NANOSTRING TECHNOLOGIES INC

FORM 10-Q
(Quarterly Report)

Filed 11/08/17 for the Period Ending 09/30/17

Address	530 FAIRVIEW AVENUE NORTH
	SEATTLE, WA, 98109
Telephone	206-378-6266
CIK	0001401708
Symbol	NSTG
SIC Code	2836 - Biological Products, (No Diagnostic Substances)
Industry	Medical Equipment, Supplies & Distribution
Sector	Healthcare
Fiscal Year	12/31

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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, 2017

OR

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

For the transition period from ____ to ____

Commission File: Number 001-35980

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

Delaware	**20-0094687**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

530 Fairview Avenue North
Seattle, Washington 98109
(Address of principal executive offices)
(206) 378-6266
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☒		

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

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). ☐

As of November 6, 2017 there were 25,382,839 shares of registrant's common stock outstanding.

NANOSTRING TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2017
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PART 1. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

NanoString Technologies, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except par value)
(Unaudited)

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 28,797	$ 20,583
Short-term investments	61,051	53,453
Accounts receivable, net	18,288	22,193
Inventory	18,520	13,812
Prepaid expenses and other	6,109	3,744
Total current assets	132,765	113,785
Restricted cash	143	143
Property and equipment, net	13,867	12,158
Other assets	412	287
Total assets	$ 147,187	$ 126,373
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,389	$ 4,935
Accrued liabilities	20,047	12,344
Deferred revenue, current portion	16,678	19,033
Deferred rent, current portion	479	13
Lease financing obligations, current portion	—	58
Total current liabilities	39,593	36,383
Deferred revenue, net of current portion	5,407	22,664
Deferred rent and other long-term liabilities	8,584	7,655
Long-term debt and lease financing obligations, net of current portion and debt issuance costs	48,533	47,366
Total liabilities	102,117	114,068
Commitment and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value, 15,000 shares authorized; none issued	—	—
Common stock, $0.0001 par value, 150,000 shares authorized; 25,339 and 21,528 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	2	2
Additional paid-in capital	349,447	281,900
Accumulated other comprehensive loss	(28)	(57)
Accumulated deficit	(304,351)	(269,540)
Total stockholders' equity	45,070	12,305
Total liabilities and stockholders' equity	$ 147,187	$ 126,373

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

NanoString Technologies, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Revenue:				
Product and service	$ 16,915	$ 19,167	$ 50,990	$ 48,791
Collaboration	10,101	4,766	28,682	12,466
Total revenue	27,016	23,933	79,672	61,257
Costs and expenses:				
Cost of product and service revenue	7,305	8,075	22,692	21,816
Research and development	11,374	8,717	33,213	24,724
Selling, general and administrative	18,380	15,607	54,590	46,018
Total costs and expenses	37,059	32,399	110,495	92,558
Loss from operations	(10,043)	(8,466)	(30,823)	(31,301)
Other income (expense):				
Interest income	252	104	549	266
Interest expense	(1,556)	(1,509)	(4,585)	(4,150)
Other income (expense), net	(12)	(179)	185	(238)
Total other income (expense), net	(1,316)	(1,584)	(3,851)	(4,122)
Net loss before provision for income tax	(11,359)	(10,050)	(34,674)	(35,423)
Provision for income tax	(45)	(38)	(137)	(73)
Net loss	$ (11,404)	$ (10,088)	(34,811)	(35,496)
Net loss per share - basic and diluted	$ (0.45)	$ (0.51)	$ (1.50)	$ (1.79)
Weighted average shares used in computing basic and diluted net loss per share	25,240	19,864	23,172	19,779

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

NanoString Technologies, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net loss	$ (11,404)	$ (10,088)	$ (34,811)	$ (35,496)
Change in unrealized gain or loss on short-term investments	25	(37)	29	19
Comprehensive loss	$ (11,379)	$ (10,125)	$ (34,782)	$ (35,477)

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

NanoString Technologies, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2017	**2016**
Operating activities		
Net loss	$ (34,811)	$ (35,496)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,478	2,215
Stock-based compensation expense	8,201	6,504
Amortization of premium on short-term investments	113	90
Interest accrued on long-term debt	128	115
Conversion of accrued interest to long-term debt	1,097	993
Provision for bad debts	361	—
(Gain) loss on disposal of property and equipment	1	(2)
Changes in operating assets and liabilities:		
Accounts receivable	3,552	(1,320)
Inventory, net	(5,871)	(2,713)
Prepaid expenses and other	(2,284)	(532)
Other assets	(128)	(111)
Accounts payable	(1,714)	(1,178)
Accrued liabilities	7,916	(1,775)
Deferred revenue	(19,608)	31,755
Deferred rent and other liabilities	1,266	1,806
Net cash (used in) provided by operating activities	(39,303)	351
Investing activities		
Purchases of property and equipment	(3,805)	(2,709)
Proceeds from sale of property and equipment	—	4
Proceeds from sale of short-term investments	2,300	3,400
Proceeds from maturity of short-term investments	38,324	29,200
Purchases of short-term investments	(48,305)	(48,600)
Net cash used in investing activities	(11,486)	(18,705)
Financing activities		
Borrowings under long-term debt agreement	—	5,000
Repayment of lease financing obligations	(58)	(192)
Proceeds from sale of common stock, net	56,486	—
Proceeds from issuance of common stock warrants	175	—
Deferred offering costs	—	(44)
Tax withholdings related to net share settlements of restricted stock units	(309)	—
Proceeds from issuance of common stock for employee stock purchase plan	1,793	1,489
Proceeds from exercise of stock options	892	714
Net cash provided by financing activities	58,979	6,967
Net increase (decrease) in cash and cash equivalents	8,190	(11,387)
Effect of exchange rate changes on cash and cash equivalents	24	(1)
Cash and cash equivalents		
Beginning of period	20,583	21,856
End of period	$ 28,797	$ 10,468

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

NanoString Technologies, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of the Business

NanoString Technologies, Inc. (the "Company") was incorporated in the state of Delaware on June 20, 2003. The Company's headquarters is located in Seattle, Washington. The Company's technology enables direct detection, identification and quantification of individual target molecules in a biological sample by attaching a unique color coded fluorescent reporter to each target molecule of interest. The Company markets its proprietary nCounter Analysis System, consisting of instruments and consumables, including its Prosigna Breast Cancer Assay, to academic, government and biopharmaceutical and clinical laboratory customers. In addition, the Company is collaborating with multiple biopharma companies to develop companion diagnostic tests for various cancer therapies.

The Company has incurred losses to date and expects to incur additional losses in the foreseeable future. The Company continues to devote the majority of its resources to the growth of its business in accordance with its business plan. The Company's activities have been financed primarily through the sale of equity securities and incurrence of indebtedness, and to a lesser extent, capital leases and other borrowings.

In June 2017, the Company completed an underwritten public offering of 3,450,000 shares of common stock, including the exercise by the underwriter of an over-allotment option for 450,000 shares of common stock, for total gross proceeds of $57.8 million . After underwriter's fees and commissions and other expenses of the offering, the Company's aggregate net proceeds were approximately $56.5 million .

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect the accounts of the Company and its wholly-owned subsidiaries. The unaudited condensed consolidated balance sheet at December 31, 2016 has been derived from the audited consolidated financial statements at that date but does not include all of the information and disclosures required by generally accepted accounting principles in the United States of America ("U.S. GAAP") for annual financial statements. These unaudited condensed consolidated financial statements and notes should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 . The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and U.S. GAAP for unaudited condensed consolidated financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair statement of the Company's financial position and results of its operations as of and for the periods presented.

Unless indicated otherwise, all amounts presented in financial tables are presented in thousands, except for per share and par value amounts.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The results of the Company's operations for the three and nine month periods ended September 30, 2017 are not necessarily indicative of the results to be expected for the full year or for any other period.

Revenue Recognition

The Company recognizes revenue when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the price to the customer is fixed or determinable and (4) collectability is reasonably assured. The Company generates the majority of its revenue from the sale of products and services. The Company's products consist of its proprietary nCounter Analysis Systems and related consumables. Services consist of extended warranties and service fees for assay processing. A delivered product or service is considered to be a separate unit of accounting when it has value to the customer on a stand-alone basis. Products or services have value on a stand-alone basis if they are sold separately by any vendor or the customer could resell the delivered product.

Instruments, consumables and *in vitro* diagnostic kits are considered to be separate units of accounting as they are sold separately and revenue is recognized upon transfer of ownership, which is generally upon shipment. Instrument revenue related

to installation and calibration services is recognized when services are rendered by the Company. Such services can also be provided by the Company's distribution partners and other third parties. For instruments sold solely to run Prosigna assays, training must be provided prior to instrument revenue recognition. Instrument revenue from leased instruments is recognized ratably over the lease term.

Service revenue is recognized when earned, which is generally upon the rendering of the related services. Service agreements and service fees for assay processing are each considered separate units of accounting as they are sold separately. The Company offers service agreements on its nCounter Analysis Systems for periods ranging from 12 to 36 months after the end of the standard 12 -month warranty period. Service agreements are generally separately priced. Revenue from service agreements is deferred and recognized in income on a straight-line basis over the service period.

For arrangements with multiple deliverables, the Company allocates the agreement consideration at the inception of the agreement to the deliverables based upon their relative selling prices. To date, selling prices have been established by reference to vendor specific objective evidence based on stand-alone sales transactions for each deliverable. Vendor specific objective evidence is considered to have been established when a substantial majority of individual sales transactions within the previous 12-month period fall within a reasonably narrow range, which the Company has defined to be plus or minus 15% of the median sales price of actual stand-alone sales transactions. The Company uses its best estimate of selling price for individual deliverables when vendor specific objective evidence or third-party evidence is unavailable. Allocated revenue is only recognized for each deliverable when the revenue recognition criteria have been met.

The Company enters into collaborative agreements that may generate upfront fees with subsequent milestone payments that may be earned upon completion of development-related milestones. The Company is able to estimate the total cost of services under these arrangements and recognizes collaboration revenue using a contingency-adjusted proportional performance model. Costs incurred to date compared to total expected costs are used to determine proportional performance, as this is considered to be representative of the delivery of outputs under the arrangements. Revenue recognized at any point in time is limited to cash received and amounts contractually due. Changes in estimates of total expected costs are accounted for prospectively as a change in estimate. From period to period, collaboration revenue can fluctuate substantially based on the achievement of development-related milestones. The Company recognizes revenue from collaborative agreements that do not include upfront and/or milestone-based payments when earned. Amounts due to collaboration partners are recognized when the related activities have occurred and are classified in the statement of operations, generally as research and development expense, based on the nature of the related activities.

Recently Adopted Accounting Pronouncement

In July 2015, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") entitled "ASU 2015-11, Inventory – Simplifying the Measurement of Inventory." The standard requires entities to measure inventory at the lower of cost and net realizable value. The Company adopted ASU 2015-11 in the first quarter of 2017 and adoption did not have a material impact on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures.

In March 2016, FASB issued "ASU 2016-09, Improvements to Employee Share-Based Payment Accounting" which amends Accounting Standard Codification Topic 718, "Compensation – Stock Compensation". The standard includes provisions intended to simplify various aspects related to the accounting and presentation for stock-based payments in the financial statements, including the income tax effects of stock-based payments, minimum withholding requirements upon award settlement, and the method of calculating forfeitures in the recognition of stock compensation expense.

The Company adopted ASU 2016-09 in the first quarter of 2017 and has elected to account for forfeitures as they occur to determine the amount of compensation cost to be recognized. The accounting policy election was adopted applying a modified retrospective approach, and did not have a material impact on the consolidated results of operations, financial condition, cash flows, or financial statement disclosures. Employee taxes paid for withheld shares are presented as a financing activity in the consolidated statements of cash flows, as required by the new standard, and was adopted retrospectively. Other provisions of ASU 2016-09 related to the accounting for the tax effects of stock-based payments have no impact on consolidated results of operations, as the Company records a valuation allowance for deferred tax assets related to excess tax benefits from stock-based payment transactions.

Recent Accounting Pronouncements

As an "emerging growth company," the Jumpstart Our Business Startups Act allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. As a result, its financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies.

In May 2014, FASB issued "ASU 2014-09, Revenue from Contracts with Customers." The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to a customer. In March 2016, the FASB issued "ASU 2016-08, Principal vs Agent Considerations (Reporting Revenue Gross versus Net)" which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued "ASU 2016-10, Identifying Performance Obligations and Licensing" which clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance. In May 2016, the FASB issued "ASU 2016-12, Narrow-Scope Improvements and Practical Expedients" which provides practical expedients for contract modifications and clarification on assessing the collectability criterion, presentation of sales taxes, measurement date for noncash consideration and completed contracts at transition.

The Company has formed an implementation team and completed its preliminary assessment of the potential impact of implementing this new standard. The assessment included an analysis of the Company's current portfolio of customer contracts and a review of its historical accounting policies and practices to identify potential differences in applying the new standard. The Company has determined that its collaborative agreements fall within the scope of ASC 808, Collaborative Arrangements and intends to apply the principles of ASC 606 in the measurement and recognition of revenue. In addition, the Company has concluded that service contracts will no longer be accounted for under separate accounting guidance, but rather included as a separate performance obligation within a contract subject to the new standard, which includes their inclusion in the determination and allocation of the aggregate transaction price, and recognition of revenue upon the delivery of the performance obligation. The new standard also requires more extensive disclosures related to revenue recognition, particularly in quarterly financial statements. The Company is continuing to evaluate the impact of the standard on all of its revenues, including those mentioned above, and its assessments may change in the future based on its ongoing evaluation. The Company will adopt the new guidance effective January 1, 2018 and intends to use the modified retrospective method of adoption. Under this approach, the Company will recognize the cumulative effect, if any, of changes in revenue recognition related to prior periods as an adjustment to its opening accumulated deficit balance.

In January 2016, FASB issued "ASU 2016-01, Financial Instruments: Overall." The standard addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The standard will become effective for the Company beginning January 1, 2018. The Company is currently assessing the impact adoption of this standard will have on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures.

In February 2016, FASB issued "ASU 2016-02, Leases – Recognition and Measurement of Financial Assets and Financial Liabilities." The standard requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition. The standard requires lessors to classify leases as either sales-type, finance or operating. A sales-type lease occurs if the lessor transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing lease. If the lessor does not convey risks and rewards or control, an operating lease results. The standard will become effective for the Company beginning January 1, 2019 with early adoption permitted. The Company is currently assessing the impact adoption of this standard will have on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures.

In June 2016, FASB issued "ASU 2016-13, Financial Instruments: Credit Losses". The standard provides information about expected credit losses on financial instruments at each reporting date, and to change how other than temporary impairments on investments securities are recorded. The standard will become effective for the Company beginning on January 1, 2020 with early adoption permitted. The Company is currently assessing the impact adoption of this standard will have on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures.

In August 2016, FASB issued "ASU No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments". The standard provides guidance on how certain cash receipts and cash payments are presented and classified in the statement of cash flows and is intended to reduce diversity in practice with respect to these items. The standard is applied using a retrospective transition method and will become effective for the Company beginning January 1, 2018. The Company is currently assessing the impact adoption of this standard will have on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures.

In November 2016, FASB issued "ASU 2016-18, Statement of Cash Flows: Restricted Cash". The standard requires companies to include amounts generally described as restricted cash and restricted cash equivalents, along with cash and cash equivalents, when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The standard will become effective for the Company beginning January 1, 2018, with early adoption permitted. The Company is currently assessing the impact adoption of this standard will have on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures.

In May 2017, FASB issued "ASU 2017-09, Compensation - Stock Compensation: Scope of Modification Accounting". The standard clarifies which changes to the terms or conditions of a share-based payment award are required to be accounted

for as modifications. The standard will become effective for the Company beginning January 1, 2018, with early adoption permitted. The Company is currently assessing the impact adoption of this standard will have on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures.

3. Net Loss Per Share

Net loss per share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding. Outstanding stock options, restricted stock units and warrants have not been included in the calculation of diluted net loss per share because to do so would be anti-dilutive. Accordingly, the numerator and the denominator used in computing both basic and diluted net loss per share for each period are the same.

The following shares underlying outstanding options, restricted stock units and warrants were excluded from the computation of basic and diluted net loss per share for the periods presented because their effect would have been anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Options to purchase common stock	5,443	4,752	5,337	4,665
Restricted stock units	260	117	260	106
Common stock warrants	270	483	311	524

4. Concentration of Risks

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments and accounts receivable. Cash is invested in accordance with the Company's investment policy, which includes guidelines intended to minimize and diversify credit risk. Most of the Company's investments are not federally insured. The Company has credit risk related to the collectability of its accounts receivable. The Company performs initial and ongoing evaluations of its customers' credit history or financial position and generally extends credit on account without collateral. The Company has not experienced any significant credit losses to date.

The Company had one customer/collaborator, Merck Sharp & Dohme Corp., a subsidiary of Merck & Co., Inc. ("Merck"), that individually represented 34% of total revenue during the three months ended September 30, 2017 . For the nine months ended September 30, 2017 , Merck and Medivation, Inc. ("Medivation") and Astellas Pharma Inc. ("Astellas") represented 21% and 14% of total revenue, respectively. During the three and nine months ended September 30, 2016 , Merck represented 11% and 13% of total revenue, respectively. The Company had no customers or collaborators that represented more than 10% of total accounts receivable as of September 30, 2017 or December 31, 2016 .

The Company is also subject to supply chain risks related to the outsourcing of the manufacturing and production of its instruments to sole suppliers. Although there are a limited number of manufacturers for instruments of this type, the Company believes that other suppliers could provide similar products on comparable terms. Similarly, the Company sources certain raw materials used in the manufacture of consumables from certain sole suppliers. A change in suppliers could cause a delay in manufacturing and a possible loss of sales, which would adversely affect operating results.

5. Short-term Investments

Short-term investments consisted of available-for-sale securities as follows (in thousands):

Type of securities as of September 30, 2017	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate debt securities	$ 48,086	$ —	$ (16)	$ 48,070
U.S. government-related debt securities	12,993	1	(13)	12,981
Total available-for-sale securities	$ 61,079	$ 1	$ (29)	$ 61,051

Type of securities as of December 31, 2016	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate debt securities	$ 36,198	$ 4	$ (42)	$ 36,160
U.S. government-related debt securities	17,312	1	(20)	17,293
Total available-for-sale securities	$ 53,510	$ 5	$ (62)	$ 53,453

The fair values of available-for-sale securities by contractual maturity were as follows (in thousands):

	September 30, 2017	December 31, 2016
Maturing in one year or less	$ 56,010	$ 46,310
Maturing in one to three years	5,041	7,143
Total available-for-sale securities	$ 61,051	$ 53,453

The Company has both the intent and ability to sell its available-for-sale investments maturing greater than one year within 12 months from the balance sheet date and, accordingly, has classified these securities as current in the consolidated balance sheet.

The following table summarizes investments that have been in a continuous unrealized loss position as of September 30, 2017 (in thousands).

	Less Than 12 Months		12 Months or Greater		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Corporate debt securities	$ 28,800	$ (17)	$ —	$ —	$ 28,800	$ (17)
U.S. government-related debt securities	9,990	(12)	—	—	9,990	(12)
Total	$ 38,790	$ (29)	$ —	$ —	$ 38,790	$ (29)

The Company invests in securities that are rated investment grade or better. The unrealized losses on investments as of September 30, 2017 and December 31, 2016 were primarily caused by interest rate increases.

The Company reviews the individual securities in its portfolio to determine whether a decline in a security's fair value below the amortized cost basis is other-than-temporary. The Company determined that as of September 30, 2017 , there were no investments in its portfolio that were other-than-temporarily impaired.

6. Fair Value Measurements

The Company establishes the fair value of its assets and liabilities using the price that would be received to sell an asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 — Quoted prices in active markets for identical assets and liabilities.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The recorded amounts of certain financial instruments, including cash, accounts receivable, prepaid expenses and other, accounts payable and accrued liabilities, approximate fair value due to their relatively short-term maturities. The recorded amount of the Company's long-term debt approximates fair value because the related interest rates approximate rates currently available to the Company.

The Company's available-for-sale securities by level within the fair value hierarchy were as follows (in thousands):

As of September 30, 2017	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market fund	$ 24,111	$ —	$ —	$ 24,111
Short-term investments:				
Corporate debt securities	—	48,070	—	48,070
U.S. government-related debt securities	—	12,981	—	12,981
Total	$ 24,111	$ 61,051	$ —	$ 85,162

As of December 31, 2016	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market fund	$ 16,715	$ —	$ —	$ 16,715
Short-term investments:				
Corporate debt securities	—	36,160	—	36,160
U.S. government-related debt securities	—	17,293	—	17,293
Total	$ 16,715	$ 53,453	$ —	$ 70,168

7. Inventory

Inventory consisted of the following as of the date indicated (in thousands):

	September 30, 2017	December 31, 2016
Raw materials	$ 5,867	$ 4,277
Work in process	4,649	4,046
Finished goods	8,004	5,489
Total inventory	$ 18,520	$ 13,812

8. Long-term Debt and Lease Financing Obligations

In April 2014, the Company entered into a term loan agreement under which it could borrow up to $45.0 million , including an option to defer payment of a portion of the interest that would accrue on the borrowing under the term loan agreement. Upon initial closing, the Company borrowed $20.0 million , and in October 2014, the Company borrowed an additional $10.0 million under the term loan agreement.

