Information; Discrimination Based Upon Use of Lawful Products; Discrimination Based Upon AIDS or HIV Status; Hazardous Chemicals Right to Know Act; Jury Service Discrimination; and Military Service Discrimination; (5) Claims under the AGE DISCRIMINATION IN EMPLOYMENT ACT, Title VII of the Civil Rights Act of 1964, as amended, the Genetic Information Nondiscrimination Act, the Family and Medical Leave Act, as amended, the Americans with Disabilities Act, as amended, and similar federal, state, and local laws, statutes, and ordinances; (6) Claims under the Executive Retirement Income Security Act, the Occupational Safety and Health Act and similar state and local laws; (7) Claims for wages and benefits (including without limitation, bonuses, severance benefits, health and welfare benefits, vacation pay and other fringe-type benefits); (8) Claims under any incentive compensation, stock, equity, or other type of equity-based plan or arrangement, including all Award Agreements thereunder, including, but not limited to the TransEnterix, Inc. 2019 Amended and Restated Incentive Compensation Plan and any and all prior versions of such plan; (8) Claims under any and all cash based incentive plans including, but not limited to, the 2019 Annual Cash Incentive program and any and all prior versions of such plan; (9) Claims for wrongful discharge; and (10) Claims for attorney's fees, litigation expenses and/or costs.

The foregoing list is intended to be illustrative and not exhaustive. Executive agrees that this Release should be interpreted as broadly as possible to achieve Executive's intention to waive all of his claims against Releasees.

(d) Older Workers Benefit Protection Act. Pursuant to the provisions of the Older Workers Benefit Protection Act ("OWBPA"), which applies to Executive's waiver of rights under the Age Discrimination in Employment Act, Executive understands and agrees that he is waving all rights and claims he has or may have against the Company including but not limited to rights and claims under the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq. ("ADEA"). Additionally, Executive acknowledges that:

(i) no rights or claims are waived by him that may arise from an event or transaction that occurs after the date this Release is executed by him;

(ii) Executive is advised in writing to consult with an attorney prior to executing this Release;

(iii) that Executive has been provided with Exhibit E to this Agreement, which contains a written description of the class, unit or group of persons considered for termination as part of the Company's recent separation program, as well as the applicable eligibility factors, and the time limits applicable to it, as well as a list of those individuals, by job title and age, who are selected/eligible for termination and those who are not selected/eligible;

(iv) Executive is advised that he has forty-five (45) days from his receipt of this Agreement, unless extended in writing by the Company, to consider this Release;

(v) Executive is advised that he has seven (7) days following his execution of this Release to revoke this Release; and

(vi) this Release, including those pertaining to any right or claim under the ADEA shall not become effective or enforceable until the expiration of the seven (7) day revocation period following Executive's execution hereof has occurred without Executive so revoking his or her execution of this Release (the "Release Effective Date").

Executive may, but is not required to, sign this Release prior to the expiration of the forty-five (45) day period provided for above. Executive agrees that any revisions to this Release, whether material or otherwise, prior to Executive's execution of this Release will not restart the forty-five (45) day period provided for above. Executive acknowledges receiving the original draft of this Release on November 6, 2019. If Executive decides to sign this Release, then the original executed Release must be sent within forty-five (45) calendar days after the date Executive receives this Release to Joshua Weingard, Chief Legal Officer, TransEnterix, Inc., 635 Davis Drive, Morrisville, NC 27560 or scanned via email.

If Executive executes this Release and thereafter desires to revoke his execution of this Release, then written notice of revocation must be sent to Joshua Weingard at the same address within seven (7) days after the date Executive executes this Release or scanned via email.

10. IRS Issues. As required by law, the Company will issue the appropriate IRS Form W-2 at the appropriate time. Executive acknowledges that he has not relied upon any advice from Releasees concerning the tax liability, if any, for the amounts to be paid in this Agreement. He also acknowledges that he is responsible for any and all tax liability or consequences which may be assessed arising from the payment and characterization of these proceeds and agrees to and does hereby indemnify and hold the Company harmless against any and all tax liability, interest, and/or penalties the Company may incur with respect to the tax treatment of these monies.

11. No Future Payments. Except as set forth in this Agreement, the Consulting Agreement and the Executive's outstanding equity or equity-based award agreements, it is expressly agreed and understood by the parties that Releasees do not have, and will not have, any obligation to provide Executive at any time in the future with any bonus or other payments, benefits, or consideration.

12. No Future Employment. Executive agrees that he hereby waives any and all rights to, and that he is not eligible for, reinstatement, reemployment, or rehire with the Releasees, and he promises that he will not knowingly seek future employment with the Releasees. Executive further agrees that this Agreement constitutes sufficient and appropriate legal justification for the Releasees' refusal to hire him or, should Executive become employed with a Releasee, sufficient and appropriate legal justification for his termination.

13. Non-Admission. Executive agrees and acknowledges that this Agreement is not to be construed as an admission by the Company or any Releasee of any violation of any federal, state or local statute, ordinance or regulation, constitutional right, public policy, common law duty, or contractual obligation. The Company specifically denies that it or any of the Releasees engaged in any wrongdoing concerning Executive.

14. Return of Corporate Property. Executive shall promptly return to the Company any and all corporate property and copies thereof in his possession or under his custody or control, including without limitation: corporate credit cards, keys and access cards, calling cards, cellular or mobile telephone, parking permit, laptop, computer equipment and software.

15. Cooperation. Executive agrees to fully cooperate with the Company and Company counsel to provide information and/or testimony regarding any current or future litigation or investigations from actions or events occurring during his employment with the Company. Except as prohibited by law, the Company shall reimburse Executive for pre-approved reasonable out-of-pocket expenses for providing such assistance and shall pay a reasonable reimbursement for his time spent pursuant to this Section 15. This Section 15 does not cover payment for separate counsel for Executive unless expressly pre-approved by the Company.

16. Waiver. If a party, by its actions or omissions, waives or is adjudged to have waived any breach of this Agreement, any such waiver shall not operate as a waiver of any other subsequent breach of this Agreement.

17. Successor and Assigns. This Agreement is binding upon and shall inure to the benefit of the parties hereto and the Releasees and their respective heirs, executors, administrators, personal or legal representatives, successors and/or assigns.

18. Severability. If any provision of this Agreement is or shall be declared invalid or unenforceable by a court of competent jurisdiction, the remaining provisions shall not be affected thereby and shall remain in full force and effect.

19. Integration and Modification. This Agreement, including the Consulting Agreement, and the ongoing effectiveness of the provisions of the Employment Agreement, and the Indemnification Agreement, contains all of the promises and understandings of the parties. There are no other agreements or understandings except as set forth herein, and this Agreement may be amended only by a written agreement signed by Executive and the Company.

20. Advice to Consult Legal and Tax Representation. Executive is advised to consult with legal and tax advisors of his choosing regarding the meaning, tax implications and binding effect of this Agreement and every term hereof prior to executing it. The Company will directly pay fees up to $20,000 to the Executive's legal and tax advisors for their review and negotiation of the terms of this Agreement and the related agreements as well as their advice as to the legal and tax implications thereof.

21. Governing Law. Without regard to principles of conflicts of laws, the internal laws of the State of North Carolina shall govern and control the validity, interpretation, performance, and enforcement of this Agreement. The Company and the Executive agree that any action relating to this Agreement shall be instituted and prosecuted only in the courts of Durham County, North Carolina or the federal courts of the Middle District of North Carolina, and the Company and the Executive hereby consent to the jurisdiction of such courts and waive any right or defense relating to venue and jurisdiction over the person.

22. Counterparts. This Agreement may be executed in any number of counterparts and each such counterpart shall have the same force and binding effect as if executed by all parties. Facsimile or pdf signatures shall have the same force and effect as an original signature.