In October 2015, the Company amended the term loan agreement to, among other provisions, increase the maximum borrowing capacity to $60.0 million (excluding deferred interest), reduce the applicable interest rate from 12.5% to 12.0% , extend the interest-only period through March 2021, and extend the final maturity to March 2022. Under the amended agreement, borrowings accrue interest at 12.0% annually, payable quarterly, of which 3.0% can be deferred during the first six years of the term at the Company's option and paid together with the principal at maturity. The Company has elected to exercise the option to defer payment of interest and has recorded $3.9 million of deferred interest through September 30, 2017 . In December 2015, the Company borrowed an additional $10.0 million under the terms of the amended agreement. In June 2016, the Company borrowed an additional $5.0 million . At December 31, 2016, the Company's option to borrow $15.0 million more under the amended term loan agreement expired. Total borrowings and deferred interest under the amended term loan agreement were $48.9 million and $47.8 million as of September 30, 2017 and December 31, 2016 , respectively.

Under the amended term loan agreement, the Company may pay interest-only for the first seven years of the term and principal payments are due in four equal installments during the eighth year of the term. The Company has the option to prepay the term loan, in whole or part, at any time subject to payment of a redemption fee of up to 4.0% , which declines 1.0% annually, with no redemption fee payable if prepayment occurs after the fourth year of the loan. In addition, a facility fee equal to 2.0% of the amount borrowed plus any accrued interest is payable at the end of the term or when the loan is repaid in full. A long-term liability of $1.1 million for the facility fee is being accreted using the effective interest method over the term of the loan agreement. Obligations under the term loan agreement are collateralized by substantially all of the Company's assets.

The term loan agreement contains customary conditions to borrowings, events of default and negative covenants, including covenants that could limit the Company's ability to, among other things, incur additional indebtedness, liens or other encumbrances, make dividends or other distributions; buy, sell or transfer assets; engage in any new line of business; and enter into certain transactions with affiliates. The term loan agreement also includes a $2.0 million minimum liquidity covenant and

revenue-based financial requirements, specifically $85.0 million for 2017 with annual increases of $15.0 million for each subsequent fiscal year thereafter. If the Company's actual revenue is below the minimum annual revenue requirement for any given year, it may avoid a related default by generating proceeds from an equity or subordinated debt issuance equal to the shortfall between its actual revenue and the minimum revenue requirement. The Company was in compliance with its financial covenants as of September 30, 2017 .

Long-term debt and lease financing obligations, consisted of the following (in thousands):

	September 30, 2017	December 31, 2016
Term loans payable	$ 48,940	$ 47,844
Lease financing obligations	—	58
Total long-term debt and lease financing obligations	48,940	47,902
Unamortized debt issuance costs	(407)	(478)
Current portion of lease financing obligations	—	(58)
Long-term debt and lease financing obligations, net of debt issuance costs and current portion	$ 48,533	$ 47,366

Scheduled future principal payments for outstanding debt were as follows at September 30, 2017 (in thousands):

Years Ending December 31,	
Remainder of 2017	$ —
2018	—
2019	—
2020	—
2021	36,705
Thereafter	12,235
	$ 48,940

9. Collaboration Agreements

The Company evaluates the statement of operations classification of payments between the participants in each of its collaboration agreements at inception based on the nature of the arrangement, the nature of its business operations and the contractual terms of the arrangement. The Company has determined that amounts to be received from collaborators in connection with the collaboration agreements entered into through September 30, 2017 are related to revenue generating activities.

The Company uses a contingency-adjusted proportional performance model to recognize revenue over the Company's performance period for each collaboration agreement that includes upfront and/or milestone-based payments. Costs incurred to date compared to total expected costs are used to determine proportional performance, as this is considered to be representative of the delivery of outputs under the arrangement. Revenue recognized at any point in time is a factor of and limited to cash received and amounts contractually due. Changes in estimates of total expected costs are accounted for prospectively.

The Company recognizes revenue from collaboration agreements that do not include upfront and/or milestone-based payments when earned. Amounts due to collaboration partners are recognized when the related activities have occurred and are classified in the statement of operations, generally as research and development expense, based on the nature of the related activities.

Celgene Corporation

In March 2014, the Company entered into a collaboration agreement with Celgene Corporation ("Celgene") to develop, seek regulatory approval for, and commercialize a companion diagnostic assay for use in screening patients with Diffuse Large B-Cell Lymphoma. The Company is eligible to receive payments totaling up to $45.0 million , of which $5.8 million was received as an upfront payment upon delivery of certain information to Celgene, $17.0 million is for potential success-based development and regulatory milestones, and the remainder is for potential commercial payments in the event sales of the test do not exceed certain pre-specified minimum annual revenue during the first three years following regulatory approval. There have been several amendments to the collaboration agreement to expand the scope of development work and in return the Company has received additional payments totaling $2.1 million .

The Company will retain all commercial rights to the diagnostic test developed under this collaboration, subject to certain backup rights granted to Celgene to commercialize the diagnostic test in a particular country if the Company elects to cease distribution or elects not to distribute the diagnostic in such country. Assuming success in the clinical trial process, and subject to regulatory approval, the Company will market and sell the diagnostic assay and Celgene has agreed to make certain potential commercial payments to the Company in the event sales of the assay do not exceed certain pre-specified minimum annual revenues during the first three years following regulatory approval.

The Company achieved and was paid for milestones totaling $6.0 million during 2014. The process of successfully developing a product candidate, obtaining regulatory approval and ultimately commercializing a product candidate is highly uncertain and the attainment of any additional milestones is therefore uncertain and difficult to predict. In addition, certain milestones are outside the Company's control and are dependent on the performance of Celgene and the outcome of a clinical trial and related regulatory processes. Accordingly, the Company is not able to reasonably estimate when, if at all, any additional milestone payments may be payable to the Company by Celgene.

During the three months ended September 30, 2017 , the Company recorded a $0.1 million reduction of cumulative revenue under the agreement. This reduction in cumulative revenue resulted from the Company's performance of development activities during the period, which were more than offset by cost increases resulting from a change in timing and the amount of estimated future regulatory costs associated with internal and external resources needed to support this collaboration. The Company recognized collaboration revenue related to the Celgene agreement of $0.6 million for the three months ended September 30, 2016, and $0.5 million and $2.3 million for the nine months ended September 30, 2017 and 2016 , respectively. At September 30, 2017 , the Company had recorded $5.1 million of deferred revenue related to the Celgene collaboration, of which $2.8 million is estimated to be recognizable as revenue within one year.

Merck & Co., Inc.

In May 2015, the Company entered into a clinical research collaboration agreement with Merck, to develop an assay intended to optimize immune-related gene expression signatures and evaluate the potential to predict benefit from Merck's anti-PD-1therapy, KEYTRUDA. Under the terms of the collaboration agreement, the Company received $3.9 million in payments during 2015.

In February 2016, the Company expanded its collaboration with Merck by entering into a new development collaboration agreement to clinically develop and commercialize a novel diagnostic test, based on an optimized gene expression signature, to predict response to KEYTRUDA in multiple tumor types. In connection with the execution of the development collaboration agreement, the Company and Merck terminated the May 2015 clinical research collaboration and moved all remaining activities under the related work plan to the new development collaboration agreement. Under the terms of the new collaboration agreement, the Company is responsible for developing and validating the diagnostic test and, if the parties thereafter determine to proceed, will also be responsible for seeking regulatory approval for and commercializing the related test products. During 2016, the Company received $12.0 million upfront as a technology access fee and is eligible to receive up to an additional $12.0 million of near-term preclinical milestone payments, of which $8.5 million was achieved and received during 2016, and other potential downstream regulatory milestone payments. In addition, the Company is eligible to receive funding for certain development costs.

The Company recognized collaboration revenue of $8.8 million and $2.2 million related to the Merck agreement for the three months ended September 30, 2017 and 2016 , respectively, and $15.4 million and $6.1 million for the nine months ended September 30, 2017 and 2016 , respectively. During the three months ended September 30, 2017 , the Company was informed by Merck of certain changes to the timing and scope of regulatory activities, resulting in a decrease to the expected future regulatory costs associated with this collaboration. Revenue recognized during the three months ended September 30, 2017 is comprised of revenue generated by the performance of development activities during the period as well as the impact of this change in estimate. As of September 30, 2017 , the Company had recorded $12.1 million of deferred revenue related to the Merck collaboration, $10.0 million of which is estimated to be recognized as revenue within one year. The Company received development funding of $2.3 million and $1.9 million for the three months ended September 30, 2017 and 2016 , respectively, and $5.6 million and $5.7 million for the nine months ended September 30, 2017 and 2016 , respectively.

Medivation, Inc. and Astellas Pharma, Inc.

In January 2016, the Company entered into a collaboration agreement with Medivation and Astellas to pursue the translation of a novel gene expression signature algorithm discovered by Medivation into a companion diagnostic assay using the nCounter Analysis System. In September 2016, Medivation was acquired by Pfizer, Inc. ("Pfizer") and became a wholly owned subsidiary of Pfizer. In May 2017, the Company received notification from Pfizer and Astellas terminating the collaboration agreement as a result of a decision to discontinue the related clinical trial.

During the three and nine months ended September 30, 2017 , the Company recognized collaboration revenue of $0.3 million and $11.5 million , respectively, including the favorable impact of a $1.0 million termination penalty for the nine-months ended September 30, 2017 . The Company recognized collaboration revenue of $1.5 million and $3.6 million related to the Medivation/Astellas agreement for the three and nine months ended September 30, 2016 , respectively.

Lam Research Corporation

In August 2017, the Company entered into a collaboration agreement with Lam Research Corporation ("Lam") with respect to the development and commercialization of the Hyb & Seq sequencing platform and related assays. Pursuant to the terms of the collaboration agreement, Lam will contribute up to an aggregate of $50.0 million , payable quarterly, based on allowable development costs. Lam is eligible to receive certain single-digit percentage royalty payments from the Company on net sales of certain products and technologies developed under the collaboration agreement. The maximum amount of royalties payable to Lam will be capped at an amount up to three times the amount of development funding actually provided by Lam. The Company will retain exclusive rights to obtain regulatory approval, manufacture and commercialize the Hyb & Seq products. Lam will participate in development through a joint steering committee. The Company will reimburse Lam for the cost of up to 10 full-time Lam employees each year in accordance with the product development plan.

In connection with the execution of the collaboration agreement, the Company issued Lam a warrant to purchase up to 1.0 million shares of the Company's common stock with the number of underlying shares exercisable at any time proportionate to the amount of the $50.0 million commitment that has been provided by Lam. The exercise price of the warrant is $16.75 per share, and it will expire on the seventh anniversary of the issuance date. The warrant was determined to have a fair value of $6.7 million upon issuance, and such amount will be recorded as additional paid in capital proportionately from the quarterly collaboration payments made by Lam.

During the three and nine months ended September 30, 2017 , the Company recognized collaboration revenue of $0.9 million . The Company received development funding of $9.2 million related to the Lam collaboration for the three and nine months ended September 30, 2017 , of which $8.0 million is included in accrued liabilities in the condensed consolidated balance sheet as of September 30, 2017 representing amounts received in advance. Through September 30, 2017, no amounts are due or have been paid by the Company to Lam for services provided by Lam employees under the terms of the agreement.

10. Commitments and Contingencies

From time to time, the Company may become involved in litigation relating to claims arising from the ordinary course of business. Management believes that there are no claims or actions pending against the Company currently, the ultimate disposition of which would have a material adverse effect on the Company's consolidated results of operation, financial condition or cash flows.

11. Information about Geographic Areas

The Company operates as a single reportable segment and enables customers to perform both research and clinical testing on its nCounter Analysis Systems. The Company has one sales force that sells these systems to both research and clinical testing labs, and its nCounter Elements reagents can be used for both research and diagnostic testing. In addition, the Company's Prosigna Breast Cancer Assay is marketed to clinical laboratories. The Company has also entered into collaboration agreements with Celgene, Merck, Lam, and previously Medivation and Astellas.

The following table of total revenue is based on the geographic location of the Company's customers, distributors and collaborators. For sales to distributors, their geographic location may be different from the geographic locations of the ultimate end user. Americas consists of the United States, Canada, Mexico and South America; and Asia Pacific includes Japan, China, South Korea, Singapore, Malaysia, India and Australia. Revenue by geography was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Americas	$ 20,060	$ 16,784	$ 59,612	$ 43,188
Europe & Middle East	4,911	4,934	14,564	12,667
Asia Pacific	2,045	2,215	5,496	5,402
Total revenue	$ 27,016	$ 23,933	$ 79,672	$ 61,257

Total revenue in the United States was $19.7 million and $16.2 million for the three months ended September 30, 2017 and 2016 , respectively, and $58.3 million and $41.5 million for the nine months ended September 30, 2017 and 2016 ,

respectively. The Company's assets are primarily located in the United States and not allocated to any specific geographic region. Substantially all of the Company's long-lived assets are located in the United States.

12. Subsequent Event

In October 2017, the Company received notice from its collaborator, Merck, regarding a change in scope of future regulatory activities under the collaboration. The Company expects its estimate of total expected costs to decrease, and the completion percentage used in the proportional performance model used for revenue recognition to increase substantially. This will be accounted for in the fourth quarter of 2017 as a change in estimate, and is expected to result in accelerated recognition of deferred revenue related to the collaboration.

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

Special Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available. This section should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in Part I, Item 1 of this report. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements are identified by words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," "seek" and other similar expressions. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition, or state other "forward-looking" information. These statements relate to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements. These forward-looking statements include, but are not limited to:

- our expectations regarding our future operating results and capital needs, including our expectations regarding instrument, consumable and total revenue, operating expenses and operating and net loss;
- the implementation of our business model, strategic plans for our business and future product development plans;
- the regulatory regime and our ability to secure regulatory clearance or approval or reimbursement for the clinical use of our products, domestically and internationally;
- our ability to successfully commercialize Prosigna, our first *in vitro* diagnostic product;
- our ability to realize the potential payments set forth in our collaboration agreements;
- our strategic relationships, including with patent holders of our technologies, manufacturers and distributors of our products, collaboration partners and third parties who conduct our clinical studies;
- our intellectual property position;
- our expectations regarding the market size and growth potential for our business; and
- our ability to sustain and manage growth, including our ability to expand our customer base, develop new products, enter new markets and hire and retain key personnel.

These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this report in Part II, Item 1A — "Risk Factors," and elsewhere in this report. These statements, like all statements in this report, speak only as of their date, and we undertake no obligation to update or revise these statements in light of future developments. In this report, "we," "our," "us," "NanoString," and "the Company" refer to NanoString Technologies, Inc. and its subsidiaries.

Overview

We develop, manufacture and sell robust, intuitive products that unlock scientifically valuable and clinically actionable biologic information from minute amounts of tissue. Our nCounter Analysis System directly profiles hundreds of molecules simultaneously using a novel barcoding technology that is powerful enough for use in research, yet simple enough for use in clinical laboratories worldwide. We market systems and related consumables to researchers in academic, government, and biopharmaceutical laboratories for use in understanding fundamental biology and the molecular basis of disease and to clinical laboratories and medical centers for diagnostic use. As of September 30, 2017 , we have an installed base of approximately 570 systems, which our customers have used to publish over 1,700 peer-reviewed papers. As researchers using our systems discover new biologic insights to improve clinical decision-making, these discoveries can be translated and validated as diagnostic tests, either using our nCounter Elements reagents or, in certain situations, by developing *in vitro* diagnostic assays. For example, our first molecular diagnostic product is the Prosigna Breast Cancer Assay, or Prosigna, which provides an assessment of a patient's risk of recurrence for breast cancer. In addition, we are collaborating with biopharmaceutical companies to develop companion diagnostics, *in vitro* diagnostic tests to be used to identify which patients are most likely to respond to a particular drug therapy.

We derive a substantial majority of our revenue from the sale of our products to life science researchers, which consist of our nCounter instruments and related proprietary consumables, which we call CodeSets, nCounter Elements reagents and Master Kits. After buying an nCounter Analysis System, research customers purchase consumables from us for use in their experiments. Our instruments are designed to work only with our consumable products. Accordingly, as the installed base of our instruments grows, we expect recurring revenue from consumable sales to become an increasingly important driver of our operating results. We also derive revenue from processing fees related to proof-of-principle studies we conduct for potential customers and extended service contracts for our nCounter Analysis Systems. Additionally, we generate revenue through development collaborations.

We use third-party contract manufacturers to produce the instruments comprising our nCounter Analysis Systems. We manufacture consumables at our Seattle, Washington facility. This operating model is designed to be capital efficient and to scale efficiently as our product volumes grow. We focus a substantial portion of our resources on developing new technologies, products and solutions. We sell our products through our own sales force in the United States, Canada, Singapore, Israel and certain European countries. We sell through distributors in other parts of the world.

We have two collaborations in place with biopharmaceutical companies for the development and commercialization of companion diagnostic assays to be used to identify patients most likely to respond to a particular drug therapy. The agreements are structured generally to provide us with a combination of upfront technology access fees, potential milestone payments, development funding and, in one instance, payments to support commercialization. The collaboration agreements generally provide near-term cash that is deferred and recognized in future periods based on the proportion of work completed. In October 2017, Merck, one of our collaboration partners, notified us of their decision not to continue to pursue regulatory approval of the companion diagnostic for their product, KEYTRUDA. We expect our estimate of total expected costs to decrease, and the completion percentage used in the proportional performance model used for revenue recognition to increase substantially. We expect this to result in accelerated recognition of deferred revenue related to the collaboration which will affect our results for the fourth quarter of 2017. In addition, although as of the date of this report we were engaged with Merck in ongoing discussions on potential future research collaboration activities to determine the potential utility of immune-related gene expression signatures in various cancer types, we do not expect our current collaboration to yield a PMA filing or that we will receive additional regulatory or other milestone payments for the companion diagnostic to KEYTRUDA.

In August 2017, we entered into a collaboration agreement with Lam Research Corporation, or Lam, with respect to the development and commercialization of our Hyb & Seq sequencing platform and related assays. Pursuant to the terms of the collaboration agreement, Lam will provide us with up to $50.0 million, payable quarterly, based on allowable development costs. Lam is eligible to receive certain single-digit percentage royalty payments on net sales by us of certain products and technologies developed under the collaboration agreement. The maximum amount of royalties payable to Lam will be capped at an amount up to three times the amount of development funding actually provided by Lam. We will also retain exclusive rights to obtain regulatory approval, manufacture and commercialize the Hyb & Seq products. Lam will participate in development through a joint steering committee. We have also agreed to reimburse Lam for the cost of up to ten full-time Lam employees each year in accordance with the product development plan.

Our total revenue has increased to $79.7 million for the nine months ended September 30, 2017 from $61.3 million for the first nine months of 2016 . Historically, we have generated a majority of our revenue from sales to customers in North America; however, we expect sales in other regions to increase over time. We have never been profitable and had net losses of $34.8 million and $35.5 million for the nine months ended September 30, 2017 and 2016 , respectively, and as of September 30, 2017 our accumulated deficit was $304.4 million .

Results of Operations

Revenue

Our product revenue consists of sales of our nCounter Analysis Systems and related consumables, including Prosigna *in vitro* diagnostic kits. Service revenue consists of fees associated with extended service agreements and sample processing. Our customer base is primarily composed of academic institutions, government laboratories, biopharmaceutical companies and clinical laboratories that perform analyses or testing using our nCounter Analysis Systems and purchase related consumables. Collaboration revenue is derived primarily from our collaborations with Celgene and Merck and, historically, our terminated collaboration with Medivation and Astellas.

The following table reflects total revenue by geography based on the geographic location of our customers, distributors and collaborators. For sales to distributors, their geographic location may be different from the geographic locations of the ultimate end user.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	% Change
	(In thousands)			(In thousands)		
Americas	$ 20,060	$ 16,784	20 %	$ 59,612	$ 43,188	38%
Europe & Middle East	4,911	4,934	— %	14,564	12,667	15%
Asia Pacific	2,045	2,215	(8)%	5,496	5,402	2%
Total revenue	$ 27,016	$ 23,933	13 %	$ 79,672	$ 61,257	30%

The following table reflects the breakdown of revenue.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	% Change
	(In thousands)			(In thousands)		
Product revenue:						
Instruments	$ 4,444	$ 6,898	(36)%	$ 14,949	$ 16,744	(11)%
Consumables	9,020	10,303	(12)%	26,806	26,579	1 %
In vitro diagnostic kits	1,689	1,147	47 %	4,963	3,142	58 %
Total product revenue	15,153	18,348	(17)%	46,718	46,465	1 %
Service revenue	1,762	819	115 %	4,272	2,326	84 %
Total product and service revenue	16,915	19,167	(12)%	50,990	48,791	5 %
Collaboration revenue	10,101	4,766	112 %	28,682	12,466	130 %
Total revenue	$ 27,016	$ 23,933	13 %	$ 79,672	$ 61,257	30 %

For the three months ended September 30, 2017, we saw a significant decline in instrument revenue as compared to the same period in 2016 resulting largely from approximately 40% fewer instrument system placements worldwide. However, our lower instrument sales volumes during the current period were partially offset by favorable mix shifts towards our MAX and FLEX models which generally have higher selling prices than our SPRINT Profilers. The decrease in instrument revenue for the nine months ended September 30, 2017 was driven largely by reduced instrument placements, with approximately 10% fewer instrument systems sold in the current year.

For the three months ended September 30, 2017, we saw a decline in consumables revenue as compared to the same period in 2016. The decrease was due primarily to a reduction in large consumable orders from our biopharmaceutical and academic customers during the current period as certain of our customers have shifted certain types of experiments that previously had been performed on nCounter to RNA-sequencing technology. Although we are pursuing several strategies to mitigate this trend, this may impact our consumable revenue in future periods. Consumables revenue for the nine month period ended September 30, 2017 was up slightly over the same period in the prior year due largely to approximately 25% growth in our installed base of systems as compared to 2016, offset by a reduction in the average dollar volume of consumables purchased per system, partially due to the competitive dynamic described for the three month period. Revenue from *in vitro* diagnostic kits increased for the three and nine month periods driven by increasing sales of Prosigna kits as more laboratories have adopted the test and coverage by third-party payers has increased since the product launched in late 2013. The increase in service revenue for the three and nine month periods was primarily related to an increase in the number of instruments covered by service agreements and the initiation of sample processing under our new Digital Spatial Profiling technology access program.

Collaboration revenue increased for the three months ended September 30, 2017 as compared to the same period in the prior year due largely to increased revenue from our Merck collaboration attributable to continued progress toward meeting clinical and regulatory milestones together with a reduction in expected future regulatory costs, both of which contributed to an increased project completion percentage as of September 30, 2017. Also, to a lesser extent, revenue recognized from development funding earned under our new collaboration with Lam contributed to the increase. These increases were partially offset by reduced revenue from our Celgene collaboration due to an increased estimate of future regulatory costs, which decreased our percentage completion as of September 30, 2017 as compared to June 30, 2017. For the nine months ended September 30, 2017 , collaboration revenue increased significantly due primarily to the termination of our Medivation and Astellas agreement during the second quarter of 2017, resulting in recognition of collaboration revenue of $11.5 million during 2017, including the favorable impact of a $1.0 million termination penalty, as well as the factors described above for the three month period.

Cost of Product and Service Revenue; Gross Profit; and Gross Margin

Cost of product and service revenue consists primarily of costs incurred in the production process, including costs of purchasing instruments from third-party contract manufacturers, consumable component materials and assembly labor and overhead, installation, warranty, service and packaging and delivery costs. In addition, cost of product and service revenue includes royalty costs for licensed technologies included in our products, provisions for slow-moving and obsolete inventory and stock-based compensation expense. We provide a one-year warranty on each nCounter Analysis System sold and establish a reserve for warranty repairs based on historical warranty repair costs incurred.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	% Change
	(Dollars in thousands)			(Dollars in thousands)		
Cost of product and service revenue	$ 7,305	$ 8,075	(10)%	$ 22,692	$ 21,816	4%
Product and service gross profit	$ 9,610	$ 11,092	(13)%	$ 28,298	$ 26,975	5%
Product and service gross margin	57%	58%		55%	55%	

The decrease in cost of product and service revenue for the three months ended September 30, 2017 was due primarily to lower overall volumes of both instruments and consumables sold during the current period, partially offset by increased costs associated with higher sales volumes of our Prosigna *in vitro* diagnostic kits as well as increased costs associated with servicing our growing instrument install base. Gross margin on product and service revenue for the three months ended September 30, 2017 was down slightly from the same period in 2016 due primarily to the reduction in large custom consumable orders during the current period, which generally provide a higher gross margin than smaller orders, in addition to increased reserves for slow-moving inventory during the period. For the nine months ended September 30, 2017, cost of product and service revenue increased due to higher volumes of consumables sold, including our Prosigna *in vitro* diagnostic kits, as well as increased revenue from service contracts compared to the same period in 2016. These increases were partially offset by the lower volume of instruments sold in the current period. Our gross margin on product and service revenue for the nine months ended September 30, 2017 benefited from a shift in revenue mix from instruments to consumables, driven in large part by continued strong growth in Prosigna *in vitro* diagnostic kit revenue; the addition of new higher margin service revenue from our Digital Spatial Profiling technology access program; and a lower royalty rate on our license of the foundational nCounter patents due to the achievement of a cumulative revenue milestone that took effect in the third quarter of 2016. These increases were offset by the reduction in higher gross margin consumable orders and increased reserves for slow-moving inventory. Costs related to collaboration revenue are included in research and development expense.

Research and Development Expense

Research and development expenses consist primarily of salaries and benefits, occupancy, laboratory supplies, engineering services, consulting fees, costs associated with licensing molecular diagnostics rights and clinical study expenses (including the cost of nCounter systems used in collaborations) to support the regulatory approval or clearance of diagnostic products. We have made substantial investments in research and development since our inception. Our research and development efforts have focused primarily on the tasks required to enhance our technologies and to support development and commercialization of new and existing products and applications. We believe that our continued investment in research and development is essential to our long-term competitive position and expect these expenses to continue to increase in future periods. In particular, following the entry into the Lam collaboration in August 2017, which provides up to $50 million of funding for our Hyb & Seq program, we expect to experience a substantial increase in related research and development expenses.

Given the relatively small size of our research and development staff and the limited number of active projects at any given time, we have found that it has been effective for us to manage our research and development activities on a departmental basis. Accordingly, other than for collaborations and certain major technology development programs, until very recently we have not required employees to report their time by project, nor have we allocated our research and development costs to individual projects, other than collaborations. Research and development expense by functional area was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	% Change
	(In thousands)			(In thousands)		
Core nCounter platform technology	$ 3,795	$ 2,807	35 %	$ 10,860	$ 7,126	52%
Manufacturing process development	800	651	23 %	2,239	1,900	18%
Life sciences products and applications	2,091	1,504	39 %	5,832	4,623	26%
Diagnostic product development	1,704	1,750	(3)%	5,448	4,765	14%
Clinical, regulatory and medical affairs	1,740	1,043	67 %	5,021	3,510	43%
Facility allocation	1,244	962	29 %	3,813	2,800	36%
Total research and development expense	$ 11,374	$ 8,717	30 %	$ 33,213	$ 24,724	34%

The increase in research and development expense for the three and nine months ended September 30, 2017 was primarily attributable to an increase in staffing and personnel-related costs of $1.4 million and $4.8 million, respectively, as well as increased professional fees and supply costs in both periods to support the advancement of our biopharma diagnostic collaborations and technology and product development activities, including 3D Biology, Digital Spatial Profiling and Hyb & Seq sequencing chemistry. In addition, facility costs increased $0.3 million and $1.1 million for the three and nine-month periods due to expansion of our leased space for research and development activities. Research and development costs will continue to increase in the future as a result of our new collaboration agreement with Lam and the expansion of our development of the Hyb & Seq program for which Lam has committed to support up to $50.0 million in funding. We expect the majority of the development efforts and related costs to be incurred during 2018 and the first half of 2019, and expect our future research and development costs to reflect this ongoing activity.

Selling, General and Administrative Expense

Selling, general and administrative expense consists primarily of costs for our sales and marketing, finance, human resources, information technology, business development, legal and general management functions, as well as professional services, such as legal, consulting and accounting services. We expect selling, general and administrative expense to increase in future periods as the number of sales, technical support and marketing and administrative personnel grows as we continue to introduce new products, broaden our customer base and grow our business. In the first half of 2017, we made significant additions to our sales force, including staff focused on sales of consumables to our existing instrument base. We believe this investment will enable our existing sales representatives to focus on instrument sales and help drive the growth of our installed instrument base. Legal, accounting and compliance costs have also increased as a result of our being a public company, and we expect them to continue to increase as our business grows.

Selling, general and administrative expense was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	% Change
	(In thousands)			(In thousands)		
Selling, general and administrative expense	$ 18,380	$ 15,607	18%	$ 54,590	$ 46,018	19%

The increase in selling, general and administration expense for the three and nine months ended September 30, 2017 was primarily attributable to an increase in staffing and personnel-related costs of $2.2 million and $6.4 million, respectively, to support our sales, marketing and administration functions. For the nine-month period, sales and marketing costs increased $1.2 million related to promotional events and other external activities, and professional fees increased $0.7 million. For the nine-month period, the increases were partially offset by $0.5 million of lower state and local gross receipt-based taxes as a result of lower amounts received under our collaboration agreements.

Other Income (Expense)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	% Change
	(In thousands)			(In thousands)		
Interest income	$ 252	$ 104	142 %	$ 549	$ 266	106 %
Interest expense	(1,556)	(1,509)	3 %	(4,585)	(4,150)	10 %
Other income (expense), net	(12)	(179)	(93)%	185	(238)	(178)%
Total other income (expense), net	$ (1,316)	$ (1,584)	(17)%	$ (3,851)	$ (4,122)	(7)%

For the three and nine months ended September 30, 2017 , interest expense has generally increased due primarily to increases in our long-term debt borrowings during these periods. The average balance of long-term debt outstanding for the nine months ended September 30, 2017 and 2016 was $48.5 million and $43.9 million , respectively. For both the three and nine month periods, interest income increased due to higher interest rates as well as an increased investment balance. Other income (expense), net is primarily related to realized and unrealized gains or losses associated with foreign currency transactions and both the three and nine month periods ended September 30, 2017 benefited from the weakening of the U.S. Dollar versus foreign currencies, primarily the Euro and the U.K. Pound.

Liquidity and Capital Resources

As of September 30, 2017 , we had cash, cash equivalents and short-term investments totaling $89.8 million . We believe our existing cash, cash equivalents and short-term investments will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. However, we may need to raise additional capital to expand the commercialization of our products, fund our operations and further our research and development activities. Our future funding requirements will depend on many factors, including: the nature and timing of any additional companion diagnostic development collaborations we may establish; market acceptance of our products; the cost and timing of establishing additional sales, marketing and distribution capabilities; the cost of our research and development activities; the cost and timing of regulatory clearances or approvals; the effect of competing technological and market developments; and the extent to which we acquire or invest in businesses, products and technologies, although we currently have no commitments or agreements relating to any of these types of transactions.

We will require additional funds in the future and we may not be able to obtain such funds on acceptable terms, or at all. If we raise additional funds by issuing equity or equity-linked securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or grant licenses on terms that are not favorable to us. If we are unable to raise adequate funds, we may have to liquidate some or all of our assets, or delay, reduce the scope of or eliminate some or all of our development programs. If we do not have, or are not able to obtain, sufficient funds, we may have to delay development or commercialization of our products or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize. We also may have to reduce marketing, customer support or other resources devoted to our products or cease operations.

Sources and Uses of Funds

Since inception, we have financed our operations primarily through the sale of equity securities and, to a lesser extent, from borrowings. In 2016, we were able to fund a substantial portion of our operating cash needs through collaborations. However, the timing and amount of such receipts in the future are uncertain and therefore we may require larger amounts of cash to fund our operations over at least the next several years.

In June 2017, we completed an underwritten public offering of 3,450,000 shares of common stock, including the exercise by the underwriter of an over-allotment option for 450,000 shares of common stock, for total gross proceeds of $57.8 million . After underwriter’s fees and commissions and other expenses of the offering, our aggregate net proceeds were approximately $56.5 million .

I n May 2015, we entered into a sales agreement with a sales agent to sell shares of our common stock through an “at the market” equity offering program, pursuant to which we sold 1,331,539 and 960,400 shares during 2016 and 2015, respectively, for net proceeds of $26.1 million and $12.5 million, respectively. The sales agreement automatically terminated when we sold the maximum number of shares allowed under the agreement.

In April 2014, we entered into a term loan agreement under which up to $45.0 million could be borrowed, including an option to defer payment of a portion of the interest that would accrue on the borrowing under the term loan agreement. Upon initial closing, we borrowed $20.0 million and in October 2014, we borrowed an additional $10.0 million under the term loan agreement.

In October 2015, we amended our term loan agreement to, among other provisions, increase the maximum borrowing capacity to $60.0 million (excluding accrued interest), reduce the applicable interest rate from 12.5% to 12.0%, extend the interest-only period through March 2021, and extend the final maturity to March 2022. Under the amended agreement, borrowings accrue interest at 12.0% annually, payable quarterly, of which 3.0% can be deferred during the first six years of the term at our option and paid together with the principal at maturity. We have elected to exercise the option to defer a portion of the interest and we have recorded $3.9 million of deferred interest through September 30, 2017 . In December 2015, we borrowed an additional $10.0 million under the terms of the amended agreement and in June 2016, we borrowed an additional $5.0 million. At December 31, 2016, the option to borrow $15.0 million more under the amended term loan agreement expired. Total borrowings under the amended term loan agreement were $48.9 million as of September 30, 2017 .

Under the amended term loan agreement, we may pay interest-only for the first seven years of the term and principal payments are due in four equal installments during the eighth year of the term. We have the option to prepay the term loan, in whole or part, at any time subject to payment of a redemption fee of up to 4.0%, which declines 1.0% annually, with no redemption fee payable if prepayment occurs after the fourth year of the loan. In addition, a facility fee equal to 2.0% of the amount borrowed plus any deferred interest is payable at the end of the term or when the loan is repaid in full. A long-term liability of $1.1 million for the facility fee is being accreted using the effective interest method for the facility fee over the term of the loan agreement. Obligations under the term loan agreement are collateralized by substantially all of our assets.

The term loan agreement contains customary conditions to borrowings, events of default and negative covenants, including covenants that could limit our ability to, among other things, incur additional indebtedness, liens or other encumbrances, make dividends or other distributions; buy, sell or transfer assets; engage in any new line of business; and enter into certain transactions with affiliates. The term loan agreement also includes a $2.0 million minimum liquidity covenant and revenue-based financial covenants, which is $85.0 million for 2017 with annual increases of $15.0 million for each subsequent fiscal year thereafter. If our actual revenue is below the minimum annual revenue requirement for any given year, we may avoid a related default by generating proceeds from an equity or subordinated debt issuance equal to the shortfall between our actual revenue and the minimum revenue requirement. We were in compliance with our covenants as of September 30, 2017 .

Our principal uses of cash are funding our operations, capital expenditures, satisfaction of our obligations under our debt instruments, and other working capital requirements. Over the past several years, our revenue has increased significantly from year to year and, as a result, our cash flows from customer collections have increased. However, our operating expenses have also increased as we have invested in growing our existing research business, developing and commercializing Prosigna, supporting our companion diagnostic and other collaborations with Celgene, Merck and Lam, and historically, Medivation and Astellas, and investing in technologies that we believe have the potential to drive the long-term growth of our business.

Our operating cash requirements may increase in the future as we (1) increase sales and marketing activities to expand the installed base of our nCounter Analysis Systems among research customers and clinical laboratories and continue to promote consumable usage, including Prosigna, (2) commercialize, and conduct studies to expand the clinical utility of Prosigna and develop new diagnostic tests under our three biopharma collaborations, and (3) develop new applications, chemistry and instruments for our nCounter platform, as we cannot be certain our revenue will grow sufficiently to offset our operating expense increases, nor can we be certain that we will be successful in continuing to generate cash from new collaborations to help fund our operations.

We may need to raise additional funds to support our operations, and such funding may not be available to us on acceptable terms, or at all. If we are unable to raise additional funds when needed, our operations and ability to execute our business strategy could be adversely affected. We may seek to raise additional funds through equity, equity-linked or debt financings. If we raise additional funds through the incurrence of indebtedness, such indebtedness would have rights that are senior to holders of our equity securities and could contain covenants that restrict our operations. Any additional equity financing may be dilutive to our stockholders.

Historical Cash Flow Trends

The following table shows a summary of our cash flows for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2017	2016
Cash (used in) provided by operating activities	$ (39,303)	$ 351
Cash used in investing activities	(11,486)	(18,705)
Cash provided by financing activities	58,979	6,967

Operating Cash Flows

We derive operating cash flows from cash collected from the sale of our products and services and from collaborations. These cash flows received are outweighed by our use of cash for operating expenses to support the growth of our business. As a result, we have historically experienced negative cash flows from operating activities and this will likely continue for the foreseeable future.

For the nine months ended September 30, 2017 , net cash used in operating activities consisted of our net loss of $34.8 million , which was increased by changes in deferred revenue of $19.6 million , primarily related to the termination of our Medivation and Astellas collaboration agreement, and partially offset by $2.7 million of changes in our operating assets and liabilities and $12.4 million of net non-cash items, such as stock-based compensation, depreciation and amortization, deferred interest converted to principal for the term loan, provision for bad debts, and amortization of premium on short-term investments.

For the nine months ended September 30, 2016, we had net cash provided by operating activities due primarily to $40.2 million in payments received from our collaborators, Merck and Medivation and Astellas. Net cash provided by operating activities consisted of our net loss of $35.5 million, which was more than offset by $25.9 million of changes in our operating assets and liabilities and $9.9 million of net non-cash items, such as stock-based compensation, depreciation and amortization, deferred interest converted to principal for the term loan, and amortization of premium on short-term investments.

Investing Cash Flows

Our most significant investing activities for the nine months ended September 30, 2017 and 2016 were related to the purchase and sale of short-term investments. Because we manage our cash usage with respect to our total cash, cash equivalents and short-term investments, we do not consider these cash flows to be important to an understanding of our liquidity and capital resources.

During the nine month periods ended September 30, 2017 and 2016 , we purchased property and equipment totaling $3.8 million and $2.7 million , respectively, which will be required to support the growth and expansion of our operations.

Financing Cash Flows

Historically, we have funded our operations through the issuance of equity securities and debt borrowings.

Net cash provided by financing activities for the nine months ended September 30, 2017 consisted of net proceeds of $56.5 million from the underwritten public offering, $1.8 million from proceeds associated with our Employee Stock Purchase Plan, and $0.9 million of proceeds from the exercise of stock options.

Net cash provided by financing activities for the nine months ended September 30, 2016 consisted of proceeds of $5.0 million under the amended term loan agreement, $1.5 million from proceeds associated with our Employee Stock Purchase Plan, and $0.7 million of proceeds from the exercise of stock options.

Critical Accounting Policies and Significant Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities, revenue and expenses at the date of the financial statements. Generally, we base our estimates on historical experience and on various other assumptions in accordance with GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical accounting policies and significant estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies and estimates include those related to:

- revenue recognition;

- stock-based compensation;
- inventory valuation;
- fair value measurements; and
- income taxes.

There have been no material changes in our critical accounting policies and significant estimates in the preparation of our condensed consolidated financial statements for the nine months ended September 30, 2017 compared to those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016 , as filed with the SEC on March 9, 2017 .

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 2 of the Notes to the Consolidated Financial Statements under Item 1 of this report.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or for any other contractually narrow or limited purpose.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including changes in interest rates and foreign currency exchange rates. Market risk is the potential loss arising from adverse changes in market rates and prices. Prices for our products are largely denominated in U.S. dollars and, as a result, we do not face significant risk with respect to foreign currency exchange rates.

Interest Rate Risk

Generally, our exposure to market risk has been primarily limited to interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because the majority of our investments are in short-term debt securities. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive without significantly increasing risk. To minimize risk, we maintain our portfolio of cash, cash equivalents and short-term investments in a variety of interest-bearing instruments, which have included U.S. government and agency securities, high-grade U.S. corporate bonds, asset-backed securities, and money market funds. Declines in interest rates, however, would reduce future investment income. A 1% decline in interest rates, occurring on October 1, 2017 and sustained throughout the period ended September 30, 2018 , would not be material.

As of September 30, 2017, the principal outstanding under our term borrowings was $48.9 million . The interest rates on our term borrowings under our credit facility are fixed. If overall interest rates had increased by 10% during the periods presented, our interest expense would not have been materially affected.