23. Acknowledgement. Executive acknowledges that:

(a) he has read and understood the terms and the meaning of this Agreement and the Consulting Agreement, and that this Agreement and the Consulting Agreement are written in a manner that he understands;

(b) he acknowledges that the Confidential Information Agreement remains in full force and effect;

(c) Exhibit F to this Agreement contains a list of all professional associations, industry groups and similar entities or associations to which Executive is a member, either as an individual or as a representative of the Company;

(d) other than accrued and unpaid salary, benefits and business expenses as of the date of this Agreement, he is not owed any payments from the Company for services rendered, whether as wages or salary, bonuses, commissions, or other benefits, except as provided for in this Agreement and the Consulting Agreement;

(e) he has had an adequate period of time to consider this Agreement before signing it;

(f) he has been advised to consult with an attorney of his own choosing concerning the legal significance of this Agreement and the Consulting Agreement;

(g) he is not aware of any factual basis for a claim that the Company or the Releasees, in any way, have engaged in any improper acts or committed any improper omissions, or have defrauded the United States Government;

(h) the Company, its agents, representatives and employees, and the Releasees have not made any representations to him concerning the terms or effects of this Agreement, other than those contained in the Agreement; and

(i) he has the intention of releasing all Claims recited herein in exchange for the payments and other consideration described herein, which he acknowledges as adequate and satisfactory to him and in addition to anything to which he otherwise is entitled.

[Signatures on the next page.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates set forth below.

EXECUTIVE:	TRANSENTERIX, INC.:
By: /s/ Todd M. Pope	By: /s/ Paul LaViolette
Name: Todd M. Pope	Name: Paul LaViolette
Date: November 8, 2019	Title: Chair of the Board
	Date: November 8, 2019

Exhibits and Schedules:

Exhibit A EMPLOYMENT AGREEMENT

Exhibit B CONFIDENTIAL INFORMATION AGREEMENT

Exhibit C CONSULTING AGREEMENT

Schedule A – Description of Services
Schedule B – Consulting Fees

Exhibit D INDEMNIFICATION AGREEMENT

Exhibit E OWBPA TERMINATION INFORMATION

Exhibit F PROFESSIONAL ASSOCIATIONS, ETC.

The Exhibits and related Schedules, other than the Consulting Agreement, are deleted from this filing because the information in the deleted Exhibits and Schedules is not material to an understanding of the Agreement. The Company will provide such Exhibits and Schedules supplementally to the U.S. Securities and Exchange Commission upon request.

EXHIBIT C

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is made and entered into as of November 9, 2019 (the "Effective Date"), by and between **TRANSENTERIX, INC**., a Delaware corporation with its principal place of business in Research Triangle

Park, North Carolina ("TransEnterix" or the "Company"), and **Todd M. Pope**, an individual ("Consultant"). TransEnterix and Consultant are individually referred to herein as the "Party" and collectively as the "Parties" to this Agreement.

1.**Consulting Relationship**. During the term of this Agreement, Consultant shall well and faithfully render and perform such advisory or consulting services as may from time-to-time be requested by TransEnterix, including but not limited to those services described on **Schedule A** attached hereto and incorporated herein by reference (the "Services"). Consultant represents that Consultant has the qualifications, experience, and ability to perform the Services properly. Consultant shall devote such time and effort as may reasonably be deemed necessary for the performance of the Services and shall perform the Services in a professional manner. Consultant shall adhere to the policies of TransEnterix in performance of the Services.

2.**Consultant's Fees**. TransEnterix shall pay Consultant the fees for the performance of the Services in accordance with the payment terms set forth on **Schedule B**, attached hereto and incorporated herein by reference. The Parties acknowledge and agree that the fees set forth in this Agreement represents the fair market value of the Services to be performed by Consultant to TransEnterix.

3.**Independent Contractor**. Consultant's sole relationship with TransEnterix is that of an independent contractor. Consultant is not and shall not be deemed to be an employee of TransEnterix. Nothing contained in this Agreement is intended to or shall be construed to create between TransEnterix and Consultant a relationship of employer/employee or principal/agent, or a joint venture, partnership, franchise, or other legal relationship. Consultant at no time under any circumstances shall hold itself out to be an employee of TransEnterix, whether by words, actions, or otherwise. Consultant further understands and agrees as follows:

(a) Method of Provision of Services. Consultant shall perform the Services in compliance with the terms and conditions set forth in this Agreement and on **Schedule A**.

(b) No Authority to Bind TransEnterix. Neither Consultant, nor any agent of Consultant, has authority to enter into contracts that bind TransEnterix or create obligations on the part of TransEnterix without the prior written authorization of TransEnterix.

(c) No Benefits. TransEnterix acknowledges that Consultant is eligible to elect COBRA continuation coverage as a result of Consultant's employment by TransEnterix, which employment ended on November 8, 2019. Any such election to receive COBRA continuation coverage shall be subject to that certain Separation and General Release Agreement, dated as of November 8, 2019 between the Company and the Consultant (the "Separation Agreement"). Consultant otherwise acknowledges and agrees that Consultant will not be eligible for any TransEnterix employee benefits, including severance, other than as set forth in the Separation Agreement and, to the extent Consultant otherwise would be eligible for any TransEnterix employee benefits but for the express terms of this Agreement and the Separation Agreement, Consultant hereby expressly waives and declines to participate in such TransEnterix employee benefits.

(d) Expenses. Consultant shall be responsible for any expenses incurred as a result of Consultant's performance of the Services and shall not be authorized to incur on behalf of TransEnterix any expenses without the prior consent of TransEnterix, which consent shall be evidenced in writing and shall not be unreasonably withheld, conditioned or delayed. As a condition to receipt of reimbursement, Consultant shall be required to submit to TransEnterix an itemized account of authorized expenses, with appropriate receipts, in a manner that is reasonably acceptable to TransEnterix and in accordance with TransEnterix policies. All travel and related expenses will be paid in accordance with TransEnterix' company policies.

(e) Withholding; Indemnification. TransEnterix shall report all amounts paid to Consultant pursuant to this Agreement to the U.S. Internal Revenue Service. Consultant shall have full responsibility for applicable withholding taxes for all fees paid to Consultant under this Agreement, and for compliance with all applicable labor and employment requirements with respect to Consultant's self-employment, sole proprietorship or other form of business organization, including all federal and local income taxes in the Consultant's country of domicile, and all pension, employee welfare, worker's compensation insurance coverage requirements in the Consultant's country. Consultant agrees to indemnify, defend, and hold TransEnterix harmless from any liability for, or assessment of, any claims or penalties with respect to such withholding taxes, income taxes, labor, or employment requirements, including any liability for, or assessment of, withholding taxes imposed on TransEnterix by the relevant taxing authorities with respect to any fees paid to Consultant, except Consultant shall not be required to indemnify, defend, or hold TransEnterix harmless from any liability resulting from a local, state, or federal government or agency assessing tax or other penalties against TransEnterix based on a finding that TransEnterix improperly classified Consultant as an independent contractor.

4.**Term and Termination**.

(a) This Agreement shall be effective as of the Effective Date and shall continue until December 31, 2020, subject to early termination as provided herein.

(b) TransEnterix shall have the right to terminate this Agreement for Cause (as defined below) immediately at any time.

(c) Each of TransEnterix and Consultant shall have the right to terminate this Agreement on thirty (30) days prior written notice to the other Party.

(d) Upon any termination, Consultant shall have no further rights under this Agreement and shall be entitled only to receive the amounts due, if any, pursuant to Section 2 through the effective date of termination; provided, however, if TransEnterix terminates this Agreement under Section 4(c), the applicable provisions of **Schedule B** shall apply.

(e) For purposes of this Section 4, TransEnterix shall have "Cause" to terminate this Agreement upon: a determination by TransEnterix, in good faith, that Consultant: (i) has breached in any material respect any of the terms or conditions of this Agreement or any material TransEnterix policy applicable to Consultant; provided, that TransEnterix shall provide written notice of such alleged breach and, to the extent TransEnterix believes, in its good faith, reasonable discretion, that such alleged breach is curable, shall provide Consultant with thirty (30) days to cure such breach, or (ii) has discriminated against any employee, customer, or other person covered by any anti-discrimination laws, regulations, or TransEnterix' company policies applicable to Consultant; or (iii) is engaging or has engaged in conduct involving moral turpitude, willful misconduct, or conduct which is detrimental in any material respect to the standing, reputation or business prospects of TransEnterix or which has had, or likely will have, a material adverse effect on TransEnterix' business or reputation. For purposes of this provision, no act or failure to act on the part of Consultant shall be considered "willful" unless it is done, or omitted to be done, by Consultant in bad faith.