Foreign Currency Exchange Risk

As we continue to expand internationally our results of operations and cash flows will become increasingly subject to fluctuations due to changes in foreign currency exchange rates. Historically, a majority of our revenue has been denominated in U.S. dollars, although we sell our products and services directly in certain markets outside of the United States denominated in local currency, principally the Euro. Our expenses are generally denominated in the currencies in which our operations are located, which is primarily in the United States. The effect of a 10% adverse change in exchange rates on foreign denominated cash, receivables and payables would not have been material for the periods presented. As our operations in countries outside of the United States grow, our results of operations and cash flows will be subject to potentially greater fluctuations due to changes in foreign currency exchange rates, which could harm our business in the future. To date, we have not entered into any material foreign currency hedging contracts although we may do so in the future.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could adversely affect our business, financial condition and results of operations.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) prior to the filing of this quarterly report. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report, our disclosure controls and procedures were, in design and operation, effective.

(b) *Changes in internal control over financial reporting.* There were no changes in our internal control over financial reporting during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent limitation on the effectiveness of internal control.

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not engaged in any material legal proceedings. From time to time, we may become involved in litigation relating to claims arising from the ordinary course of business. We believe that there are no claims or actions pending against us currently, the ultimate disposition of which would have a material adverse effect on our consolidated results of operation, financial condition or cash flows.

Item 1A. Risk Factors

You should carefully consider the following risk factors, in addition to the other information contained in this report, including the section of this report captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes. If any of the events described in the following risk factors and the risks described elsewhere in this report occurs, our business, operating results and financial condition could be seriously harmed. This report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this report.

Risks Related to our Business and Strategy

We have incurred losses since we were formed and expect to incur losses in the future. We cannot be certain that we will achieve or sustain profitability.

We have incurred losses since we were formed and expect to incur losses in the future. We incurred net losses of $34.8 million and $35.5 million for the nine months ended September 30, 2017 and 2016 , respectively. As of September 30, 2017, we had an accumulated deficit of $304.4 million . We expect that our losses will continue for at least the next several years as we will be required to invest significant additional funds toward ongoing development and commercialization of our technology. We also expect that our operating expenses will continue to increase as we grow our business, but there can be no assurance that our revenue and gross profit will increase sufficiently such that our net losses decline, or we attain profitability, in the future. Our ability to achieve or sustain profitability is based on numerous factors, many of which are beyond our control, including the market acceptance of our products, future product development and our market penetration and margins. We may never be able to generate sufficient revenue to achieve or sustain profitability.

Our financial results may vary significantly from quarter to quarter which may adversely affect our stock price.

Investors should consider our business and prospects in light of the risks and difficulties we expect to encounter in the new, uncertain and rapidly evolving markets in which we compete. Because these markets are new and evolving, predicting

their future growth and size is difficult. We expect that our visibility into future sales of our products, including volumes, prices and product mix between instruments and consumables, and the amount and timing of payments pursuant to collaboration agreements will continue to be limited and could result in unexpected fluctuations in our quarterly and annual operating results.

Numerous other factors, many of which are outside our control, may cause or contribute to significant fluctuations in our quarterly and annual operating results. These fluctuations may make financial planning and forecasting difficult. For example, in the third quarter of 2017, product and service revenue did not meet expectations which adversely affected our stock price. In addition, these fluctuations may result in unanticipated changes in our available cash, which could negatively affect our business and prospects. Factors that may contribute to fluctuations in our operating results include many of the risks described in this section. Also, one or more of such factors may cause our revenue or operating expenses in one period to be disproportionately higher or lower relative to the others. For example, in May 2017, our collaboration with Medivation and Astellas Pharma was terminated, resulting in the recognition of $11.3 million of collaboration revenue for the three months ended June 30, 2017, including the impact of a $1.0 termination penalty. We also expect to accelerate recognition of deferred revenue related to our Merck collaboration in the fourth quarter of 2017 as the result of Merck's decision to not continue to pursue regulatory approval of the companion diagnostic for their product, KEYTRUDA, under the collaboration. Furthermore, our instruments involve a significant capital commitment by our customers and accordingly involve a lengthy sales cycle. We may expend significant effort in attempting to make a particular sale, which may be deferred by the customer or never occur. Accordingly, comparing our operating results on a period-to-period basis may not be meaningful, and investors should not rely on our past results as an indication of our future performance. If such fluctuations occur or if our operating results deviate from our expectations or the expectations of securities analysts, our stock price may be adversely affected.

If we do not achieve, sustain or successfully manage our anticipated growth, our business and growth prospects will be harmed.

We have experienced significant revenue growth in recent periods and we may not achieve similar growth rates in the future. Investors should not rely on our operating results for any prior periods as an indication of our future operating performance. If we are unable to maintain adequate revenue growth, our financial results could suffer and our stock price could decline. Furthermore, growth will place significant strains on our management and our operational and financial systems and processes. For example, development and commercialization of the Prosigna Breast Cancer Assay, or Prosigna, and other future diagnostic products worldwide are key elements of our growth strategy and have required us to hire and retain additional sales and marketing, medical, regulatory, manufacturing and quality assurance personnel. In addition, we intend to make further investments in sales and marketing personnel to enable our commercial organization to effectively manage the increased scale and complexity of our business. If we do not successfully generate demand for our products or manage our anticipated expenses accordingly, our operating results will be harmed.

Our future success is dependent upon our ability to expand our customer base and introduce new applications and products.

Our current customer base is primarily composed of academic and government research laboratories, biopharmaceutical companies and clinical laboratories (including physician-owned laboratories) that perform analyses using our nCounter Analysis Systems. Our success will depend, in part, upon our ability to increase our market penetration among all of these customers and to expand our market by developing and marketing new research applications, new instruments, and new diagnostic products. In light of our analysis of fourth quarter 2016 operating results and in an effort to enhance future results, we have added sales staff focused on consumable sales to existing customers, thus enabling existing sales representatives to increase focus on instrument sales. We expect that increasing the installed base of our nCounter Analysis Systems will drive demand for our relatively high margin consumable products. If we are not able to successfully increase our installed base of nCounter Analysis Systems, sales of our consumable products and our margins may not meet expectations. Moreover, we must convince physicians and third-party payors that our diagnostic products, such as Prosigna, are cost effective in obtaining information that can help inform treatment decisions and that our nCounter Analysis Systems could enable an equivalent or superior approach that lessens reliance on centralized laboratories. Palmetto GBA, a Medicare Administrative Contractor, or MAC, that assesses molecular diagnostic technologies through its Molecular Diagnostics Services Program, or MolDx, issued a positive coverage determination for Prosigna in 2015. Several other Medicare jurisdictions that participate in the MolDx program have adopted the same coverage policy. However, recently Palmetto has declined to process Medicare claims for Prosigna tests performed at physician-owned laboratories, despite the fact that such labs have the same qualifications required to perform Prosigna as independent laboratories. We are engaged in a dialogue with Palmetto's MolDx officials regarding this development, but are uncertain whether our efforts will result in a change in Palmetto's policy. If Palmetto does not change its policy, demand for Prosigna from physician-owned laboratories would be negatively impacted.

We also plan to develop and introduce new products which would be sold primarily to new customer types, such as our Digital Spatial Profiling instrument for use in pathology labs and a clinical sequencer based on our Hyb & Seq chemistry targeted for use by hospitals and oncology clinics. Attracting new customers and introducing new applications and products

requires substantial time and expense. Any failure to expand our existing customer base, or launch new applications and products, would adversely affect our ability to improve our operating results.

Our research business depends on levels of research and development spending by academic and governmental research institutions and biopharmaceutical companies, a reduction in which could limit demand for our products and adversely affect our business and operating results.

In the near term, we expect that a large portion of our revenue will be derived from sales of our nCounter Analysis Systems to academic and government research laboratories and biopharmaceutical companies worldwide for research and development applications. The demand for our products will depend in part upon the research and development budgets of these customers, which are impacted by factors beyond our control, such as:

- changes in government programs (such as the National Institutes of Health) that provide funding to research institutions and companies;
- macroeconomic conditions and the political climate;
- changes in the regulatory environment;
- differences in budgetary cycles;
- competitor product offerings or pricing;
- market-driven pressures to consolidate operations and reduce costs; and
- market acceptance of relatively new technologies, such as ours.

In addition, academic, governmental and other research institutions that fund research and development activities may be subject to stringent budgetary constraints that could result in spending reductions, reduced allocations or budget cutbacks, which could jeopardize the ability of these customers to purchase our products. Our operating results may fluctuate substantially due to reductions and delays in research and development expenditures by these customers. Any decrease in our customers' budgets or expenditures, or in the size, scope or frequency of capital or operating expenditures, could materially and adversely affect our business, operating results and financial condition.

Our sales cycle is lengthy and variable, which makes it difficult for us to forecast revenue and other operating results.

Our sales process involves numerous interactions with multiple individuals within an organization, and often includes in-depth analysis by potential customers of our products, performance of proof-of-principle studies, preparation of extensive documentation and a lengthy review process. As a result of these factors, the large capital investment required in purchasing our instruments and the budget cycles of our customers, the time from initial contact with a customer to our receipt of a purchase order can vary significantly and be up to 12 months or longer. With the introduction of our nCounter *SPRINT* system in July 2015, which is targeted at individual researchers that often have less certain funding than other potential customers, our visibility regarding timing of sales has decreased. Given the length and uncertainty of our sales cycle, we have in the past experienced, and likely will in the future experience, fluctuations in our instrument sales on a period-to-period basis. These factors also make it difficult to forecast revenue on a quarterly basis. For example, in the third quarter of 2017, our actual revenues were lower than our forecasts for many reasons that we did not predict, including extended timelines for finalizing purchase decisions by potential customers. Furthermore, from time-to-time, we may lease instruments or place instruments under reagent rental agreements, wherein a customer does not purchase an instrument upfront but instead pays a rental fee associated with each purchase of reagents. An increase in instruments placed under these lease or reagent rental agreements may reduce the number of instruments we would otherwise sell in any period. In addition, any failure to meet customer expectations could result in customers choosing to continue to use their existing systems or to purchase systems other than ours.

Our reliance on distributors for sales of our products outside of the United States, and on clinical laboratories for delivery of Prosigna testing services, could limit or prevent us from selling our products and impact our revenue.

We have established exclusive distribution agreements for our nCounter Analysis Systems and related consumable products in many countries where we do not sell directly. We intend to continue to grow our business internationally, and to do so we must attract additional distributors and retain existing distributors to maximize the commercial opportunity for our products. There is no guarantee that we will be successful in attracting or retaining desirable sales and distribution partners or that we will be able to enter into such arrangements on favorable terms. Distributors may not commit the necessary resources to market and sell our products to the level of our expectations or may choose to favor marketing the products of our competitors. If current or future distributors do not perform adequately, or we are unable to enter into effective arrangements with distributors in particular geographic areas, we may not realize long-term international revenue growth.

Similarly, we or our distributors have entered into agreements with clinical laboratories globally to provide Prosigna testing services. We do not provide testing services directly and, thus, we are reliant on these clinical laboratories to actively

promote and sell Prosigna testing services. These clinical laboratories may take longer than anticipated to begin offering Prosigna testing services and may not commit the necessary resources to market and sell Prosigna testing services to the level of our expectations. Furthermore, we intend to contract with additional clinical laboratories to offer Prosigna testing services and we may be unsuccessful in attracting and contracting with new clinical laboratory providers. If current or future Prosigna testing service providers do not perform adequately, or we are unable to enter into contracts with additional clinical laboratories to provide Prosigna testing services, we may not be successful selling Prosigna and our future revenue prospects may be adversely affected.

Our strategy to seek to enter into strategic collaborations and licensing arrangements with third parties to develop diagnostic tests and other products may not be successful.

We have relied, and expect to continue to rely, on strategic collaborations and licensing agreements with third parties for discoveries based on which we develop diagnostic tests. For example, we licensed the rights to intellectual property that forms the basis of Prosigna from Bioclassifier, LLC, which was founded by several of our research customers engaged in translational research. Similarly, in connection with our collaboration with Celgene Corporation, we licensed the rights to intellectual property relating to a gene signature for lymphoma subtyping, which was discovered by a consortium of researchers including several of our research customers, from the National Institutes of Health. In connection with our collaboration with Merck to develop a companion diagnostic test, our partner has licensed the technology for such test to us. We intend to enter into more such arrangements with our research customers and other researchers, including biopharmaceutical companies, for development of future diagnostic products. However, there is no assurance that we will be successful in doing so. In particular, our customers are not obligated to collaborate with us or license technology to us, and they may choose to develop diagnostic products themselves or collaborate with our competitors.

In August 2017, we entered into a collaboration agreement with Lam Research Corporation, or Lam, with respect to the development and commercialization of our Hyb & Seq sequencing platform and related assays. Pursuant to the terms of the collaboration agreement, Lam will contribute up to $50.0 million, payable quarterly, for the allowable development costs. In exchange, Lam is eligible to receive certain single-digit percentage royalty payments on net sales by us of certain products and technologies developed under the collaboration agreement. In addition, we issued Lam a warrant to purchase up to 1.0 million shares of our common stock. The outcome of this collaboration is uncertain and the cost may exceed $50.0 million, in which case we would need to obtain additional funding to complete the development. Ultimately the development may not be successful, which would negatively impact our prospects for future revenue growth.

Establishing collaborations and licensing arrangements is difficult and time-consuming. Discussions may not lead to collaborations or licenses on favorable terms, if at all. To the extent we agree to work exclusively with a party in a given area, our opportunities to collaborate with others could be limited. Potential collaborators or licensors may elect not to work with us based upon their assessment of our financial, regulatory or intellectual property position. Furthermore, significant consolidation in the life sciences industry has occurred during the last several years and in connection with such consolidation, the combined company often reassesses its development priorities which may impact our existing collaborations or future opportunities. For example, in May 2017, Astellas Pharma Inc. announced a joint decision with Pfizer Inc. to discontinue the planned ENDEAR trial which was the subject of our collaboration. We were informed that the decision resulted from an oncology portfolio review by Astellas Pharma and Pfizer. Even if we establish new relationships, we or our collaborators may terminate the relationship or they may never result in the successful development or commercialization of future tests or other products.

New diagnostic product development involves a lengthy and complex process, and we may be unable to commercialize on a timely basis, or at all, any of the tests we develop.

Few research and development projects result in successful commercial products, and success in early clinical studies often is not replicated in later studies. At any point, we may abandon development of a product candidate or we may be required to expend considerable resources repeating clinical studies, which would adversely impact potential revenue and our expenses. In addition, any delay in product development would provide others with additional time to commercialize competing products before we do, which in turn may adversely affect our growth prospects and operating results.

In March 2014, we entered into our first companion diagnostic collaboration with Celgene Corporation to develop an *in vitro* diagnostic assay to be used for subtyping certain lymphoma patients. In May 2015, we entered into a clinical research collaboration agreement with Merck to develop an assay that could become the subject of an additional companion diagnostic collaboration. In February 2016, we expanded our collaboration with Merck by entering into a new development collaboration agreement to clinically develop and commercialize a novel diagnostic test based on an optimized gene expression signature, which we call our tumor inflammation signature assay, to predict response to KEYTRUDA in multiple tumor types. We intend to enter into additional similar collaborations over time. The success of the development programs for such assays will be dependent on the success of the related drug trials conducted by our collaborators. For example, in October 2017, Merck notified us of their decision not to continue to pursue regulatory approval of the companion diagnostic for their product,

KEYTRUDA. There is no guarantee that clinical trials will be successful and, as a result, we may expend considerable time and resources developing *in vitro* diagnostic assays that cannot gain regulatory approval. Although we expect such collaborations to provide funding to cover our costs of development, the failure, discontinuation or modification of these clinical trials could negatively impact our ability to attract new collaboration partners, and would reduce our prospects for introducing new diagnostic products, revenue growth, and future operating results.

Our future capital needs are uncertain and we may need to raise additional funds in the future.

We believe that our existing cash and cash equivalents, together with funds available under our term loan agreement, will be sufficient to meet our anticipated cash requirements for at least the next 12 months. However, we may need to raise substantial additional capital to:

- expand the commercialization of our products;
- fund our operations; and
- further our research and development.

Our future funding requirements will depend on many factors, including:

- market acceptance of our products;
- the cost and timing of establishing additional sales, marketing and distribution capabilities;
- revenue and cash flow derived from existing or future collaborations;
- the cost of our research and development activities;
- the cost and timing of regulatory clearances or approvals;
- the effect of competing technological and market developments; and
- the extent to which we acquire or invest in businesses, products and technologies, including new licensing arrangements for new products.

We cannot assure you that we will be able to obtain additional funds on acceptable terms, or at all. If we raise additional funds by issuing equity or equity-linked securities, our stockholders may experience dilution. Additional debt financing, if available, may involve additional covenants restricting our operations or our ability to incur additional debt. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or grant licenses on terms that are not favorable to us. If we do not have, or are not able to obtain, sufficient funds, we may have to delay development or commercialization of our products or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize. We also may have to reduce marketing, customer support or other resources devoted to our products or cease operations. Any of these factors could harm our operating results.

Our research and development efforts will be hindered if we are not able to contract with third parties for access to archival tissue samples.

Under standard clinical practice, tumor biopsies removed from patients are preserved and stored in formalin-fixed paraffin embedded, or FFPE, format. We rely on our ability to secure access to these archived FFPE tumor biopsy samples, as well as information pertaining to the clinical outcomes of the patients from which they were derived for our clinical development activities. Others compete with us for access to these samples. Additionally, the process of negotiating access to archived samples is lengthy because it typically involves numerous parties and approval levels to resolve complex issues such as usage rights, institutional review board approval, privacy rights, publication rights, intellectual property ownership and research parameters. In January 2017, the Department of Health and Human Services finalized new rules, which become effective as of January 19, 2018, expanding the language to be included in informed consent forms related to the collection of identifiable private information or identifiable biospecimens. If this new requirement, or other factors arising in the future, impact our ability to negotiate access to archived tumor tissue samples with hospitals, clinical partners, pharmaceutical companies, or companies developing therapeutics on a timely basis or on commercially reasonable terms, or at all, or if other laboratories or our competitors secure access to these samples before us, our ability to research, develop and commercialize future products will be limited or delayed.

The life sciences research and diagnostic markets are highly competitive. If we fail to compete effectively, our business and operating results will suffer.

We face significant competition in the life sciences research and diagnostic markets. We currently compete with both established and early stage life sciences research companies that design, manufacture and market instruments and consumables

for gene expression analysis, single-cell analysis, polymerase chain reaction, or PCR, digital PCR, other nucleic acid detection and additional applications. These companies use well-established laboratory techniques such as microarrays or quantitative PCR, or qPCR, as well as newer technologies such as next generation sequencing. We believe our principal competitors in the life sciences research and diagnostic markets are Agilent Technologies, Becton-Dickinson, Bio-Rad, Bio-Techne, Fluidigm, HTG Molecular Diagnostics, Illumina, Luminex, Merck Millipore, O-Link, Perkin Elmer, Qiagen, Roche Applied Science, Thermo Fisher Scientific, and WaferGen Biosystems. In addition, there are a number of new market entrants in the process of developing novel technologies for the life sciences market.

We also compete with commercial diagnostic laboratory companies. We believe our principal competitor in the breast cancer diagnostics market is Genomic Health, which provides gene expression analysis at its central laboratory in Redwood City, California and currently commands a substantial majority of the market. We also face competition from companies such as Agendia, bioTheranostics, and Myriad Genetics.

Many of our current competitors are large publicly-traded companies, or are divisions of large publicly-traded companies, and may enjoy a number of competitive advantages over us, including:

- greater name and brand recognition, financial and human resources;
- broader product lines;
- larger sales forces and more established distributor networks;
- substantial intellectual property portfolios;
- larger and more established customer bases and relationships; and
- better established, larger scale, and lower cost manufacturing capabilities.

We believe that the principal competitive factors in all of our target markets include:

- cost of capital equipment;
- cost of consumables and supplies;
- reputation among customers;
- innovation in product offerings;
- flexibility and ease-of-use;
- accuracy and reproducibility of results; and
- compatibility with existing laboratory processes, tools and methods.

We believe that additional competitive factors specific to the diagnostics market include:

- availability of reimbursement for testing services;
- breadth of clinical decisions that can be influenced by information generated by tests;
- volume, quality, and strength of clinical and analytical validation data;
- inclusion in treatment guidelines; and
- economic benefit accrued to customers based on testing services enabled by products.

We cannot assure investors that our products will compete favorably or that we will be successful in the face of increasing competition from new products and technologies introduced by our existing competitors or new companies entering our markets. In addition, we cannot assure investors that our competitors do not have or will not develop products or technologies that currently or in the future will enable them to produce competitive products with greater capabilities or at lower costs than ours. For example, we recently concluded that certain of our customers have shifted certain types of experiments that previously had been performed on nCounter to RNA-sequencing technology. Although we are pursuing several strategies to mitigate this trend, there can be no assurance we will be successful in doing so. Any failure to compete effectively could materially and adversely affect our business, financial condition and operating results.

If Prosigna fails to achieve and sustain sufficient market acceptance, we will not generate expected revenue, and our prospects may be harmed.