(f) In the event there is a "Change of Control" of TransEnterix (as defined in the Employment Agreement, dated March 6, 2018 between TransEnterix and Consultant (the "Employment Agreement")) during the term of this Agreement, this Agreement shall terminate with immediate effect and Consultant shall be entitled to receive under this Agreement only any cash fees accrued but not yet paid as of the date of termination. For the avoidance of doubt, the provisions of the Separation Agreement control with respect to severance or other compensation due to Consultant if a Change of Control occurs.

5.**Covenant Not to Disclose Confidential Information**.

(a) Confidential Information. Consultant agrees that during the term of this Agreement, Transenterix may disclose or make available certain confidential, privileged, and proprietary information relating to TransEnterix' copyrights, trade secrets, inventions, patents, trademarks, marketing research, computer code and other technical information, software programs, prices, costs, discounts, data, books, records, files, forms, lists, reports, accounts, financial information, venture discussions, memoranda, summaries, instructions, resources, processes, technologies, projects, research, procedures, experiments, contracts, proposals, documentation, and information obtainable from examination of any such items, in oral, written, machine-readable, or other form, and on tape, microfilm, microfiche, computer, optical, or other format, and other similar matters that are not publicly known or publicly available (collectively, the "Confidential Information"). The term "trade secrets" shall be given its broadest possible interpretation under the law.

(b) Exclusions. Confidential Information does not include information that Consultant can demonstrate by written or other documentary records: (i) was rightfully known to Consultant without restriction on use or disclosure prior to such information being disclosed or made available to the Consultant in connection with this Agreement; (ii) was or becomes generally known by the public other than by the Consultant's noncompliance with this Agreement; or (iii) was or is received by the Consultant on a non-confidential basis from a third party that was not or is not, at the time of such receipt, under any obligation to maintain its confidentiality.

(c) Non-Disclosure. As a condition to being provided with any disclosure of or access to Confidential Information, Consultant agrees that during the term of this Agreement and thereafter (whether this Agreement has expired or has been terminated):

(i) Consultant shall not, directly or indirectly, use, reveal, or allow to be used or revealed any aspect of the Confidential Information to any person, firm, partnership, trust, corporation, or other association or entity (whether governmental or private) except as expressly authorized by TransEnterix in writing, or as reasonably required in order to perform Consultant's duties and responsibilities under the terms of this Agreement, or as required by law;

(ii) Consultant shall refrain from any action or conduct which might reasonably be expected to compromise the confidentiality or proprietary nature of the Confidential Information;

(iii) Consultant shall follow the reasonable suggestions made by TransEnterix from time-to-time regarding the confidentiality and proprietary nature of the Confidential Information;

(iv) Consultant shall not use the Confidential Information in any manner outside the scope of this Agreement, in any manner competitive with TransEnterix, in any unlawful manner, or to interfere with or attempt to terminate or otherwise adversely affect any business relationship of TransEnterix;

(v) Consultant has no right and shall not in the future have any right to apply or attempt to apply for or to obtain any patent, copyright, or other form of intellectual property protection with regard to the Confidential Information;

(vi) Consultant shall safeguard the Confidential Information from unauthorized use, access or disclosure using at least the degree of care it uses to protect its own sensitive information and in no event less than a reasonable degree of care; and

(vii) Consultant shall notify the TransEnterix in writing within two (2) business days of any unauthorized disclosure or use of the Consultant's Confidential Information and cooperate with the Consultant to protect the confidentiality and ownership of all Confidential Information, privacy rights and other rights therein.

6.**Proprietary Information**. Consultant will make full and prompt disclosure to TransEnterix of all inventions, improvements, discoveries, data, know-how, research, procedures, designs, formulas, techniques, methods, trade secrets, developments, technology, software and works of authorship, products, formulas, business methods, documentation, data, designs, flow charts, specifications, and algorithms, including any modifications, improvements or derivative works whether patentable or not, which are or have been created, made, conceived or reduced to practice by Consultant or under Consultant's direction or jointly with others during and relating to Consultant's engagement by TransEnterix or the business activities of TransEnterix, whether or not during normal working hours or on the premises of TransEnterix (all of which are collectively referred to in this Agreement as "Developments"). Consultant hereby agrees to assign, and does hereby assign, to TransEnterix Surgical, Inc. or any of its affiliates as directed by TransEnterix, all of Consultant's right, title and interest in and to all Developments and all related patents, patent applications, copyrights and copyright applications, together with all rights to sue for and collect damages by reason of past, present and future infringement of such assigned Developments, as fully and entirely as the same would have been held and enjoyed by Consultant or Consultant's agents, representatives, or subcontractors had this Agreement not been made. Consultant agrees that these obligations are binding upon Consultant's assigns, executors, administrators and other legal representatives. Consultant agrees that to the extent copyrightable, any such original works of authorship shall be deemed to be "works for hire" and that TransEnterix shall be deemed the author thereof under the U.S. Copyright Act, provided that in the event and to the extent such works are determined not to constitute "works for hire" as a matter of law, Consultant hereby irrevocably assigns and transfers to TransEnterix all right, title and interest in such works, including but not limited to copyrights thereof. Consultant agrees to cooperate fully with TransEnterix, both during and after any term, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and foreign countries) relating to Developments.

7.**Insider Trading**. TransEnterix consultants are prohibited from trading in the TransEnterix' stock or other securities while in possession of material, non-public information about TransEnterix. In addition, Company consultants are prohibited from recommending, "tipping" or suggesting that anyone else buy or sell TransEnterix' stock or other securities on the basis of material, nonpublic information. Violation of insider trading laws can result in severe fines and criminal penalties, as well as immediate termination of this Agreement.

8.**Indemnity**.

(a) Transenterix. TransEnterix shall indemnify, defend and hold Consultant harmless from all third party claims, costs, and reasonable attorneys' fees actually incurred ("Claims") arising out of or resulting from TransEnterix' (i) negligence or misconduct under this Agreement, or (ii) breach of its representations and warranties, provided such Claims are not the result of (x) a material breach of this Agreement by Consultant, or (y) the negligence or willful misconduct of Consultant, or Consultant's employees, agents, representatives, or consultants.

(b) Consultant. Consultant shall indemnify, defend and hold TransEnterix harmless from all third party Claims arising out of or resulting from Consultant's (i) negligence or misconduct in providing the Services under this Agreement; (ii) failure to perform its obligations under this Agreement, (iii) medical or professional malpractice, and (iv) a breach of any representations, warrants or covenants in this Agreement, provided such Claims are not the result of (x) a material breach of this Agreement by TransEnterix, or (y) all or in part, the negligence or willful misconduct of TransEnterix, or TransEnterix' employees, agents, representatives, or consultants (not including Consultant).

(c) Indemnification Procedures. The indemnified Party shall promptly notify the indemnifying Party in writing of any such suit or claim, and shall take such action as may be necessary to avoid default or other adverse consequences in connection with such claim. The indemnifying Party shall have the right to select counsel and to control the defense and settlement of such claim; provided, however, that the indemnified Party shall be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in handling the claim, and provided further, that the indemnifying Party shall not take any action in defense or settlement of the claim that would negatively impact the indemnified Party. The indemnified Party shall provide cooperation and participation of its personnel as required for the defense at the cost and expense of the indemnifying Party.

9.Representations, Warranties and Covenants.

(a) General. Consultant represents and warrants that (i) the Services will be performed in a professional manner, in accordance with industry standards and in compliance with applicable laws; (ii) Consultant has all required licenses and is in good standing in accordance with applicable state laws to provide the Services; (iii) Consultant is authorized to work in the United States as required under the Immigration Reform and Control Act ("IRCA") of 1986; and (iv) Consultant's execution, delivery and performance of this Agreement will not violate the terms or provisions of any other agreement, contract or other instrument, whether oral or written, to which Consultant is a party.

(b) Non-Infringement. Consultant represents and warrants that the Developments produced under this Agreement shall be the sole product of Consultant; that Consultant will not incorporate any invention, improvement, or discovery owned by Consultant or any third party into any Development without TransEnterix' prior written permission, and that the use and disclosure of the Developments does not and will not infringe upon or violate any patent, copyright, trade secret or other property right of any third party.

(c) Compliance with Laws and Policies. Each Party represents and warrants that it will perform its obligations hereunder in compliance with all laws and regulations applicable to this Agreement, including, but not limited to, the following:

(i) laws, regulations, including safe harbor regulations, and official guidance pertaining to the federal anti-kickback law (42 United States Code ("U.S.C.") §§ 1320a-7b, et seq. and its implementing regulations), state anti-kickback laws, and laws prohibiting the submission of false claims to governmental or private health care payors (31 U.S.C. §§ 3729, et seq. and its implementing regulations). Consultant shall be responsible for conducting training, as necessary, to assure Consultant's employees comply with the requirements of this Section;

(ii) federal and state laws and regulations relating to the protection of individual and patient privacy. In the event that any Services provided under this Agreement involve the use or disclosure of Protected Health Information or "PHI" (as defined under the Health Insurance Portability and Accountability Act of 1996 (as codified at 42 U.S.C. § 1320d-8), as amended and any regulations promulgated thereunder;

(iii) federal, state and local laws and regulations relating to discrimination, harassment or retaliation, whether based on race, color, religion, gender, sex, age, sexual orientation, handicap and/or disability, national origin, whistleblowing or any other legally protected class; and

(iv) the U.S. Foreign Corrupt Practices Act ("FCPA"). Consultant will not make any payments or offers to pay anything of value to any government official in contravention of the FCPA.

(d) Consultant Exclusion and Debarment Lists; State Licensing. Consultant represents warrants and covenants that Consultant is not, and shall not be during the term:

(i) excluded from a federal health care program as outlined in Sections 1128 and 1156 of the Social Security Act;

(ii) debarred by the Food and Drug Administration ("FDA") under 21 U.S.C. 335a; or

(iii) otherwise excluded from contracting with the federal government.

10.**Equitable Relief**. Consultant acknowledges and agrees that a breach or threatened breach by Consultant of any of his obligations under Sections 5 and 6, would cause the TransEnterix irreparable harm for which monetary damages would not be an adequate and agrees that, in the event of such breach or threatened breach, TransEnterix will be entitled to equitable relief, including a restraining order, an injunction, specific performance and any other relief that may be available from any court, without any requirement to post a bond or other security, or to prove actual damages or that monetary damages are not an adequate remedy. Such remedies are not exclusive and are in addition to all other remedies that may be available at law, in equity or otherwise.

11. **Attorneys' Fees**. In the event that any action, suit, or other legal or administrative proceeding is instituted or commenced by either Party hereto against the other Party arising out of or related to this Agreement, the prevailing Party shall be entitled to recover its reasonable attorneys' fees and court costs from the non-prevailing Party.

12.**Miscellaneous**.

(a) Survival. Without limiting the survival of any term or provision of this Agreement which expressly or implicitly contemplates survival beyond the termination or expiration of this Agreement, the provisions of Sections 3(e), 5, 6, 7, 8, 11, and 12 shall expressly survive the termination or expiration of this Agreement.

(b) Assignment. Consultant may not, without TransEnterix' written consent thereto, assign, transfer, or convey his rights under this Agreement. This Agreement and all of TransEnterix' rights and obligations hereunder may be assigned, delegated, or transferred by it, in whole or in part, to and shall be binding upon and inure to the benefit of any successor of TransEnterix.

(c) Notice. Any notice required hereunder shall be deemed sufficient and service thereof completed upon receipt, refusal, or nondelivery of same if same shall be in writing and hand-delivered or addressed to the addressee at the last known post office address thereof, in the case of Consultant, or the registered office of TransEnterix, in the case of TransEnterix, and mailed certified or registered mail, with return receipt requested, postage prepaid.

(d) Severability. The provisions of this Agreement are deemed by the Parties to be severable, and the invalidity or unenforceability of any one or more of the provisions of this Agreement shall not affect the validity or enforceability of any other provision.

(e) Waiver of Breach. The waiver by either Party of any breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of any provision of this Agreement.

(f) Governing Law and Venue. The Parties hereto agree that without regard to principles of conflicts of laws, the internal laws of the State of North Carolina shall govern and control the validity, interpretation, performance, and enforcement of this Agreement. TransEnterix and Consultant agree that any action relating to this Agreement shall be instituted and prosecuted only in the courts of Durham County, North Carolina or the federal courts of the Middle District of North Carolina, and TransEnterix and Consultant hereby consent to the jurisdiction of such courts and waive any right or defense relating to venue and jurisdiction over the person.

(g) Entire Agreement. This Agreement, including the schedules and exhibits hereto, and the Separation Agreement, including the schedules and exhibits thereto, set forth the entire understanding between the Parties with respect to the subject matter discussed herein and supersede any previous understandings or agreements, written or oral, between TransEnterix and Consultant. All prior negotiations between TransEnterix and Consultant are merged herein. This Agreement may be modified only by an agreement in writing, signed by both Parties, expressly purporting to modify this Agreement.

(h) Article Headings. The article headings are for convenience of reference only and shall not be construed as terms of this Agreement.

(i) Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which will be deemed to be an original of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. This Agreement, to the extent signed and delivered by means of a facsimile machine or by other electronic transmission of a manual signature (by portable document format (pdf) or other method that enables the recipient to reproduce a copy of the manual signature), shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

CONSULTANT:

/s/ Todd M. Pope

Todd M. Pope

COMPANY:

TRANSENTERIX, INC.

By: /s/ Paul LaViolette
Name: Paul LaViolette
Title: Chair of the Board of Directors

Exhibit 10.7

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement") is made and entered into as of November 8, 2019, by and between TransEnterix, Inc., a Delaware corporation (the "Company"), and Anthony Fernando (the "Executive").

WITNESSETH

WHEREAS, the Company and the Executive (the "Parties") are currently parties to that certain Employment Agreement, dated as of August 14, 2015 and amended and restated as of March 6, 2018 (the "Prior Agreement"), and desire to replace that Prior Agreement with this Agreement; and

WHEREAS, the Board of Directors of the Company has effected a change in management of the Company and has appointed the Executive as the President and Chief Executive Officer of the Company effective November 8, 2019, and has approved changes to the Executive's compensation and benefits as set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the Parties, intending to be legally bound, agree as follows:

1. Term of Employment.

(a) The Company employs the Executive, and the Executive agrees to remain in the employment of the Company, in accordance with the terms and provisions of this Agreement, for the period set forth below (the "Employment Period").

(b) The Employment Period under this Agreement shall commence on November 8, 2019 (the "Effective Date") and, subject only to the provisions of Sections 6, 7 and 8 below relating to termination of employment, shall continue until the close of business on December 31, 2021 or, if the Employment Period is extended pursuant to subsection (c) of this Section 1, the close of business on the Extended Termination Date.

(c) On December 31, 2021, and on each Extended Termination Date, the Employment Period will automatically be extended for an additional 12-month period so as to end on December 31 of the succeeding calendar year (an "Extended Termination Date") unless either Party gives written notice to the other Party at least one hundred twenty (120) days in advance of the date on which the Employment Period would otherwise end that the Employment Period will not be extended.