Commercialization of Prosigna in Europe, the United States and the other jurisdictions in which we intend to pursue regulatory approval or clearance is a key element of our strategy. Currently, most oncologists seeking sophisticated gene expression analysis for diagnosing and profiling breast cancer in their patients ship tissue samples to a limited number of centralized laboratories typically located in the United States. We may experience reluctance, or refusal, on the part of physicians to order, and third-party payors to pay for, Prosigna if the results of our research and clinical studies, and our sales and marketing activities relating to communication of these results, do not convey to physicians and patients that Prosigna provides equivalent or better prognostic information than those centralized laboratories. In addition, our diagnostic tests are

performed by pathologists in local laboratories, rather than by a vendor in a remote centralized laboratory, which requires us to educate pathologists regarding the benefits of this business model and oncologists regarding the reliability and consistency of results generated locally. Also, we intend to offer Prosigna in other countries outside of the United States, where genomic testing for breast cancer is not widely available and the market for such tests is new. The future growth of the market for genomic breast cancer testing will depend on physicians' acceptance of such testing and the availability of reimbursement for such tests.

These hurdles may make it difficult to convince healthcare providers that tests using our technologies are appropriate options for cancer diagnostics, may be equivalent or superior to available tests, and may be at least as cost effective as alternative technologies. If we fail to successfully commercialize Prosigna, we may never receive a return on the significant investments in sales and marketing, medical, regulatory, manufacturing and quality assurance personnel we have made, and further investments we intend to make, which would adversely affect our growth prospects, operating results and financial condition.

We have limited experience in marketing and selling our diagnostic products to clinical laboratories, and if we are unable to successfully commercialize our products, our business may be adversely affected.

We have limited experience marketing and selling our diagnostic products to clinical laboratories. Our sales of Prosigna will depend in large part on our ability to successfully market to oncologists and other healthcare providers. Because we have limited experience in marketing and selling our products in the diagnostics market, our ability to forecast demand, the infrastructure required to support such demand and the sales cycle to diagnostics customers is unproven. If we are not able to maintain an efficient and effective sales organization targeting these markets, our business and operating results will be adversely affected. If we are unable to market and sell our products effectively to clinical laboratories, our ability to sell diagnostic products, including Prosigna, will be adversely affected.

We may not be able to develop new products, enhance the capabilities of our systems to keep pace with rapidly changing technology and customer requirements or successfully manage the transition to new product offerings, any of which could have a material adverse effect on our business and operating results.

Our success depends on our ability to develop new products and applications for our technology in existing and new markets, while improving the performance and cost-effectiveness of our systems. New technologies, techniques or products could emerge that might offer better combinations of price and performance than our current or future products and systems. Existing markets for our products, including gene expression analysis, gene fusions and copy number variation, as well as new markets, such as protein expression and gene mutations, and potential markets for our research and diagnostic product candidates, are characterized by rapid technological change and innovation. Competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. We anticipate that we will face increased competition in the future as existing companies and competitors develop new or improved products and as new companies enter the market with new technologies. It is critical to our success that we anticipate changes in technology and customer requirements and successfully introduce new, enhanced and competitive technologies to meet our customers' and prospective customers' needs on a timely and cost-effective basis. If we do not successfully innovate and introduce new technology into our product lines, our business and operating results will be adversely impacted.

The development of new products typically requires new scientific discoveries or advancements and complex technology and engineering. Such developments may involve external suppliers and service providers, making the management of development projects complex and subject to risks and uncertainties regarding timing, timely delivery of required components or services and satisfactory technical performance of such components or assembled products. For example, in 2016, a portion of the fluidic cartridges used in our nCounter *SPRINT* systems experienced leakage and we worked with our supplier to determine the root cause of the leakage and institute corrective actions at the supplier's production facility. If we do not achieve the required technical specifications or successfully manage new product development processes, or if development work is not performed according to schedule, then such new technologies or products may be adversely impacted and our business and operating results may be harmed.

Additionally, we must carefully manage the introduction of new products. If customers believe that such products will offer enhanced features or be sold for a more attractive price, they may delay purchases until such products are available. In July 2015, we commercially launched a new version of our nCounter Analysis System, the nCounter *SPRINT* Profiler, that is smaller and less expensive than the previous version. If customers conclude that such new products offer better value as compared to our existing products, we may suffer from reduced sales of our existing products and our overall revenue may decline. We may also have excess or obsolete inventory of older products as we transition to new products and our experience in managing product transitions is limited. If we do not effectively manage the transitions to new product offerings, our revenue, results of operations and business will be adversely affected.

New market opportunities may not develop as quickly as we expect, limiting our ability to successfully market and sell our products.

The market for our products is new and evolving. Accordingly, we expect the application of our technologies to emerging opportunities will take several years to develop and mature and we cannot be certain that these market opportunities will develop as we expect. For example, in September 2015, we launched our first 3D Biology application, a new product that allows users to simultaneously measure gene and protein expression from a single sample. In 2016 and 2017, we launched additional 3D Biology panels, including our first for the measurement of DNA mutations. The future growth of the market for these new products depends on many factors beyond our control, including recognition and acceptance of our applications by the scientific community and the growth, prevalence and costs of competing methods of genomic analysis. Also, in 2015, we commercially launched a new version of our nCounter Analysis system for research, the nCounter *SPRINT* Profiler. If the markets for our new products do not develop as we expect, our business may be adversely affected. If we are not able to successfully market and sell our products or to achieve the revenue or margins we expect, our operating results may be harmed.

We are dependent on single source suppliers for some of the components and materials used in our products, and the loss of any of these suppliers could harm our business.

We rely on Precision System Science, Co., Ltd of Chiba, Japan, to build our nCounter Prep Station, Korvis LLC of Corvallis, Oregon, to build our nCounter Digital Analyzer, Paramit Corporation of Morgan Hill, California, to build our new nCounter *SPRINT* Profiler and IDEX Corporation of Lake Forest, Illinois to build the fluidics cartridge, a key component of our nCounter *SPRINT* Profiler. Each of these contract manufacturers are sole suppliers. Since our contracts with these instrument suppliers do not commit them to carry inventory or make available any particular quantities, they may give other customers' needs higher priority than ours, and we may not be able to obtain adequate supplies in a timely manner or on commercially reasonable terms. We also rely on sole suppliers for various components we use to manufacture our consumable products. We periodically forecast our needs for such components and enter into standard purchase orders with them. If we were to lose such suppliers, there can be no assurance that we will be able to identify or enter into agreements with alternative suppliers on a timely basis on acceptable terms, if at all. If we should encounter delays or difficulties in securing the quality and quantity of materials we require for our products, our supply chain would be interrupted which would adversely affect sales. If any of these events occur, our business and operating results could be harmed.

We may experience manufacturing problems or delays that could limit our growth or adversely affect our operating results

Our consumable products are manufactured at our Seattle, Washington facility using complex processes, sophisticated equipment and strict adherence to specifications and quality systems procedures. Any unforeseen manufacturing problems, such as contamination of our facility, equipment malfunction, quality issues with components and materials sourced from third-party suppliers or failure to strictly follow procedures or meet specifications, could result in delays or shortfalls in production or require us to voluntarily recall our consumable products. Identifying and resolving the cause of any such manufacturing or supplier issues could require substantial time and resources. If we are unable to keep up with demand for our products by successfully manufacturing and shipping our products in a timely manner, our revenue could be impaired, market acceptance for our products could be adversely affected and our customers might instead purchase our competitors' products.

In addition, the introduction of new products may require the development of new manufacturing processes and procedures. For example, our new 3D Biology applications for the simultaneous measurement of gene and protein expression and DNA mutations involve new processes for manufacturing our molecular barcodes. While all of our CodeSets are produced using the same basic processes, significant variations may be required to meet new product specifications. Developing new processes can be very time consuming, and any unexpected difficulty in doing so could delay the introduction of a product.

If our Seattle facilities become unavailable or inoperable, we will be unable to continue our research and development, manufacturing our consumables or processing sales orders, and our business will be harmed.

We manufacture our consumable products in our headquarters facilities in Seattle, Washington. In addition, Seattle is the center for research and development, order processing, receipt of our instruments manufactured by third-party contract manufacturers and shipping products to customers. Our facilities and the equipment we use to manufacture our consumable products would be costly, and would require substantial lead time, to repair or replace. Seattle is situated near active earthquake fault lines. These facilities may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes and power outages, which may render it difficult or impossible for us to produce our products for some period of time. The inability to manufacture consumables or to ship products to customers for even a short period of time may result in the loss of customers or harm our reputation, and we may be unable to regain those customers in the future. Although we possess insurance for damage to our property and the disruption of our business, this insurance, and in particular earthquake insurance, which is limited, may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, if at all.

We expect to generate a substantial portion of our product and service revenue internationally and are subject to various risks relating to our international activities, which could adversely affect our operating results.

For the nine months ended September 30, 2017 and 2016 , approximately 40% and 37% , respectively, of our product and service revenue was generated from sales to customers located outside of North America. We believe that a significant percentage of our future revenue will come from international sources as we expand our overseas operations and develop opportunities in additional areas. Engaging in international business involves a number of difficulties and risks, including:

- required compliance with existing and changing foreign regulatory requirements and laws;
- required compliance with anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act and U.K. Bribery Act, data privacy requirements, labor laws and anti-competition regulations;
- export or import restrictions;
- various reimbursement and insurance regimes;
- laws and business practices favoring local companies;
- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- political and economic instability, such as the anticipated exit of Great Britain from the European Economic Community;
- potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements and other trade barriers;
- difficulties and costs of staffing and managing foreign operations; and
- difficulties protecting or procuring intellectual property rights.

As we expand internationally, our results of operations and cash flows will become increasingly subject to fluctuations due to changes in foreign currency exchange rates. Historically, most of our revenue has been denominated in U.S. dollars, although we have sold our products and services in local currency outside of the United States, principally the Euro. Our expenses are generally denominated in the currencies in which our operations are located, which is primarily in the United States. As our operations in countries outside of the United States grow, our results of operations and cash flows will increasingly be subject to fluctuations due to changes in foreign currency exchange rates, which could harm our business in the future. For example, if the value of the U.S. dollar increases relative to foreign currencies, our product and service revenue could be adversely affected as we convert revenue from local currencies to U.S. dollars. Similarly, a strong U.S. dollar relative to the local currencies of our international customers can potentially reduce demand for our products, which may compound the adverse effect of foreign exchange translation on our revenue. If we dedicate significant resources to our international operations and are unable to manage these risks effectively, our business, operating results and prospects will suffer.

Significant U.K. or European developments stemming from the U.K.'s referendum on membership in the European Union could have a material adverse effect on us.

In June 2016, the United Kingdom held a referendum and voted in favor of leaving the European Union, and in March 2017, the government of the United Kingdom formally initiated the withdrawal process. This has created political and economic uncertainty, particularly in the United Kingdom and the European Union, and this uncertainty may last for years. Our business in the United Kingdom, the European Union, and worldwide could be affected during this period of uncertainty, and perhaps longer, by the impact of the United Kingdom's referendum. There are many ways in which our business could be affected, only some of which we can identify as of the date of this report.

The decision of the United Kingdom to withdraw from the European Union has caused and, along with events that could occur in the future as a consequence of the United Kingdom's withdrawal, including the possible breakup of the United Kingdom, may continue to cause significant volatility in global financial markets, including in global currency and debt markets. This volatility could cause a slowdown in economic activity in the United Kingdom, Europe or globally, which could adversely affect our operating results and growth prospects. In addition, our business could be negatively affected by new trade agreements or data transfer agreements between the United Kingdom and other countries, including the United States, and by the possible imposition of trade or other regulatory and immigration barriers in the United Kingdom. In addition, the Europe-wide market authorization framework for our products (and for the drugs sold by our collaboration partners in the pharmaceutical industry) may also change. Furthermore, we currently operate in Europe through a subsidiary based in the United Kingdom, which provides us with certain operational, tax and other benefits, as well as through other subsidiaries in Europe. The United Kingdom's withdrawal from the European Union could adversely affect our ability to realize those benefits and we may incur costs and suffer disruptions in our European operations as a result. These possible negative impacts, and others resulting from the United Kingdom's actual or threatened withdrawal from the European Union, may adversely affect our operating results and growth prospects.

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

As of December 31, 2016 , we had federal net operating loss carryforwards, or NOLs, to offset future taxable income of approximately $204.9 million , which expire in various years beginning in 2025 , if not utilized. A lack of future taxable income would adversely affect our ability to utilize these NOLs. In addition, under Section 382 of the Internal Revenue Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. We may have already experienced one or more ownership changes. Depending on the timing of any future utilization of our carryforwards, we may be limited as to the amount that can be utilized each year as a result of such previous ownership changes. However, we do not believe such limitations will cause our NOL and credit carryforwards to expire unutilized. In addition, future changes in our stock ownership as well as other changes that may be outside of our control, could result in additional ownership changes under Section 382 of the Internal Revenue Code. Our NOLs may also be impaired under similar provisions of state law. We have recorded a full valuation allowance related to our NOLs and other deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets.

Provisions of our debt instruments may restrict our ability to pursue our business strategies.

Our term loan agreement requires us, and any debt instruments we may enter into in the future may require us, to comply with various covenants that limit our ability to, among other things:

- dispose of assets;
- complete mergers or acquisitions;
- incur indebtedness;
- encumber assets;
- pay dividends or make other distributions to holders of our capital stock;
- make specified investments;
- engage in any new line of business; and
- engage in certain transactions with our affiliates.

These restrictions could inhibit our ability to pursue our business strategies. In addition, we are subject to financial covenants based on total revenue and minimum cash balances. If we default under our term loan agreement, and such event of default is not cured or waived, the lenders could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross defaults under other debt instruments. Our assets and cash flow may not be sufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon a default. We may incur additional indebtedness in the future. The debt instruments governing such indebtedness could contain provisions that are as, or more, restrictive than our existing debt instruments. If we are unable to repay, refinance or restructure our indebtedness when payment is due, the lenders could proceed against the collateral granted to them to secure such indebtedness or force us into bankruptcy or liquidation.

Acquisitions or joint ventures could disrupt our business, cause dilution to our stockholders and otherwise harm our business.

We may acquire other businesses, products or technologies as well as pursue strategic alliances, joint ventures, technology licenses or investments in complementary businesses. We have not made any acquisitions to date, and our ability to do so successfully is unproven. Any of these transactions could be material to our financial condition and operating results and expose us to many risks, including:

- disruption in our relationships with customers, distributors or suppliers as a result of such a transaction;
- unanticipated liabilities related to acquired companies;
- difficulties integrating acquired personnel, technologies and operations into our existing business;
- diversion of management time and focus from operating our business;
- increases in our expenses and reductions in our cash available for operations and other uses; and
- possible write-offs or impairment charges relating to acquired businesses.

Foreign acquisitions involve unique risks in addition to those mentioned above, including those related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.

Also, the anticipated benefit of any strategic transaction may not materialize. Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses or write-offs of goodwill, any of which could harm our financial condition. We cannot predict the number, timing or

size of future joint ventures or acquisitions, or the effect that any such transactions might have on our operating results.

If we are unable to recruit, train and retain key personnel, we may not achieve our goals.

Our future success depends on our ability to recruit, train, retain and motivate key personnel, including our senior management, research and development, manufacturing and sales and marketing personnel. Competition for qualified personnel is intense, particularly in the Seattle, Washington area. Our growth depends, in particular, on attracting, retaining and motivating highly-trained sales personnel with the necessary scientific background and ability to understand our systems at a technical level to effectively identify and sell to potential new customers. We do not maintain fixed term employment contracts or key man life insurance with any of our employees. Because of the complex and technical nature of our products and the dynamic market in which we compete, any failure to attract, train, retain and motivate qualified personnel could materially harm our operating results and growth prospects.

Undetected errors or defects in our products could harm our reputation, decrease market acceptance of our products or expose us to product liability claims.

Our products may contain undetected errors or defects when first introduced or as new versions are released. Disruptions or other performance problems with our products may damage our customers' businesses, harm our reputation and result in reduced revenues. If that occurs, we may also incur significant costs, the attention of our key personnel could be diverted, or other significant customer relations problems may arise. We may also be subject to warranty and liability claims for damages related to errors or defects in our products. A material liability claim or other occurrence that harms our reputation or decreases market acceptance of our products could adversely impact our business and operating results.

The sale and use of products or services based on our technologies, or activities related to our research and clinical studies, could lead to the filing of product liability claims if someone were to allege that one of our products contained a design or manufacturing defect which resulted in the failure to adequately perform the analysis for which it was designed. A product liability claim could result in substantial damages and be costly and time consuming to defend, either of which could materially harm our business or financial condition. We cannot assure investors that our product liability insurance would adequately protect our assets from the financial impact of defending a product liability claim. Any product liability claim brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing insurance coverage in the future.

We face risks related to handling of hazardous materials and other regulations governing environmental safety.

Our operations are subject to complex and stringent environmental, health, safety and other governmental laws and regulations that both public officials and private individuals may seek to enforce. Our activities that are subject to these regulations include, among other things, our use of hazardous materials and the generation, transportation and storage of waste. We could discover that we or an acquired business are not in material compliance with these regulations. Existing laws and regulations may also be revised or reinterpreted, or new laws and regulations may become applicable to us, whether retroactively or prospectively, that may have a negative effect on our business and results of operations. It is also impossible to eliminate completely the risk of accidental environmental contamination or injury to individuals. In such an event, we could be liable for any damages that result, which could adversely affect our business.

If we experience a significant disruption in our information technology systems or breaches of data security, our business could be adversely affected.

We rely on information technology systems to keep financial records, manage our manufacturing operations, fulfill customer orders, capture laboratory data, maintain corporate records, communicate with staff and external parties and operate other critical functions. Our information technology systems are potentially vulnerable to disruption due to breakdown, malicious intrusion and computer viruses or other disruptive events including but not limited to natural disaster. If we were to experience a prolonged system disruption in our information technology systems or those of certain of our vendors, it could negatively impact our ability to serve our customers, which could adversely impact our business. Although we maintain offsite back-ups of our data, if operations at our facilities were disrupted, it may cause a material disruption in our business if we are not capable of restoring function on an acceptable timeframe. In addition, our information technology systems are potentially vulnerable to data security breaches — whether by employees or others — which may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, customers and others, any of which could have a material adverse effect on our business, financial condition and results of operations. If we are unable to prevent such security breaches or privacy violations or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer loss of reputation, financial loss and other negative consequences because of lost or

misappropriated information. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above.

Risks Related to Government Regulation and Diagnostic Product Reimbursement

Our "research use only" products for the research market could become subject to regulation as medical devices by the FDA or other regulatory agencies in the future which could increase our costs and delay our commercialization efforts, thereby materially and adversely affecting our business and results of operations.

In the United States, most of our products are currently labeled and sold for research use only, or RUO, and not for the diagnosis or treatment of disease, and are sold to pharmaceutical and biotechnology companies, academic and government institutions and research laboratories. Because such products are not intended for diagnostic use, and the products do not include clinical or diagnostic claims, or directions to use as diagnostic products, they are not subject to regulation by the Food and Drug Administration, or FDA, as medical devices. In particular, while the FDA regulations require that RUO products be labeled, "For Research Use Only. Not for use in diagnostic procedures," the regulations do not subject such products to the FDA's pre- and post-market controls for medical devices. Pursuant to FDA guidance on RUO products, a company may not make clinical or diagnostic claims about an RUO product or provide clinical directions or clinical support services to customers for RUO products. If the FDA were to modify its approach to regulating products labeled for research use only, it could reduce our revenue or increase our costs and adversely affect our business, prospects, results of operations or financial condition. In the event that the FDA requires marketing authorization of our RUO products in the future, there can be no assurance that the FDA will ultimately grant any clearance or approval requested by us in a timely manner, or at all.

In addition, we sell dual-use instruments with software that has both FDA-cleared functions and research functions, for which FDA approval or clearance is not required. Dual-use instruments are subject to FDA regulation since they are intended, at least in part, for use by customers performing clinical diagnostic testing. In November 2014, FDA issued a guidance document that described FDA's approach to regulating molecular diagnostic instruments that combine both approved/cleared device functions and device functions for which approval/clearance is not required. There is a risk that the FDA could take enforcement action against a manufacturer for distributing dual-use instruments if the company does not follow the restrictions discussed in the guidance document. For example, there could be enforcement action if the FDA determines that approval or clearance was required for those functions for which FDA approval or clearance has not been obtained, and the instruments are being promoted off-label. There is also a risk that the FDA could broaden its current regulatory enforcement of dual-use instruments through additional FDA oversight of such products or impose additional requirements upon such products. Earlier this year, FDA proposed that the clinical diagnostic portions of clinical multiplex test systems, like the ones used with our Prosigna assay, be exempt from the requirement for FDA clearance. FDA adopted the proposal on July 11, 2017 and issued new regulations exempting certain clinical multiplex test systems from premarket notification requirements. However, these new regulations will not impact the FDA clearance requirements for our nCounter Dx Analysis System which will still require 510(k) clearance for use with specific assays like Prosigna.