2. Duties.

During the Employment Period the Executive will serve as the President and Chief Executive Officer of the Company. The Executive will devote his full business time and attention to the affairs of the Company and his duties as its President and Chief Executive Officer; provided, however, the Executive is not precluded from serving on the board of directors or managers, or committees thereof, of other entities if so serving as of the Effective Date or if approved by the Nominating and Corporate Governance Committee. The Executive will have such duties as are appropriate to his position as determined by the Board of Directors of the Company (the "Board") and shall report to the Board and serve at the pleasure of the Board. The Executive will be based at the headquarters of the Company, which is currently located in Morrisville, North Carolina, and his services will be rendered there except insofar as travel may be involved in connection with his regular duties.

3. Cash- and Equity-Based Compensation.

(a) Base Salary. The Company will pay the Executive an annual base salary, which is currently $440,000, which base salary as in effect from time to time will be reviewed periodically (at intervals of not more than twelve (12) months) by the compensation committee of the Board (the "Compensation Committee"). In evaluating increases in the Executive's base salary, the Compensation Committee will take into account such factors as corporate performance in relation to the business plan approved by the Board, individual merit, and such other considerations as it deems appropriate. The Executive's base salary will be paid in accordance with the standard practices for other corporate executives of the Company.

(b) Incentive Compensation. The Executive will be eligible to receive annually or otherwise any incentive compensation awards, payable in cash, which the Company, the Compensation Committee or such other authorized committee of the Board determines to award. For each fiscal year of the Company falling in whole or in part during the Employment Period, the Executive's target annual cash incentive compensation opportunity will be no less than 75% of his base salary for the portion of the Employment Period falling within that fiscal year. With respect to the annual cash incentive compensation award, the performance goals may be based on both Company performance metrics approved by the Compensation Committee or the Board annually and personal performance metrics established and approved by the Compensation Committee or the Board. All other terms of such incentive compensation awards shall be established by the Board or the Compensation Committee.

(c) Equity Compensation. The Executive is eligible to receive stock-based awards under the Company's Amended and Restated Incentive Compensation Plan, as amended, or any successor thereto (the "Plan") in the discretion of the Compensation Committee or the Board.

4. Benefits.

The Executive will continue to be eligible to participate in all employee benefit plans and programs of the Company from time to time in effect for the benefit of senior executives of the Company, including, but not limited to, retirement and savings plans, group life insurance, medical coverage, sick leave, salary continuation arrangements, vacations and holidays, long-term disability, and such other benefits as are or may be made available from time to time to senior executives of the Company.

5. Business Expenses.

The Executive will be reimbursed for all reasonable expenses incurred by him in connection with the conduct of the business of the Company, provided he properly accounts therefor in accordance with the Company's policies.

6. Termination of Employment by the Company.

(a) Involuntary Termination by the Company Other Than For Permanent and Total Disability or For Cause. The Company may terminate the Executive's employment at any time and for any reason (other than for Permanent and Total Disability as provided in subsection (b) below, or for Cause as provided in subsection (c) below) by giving him a written notice of termination to that effect at least five (5) business days before the date of termination. In the event the Company terminates the Executive's employment for any reason other than for Permanent and Total Disability (as provided in subsection (b) below), or for Cause (as provided in Section (c) below), the Executive shall be entitled to the compensation described in Section 9.

(b) Termination Due to Permanent and Total Disability. If the Executive incurs a Permanent and Total Disability, the Company may terminate the Executive's employment by giving him written notice of termination at least thirty (30) before the date of such termination. In the event of such termination of the Executive's employment because of Permanent and Total Disability, the Executive shall be entitled to receive (i) his base salary pursuant to Section 3(a) and any other compensation and benefits to the extent actually earned by the Executive pursuant to this Agreement or under any benefit plan or program of the Company as of the date of such termination of employment at the normal time for payment of such salary, compensation or benefits, and (ii) any reimbursement amounts owing under Section 5. For purposes of this Agreement, the Executive shall be considered to have incurred a "Permanent and Total Disability" if he becomes disabled within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder. The existence of such Permanent and Total Disability shall be determined by the Compensation Committee and shall be evidenced by such medical certification as the Compensation Committee shall require.

(c) Termination for Cause. The Company may terminate the Executive's employment for Cause. For purposes of this Agreement, "Cause" means the Executive: (i) willfully, substantially, and continually fails to perform the duties for which he is employed by the Company; (ii) willfully fails to comply with the legal instructions of the Board or the CEO; (iii) willfully engages in conduct which is or would reasonably be expected to be materially and demonstrably injurious to the Company; (iv) willfully engages in an act or acts of dishonesty resulting in material personal gain to the Executive at the expense of the Company; (v) is indicted for, or enters a plea of nolo contendere to, a felony; (vi) engages in an act or acts of gross malfeasance in connection with his employment hereunder; (vii) commits a material breach of Sections 12, 13 or 14 of this Agreement; (viii) commits a material breach of any policies and procedures contemplated by the Company's Code of Conduct or similar policy; or (ix) exhibits demonstrable evidence of alcohol or drug abuse having a substantial adverse effect on his job performance hereunder. The Company shall exercise its right to terminate the Executive's employment for Cause by giving him written notice of termination on or before the date of such termination specifying in reasonable detail the circumstances constituting such Cause, and providing Executive with a period of at least thirty (30) days in which to cure the conduct constituting Cause if such conduct is capable of being cured. In the event of such termination of the Executive's employment for Cause, the Executive shall be entitled to receive (A) his base salary pursuant to Section 3(a) and any other compensation and benefits to the extent actually earned pursuant to this Agreement or under any benefit plan or program of the Company as of the date of such termination at the normal time for payment of such salary, compensation or benefits and (B) any amounts owed under the reimbursement policy of Section 5.

7. Termination of Employment by the Executive.

(a) Good Reason. The Executive may terminate his employment for Good Reason by giving the Company a written notice of termination at least thirty (30) days before the date of such termination specifying in reasonable detail the circumstances constituting such Good Reason. In the event of the Executive's termination of his employment for Good Reason, the Executive shall be entitled to the compensation described in Section 9. For purposes of this Agreement, "Good Reason" shall mean (i) the assignment to the Executive of authority, functions, duties or responsibilities which are materially inconsistent with that of a senior executive officer of the Company (ii) any material reduction in the Executive's base salary and target bonus, taken as a whole, other than in connection with an across the board reduction similarly affecting substantially all senior executives of the Company, (iii) a significant reduction in the employee benefits provided to the Executive other than in connection with an across the board reduction similarly affecting substantially all senior executives of the Company, (iv) the relocation, without the Executive's consent, of the Executive's place of work to a location outside a 50-mile radius of Morrisville, North Carolina or (vi) a material breach of this Agreement by the Company or its successor. Each of the forgoing events will cease to constitute Good Reason and the Executive shall be deemed to have waived his right to terminate employment for Good Reason in connection with such event unless (A) the Executive gives the Company notice of Executive's intention to resign Executive's position with the Company within three months (3) after the occurrence of such event and (B) the Company has failed to cure any condition that constitutes Good Reason within thirty (30) days from its receipt of such notice of any such condition.

(b) Other. The Executive may terminate his employment at any time and for any reason, other than pursuant to subsection (a) above, by giving the Company a written notice of termination to that effect at least thirty (30) days before the date of termination. In the event of the Executive's termination of his employment pursuant to this Section 7(b), the Executive shall be entitled to receive (i) his base salary pursuant to Section 3(a) and any other compensation and benefits to the extent actually earned by the Executive pursuant to this Agreement or under any benefit plan or program of the Company as of the date of such termination at the normal time for payment of such salary, compensation or benefits, and (ii) any reimbursement amounts owing under Section 5.

8. Termination of Employment by Death.

In the event of the death of the Executive during the Employment Period, the Executive's estate shall be entitled to receive (i) his base salary pursuant to Section 3(a) and any other compensation and benefits to the extent actually earned by the Executive pursuant to this Agreement or under any other benefit plan or program of the Company as of the date of such termination at the normal time for payment of such salary, compensation or benefits, and (ii) any reimbursement amounts owing under Section 5. In addition, in the event of such death, the Executive's beneficiaries shall receive any death benefits owed to them under the Company's employee benefit plans.

9. Benefits upon Termination Without Cause or For Good Reason. If the Executive's employment with the Company shall terminate (i) as a result of termination by the Company pursuant to Section 6(a), or (ii) because of termination by the Executive for Good Reason pursuant to Section 7(a), the Executive shall be entitled to the following:

(a) The Company shall pay to the Executive his base salary pursuant to Section 3(a) and any other compensation and benefits to the extent actually earned by the Executive under this Agreement or under any benefit plan or program of the Company as of the date of such termination at the normal time for payment of such salary, compensation or benefits.

(b) The Company shall pay the Executive any reimbursement amounts owing under Section 5.

(c) Subject to the Executive's timely execution of a Confidential Separation and Release Agreement as provided in Section 21 of this Agreement, the Company shall pay to the Executive as a severance benefit for each month during the twelve (12) month period beginning with the month next following the date of termination of the Executive's employment an amount equal to one-twelfth of the sum of (i) his annual rate of base salary immediately preceding his termination of employment, and (ii) his target annual bonus for the fiscal year in which the termination occurred. Each such monthly benefit shall be paid no later than the last day of the applicable month. In the event that the Executive dies before the end of such 12-month period, the payments for the remainder of such period shall be made to the Executive's estate. The commencement of payments pursuant to this subsection shall be subject to Section 20 of this Agreement.

(d) Subject to the Executive's timely execution of a Confidential Separation and Release Agreement as provided in Section 21 of this Agreement, during the period of twelve (12) months beginning on the date of the Executive's termination of employment, the Executive shall remain covered by the medical, dental, vision, life insurance, and, if reasonably commercially available through nationally reputable insurance carriers, long-term disability plans of the Company that covered him immediately prior to his termination of employment as if he had remained in employment for such period. In the event that the Executive's participation in any such plan is barred, the Company shall arrange to provide the Executive with substantially similar benefits (but, in the case of long-term disability benefits, only if reasonably commercially available). Any medical insurance coverage for such 12-month period pursuant to this subsection (d) shall become secondary upon the earlier of (i) the date on which the Executive begins to be covered by comparable medical coverage provided by a new employer, or (ii) the earliest date upon which the Executive becomes eligible for Medicare or a comparable Government insurance program. The Executive's COBRA entitlements shall run concurrently with the benefit coverage provided pursuant to this subsection (d). The commencement of payments pursuant to this subsection shall be subject to Section 20 of this Agreement.

(e) Notwithstanding the foregoing, if the Executive's employment with the Company is terminated pursuant to Section 6(a) or Section 7(a), and such termination occurs within one (1) year following a Change in Control of the Company (as defined in the Plan), or within six (6) months prior to but in connection with a Change in Control of the Company, (i) the references in Sections 9(c) and (d) to a 12-month period shall be replaced with a 24-month period, (ii) the target bonus paid as part of the cash severance payment described in Section 9(c) shall be equal to the target bonus approved for the Executive for the year in which the Change in Control occurs, or, if the Executive is not employed by the Company in such year, or a bonus is not determined for such year, then the year immediately preceding the year in which the Change in Control occurs; (iii) the cash severance payment described in Section 9(c) (as modified by Sections 9(e)(i) and 9(e)(ii)) shall be paid in a single lump sum on the sixtieth (60th) day following the later of the date of the Executive's separation from service or the date of the Change in Control of the Company, which amount shall be reduced by any amounts previously paid under Section 9(c); and (iv) to the extent not previously accelerated, all unvested outstanding equity awards shall accelerate and vest upon the date of termination.

10. Benefits Upon Non-Extension of Employment Period.

If the Executive's employment with the Company shall terminate on December 31, 2021 or an Extended Termination Date (a) by reason of the Company's election not to extend the Employment Period pursuant to Section 1(c) of this Agreement, the non-extension shall be treated as a termination by the Company without Cause, as described in Section 6(a), and the Executive shall be entitled to receive the amounts and benefits described in Section 9 (including, without limitation, Section 9(e)) or (b) by reason of the Executive's election not to extend the Employment Period pursuant to Section 1(c) of this Agreement, the Executive shall be entitled to receive (i) his base salary pursuant to Section 3(a) and any other compensation and benefits to the extent actually earned by the employee under this Agreement or under any benefit plan or program of the Company as of the date of such termination at the normal time for payment of such salary, compensation or benefits and (ii) any amounts owed under the reimbursement policy of Section 5.

11. Entitlement to Other Benefits.

Except as otherwise provided in this Agreement, this Agreement shall not be construed as limiting in any way any rights or benefits that the Executive or his spouse, dependents or beneficiaries may have pursuant to any other plan or program of the Company.

12. Non-solicitation and Non-competition.

(a) Executive agrees that during the term of his employment with the Company and for a period of one (1) year immediately following the termination of Executive's employment with Company for any reason whatsoever, whether with or without Cause, (i) Executive shall not, either directly or indirectly, solicit, induce, recruit or encourage any employees of the Company and/or its affiliates to leave their employment, or take away such employees, or attempt to solicit, induce, recruit, encourage or take away employees of Company and/or its affiliates, either for Executive or for any other Person and (ii) neither the Executive, nor any firm, organization or corporation in which he is interested, shall, for any reason, directly or indirectly, persuade or attempt to persuade any investor, licensor, licensee, supplier or customer of Company, or any potential investor, licensor, licensee, supplier or customer to which Company and/or its affiliates have made a presentation or with which Company and/or its affiliates have been having discussions, to not transact business with Company and/or its affiliates or to transact business with the Executive or any other individual or entity ("Person") as an alternative to or in addition to Company and/or its affiliates.

(b) Executive agrees that during the term of his employment with the Company and for a period of one (1) year immediately following the termination of Executive's employment with Company for any reason whatsoever, whether with or without Cause, Executive shall not, anywhere in the world, engage, either directly or indirectly, whether as a principal or as an agent, officer, director, employee, consultant, shareholder, partner or otherwise, alone or in association with any other Person, in any Competing Business. For purposes of this Agreement, the term "Competing Business" means any Person engaged in the development or commercialization of products that are the same or substantially similar to, or that directly compete with, those products developed or commercialized by the Company at the time of such termination and in the six (6) months prior to such date of termination.

(c) In the event that the provisions of Section 12(a) or 12(b) above should be determined by a court or other tribunal of competent jurisdiction to exceed the time, geographic, services or product limitations permitted by the applicable law in a jurisdiction in which enforcement of this Agreement is sought, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic, service or product limitations permitted by such applicable law, and the parties hereby expressly grant any court or competent jurisdiction the authority to effect such reformation.

(d) The parties confirm that a violation by Executive of the provisions of this Agreement, including but not limited to, the restrictions in Sections 12 through 14, will cause Company irreparable harm that cannot be remedied adequately by monetary damages. Executive agrees that, in the event of such a violation, Company shall be entitled to temporary, preliminary and permanent injunctive relief to restrain any such violation (without the posting of a bond) and to an equitable accounting of all earnings, profits and other benefits arising from the breach or violation, which rights shall be cumulative and in addition to any other rights or remedies to which Company may be entitled. Company shall be entitled to commence action for such relief in any state or federal court in the State of North Carolina, and Executive waives to the fullest extent permitted by law any objection that he may now or hereafter have to the jurisdiction and venue of the court in any such proceeding.