If Medicare and other third-party payors in the United States and foreign countries do not approve reimbursement for diagnostic tests enabled by our technology, the commercial success of our diagnostic products would be compromised.

Successful commercialization of our diagnostic products depends, in large part, on the availability of adequate reimbursement for testing services that our diagnostic products enable from government insurance plans, managed care organizations and private insurance plans. There is significant uncertainty surrounding third-party reimbursement for the use of tests that incorporate new technology. For example, after the FDA clearance of Prosigna in September 2013, it took over two years to achieve broad Medicare reimbursement of Prosigna testing.

If we are unable to obtain positive policy decisions from third-party payors approving reimbursement for our tests at adequate levels, the commercial success of our diagnostic products would be compromised and our revenue would be significantly limited. Even if we do obtain reimbursement for our tests, Medicare, Medicaid and private and other payors may withdraw their coverage policies, cancel their contracts at any time, review and adjust the rate of reimbursement, require co-payments from patients or stop paying for our tests, which would reduce revenue for testing services based on our technology, and indirectly, demand for diagnostic products. In addition, insurers, including managed care organizations as well as government payors such as Medicare and Medicaid, have increased their efforts to control the cost, utilization and delivery of healthcare services, which may include decreased coverage or reduced reimbursement. From time to time, Congress has considered and implemented changes to the Medicare fee schedules in conjunction with budgetary legislation, and pricing and payment terms, including the possible requirement of a patient co-payment for Medicare beneficiaries for tests covered by Medicare, and are subject to change at any time. Most recently the Protecting Access to Medicare Act, or PAMA, of 2014 revises the Medicare Clinical Laboratory Fee Schedule, or CLFS, to base prices on commercial payer rates that are reported to the Centers for Medicare and Medicaid Services, or CMS. In June 2016, CMS released the final Clinical Diagnostic Tests

Laboratory Payment System regulations, in response to PAMA. The statute applies different reporting and payment requirements to Advanced Diagnostic Laboratory Tests, or ADLTs, and to Clinical Diagnostic Laboratory Tests, or CDLTs. Under the definitions in the proposed rules, Prosigna would be defined as a CDLT and would be repriced every three years based on a weighted median of commercial payments submitted by labs. As a result, if commercial payment amounts decline, there is a risk that Medicare prices will fall as well, though PAMA limits these reductions to no more than 10% less than the prior year during calendar years 2018-2020 and no more than 15% less during years 2021-2023.

Reductions in the reimbursement rate of third-party payors have also occurred and may occur in the future. For example, in September 2017, CMS published its preliminary determinations of pricing for CDLTs to take effect on January 1, 2018. CMS issued a proposed payment determination that would reduce Medicare reimbursement of Prosigna to our customers from the current rate of $3,443 per test to $508 per test. CMS used a pricing methodology called "crosswalking" pursuant to which a new test such as Prosigna is determined to be similar to an existing test and is assigned the same fee schedule amount as the existing test. CMS recommended crosswalking Prosigna to a colorectal screening test, which has the lowest priced code for advanced diagnostic tests on the fee schedule, despite a recommendation from an advisory panel that it be crosswalked to a different code (0008M). We are advocating to CMS to crosswalk Prosigna to the 0008M code category and restore its current reimbursement level. In addition, in determining the weighted median of commercial payments for Prosigna, CMS used only one reported commercial payment rate from one commercial laboratory. We have communicated the deficiency of this approach to CMS and proposed that CMS disregard this one data point so that it does not trigger the 10% reduction to Prosigna's current reimbursement rate of $3,443 as required under PAMA (assuming that CMS crosswalks Prosigna to code 0008M). CMS accepted public comments on its preliminary determinations through October 23, 2017 and in November will issue final determinations through an updated CLFS for 2018. Reductions in the prices at which testing services based on our technology are reimbursed could have a negative impact on our revenue.

In many countries outside of the United States, various coverage, pricing and reimbursement approvals are required. Recently, positive reimbursement decisions for Prosigna have occurred in France, certain regions of Spain, Canada and Israel. Despite these positive developments, we continue to expect that it will take several years to establish broad coverage and reimbursement for testing services based on our products with most payors in countries outside of the United States, and our efforts may not be successful.

We continue to pursue positive reimbursement and coverage decisions from government insurance plans, managed care organizations and private insurance plans. From time to time, if positive coverage decisions are obtained, we may publicly announce such decisions. In most cases where coverage is denied by a third-party payor, there will be subsequent opportunities to submit additional information or clinical evidence and have such decision reconsidered. We intend to evaluate the benefit of continued pursuit of a positive reimbursement determination on a case by case basis and in most cases expect to continue to pursue a positive coverage decision with those payors based on additional information or subsequent clinical developments; as a result, we do not intend to publicly announce any denials of coverage or the absence of a coverage determination on a regular basis.

Our nCounter Elements reagents may be used by clinical laboratories to create Laboratory-Developed Tests, which could in the future be the subject of additional FDA regulation as medical devices, which could materially and adversely affect our business and results of operations.

In February 2014, we launched nCounter Elements reagents, a new digital molecular barcoding chemistry that allows users to design their own customized assays using standard sets of barcodes provided by us with the laboratories' choice of oligonucleotide probes. nCounter Elements reagents may be used by laboratories in conjunction with appropriate analyte-specific reagents and general purpose reagents to create diagnostic tests or test systems.

A clinical laboratory can use nCounter Elements reagents to create what is called a Laboratory Developed Test, or LDT. LDTs, according to the FDA, are diagnostic tests that are developed, validated and performed by a single laboratory and include genetic tests. Historically, LDTs generally have not been subject to FDA regulations. In October 2014, the FDA issued draft guidance documents proposing the use of a risk-based approach to regulating LDTs. Any restrictions on LDTs by the FDA could decrease demand for our nCounter Elements reagents. Additionally, compliance with additional regulatory burdens could be time consuming and costly for our customers. While FDA announced in November 2016 that it did not intend to seek finalization of the draft LDT guidance in the near term, FDA could alter its position or Congress could enact legislation that could result in FDA regulation of some LDTs. If FDA changed its policy or legislation were enacted, it could adversely affect demand for our nCounter Elements reagents.

If we are unable to obtain additional regulatory clearances or approvals to market Prosigna in additional countries or if regulatory limitations are placed on our diagnostic products, our business and growth will be harmed. In addition, if we do not obtain additional regulatory clearances or approvals necessary to market products other than Prosigna for diagnostic purposes, we will be limited to marketing such products for research use only.

We have received regulatory clearance in the United States under a 510(k) for a version of our first diagnostic product, Prosigna, providing an assessment of a patient's risk of recurrence for breast cancer, and we have obtained a CE mark for Prosigna which permits us to market that assay for diagnostic purposes in the European Union. We do not have regulatory clearance or approval to market in any additional markets, other than Switzerland, Israel, Canada, Turkey, New Zealand, Hong Kong, Australia, Thailand, and Argentina, or to promote Prosigna in the United States for additional indications. Other than with respect to Prosigna in such jurisdictions, we are limited to marketing our products for research use only, which means that we cannot make diagnostic or clinical claims. We intend to seek regulatory authorizations to market Prosigna in other jurisdictions and, potentially, for other indications. In addition, pursuant to our collaborations with pharmaceutical companies for the development of companion diagnostic tests for use with their drugs, we are responsible for obtaining regulatory authorizations needed to use the companion diagnostic tests in clinical trials as well as the regulatory approvals to sell the companion diagnostic tests following completion of such trials. Some of the compensation we expect to receive pursuant to these collaborations is based on the receipt of such approvals.

We cannot assure investors that we will be successful in obtaining these regulatory clearances or approvals. If we do not obtain additional regulatory clearances or approvals to market future products or expand future indications for diagnostic purposes, if additional regulatory limitations are placed on our products or if we fail to successfully commercialize such products, the market potential for our diagnostic products would be constrained, and our business and growth prospects would be adversely affected.

Approval and/or clearance by the FDA and foreign regulatory authorities for our diagnostic tests will take significant time and require significant research, development and clinical study expenditures and ultimately may not succeed.

Before we begin to label and market our products for use as clinical diagnostics in the United States, thereby subjecting them to FDA regulation as medical devices, unless an exemption applies we are required to obtain prior 510(k) clearance, *de novo* authorization or prior pre-market application approval, or PMA approval, from the FDA. In September 2013, we received FDA 510(k) clearance for Prosigna as a prognostic indicator for distant recurrence-free survival at 10 years in post-menopausal women with Stage I/II lymph node-negative or Stage II lymph node-positive (1-3 positive nodes) hormone receptor-positive breast cancer who have undergone surgery in conjunction with locoregional treatment and consistent with the standard of care. We may pursue additional intended uses for Prosigna that require a PMA approval, which is a more burdensome regulatory process than the 510(k) clearance process. In addition, we are currently collaborating with Celgene on a companion diagnostic test. In August 2014, the FDA issued a companion diagnostics final guidance stating that if the device is essential to the safety or efficacy of the drug, the FDA generally will require approval or clearance for the device at the time when the FDA approves the drug. The FDA stated in the companion diagnostics final guidance that while in some instances a companion diagnostic could come to market through a 510(k), the Agency expects that companion diagnostics usually will require a PMA. In July 2016, the FDA issued a draft co-development companion diagnostic and therapeutic guidance document which similarly reflected this information. The draft guidance appears to also relate, at least in part, to what may be considered complementary diagnostics, i.e., diagnostics that are beneficial for therapeutic product development or clinical decision making but that do not meet the definition of an IVD companion diagnostic. If we developed a diagnostic device to be used in conjunction with a pharmaceutical product that was then cleared or approved but not as a companion diagnostic for the therapeutic product, this may result in potentially reduced revenue for the test as the labeling of the drug would not reference the need for the diagnostic test.

Any 510(k) clearance, *de novo* authorization or PMA approval we obtain for any future product would place substantial restrictions on how our device is marketed or sold. The FDA will continue to place considerable restrictions on our products, including, but not limited to, the obligation to comply with the Quality System Regulation, or QSR, registering manufacturing facilities, listing the products with the FDA, and complying with labeling, marketing, complaint handling, medical device reporting requirements, and reporting certain corrections and removals. Obtaining FDA clearance or approval for diagnostics can be expensive and uncertain, and generally takes from several months to several years from submission, and generally requires detailed and comprehensive scientific and clinical data, as well as compliance with FDA regulations. In addition, we have limited experience in obtaining PMA approval from the FDA and are therefore supplementing our operational capabilities to manage the more complex processes needed to obtain and maintain PMAs. Notwithstanding the expense, these efforts may never result in FDA approval or clearance. Even if we were to obtain regulatory approval, authorization or clearance, it may not be for the uses we believe are important or commercially attractive, in which case we would not market our product for those uses.

Sales of our diagnostic products outside the United States are subject to foreign regulatory requirements governing

clinical studies, vigilance reporting, marketing approval, manufacturing, regulatory inspections, product licensing, pricing and reimbursement. These regulatory requirements vary greatly from country to country. As a result, the time required to obtain approvals outside the United States may differ from that required to obtain FDA approval or clearance, and we may not be able to obtain foreign regulatory approvals on a timely basis or at all. Approval or clearance by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval or clearance by regulatory authorities in other countries or by the FDA, and foreign regulatory authorities could require additional testing beyond what the FDA requires. In addition, FDA regulates exports of medical devices. Failure to comply with these regulatory requirements or to obtain required approvals or clearances could impair our ability to commercialize our diagnostic products outside of the United States.

We expect to rely on third parties in conducting any future studies of our diagnostic products that may be required by the FDA or other regulatory authorities, and to fulfill product registration requirements in foreign countries, and those third parties may not perform satisfactorily.

We do not have the ability to independently conduct the clinical studies or other studies that may be required to obtain FDA and other regulatory clearance or approval for our diagnostic products, including additional indications for Prosigna. Accordingly, we expect to rely on third parties, such as medical institutions, clinical investigators, consultants, and our pharmaceutical collaborators to conduct such studies. For example, we contract with clinical laboratories to perform the companion diagnostic tests we are developing that are used in the clinical trials run by pharmaceutical companies pursuant to our companion diagnostic collaborations. Our reliance on these third parties for clinical development activities will reduce our control over these activities. These third-party contractors may not complete activities on schedule or conduct studies in accordance with regulatory requirements or the study design. Our reliance on third parties that we do not control will not relieve us of any applicable requirement to ensure compliance with various procedures required under good clinical practices and regulatory requirements. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if the third parties need to be replaced or if the quality or accuracy of the data they obtain is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons, the studies may be extended, delayed, suspended or terminated, and we may not be able to obtain regulatory approval for our diagnostic products. In addition, under our contracts with our pharmaceutical collaborators, we potentially could be held liable for the failure of our third party subcontractors to perform their contractual obligations.

In many countries, we are not permitted to directly apply for product registrations, and therefore must rely on third-party contractors or product distributors resident in those countries to fulfill the product registration requirements. Our reliance on these third parties reduces our control over the registration activities, and those parties may not appropriately register the products. Our reliance on third parties does not relieve us of the obligation to comply with applicable requirements, and therefore any failure on the part of the third parties could subject us to enforcement action in the country in which the registration was not properly fulfilled.

We are subject to ongoing and extensive regulatory requirements, and our failure to comply with these requirements could substantially harm our business.

Certain of our products are regulated as medical devices, including Prosigna, the nCounter Dx Analysis System and nCounter Elements reagents. Accordingly, we and certain of our contract manufacturers are subject to ongoing International Organization for Standardization, or ISO, and FDA obligations and continued regulatory oversight and review. These include routine inspections by EU Notified Bodies and by the FDA of our manufacturing facilities and our records for compliance with requirements such as ISO 13485 and the QSR, which establish extensive requirements for quality assurance and control as well as manufacturing and change control procedures. We are also subject to other regulatory obligations, such as requirements pertaining to the registration of our manufacturing facilities and the listing of our devices with the FDA; continued complaint, adverse event and malfunction reporting; corrections and removals reporting; and labeling and promotional requirements. Other agencies may also issue guidelines and regulations that could impact the development of our products, including companion diagnostic tests. For example, the European Medicines Agency, a European Union agency which is responsible for the scientific evaluation of medicines used in the EU, recently launched an initiative to determine guidelines for the use of genomic biomarkers in the development and life-cycle of drugs. On May 25, 2017 the European Union adopted the IVD Directive Regulation, which increases the regulatory requirements applicable to some *in vitro* diagnostics in the EU and would require that we re-classify and obtain pre-approval for our existing CE-marked IVD products within a five-year grace period (by May 25, 2022). We may also be subject to additional FDA or global regulatory authority post-marketing obligations or requirements by the FDA or global regulatory authority to change our current product classifications which would impose additional regulatory obligations on us. For example, following discussions with the FDA regarding the appropriate classification for our nCounter Elements TagSets as General Purpose Reagents, we submitted a *de novo* application to the FDA. The FDA requested additional information in support of our application. We subsequently withdrew the application, and plan to re-submit an application at a later time. The promotional claims we can make for Prosigna are limited to the cleared (or equivalent)

indication. If we are not able to maintain regulatory compliance, we may not be permitted to market our medical device products and/or may be subject to enforcement by EU Competent Authorities and the FDA and other global regulatory authority such as the issuance of warning or untitled letters, fines, injunctions, and civil penalties; recall or seizure of products; operating restrictions; and criminal prosecution. In addition, we may be subject to similar regulatory regimes of foreign jurisdictions as we continue to commercialize our products in new markets outside of the U.S. and Europe. Adverse Notified Body, EU Competent Authority or FDA or global regulatory authority action in any of these areas could significantly increase our expenses and limit our revenue and profitability.

We may be subject, directly or indirectly, to federal and state healthcare fraud and abuse laws and other federal and state laws applicable to our marketing practices. If we are unable to comply, or have not complied, with such laws, we could face substantial penalties.

Our operations are directly, or indirectly through our customers, subject to various federal and state fraud and abuse laws, including, without limitation, the federal and state anti-kickback statutes and state and federal marketing compliance laws and gift bans. These laws may impact, among other things, our proposed sales and marketing and education programs and require us to implement additional internal systems for tracking certain marketing expenditures and reporting them to government authorities. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-kickback Law and state anti-kickback prohibitions;
- the federal physician self-referral prohibition, commonly known as the Stark Law, and the state equivalents;
- the federal Health Insurance Portability and Accountability Act of 1996, as amended;
- the Medicare civil money penalty and exclusion requirements;
- the federal False Claims Act civil and criminal penalties and state equivalents; and
- state physician gift bans and state and federal marketing expenditure disclosure laws.

If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

Healthcare policy changes, including legislation reforming the United States healthcare system, may have a material adverse effect on our financial condition and results of operations.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively, the ACA, enacted in March 2010, made changes that significantly impact the pharmaceutical and medical device industries and clinical laboratories. For example, beginning in 2013, each medical device manufacturer must pay a sales tax in an amount equal to 2.3% of the price for which such manufacturer sells its medical devices. In December 2015, Congress passed a two-year suspension of the medical device tax from January 1, 2016 to December 31, 2017. Absent further legislative action, the medical device tax would be reinstated January 1, 2018. The tax applies to our listed medical device products, which include the nCounter Dx Analysis System, Prosigna *in vitro* diagnostic kits and nCounter Elements reagents. The Budget Control Act of 2011 contained automatic spending cuts to the federal budget known as sequestration. As a result of sequestration, Medicare payments are reduced by 2% per year. For Prosigna this occurs through adjustment to the Clinical Laboratory Fee Schedule. These or any future proposed or mandated reductions in payments may apply to some or all of the clinical laboratory tests that our customers use our technology to deliver to Medicare beneficiaries, and may indirectly reduce demand for our products.

Other significant measures contained in the ACA include coordination and promotion of research on comparative clinical effectiveness of different technologies and procedures, initiatives to revise Medicare payment methodologies, such as bundling of payments across the continuum of care by providers and physicians, and initiatives to promote quality indicators in payment methodologies. The ACA also includes significant new fraud and abuse measures, including required disclosures of financial arrangements with physician customers, lower thresholds for violations and increasing potential penalties for such violations. In addition, the ACA establishes an Independent Payment Advisory Board, or IPAB, to reduce the per capita rate of growth in Medicare spending. The IPAB has broad discretion to propose policies to reduce healthcare expenditures, which may have a negative impact on payment rates for services, including our tests. The IPAB proposals may impact payments for clinical laboratory services that our customers use our technology to deliver beginning in 2016 and for hospital services beginning in 2020, and may indirectly reduce demand for our products.

In addition to the ACA, the effect of which cannot presently be quantified, various healthcare reform proposals have also emerged from federal and state governments. Changes in healthcare policy, such as the creation of broad test utilization

limits for diagnostic products in general or requirements that Medicare patients pay for portions of clinical laboratory tests or services received, could substantially impact the sales of our tests, increase costs and divert management's attention from our business. Such co-payments by Medicare beneficiaries for laboratory services were discussed as possible cost savings for the Medicare program as part of the debt ceiling budget discussions in mid-2011 and may be enacted in the future. In addition, sales of our tests outside of the United States will subject us to foreign regulatory requirements, which may also change over time.

We cannot predict whether future healthcare initiatives, including potential repeal of the ACA in whole or in part by Congress following the election of President Trump, will be implemented at the federal or state level or in countries outside of the United States in which we may do business, or the effect any future legislation or regulation will have on us. Changes in the United States healthcare industry may result in decreased profits to us, lower reimbursements by payors for our products or reduced medical procedure volumes, all of which may adversely affect our business, financial condition and results of operations.

Risks Related to Intellectual Property

If we are unable to protect our intellectual property effectively, our business would be harmed.

We rely on patent protection as well as trademark, copyright, trade secret and other intellectual property rights protection and contractual restrictions to protect our proprietary technologies, all of which provide limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. As of September 30, 2017, we owned or licensed 19 issued U.S. patents and approximately 40 pending U.S. patent applications, including provisional and non-provisional filings. We also owned or licensed approximately 241 pending and granted counterpart applications worldwide, including 97 country-specific validations of 10 European patents. If we fail to protect our intellectual property, third parties may be able to compete more effectively against us and we may incur substantial litigation costs in our attempts to recover or restrict use of our intellectual property.

We cannot assure investors that any of our currently pending or future patent applications will result in issued patents, and we cannot predict how long it will take for such patents to be issued. Additionally, we cannot assure investors that our currently pending or future patent applications have or will be filed in all of our potential markets. Further, we cannot assure investors that other parties will not challenge any patents issued to us or that courts or regulatory agencies will hold our patents to be valid or enforceable. We cannot guarantee investors that we will be successful in defending challenges made against our patents and patent applications. Any successful third-party challenge to our patents could result in the third party or the unenforceability or invalidity of such patents.

The patent positions of life sciences companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in such companies' patents has emerged to date in the United States. Furthermore, in the biotechnology field, courts frequently render opinions that may affect the patentability of certain inventions or discoveries, including opinions that may affect the patentability of methods for analyzing or comparing DNA.

In particular, the patent positions of companies engaged in development and commercialization of genomic diagnostic tests, like Prosigna, are particularly uncertain. Various courts, including the U.S. Supreme Court, have recently rendered decisions that impact the scope of patentability of certain inventions or discoveries relating to genomic diagnostics. Specifically, these decisions stand for the proposition that patent claims that recite laws of nature (for example, the relationships between gene expression levels and the likelihood of risk of recurrence of cancer) are not themselves patentable unless those patent claims have sufficient additional features that provide practical assurance that the processes are genuine inventive applications of those laws rather than patent drafting efforts designed to monopolize the law of nature itself. What constitutes a "sufficient" additional feature is uncertain. Furthermore, in view of these decisions, in December 2014 the U.S. Patent and Trademark Office, or USPTO, published revised guidelines for patent examiners to apply when examining process claims for patent eligibility. This guidance was updated by the USPTO in July 2015 and additional illustrative examples provided in May 2016. The guidance indicates that claims directed to a law of nature, a natural phenomenon, or an abstract idea that do not meet the eligibility requirements should be rejected as non-statutory, patent ineligible subject matter. We cannot assure you that our patent portfolio will not be negatively impacted by the current uncertain state of the law, new court rulings or changes in guidance or procedures issued by the USPTO. From time to time, the U.S. Supreme Court, other federal courts, the U.S. Congress or the USPTO may change the standards of patentability and validity of patents within the genomic diagnostic space, and any such changes could have a negative impact on our business.

The laws of some non-U.S. countries do not protect intellectual property rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of

patents and other intellectual property protection, particularly those relating to biotechnology, which could make it difficult for us to stop the infringement of our patents. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

Changes in either the patent laws or in interpretations of patent laws in the United States or other countries may diminish the value of our intellectual property. We cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents. For example:

- We might not have been the first to make the inventions covered by each of our pending patent applications.
- We might not have been the first to file patent applications for these inventions.
- Others may independently develop similar or alternative products and technologies or duplicate any of our products and technologies.
- It is possible that our pending patent applications will not result in issued patents, and even if they issue as patents, they may not provide a basis for commercially viable products, may not provide us with any competitive advantages, or may be challenged and invalidated by third parties.
- We may not develop additional proprietary products and technologies that are patentable.
- The patents of others may have an adverse effect on our business.
- We apply for patents covering our products and technologies and uses thereof, as we deem appropriate. However, we may fail to apply for patents on important products and technologies in a timely fashion or at all.

In addition to pursuing patents on our technology, we take steps to protect our intellectual property and proprietary technology by entering into confidentiality agreements and intellectual property assignment agreements with our employees, consultants, corporate partners and, when needed, our advisors. Such agreements may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements, and we may not be able to prevent such unauthorized disclosure. Monitoring unauthorized disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate. If we were to enforce a claim that a third party had illegally obtained and was using our trade secrets, it would be expensive and time consuming, and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets.

In addition, competitors could purchase our products and attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, design around our protected technology or develop their own competitive technologies that fall outside of our intellectual property rights. If our intellectual property is not adequately protected so as to protect our market against competitors' products and methods, our competitive position could be adversely affected, as could our business.

We have not yet registered certain of our trademarks in all of our potential markets. If we apply to register these trademarks, our applications may not be allowed for registration, and our registered trademarks may not be maintained or enforced. In addition, opposition or cancellation proceedings may be filed against our trademark applications and registrations, and our trademarks may not survive such proceedings. If we do not secure registrations for our trademarks, we may encounter more difficulty in enforcing them against third parties than we otherwise would.

To the extent our intellectual property, including licensed intellectual property, offers inadequate protection, or is found to be invalid or unenforceable, we would be exposed to a greater risk of direct competition. If our intellectual property does not provide adequate protection against our competitors' products, our competitive position could be adversely affected, as could our business. Both the patent application process and the process of managing patent disputes can be time consuming and expensive.

We depend on certain technologies that are licensed to us. We do not control these technologies and any loss of our rights to them could prevent us from selling our products.

We rely on licenses in order to be able to use various proprietary technologies that are material to our business, including our core digital molecular barcoding technology licensed from the Institute for Systems Biology, technology relating to Prosigna licensed from Bioclassifier, LLC and the intellectual property relating to a gene signature for lymphoma subtyping from the National Institutes of Health for use in our collaboration with Celgene Corporation. We do not own the patents that underlie these licenses. Our rights to use these technologies and employ the inventions claimed in the licensed patents are subject to the continuation of and compliance with the terms of those licenses.

We may need to license other technologies to commercialize future products. We may also need to negotiate licenses to patents and patent applications after launching any of our commercial products. Our business may suffer if the patents or

patent applications are unavailable for license or if we are unable to enter into necessary licenses on acceptable terms.

In some cases, we do not control the prosecution, maintenance, or filing of the patents to which we hold licenses, or the enforcement of these patents against third parties. Some of our patents and patent applications were either acquired from another company who acquired those patents and patent applications from yet another company, or are licensed from a third party. Thus, these patents and patent applications are not written by us or our attorneys, and we did not have control over the drafting and prosecution. The former patent owners and our licensors might not have given the same attention to the drafting and prosecution of these patents and applications as we would have if we had been the owners of the patents and applications and had control over the drafting and prosecution. We cannot be certain that drafting or prosecution of the licensed patents and patent applications by the licensors have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents and other intellectual property rights.

Enforcement of our licensed patents or defense of any claims asserting the invalidity of these patents is often subject to the control or cooperation of our licensors. Certain of our licenses contain provisions that allow the licensor to terminate the license upon specific conditions. Therefore, our business may suffer if these licenses terminate, if the licensors fail to abide by the terms of the license or fail to prevent infringement by third parties or if the licensed patents or other rights are found to be invalid. Our rights under the licenses are subject to our continued compliance with the terms of the license, including the payment of royalties due under the license. Because of the complexity of our products and the patents we have licensed, determining the scope of the license and related royalty obligation can be difficult and can lead to disputes between us and the licensor. An unfavorable resolution of such a dispute could lead to an increase in the royalties payable pursuant to the license or termination of the license. If a licensor believed we were not paying the royalties due under the license or were otherwise not in compliance with the terms of the license, the licensor might attempt to revoke the license. If such an attempt were successful, we might be barred from producing and selling some or all of our products.

In addition, certain of the patents we have licensed relate to technology that was developed with U.S. government grants. Federal regulations impose certain domestic manufacturing requirements with respect to some of our products embodying these patents.

We may be involved in lawsuits to protect or enforce our patents and proprietary rights, to determine the scope, coverage and validity of others' proprietary rights, or to defend against third-party claims of intellectual property infringement, any of which could be time-intensive and costly and may adversely impact our business or stock price.

We have received notices of claims of infringement and misappropriation or misuse of other parties' proprietary rights in the past and may from time to time receive additional notices. Some of these claims may lead to litigation. We cannot assure investors that we will prevail in such actions, or that other actions alleging misappropriation or misuse by us of third-party trade secrets, infringement by us of third-party patents and trademarks or other rights, or the validity of our patents, trademarks or other rights, will not be asserted or prosecuted against us.

Litigation may be necessary for us to enforce our patent and proprietary rights or to determine the scope, coverage and validity of the proprietary rights of others. Litigation could result in substantial legal fees and could adversely affect the scope of our patent protection. The outcome of any litigation or other proceeding is inherently uncertain and might not be favorable to us, and we might not be able to obtain licenses to technology that we require. Even if such licenses are obtainable, they may not be available at a reasonable cost. We could therefore incur substantial costs related to royalty payments for licenses obtained from third parties, which could negatively affect our gross margins. Further, we could encounter delays in product introductions, or interruptions in product sales, as we develop alternative methods or products. In addition, if we resort to legal proceedings to enforce our intellectual property rights or to determine the validity, scope and coverage of the intellectual property or other proprietary rights of others, the proceedings could be burdensome and expensive, even if we were to prevail. Any litigation that may be necessary in the future could result in substantial costs and diversion of resources and could have a material adverse effect on our business, operating results or financial condition.

As we move into new markets and applications for our products, incumbent participants in such markets may assert their patents and other proprietary rights against us as a means of slowing our entry into such markets or as a means to extract substantial license and royalty payments from us. In addition, competitors may develop their own versions of our tests in countries where we did not apply for patents, where our patents have not issued or where our intellectual property rights are not recognized and compete with us in those countries and markets. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we currently have. In addition, future litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own patents may provide little or no deterrence or protection. Therefore, our commercial success may depend in part on our non-infringement of the patents or proprietary rights of third parties. We are aware of a third party, Genomic Health, Inc., that has issued patents and pending patent applications in the United States, Europe and other jurisdictions that claim methods of using certain genes that are included in Prosigna. We believe that Prosigna does not infringe any valid issued claim. Numerous

significant intellectual property issues have been litigated, and will likely continue to be litigated, between existing and new participants in our existing and targeted markets and competitors may assert that our products infringe their intellectual property rights as part of a business strategy to impede our successful entry into those markets. Third parties may assert that we are employing their proprietary technology without authorization. In addition, we may be unaware of pending third-party patent applications that relate to our technology and our competitors and others may have patents or may in the future obtain patents and claim that use of our products infringes these patents. We could incur substantial costs and divert the attention of our management and technical personnel in defending against any of these claims. Parties making claims against us may be able to obtain injunctive or other relief, which could block our ability to develop, commercialize and sell products, and could result in the award of substantial damages against us. In the event of a successful claim of infringement against us, we may be required to pay damages and obtain one or more licenses from third parties, or be prohibited from selling certain products. We may not be able to obtain these licenses at a reasonable cost, if at all. We could therefore incur substantial costs related to royalty payments for licenses obtained from third parties, which could negatively affect our gross margins. In addition, we could encounter delays in product introductions while we attempt to develop alternative methods or products to avoid infringing third-party patents or proprietary rights. Defense of any lawsuit or failure to obtain any of these licenses on favorable terms could prevent us from commercializing products, and the prohibition of sale of any of our products could materially affect our ability to grow and gain market acceptance for our products.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

In addition, our agreements with some of our suppliers, distributors, customers, collaborators and other entities with whom we do business require us to defend or indemnify these parties to the extent they become involved in infringement claims against us, including the claims described above. We could also voluntarily agree to defend or indemnify third parties in instances where we are not obligated to do so if we determine it would be important to our business relationships. If we are required or agree to defend or indemnify any of these third parties in connection with any infringement claims, we could incur significant costs and expenses that could adversely affect our business, operating results, or financial condition.

We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets of our employees' former employers.

Many of our employees were previously employed at universities or other life sciences companies, including our competitors or potential competitors. Although no claims against us are currently pending, we or our employees may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. A loss of key research personnel work product could hamper or prevent our ability to commercialize certain potential products, which could severely harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Our products contain third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to sell our products.

Our products contain software tools licensed by third-party authors under "open source" licenses. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar products with less development effort and time and ultimately could result in a loss of product sales.

Although we monitor our use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. Moreover, we cannot assure investors that our processes for controlling our use of open source software in our products will be effective. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue offering our products on terms that are not economically feasible, to re-engineer our products, to discontinue the sale of our products if re-engineering could not be accomplished on a timely basis, or to make generally

available, in source code form, our proprietary code, any of which could adversely affect our business, operating results, and financial condition.

We use third-party software that may be difficult to replace or cause errors or failures of our products that could lead to lost customers or harm to our reputation.

We use software licensed from third parties in our products. In the future, this software may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of this software could result in delays in the production of our products until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated, which could harm our business. In addition, any errors or defects in third-party software, or other third-party software failures could result in errors, defects or cause our products to fail, which could harm our business and be costly to correct. Many of these providers attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we may have additional liability to our customers or third-party providers that could harm our reputation and increase our operating costs.

We will need to maintain our relationships with third-party software providers and to obtain software from such providers that does not contain any errors or defects. Any failure to do so could adversely impact our ability to deliver reliable products to our customers and could harm our results of operations.

Risks Related to Our Common Stock

The price of our common stock may be volatile, and you could lose all or part of your investment.

The trading price of our common stock has fluctuated and may continue to fluctuate substantially. The trading price of our common stock depends on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause stockholders to lose all or part of their investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following:

- actual or anticipated quarterly variation in our results of operations or the results of our competitors;
- announcements by us or our competitors of new products, significant contracts, commercial relationships or capital commitments;
- failure to obtain or delays in obtaining product approvals or clearances from the FDA or foreign regulators;
- adverse regulatory or reimbursement announcements;
- issuance of new or changed securities analysts' reports or recommendations for our stock;
- developments or disputes concerning our intellectual property or other proprietary rights;
- commencement of, or our involvement in, litigation;
- market conditions in the research and diagnostics markets;
- manufacturing disruptions;
- any future sales of our common stock or other securities;
- any change to the composition of the board of directors or key personnel;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- general economic conditions and slow or negative growth of our markets; and
- the other factors described in this "Risk Factors" section.

The stock market in general, and market prices for the securities of life sciences and diagnostic companies like ours in particular, have from time to time experienced volatility that often has been unrelated to the operating performance of the underlying companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our operating performance. In several recent situations where the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit against us, the defense and disposition of the lawsuit could be costly and divert the time and attention of our management and harm our operating results.

An active trading market for our common stock may not be sustained.

Although our common stock is listed on The NASDAQ Global Market, the market for our shares has demonstrated varying levels of trading activity and the current level of trading may not be sustained in the future. Purchases or sales of large

blocks of our shares relative to the trading volume on a given day can have a disproportionate effect on the price of our common stock. The lack of an active market for our common stock or significant and rapid changes in the price of our common stock may impair investors' ability to sell their shares at the time they wish to sell them or at a price that they consider reasonable, may reduce the fair market value of their shares and may impair our ability to raise capital.

If securities or industry analysts do not publish research reports about our business, or if they issue an adverse opinion about our business, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us issues an adverse opinion about our company, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Future sales of our common stock in the public market could cause our stock price to fall.

Our stock price could decline as a result of sales of a large number of shares of our common stock or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Holders of approximately 3.4 million shares (including shares underlying outstanding warrants), or approximately 13% of our outstanding shares as of September 30, 2017 , have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We also register the offer and sale of all shares of common stock that we may issue under our equity compensation plans.

In addition, in the future, we may issue additional shares of common stock or other equity or debt securities convertible into common stock in connection with a financing, acquisition, litigation settlement, employee arrangements or otherwise. Any such future issuance could result in substantial dilution to our existing stockholders and could cause our stock price to decline.

Our officers and directors, and their respective affiliates, own a significant percentage of our stock and will be able to exercise significant influence over matters subject to stockholder approval.

Our executive officers and directors together with their respective affiliates, own approximately 17% of our outstanding common stock as of September 30, 2017 . Accordingly, our executive officers and directors together with their respective affiliates, will be able to exert significant influence over matters submitted to our stockholders for approval, as well as our management and affairs. This concentration of ownership could have the effect of delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could have a material adverse effect on our stock price and may prevent attempts by our stockholders to replace or remove the board of directors or management.

Potential deficiencies in the grant of certain stock options to certain non-officer employees by our employee equity grant committee, and the subsequent exercise of a subset of such options, may negatively impact the price of our common stock, regardless of our steps to, among other things, address such deficiencies from a Delaware law perspective.

In January 2014, the compensation committee of our board of directors delegated authority to a committee of company officers to make new-hire option grants, and in October 2015 further delegated the authority for such committee to make merit option grants, to non-officer employees. We refer to this committee as the employee equity grant committee, or EEGC, and its authority was and is limited by a charter approved by the compensation committee of our board of directors, the 2013 equity incentive plan and Delaware law. As initially approved, the EEGC charter provided that the EEGC will meet on the last business day of every month for the purposes of making option grants and that the exercise prices of grants made on such date would be equal to fair market value on that day. On a number of occasions, the EEGC met within several days before or after the last day of the month for the purpose of making grants to non-officer employees and made grants as of the end of the month, which was inconsistent with the EEGC's charter and the 2013 equity incentive plan. As a result of the granting process, exercise prices for the affected options were set above or below the fair market value of our common stock on the date of the EEGC's actions. Due to the close proximity between the last day of each month and the actual date of the EEGC meetings and the relatively small number of options affected, any differences in exercise prices of the options would not have materially impacted stock-based compensation expense. Outstanding options to purchase an aggregate of less than 400,000 shares were affected in this manner and an aggregate of approximately 10,000 shares were issued upon exercise of these deficient equity awards. A smaller number of equity awards with other minor discrepancies unrelated to exercise price or the date of the applicable EEGC meeting were also impacted. While we have addressed the deficiencies in the option grants and share

issuances from a Delaware law perspective using the process contemplated by Section 204 of the Delaware General Corporation Law and from a tax law perspective, we cannot guarantee that it will be effective. Questions related to the validity of the affected options and shares issued upon exercise of the affected options and any corrective action may negatively impact our ability to deliver customary capitalization representations and warranties, or present risks to a potential acquirer of our company, expose us to lawsuits, and make it more difficult to obtain stockholder approval. Any of these or other related issues could negatively impact the price of our common stock.

Anti-takeover provisions in our charter documents and under Delaware or Washington law could make an acquisition of us difficult, limit attempts by our stockholders to replace or remove our current management and limit our stock price.

Provisions of our certificate of incorporation and bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our stock. Among other things, the certificate of incorporation and bylaws:

- permit the board of directors to issue up to 15,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate;
- provide that the authorized number of directors may be changed only by resolution of the board of directors;
- provide that all vacancies, including newly-created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- divide the board of directors into three classes;
- provide that a director may only be removed from the board of directors by the stockholders for cause;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and meet specific requirements as to the form and content of a stockholder's notice;
- prevent cumulative voting rights (therefore allowing the holders of a plurality of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose);
- provide that special meetings of our stockholders may be called only by the chairman of the board, our chief executive officer or by the board of directors; and
- provide that stockholders are permitted to amend the bylaws only upon receiving at least two-thirds of the total votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Likewise, because our principal executive offices are located in Washington, the anti-takeover provisions of the Washington Business Corporation Act may apply to us under certain circumstances now or in the future. These provisions prohibit a "target corporation" from engaging in any of a broad range of business combinations with any stockholder constituting an "acquiring person" for a period of five years following the date on which the stockholder became an "acquiring person."

We are an "emerging growth company," and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, enacted in April 2012, and, for as long as we continue to be an "emerging growth company," we have chosen to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. If some investors find our common stock less attractive as a result of these exemptions, there may be a less active trading market for our common stock and our stock price may be lower and be more volatile. As an "emerging growth company" the

JOBS Act allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to use this extended transition period under the JOBS Act. As a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our common stock less attractive to investors. We will cease to be an "emerging growth company" on December 31, 2018.

Complying with the laws and regulations affecting public companies increases our costs and the demands on management and could harm our operating results.

As a public company, and particularly after we cease to be an "emerging growth company," we incur and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act and rules subsequently implemented by the SEC and The NASDAQ Global Market impose numerous requirements on public companies, including requiring changes in corporate governance practices. Also, the Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. Our management and other personnel must devote a substantial amount of time to compliance with these laws and regulations. These burdens may increase as new legislation is passed and implemented, including any new requirements that the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may impose on public companies. These requirements have increased and will likely continue to increase our legal, accounting, and financial compliance costs and have made and will continue to make some activities more time consuming and costly. For example, as a public company it is more difficult and more expensive for us to obtain director and officer liability insurance, and in the future we may be required to accept reduced policy limits and coverage or to incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or our board committees or as executive officers.

The Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and the effectiveness of our disclosure controls and procedures quarterly. In particular, Section 404 of the Sarbanes-Oxley Act, or Section 404, requires us to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on, and our independent registered public accounting firm potentially to attest to, the effectiveness of our internal control over financial reporting. As an "emerging growth company," we avail ourselves of the exemption from the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404. However, we may no longer avail ourselves of this exemption when we cease to be an "emerging growth company" on December 31, 2018. When our independent registered public accounting firm is required to undertake an assessment of our internal control over financial reporting, the cost of our compliance with Section 404 will correspondingly increase. Our compliance with applicable provisions of Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements. Moreover, if we are not able to comply with the requirements of Section 404 applicable to us in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Furthermore, investor perceptions of our company may suffer if deficiencies are found, and this could cause a decline in the market price of our stock. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our stated operating results and harm our reputation. If we are unable to implement these requirements effectively or efficiently, it could harm our operations, financial reporting, or financial results and could result in an adverse opinion on our internal control over financial reporting from our independent registered public accounting firm.

Item 5. Unregistered Sales of Equity Securities and Use of Proceeds.

On July 21, 2017, we issued an aggregate of 28,534 shares of our common stock to a warrant holder upon the exercise of outstanding warrants to purchase an aggregate of 77,677 shares of our common stock pursuant to a net exercise mechanism under the warrants. Each warrant had an exercise price of either $8.448 or $14.397 per share. These issuances were exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(9) thereof as an exchange with an existing security holder where no commission or other remuneration is paid or given for soliciting such exchange.

On August 4, 2017, we issued Lam a warrant to purchase up to 1.0 million shares of our common stock, with the exact number of issuable shares equal to (1) 1.0 million shares multiplied by (2)(a) the amount of funding provided by Lam divided by (b) $50.0 million. The exercise price of the warrant is $16.75 per share. The issuance of the warrant was exempt from

registration under the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof as a transaction by an issuer not involving a public offering.

Item 6. Exhibits and Financial Statement Schedules.

(a) Exhibits.

Exhibit Number	Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
4.1	Warrant to Purchase Common Stock issued to Lam Research Corporation.	8-K	August 8, 2017	4.1	
10.1†	Collaboration Agreement, dated August 4, 2017, between the Registrant and Lam Research Corporation.				X
10.2	Amendment to Employment Agreement, dated August 4, 2017, between the Registrant and R. Bradley Gray.	10-Q	August 9, 2017	10.1	
10.3	Amendment to Employment Agreement, dated August 4, 2017, between the Registrant and James A. Johnson.	10-Q	August 9, 2017	10.2	
10.4	Amendment to Employment Agreement, dated August 4, 2017, between the Registrant and David W. Ghesquiere.	10-Q	August 9, 2017	10.3	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).				X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).				X
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.				X
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X

* The Certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of NanoString Technologies, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

† Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements 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.

NANOSTRING TECHNOLOGIES, INC.

Date: November 8, 2017

By: /s/ R. Bradley Gray

R. Bradley Gray
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2017

By: /s/ James A. Johnson

James A. Johnson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

Confidential
Execution Copy

COLLABORATION AGREEMENT

This **COLLABORATION AGREEMENT** (this " **Agreement** ") is made and entered into as of August 4, 2017 (the " **Effective Date** "), by and between **NanoString Technologies, Inc.** , a Delaware corporation located at 530 Fairview Avenue, N., Suite 2000, Seattle, Washington 98109, (" **NanoString** "), and **Lam Research Corporation** , a Delaware corporation located at 4650 Cushing Parkway, Fremont, CA 94538 (" **Lam** "). NanoString and Lam are sometimes referred to herein individually as a " **Party** " and collectively as the " **Parties** ."

RECITALS

WHEREAS , Lam has expertise in semiconductor manufacturing, and is interested in investing in NanoString and certain NanoString molecular profiling technologies;

WHEREAS , NanoString has expertise and technology in the development, manufacture and commercialization of molecular profiling technologies, including the Product (as defined below); and

WHEREAS , Lam and NanoString desire to engage in a collaborative effort on the terms and conditions set forth in this Agreement, with the goal of expanding Lam's knowledge of molecular profiling technologies and its possible contributions to such technologies while developing, and enabling NanoString to commercialize, the Product.

AGREEMENT

NOW, THEREFORE , in consideration of the foregoing and the mutual agreements set forth below, the Parties agree as follows:

1. **DEFINITIONS** .

The terms in this Agreement with initial letters capitalized, whether used in the singular or the plural, shall have the meaning set forth below or, if not listed below, the meaning designated in places throughout this Agreement.

1.1 " **Accounting Standards** " means, with respect to a Person, either U.S. GAAP (United States Generally Accepted Accounting Principles) or IFRS (International Financial Reporting Standards), as applicable to such Person, in each case, as generally and consistently applied throughout the Person's organization.

1.2 " **Affiliate** " means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with such Person, for so long as such control exists. As used in this definition, "control" means (a) the ownership of more than 50% of the voting securities or other voting interest of any Person (provided that, if local Laws restrict foreign ownership, control shall be established by direct or indirect ownership of the maximum ownership percentage that may, under such local Laws, be owned by foreign interest), or (b) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract, as a general partner, as a manager, or otherwise.

1.3 " **Anti-Corruption Laws** " means, with respect to any Person, the U.S. Foreign Corrupt Practices Act, as amended, the UK Bribery Act 2010, as amended, and any other anti-corruption laws and laws for the prevention of fraud, bribery, racketeering, money laundering or terrorism applicable to such Person.

1.4 " **Business Day** " means a day other than a Saturday, Sunday, or other day on which commercial banks in Seattle, Washington are authorized or required by Law to remain closed.

1.5 " **CDRH** " means the Center for Devices and Radiological Health, a branch of the FDA.

1.6 " **Collaboration** " means the effort of the Parties under this Agreement to Develop the products and technologies pursufant to a Development Plan during the Development Term.

1.7 " **Collaboration Technology** " means all technical information, know-how, data, inventions, discoveries, trade secrets, specifications, instructions, processes, formulae, methods, protocols, expertise and other technology applicable to

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

formulations, compositions or products or to their manufacture, development, registration, use or marketing or to methods of assaying or testing them, and all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing, preclinical and clinical data whether patentable or not, that is developed in the conduct of a Development Plan under this Agreement.

1.8 " **Commercialization** " or " **Commercialize** " means all activities directed to launching, manufacturing for commercial sale, pre-marketing, marketing, promoting, detailing, distributing, importing, offering for sale, and selling a packaged and labeled Product, including activities necessary to maintain Regulatory Approvals, provide customer service and support and address post-launch safety issues.

1.9 " **Commercially Reasonable Efforts** " means, with respect to a Party's fulfilling, performing, or otherwise discharging any duty or obligation of such Party under this Agreement, the exercise and/or devotion of that degree of effort, expertise and resources which such Party would reasonably utilize and otherwise apply with respect to such Party's other products of similar commercial potential at a similar stage in its lifecycle as the Product, consistent with applicable Law, in each case taking into account all relevant scientific, technical and commercial factors based on conditions prevailing at the time such efforts are due.

1.10 " **Confidential Information** " means all processes, formulae, assays, diagnostics, biomarkers, genetic sequences, algorithms, data, know-how, improvements, inventions, chemical or biological materials, chemical structures, techniques, standard operating practices, business information, business practices, plans, strategies, or other information that has been created, discovered, or developed by a Party, or to which rights have been assigned to, or otherwise acquired by, a Party, as well as any other information and materials that are deemed confidential or proprietary to or by a Party, in each case, that are disclosed by such Party to the other Party (whether directly or indirectly, intentionally or unintentionally), regardless of whether any of the foregoing are marked "confidential" or "proprietary" or communicated to the other Party by the disclosing Party in oral, written, visual, graphic, or electronic form.

1.11 " **Controlled** " or " **Controls** " means, when used in reference to an item or intellectual property rights, the legal authority or right of a Party or any Affiliates controlled by such Party (whether by ownership or license) to grant, in accordance with this Agreement, the right to use such item or a license or sublicense of such intellectual property rights to the other Party, or to otherwise disclose proprietary or trade secret information to such other Party, without breaching the terms of any agreement with a Third Party pursuant to which such rights or item were acquired or generated or misappropriating the proprietary or trade secret information of a Third Party.

1.12 " **Cover** " means, with respect to a Patent, that the making, using, selling, offering for sale, importation or other exploitation of a composition of matter or other material or practice of a claimed method would (absent a license thereunder or ownership thereof) infringe a Valid Claim of such Patent.

1.13 " **Development** " means the Secondary Component Development and Product Development, pursuant to the development projects undertaken under this Agreement. When used as a verb, " **Develop** " means to engage in Development.

1.13.1 " **Secondary Component Development** " means all activities relating to optimization and validation, prototype assay development, proof of concept, and regulatory consultation, including engaging in design, engineering, performance, and validation activities, in each case related to the Secondary Components, in accordance with the Secondary Component Development Plan and this Agreement.

1.13.2 " **Product Development** " means all activities relating to optimization and validation, prototype assay development, proof of concept, regulatory consultation, including engaging in design, engineering, optimization for commercialization, performance, quality implementation and validation activities, manufacturing process development and scale-up for both clinical and commercial supply, including the qualification of the development and manufacture of the Product, in each case related to the Product, in accordance with the Product Development Plan and this Agreement. Product Development shall include such efforts with respect to the development of the Product for research use and as a clinical sequencer, including to obtain any necessary Regulatory Approvals.

1.14 " **Development Costs** " means for any accounting period the total of (i) the product of the FTE Rate multiplied by the total FTEs devoted to the Development Plan, (ii) the actual amount of travel related costs and external costs (including, but not limited to, reagent purchases, engineering services, software development consulting, regulatory consulting, Lam's FTE Costs, etc., but excluding all costs, including attorneys' fees, associated with pursuing patent filings) incurred and directly charged to the Development Plan and (iii) capital equipment necessary for the Development, in each case during the applicable accounting period.

1.15 " **Development Plan** " means the Product Development Plan and the Secondary Component Development Plan.

1.15.1 " **Secondary Component Development Plan** " means a reasonably detailed plan for certain Development work with respect to Secondary Components to be conducted by the Parties, including a description of the Secondary

Component Development activities, the timeline for undertaking such activities and the timeline for the achievement of critical milestones in such Development, a budget and the internal and external resources to be allocated by each Party, for such Development activities, as such plan exists as of the Effective Date and as may be amended from time to time in accordance with this Agreement. The Secondary Component Development Plan in effect as of the Effective Date is attached to that certain letter agreement between the Parties of even date herewith.

1.15.2 " **Product Development Plan** " means a reasonably detailed plan for the Development of the Product by the Parties, including a description of the Development activities, the timeline for undertaking such activities and the timeline for the achievement of critical milestones in such Development, a budget and the internal and external resources to be allocated by each Party, for such Development activities, as such plan exists as of the Effective Date and may be amended from time to time in accordance with this Agreement. For clarity, the Product Development Plan may include Product Development Activities directed to incorporating Secondary Components, for which Development work was done pursuant to the Secondary Component Development Plan, into the Product. A copy of the Product Development Plan in effect as of the Effective Date is attached hereto as **Exhibit A** .

1.16 " **EMA** " means the European Medicines Agency or any successor entity thereto.

1.17 " **FDA** " means the U.S. Food and Drug Administration, or any successor agency thereto.

1.18 " **Field** " means molecular profiling applications. This may include products or processes used to analyze, detect, identify, quantify, sequence, or otherwise characterize biological materials, including but not limited to RNA (including micro-RNA, sRNAs, long non-coding RNA (lncRNA), siRNA, and non-canonical RNA base modifications thereof), DNA (including epigenetic modifications such as acetylation, methylation, and deamination, and single nucleotide variants, insertion-deletions, structural rearrangements of all classes), and proteins (including post-translational modifications such as phosphorylation, acylation, alkylation, glycosylation, ubiquitylation, amidation, and sulfylation). For clarity, the Field shall include the research, development, manufacture and commercialization of molecular profiling products and services, including diagnostic instruments and assays, for research, clinical, and diagnostic applications but if a product or process has application outside of molecular profiling, such application(s) is not within the Field.

1.19 " **FTE Rate** " means the cost for an FTE, including both direct costs and related overhead, which shall be Two Hundred Fifty Thousand Dollars ($250,000) ($62,500 per quarter) (USD) as of the Effective Date. The FTE Rate shall be subject to an annual adjustment equal to the change in the consumer price index for such calendar year as reported by United States Bureau of Labor Statistics.

1.20 " **Full Time Equivalent** " or " **FTE** " means the equivalent of a full-time employee's work time over an accounting period. The portion of an FTE devoted to activities under the Product Development Plan shall be determined by dividing (a) the number of hours during any accounting period devoted by an employee to such activities by (b) the product of eight (8) hours multiplied by the number of work days (excluding any vacations, sick days and holidays) during such accounting period.

1.21 " **Funding Percentage** " means, with respect to the date of sale of a particular Royalty Product, the amount of Development Funding paid by Lam to NanoString as of such date, divided by Fifty Million Dollars ($50,000,000). For clarity, the Funding Percentage shall not exceed one hundred percent (100%).

1.22 " **Governmental Authority** " means any governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, unit, body, or Person and any court or other tribunal).

1.23 " **Joint Collaboration Technology Product** " means any product (a) Covered by a Valid Claim of a Patent that claims any Joint Collaboration Technology in the country of manufacture, use, sale, offer for sale or importation into, or (b) which incorporates or utilizes any Joint Collaboration Technology identified as such by the JSC pursuant to Section 2.1.1(f), in each case (a) and (b) which product is not a Product.

1.24 " **Knowledge** " means, with respect to NanoString, the actual knowledge of NanoString's Chief Executive Officer, Chief Financial Officer, Senior Vice President of Research and Development or General Counsel and with respect to Lam, the actual knowledge of Lam's Chief Executive Officer, Chief Financial Officer, Chief Technology Officer or General Counsel.

1.25 " **Lam Competitor** " means [†].

1.26 " **Lam Competitive Field** " means equipment and processes used for fabricating semiconductor devices, but if the equipment or process has application outside of fabricating semiconductor devices, such application(s) is not within the Lam Competitive Field.

1.27 " **Lam Collaboration Technology Products** " means any Other NanoString Product (a) Covered by a Valid Claim of a Patent that claims the Lam Collaboration Technology in the country of manufacture, use, sale, offer for sale or importation

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into; or that (b) incorporates or utilizes any Lam Collaboration Technology disclosed to Nanostring in accordance with Section 6.1.4 identified as such by the JSC pursuant to Section 2.1.1(f).

1.28 " **Law** " means any and all applicable federal, state, provincial, local, municipal, foreign, or other law, statute, constitution, principle of common law, ordinance, code, directive, order, rule, regulation, ruling, or requirement issued, enacted, adopted, promulgated, implemented, or otherwise put into effect by or under the authority of any Governmental Authority having jurisdiction over or related to the subject items and that are in force as of the Effective Date or come into force during the Term, as the same may be amended from time to time.

1.29 " **NanoString Competitive Field** " means molecular profiling applications (as described in the definition of the Field) in a manner similar to the NanoString Platform, but if a product or process has application outside of molecular profiling applications, such application(s) is not within the NanoString Competitive Field.

1.30 " **NanoString Platform** " means NanoString's nCounter® Analysis System, Digital Spatial Profiling system, and Hyb & Seq system, including future generations of the nCounter Analysis System, Digital Spatial Profiling (DSP) system, and Hyb & Seq system and NanoString's molecular barcoding technology, NanoString CodeSets and TagSets, Hyb & Seq barcodes, the algorithms, analyses, chemistry, computer software, reagents, consumables, designs, hardware, instrumentation, processes, and sample preparations used with any nCounter, Hyb & Seq, or Digital Spatial Profiling system, and includes without limitation the molecular expression profiles, signatures and assays to which NanoString has proprietary rights

1.31 " **Net Sales** " means the gross amounts invoiced by NanoString, Lam or their respective Affiliates or Sublicensees (each, a " **Selling Party** ") for sales, leases or other commercial dispositions of Product, Lam Collaboration Technology Product, Joint Collaboration Technology Product or Royalty Secondary Components, as applicable, (each, a " **Royalty Product** ") to a Third Party customer, less the following deductions to the extent included in such gross invoiced amounts or otherwise incurred by the Selling Party with respect to the sale of such Royalty Products: (i) any rebates, quantity, trade and cash discounts, charge-backs and other usual and customary discounts; (ii) retroactive price reductions, credits or allowances, including for recalls or damaged Royalty Products; (iii) customary fees paid to distributors, including group purchasing organizations; (iv) sales credits accrued in accordance with U.S. GAAP directly attributable to sales, leases or other commercial dispositions of Royalty Products, including price protection, shelf stock adjustments, adjustments for uncollectible accounts and other price adjustments; (v) returns of such Royalty Product for any reason; (vi) freight, postage, shipping and insurance charges with respect to such Royalty Product(s); and (vii) sales taxes, excise taxes, use taxes, import/export duties or other governmental charges actually due or incurred with respect to such Royalty Product(s), including value-added taxes, in each case to the extent not reimbursed. Each of the foregoing deductions shall be determined as occurred in the ordinary course of business in accordance with Accounting Standards.

For clarity, sales of Royalty Product(s) between a Party and its Affiliates for resale shall be excluded from Net Sales, but the subsequent resale (or lease or other commercial disposition) of such Royalty Product(s) shall be included in Net Sales.

In the event that a Royalty Product that is subject to royalties hereunder is sold, leased or otherwise subject to a commercial disposition, together for a single price with one or more products or components that are not Royalty Products subject to royalties hereunder (a " **Combination** "), the gross amount invoiced for such Royalty Product for purposes of calculating Net Sales shall be calculated by multiplying the gross amount invoiced for such Combination by the fraction A/(A+B), where "A" is the gross amount invoiced for such Royalty Product sold (leased or disposed of) separately and "B" is the gross amount invoiced for such other product(s) or service(s) sold separately in the same calendar quarter in the same country. In the event the Royalty Product or such other product(s) or component(s) are not sold (leased or disposed of) separately as described above, the portion of the gross amount invoiced for such Combination to be included in Net Sales for purposes of royalty determination shall be as reasonably allocated by the Selling Party based upon the relative commercial values of the Royalty Product and such other product or component included in the Combination.

1.32 " **Other NanoString Product** " means any product or service developed, manufactured or commercialized by or on behalf of NanoString or its Affiliates, other than Products.

1.33 " **Patents** " means (a) patents and patent applications (provisional and non-provisional) anywhere in the world, (b) all divisionals, continuations, continuations-in-part thereof, or any other patent application claiming priority, or entitled to claim priority to (i) any such patents or patent applications or (ii) any patent or patent application from which such patents or patent applications claim, or are entitled to claim priority, and (c) all patents issuing on any of the foregoing anywhere in the world, together with all registrations, reissues, substitutions, re-examinations, patents of addition, renewals, patent term extensions, supplementary protection certificates, or extensions of any of the foregoing anywhere in the world.

1.34 " **Person** " means any person or entity, whether an individual, trustee, corporation, partnership, limited partnership, limited liability company, trust, unincorporated organization, business association, firm, joint venture, or Governmental Authority.

1.35 **"Product"** means the Instrument and Assays. The Product may utilize Secondary Components if the JSC determines to include them in Product pursuant to the Development Plan.

1.35.1 **"Instrument** " means (a) the Hyb & Seq. sequencing platform that is Developed pursuant to the Development Plan, including for use as a research only platform and as a clinical diagnostic platform, or (b) any sequencing platform developed by NanoString based on the NanoString Collaboration Technology outside of the Development Plan that has substantially similar features, performance, intended market and cost as the sequencing platform described in (a).

1.35.2 **"Assays** " means any consumable kit, panel, or diagnostic test that is designed to run on the Instrument. For the avoidance of doubt, Assays include kits, panels, or diagnostic tests that run on the Instrument and are developed outside of the Development Plan.

1.36 " **Product Rate** " means [†] percent ([†]%) multiplied by the Funding Percentage.

1.37 " **Prosecution** " means the filing, preparation, prosecution (including any interferences, reissue proceedings, reexaminations, and oppositions and similar proceedings), and maintenance of Patents, including obtaining patent term extensions, regulatory exclusivity, supplemental protection certificates, or their equivalents with respect thereto. When used as a verb, " **Prosecute** " means to engage in Prosecution.

1.38 " **Regulatory Approvals** " means, with respect to the Product and in a given regulatory jurisdiction, any and all approvals, clearances, exemptions, product and/or establishment licenses, registrations or authorizations of any Regulatory Authority, necessary for the Development, commercial manufacture, use, storage, import, export, transport, or Commercialization of such Product in such regulatory jurisdiction.

1.39 " **Regulatory Authority** " means any Governmental Authority or other authority responsible for granting Regulatory Approval, including the CDRH or any other Center of the FDA, the EMA, or any corresponding national or regional authorities responsible for granting, or governing the grant of, Regulatory Approval, and any successor(s) thereto.

1.40 " **Regulatory Filings** " means any and all regulatory applications, filings, approvals, licenses, registrations, submissions, and authorizations, and associated correspondence made to or received from a Regulatory Authority in a jurisdiction, required to Develop, manufacture, and Commercialize products or to seek or support Regulatory Approvals in such jurisdiction, including, as applicable, any submission of applications for clinical trials exemptions or authorizations, marketing authorizations or pricing and reimbursement approvals.

1.41 " **Royalty Secondary Component"** means any Secondary Component Developed pursuant to the Development Plan, (a) which incorporates or utilizes the Lam Component Technology identified as such by the JSC pursuant to Section 2.1.1(f) or (b) which is Covered by a Valid Claim of a Patent that claims any Lam Component Technology in the country of manufacture, use, sale, offer for sale or importation into.

1.42 " **Royalty Term** " means, on a country-by-country and product-by-product basis, (