13. Confidential Information, Inventions and Proprietary Information.

(a) During the Employment Period and thereafter, Executive shall hold in strictest confidence, and not use, except for the benefit of the Company, or to disclose to any Person without prior written authorization of the Company, any Confidential Information of the Company. Executive understands that "Confidential Information" means Inventions (as defined herein) and any other information of the Company and/or its affiliates disclosed or made available to the Executive, whether before or during the term hereof, including but not limited to financial information, technical and non-technical data, services, products, processes, operations, reports, analyses, test results, technology, samples, specifications, protocols, performance standards, formulations, compounds, know-how, methodologies, trade secrets, trade practices, marketing plans and materials, strategies, forecasts, research, concepts, ideas, and names, addresses and any other characteristics or identifying information of the Company's existing or potential investors, licensors, licensees, suppliers, customers or employees. Confidential Information shall not include any information Executive can establish by competent proof is or becomes public knowledge or part of the public domain through no act or omission of Executive. Notwithstanding the foregoing, Executive shall be permitted to disclose Confidential Information pursuant to a court order, government order or any other legal requirement of disclosure if no suitable protective order or equivalent remedy is available, provided that Executive gives the Company written notice of such court order, government order or legal requirement of disclosure immediately upon knowledge thereof and allows the Company a reasonable opportunity to seek to obtain a protective order or other appropriate remedy prior to such disclosure to the extent permitted by law.

(b) During the Employment Period and thereafter, Executive will not improperly use or disclose any proprietary information or trade secrets of any former employer of Executive or other Person and Executive will not bring onto the premises of the Company any unpublished documents or proprietary information belonging to any such former employer or Person unless consented to in writing by such former employer or Person.

(c) Executive recognizes that the Company has received and in the future will receive from third parties certain confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Executive agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any Person, or to use it except as necessary in carrying out his work for the Company consistent with the Company's agreement with such third party.

(d) Executive shall promptly make full written disclosure to the Company, shall hold in trust for the sole right and benefit of the Company, shall assign and hereby does assign to Company, or its designee, all of Executive's right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements, designs, discoveries, ideas, trademarks or trade secrets, whether or not patentable or registerable under copyright or similar laws, which Executive may, solely or jointly, conceive or develop or reduce to practice during the period of time Executive is in the employ of the Company that relate to the Company and/or its products (collectively referred to as "Inventions"). Executive further acknowledges that all original works of authorship which are made by Executive (solely or jointly with others) within the scope of and during the period of his employment with the Company and which are protectable by copyright are "works made for hire", as that term is defined in the United States Copyright Act. Executive understands and agrees that the decision whether or not to commercialize or market any Invention developed by the Executive (solely or jointly with others) is within the Company's sole discretion and for the Company's sole benefit and that no royalty will be due to Executive as a result of the Company's efforts to commercialize or market any such Invention.

(e) Executive shall keep and maintain adequate and current written records of all Inventions made by the Executive (solely or jointly with others) during the term of his employment with the Company. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

(f) If the Company is unable because of Executive's mental or physical incapacity or for any other reason to secure his signature on any such document, then the Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as his agent and attorney-in-fact to act for and on the Executive's behalf and stead to execute and file any such document and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by the Executive.

(g) Executive, at the time of leaving the employ of the Company, shall deliver to the Company (and will not keep in his possession, recreate or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, materials, equipment, other documents or property, or reproductions of any of the aforementioned items developed by Executive pursuant to his employment with the Company or otherwise belonging to the Company, its successors or assigns.

14. Non-Disparagement.

The Executive will not at any time publish or communicate to any person or entity any Disparaging remarks, comments or statements concerning the Company, its subsidiaries and affiliates, and their respective present and former members, partners, directors, officers, shareholders, employees, agents, attorneys, successors and assigns. The Company will instruct its directors and officers not to publish or communicate to any person or entity any Disparaging remarks, comments or statements concerning the Executive. "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity or morality or business acumen or abilities in connection with any aspect of the operation of business of the individual or entity being disparaged.

15. Golden Parachute Reduction.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution made, or benefit provided (including, without limitation, the acceleration of any payment, distribution or benefit and the accelerated exercisability of any stock option), to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax imposed by

Section 4999 of the Code (or any similar excise tax) or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the payments, distributions and benefits under this Agreement shall be reduced (by the minimum possible amounts) until no amount payable to the Executive under this Agreement gives rise to an Excise Tax; provided, however, that no such reduction shall be made if the net after-tax payment (after taking into account Federal, state, local and other income and excise taxes) to which the Executive would otherwise be entitled without such reduction would be greater than the net after-tax payment (after taking into account Federal, state, and local and other income taxes) to the Executive resulting from the receipt of such payments distributions and benefits with such reduction. Any reduction pursuant to the preceding sentence shall be made by first reducing the severance benefit described in Section 9(c). If, as a result of subsequent events or conditions (including a subsequent payment or absence of a subsequent payment under this Agreement or other plans, programs, arrangements or agreements maintained by the Company or any of its subsidiaries or affiliates), it is determined that payments, distributions or benefits under this Agreement to the Executive have been reduced by more than the minimum amount required to prevent any payments, distributions or benefits from giving rise to the Excise Tax, then an additional payment shall be made by the Company to the Executive on such date as shall be determined by the Compensation Committee but no later than sixty (60) days after the applicable event or condition in an amount equal to the additional amount that can be paid without causing any payment, distribution or benefit to give rise to an Excise Tax.

(b) All determinations required to be made under this Section 15 shall be made by the accounting firm selected by the Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the date of termination of the Executive's employment, if applicable, within fifteen (15) days after receipt of written notice from the Executive that there has been a Payment, or at such earlier time as is requested by the Company, provided that any determination that an Excise Tax would be payable by the Executive shall be made on the basis of substantial authority. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that he has substantial authority not to report any Excise Tax on his Federal income tax return. Any determination by the Accounting Firm meeting the requirements of this Section 15(b) shall be binding upon the Company and the Executive. The fees and disbursements of the Accounting Firm shall be paid by the Company.

16. Indemnification.

The Company shall indemnify and hold the Executive harmless to the fullest extent legally permissible under the laws of the State of Delaware and the Company's Certificate of Incorporation and Bylaws, against any and all expenses, liabilities and losses (including attorney's fees, judgments, fines and amounts paid in settlement) reasonably incurred or suffered by him by reason of any claim or cause of action asserted against him because of his service at any time as a director or officer of the Company. The Company shall advance to the Executive the amount of his expenses incurred in connection with any proceeding relating to such service to the fullest extent legally permissible under the laws of the State of Delaware, subject to the Executive's agreement to repay any such amounts to the extent that it is determined that Executive is not entitled to such amounts. Notwithstanding the foregoing, the Company's obligations pursuant to this Section 16 shall not apply in the case of any claim or cause of action by or in the right of the Company or any subsidiary thereof.

17. Liability Insurance.

The Company shall maintain a directors and officers liability insurance policy and will take all steps necessary to ensure that the Executive is covered under such policy for his service as a director or officer of the Company or any subsidiary of the Company with respect to claims made at any time with respect to such service.

18. No Duty to Seek Employment.

The Executive shall not be under any duty or obligation to seek or accept other employment following termination of employment, and no amount, payment or benefits due to the Executive hereunder shall be reduced or suspended if the Executive accepts subsequent employment.

19. Deductions and Withholding.

All amounts payable or which become payable under any provision of this Agreement shall be subject to any deductions authorized by the Executive and any deductions and withholdings required by law.

20. Compliance with IRC Section 409A.

In the event that it shall be determined that any payments or benefits under this Agreement constitute nonqualified deferred compensation covered by Section 409A of the Code for which no exemption under Code Section 409A or the regulations thereunder is available ("Covered Deferred Compensation"); then notwithstanding anything in this Agreement to the contrary (i) if the Executive is a "specified employee" (within the meaning of Code Section 409A and the regulations thereunder and as determined by the Company in accordance with said Section 409A) at the time of the Executive's separation from service (as defined below), the payment of any such Covered Deferred Compensation payable on account of such separation from service shall be made no earlier than the date which is six (6) months after the date of the Executive's separation from service (or, if earlier than the end of such six-month period, the date of the Executive's death) and (ii) the Executive shall be deemed to have terminated from employment for purposes of this Agreement if and only if the Executive has experienced a "separation from service" within the meaning of said Section 409A and the regulations thereunder. To the extent any payment of Covered Deferred Compensation is subject to the six-month delay, such payment shall be paid immediately at the end of such 6-month period (or the date of death, if earlier). Whenever payments under this Agreement are to be made in installments, each such installment shall be deemed a separate payment for purposes of Code Section 409A. The provisions of this Agreement relating to such Covered Deferred Compensation shall be interpreted and operated consistently with the requirements of Code Section 409A and the regulations thereunder.

Anything in this Agreement to the contrary notwithstanding, any payments or benefits under this Agreement that are conditioned on the timely execution of a Confidential Separation and Release Agreement and that would, in the absence of this sentence, be payable before the date which is sixty (60) days after the termination of the Executive's employment shall be delayed until, and paid on, such 60th day after the termination of the Executive's employment (or, if such 60th day is not a business day, on the next succeeding business day), but only if the Executive executes such Confidential Separation and Release Agreement, and does not revoke it, in accordance with Section 21 of this Agreement.

Anything in this Agreement to the contrary notwithstanding, any reimbursements or in-kind benefits to which the Executive is entitled under this Agreement (other than such reimbursements or benefits that are not taxable to the Executive for federal income tax purposes or that are otherwise exempt from coverage under Section 409A of the Code pursuant to said Section 409A and the regulations thereunder) shall meet the following requirements: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, in one calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year (except that the Company's medical plans may impose a limit on the amount that may be reimbursed or provided), (ii) any reimbursement of an eligible expense must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (iii) the Executive's right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

21. Confidential Separation and Release Agreement.

For purposes of this Agreement a "Confidential Separation and Release Agreement" means a Confidential Separation and Release Agreement in the form prescribed by the Company at the applicable time which is executed by the Executive within ten (10) business days after the termination of the Executive's employment and not revoked by him. If the Executive fails to execute such Confidential Separation and Release Agreement within such ten-day period or shall revoke his agreement thereto, the Executive shall not be entitled to any of the payments or benefits under this Agreement that are conditioned upon his timely execution of a Confidential Separation and Release Agreement.

22. Governing Law.

The validity, interpretation and performance of this Agreement will be governed by the laws of the State of North Carolina without regard to the conflict of law provisions.

23. Notice.

Any written notice required to be given by one Party to the other Party hereunder will be deemed effected if given by personal delivery or mailed by overnight delivery or certified mail:

To the Company at:	TransEnterix, Inc. 635 Davis Drive, Suite 300 Morrisville, North Carolina 27560 Attention: Chief Legal Officer

or such other address as may be stated in a notice given as provided

To the Executive at the address in the corporate records or such other address as may be stated in a notice given to the Company as provided.

24. Severability.

If any one or more of the provisions contained in this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision hereof.

25. Successors and Assigns.

This Agreement will be binding upon and inure to the benefit of the Parties hereto and their personal representatives, and, in the case of the Company, its successors and assigns. To the extent the Company's obligations under this Agreement are transferred to any successor or assign, such successor or assign shall be treated as the "Company" for purposes of this Agreement. Other than as contemplated by this Agreement, the Executive may not assign his rights or duties under this Agreement.

26. Continuing Effect.

Wherever appropriate to the intention of the Parties hereto, the respective rights and obligations of the Parties, including the obligations referred to in Sections 9, 10, 12, 13, 14, 15, 16, 17, 18, 20, 21 and 22 hereof, will survive any termination or expiration of the term of this Agreement.

27. Entire Agreement.

This Agreement constitutes the entire agreement between the Parties and supersedes any and all other agreements and understandings between the Parties in respect of the matters addressed in this Agreement.

28. Amendment and Waiver.

No amendment or waiver of any provision of this Agreement shall be effective, unless the same shall be in writing and signed by the Parties, and then such amendment, waiver or consent shall be effective only in the specific instance or for the specific purpose for which such amendment, waiver or consent was given.

29. Executive Representations.

The Executive hereby represents and warrants to the Company that (a) the execution, delivery and performance of this Agreement by the Executive does not and will not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which he is bound, and (b) the Executive is not in violation of any employment agreement, transition services agreement, non-competition agreement, non-solicitation agreement or confidentiality agreement with any person or entity.

30. Counterparts.

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all of which together shall constitute one and the same instrument.

[Signatures on the next page.]

IN WITNESS WHEREOF, the Company has caused this Amended and Restated Employment Agreement to be executed by its duly authorized officer and the Executive has hereunto set his hand as of the date written below.

TRANSENTERIX, INC.

By: /s/ Paul LaViolette
Name: Paul LaViolette
Title: Chair of the Board

/s/ Anthony Fernando
Anthony Fernando

Exhibit 10.8

FORM OF RETENTION AWARD AGREEMENT

[DATE]

NAME
ADDRESS
ADDRESS

RE: Retention Bonus Award

Dear _______:

In recognition of your hard work and dedication in driving the performance of TransEnterix, Inc. and its subsidiaries (the "Company"), I am pleased to let you know that you have been awarded a retention bonus (the "Retention Bonus") by the Board of Directors of the Company.

The principal terms of your Retention Bonus are:

Date Awarded:	November 8, 2019
Retention Bonus	$_______________
Retention Period	From November 8, 2019 to January 31, 2020

If there is a Change of Control of the Company, or the Company closes on a Financing transaction, that is sufficient to fund this award (the "Award"), as long as you remain employed by, or continue to provide services to, TransEnterix, Inc. or any of its Subsidiaries, through January 31, 2020 (except as noted below), you will be paid your Retention Bonus in cash on the later of first regularly scheduled Company payroll after January 31, 2020 (if it has been funded) or a date within thirty (30) days after the consummation of the Change in Control or Financing (the "Payment Date"). If the Change in Control or Financing transaction is not sufficient to meet the definitions (see below), this Award will not be funded and the Retention Bonus will not be paid. However, your Retention Bonus will be vested, such that in the event that a subsequent Change in Control or Financing transaction does fund this award before December 31, 2020, you will be paid the Retention Bonus on the applicable Payment Date. If you are terminated by the Company without Cause prior the Payment Date (if one occurs), including a termination without Cause during the Retention Period, you shall be vested in the Retention Bonus as if you were employed on January 31, 2020 and eligible to be paid on the applicable Payment Date, if any. For purposes of clarification, if you are employed by, or continue to provide services to, the Company on January 31, 2020, and the funding of this Award occurs as a result of a Change of Control or a Financing thereafter, you will be entitled to receive your Retention Bonus on the applicable Payment Date, regardless of whether you are a current employee or whether you continue to provide services to the Company.

If a Change of Control or Financing is not consummated prior to December 31, 2020, this Award shall terminate on such date; provided, however, if a Change of Control or Financing is active at such date this Award shall automatically continue until the consummation of such active Change of Control or Financing.

The Company or the applicable Subsidiary will make all required withholdings at the time of payment of the Retention Bonus.

For purposes of this Award, the following terms have the following meanings:

(a) "Cause" means "cause" as defined in the your Employment Agreement with the Company. The good faith determination by the Board of whether your Continuous Service was terminated by the Company for "Cause" shall be final and binding for all purposes hereunder.

(b) "Change of Control" has the meaning set forth in the Company's 2019 Amended and Restated Equity Incentive Compensation Plan, as the same may be amended from time to time.

(c) "Financing" means an equity financing or multiple equity financings that raises gross proceeds to the Company of at least $25 million in the aggregate within a sixty (60) day period.

All determinations made with respect to this Award, and the payment of any Retention Bonus under this Award will be made by the Board of Directors, or a designated committee of the Board of Directors (the "Board"). The Board's interpretation of this Award, any Retention Bonuses paid under this Award and all decisions and determinations of the Board with respect to this Award are final, binding, and conclusive on all parties.

Please sign below to acknowledge the Retention Bonus and indicate your acceptance of the terms and conditions. If you have any questions about this award, please contact __________________ at ________________.

We have some challenging, yet exciting, months ahead. We are confident that we can count on you to continue to provide outstanding results and behaviors in your area of expertise. I look forward to your continued contributions as we work together.

Thank you for your efforts and your contribution to the success of the Company.

Sincerely,

Paul LaViolette
Chairman of the Board

Accepted and agreed:

By: _________________________________
Name:

Date: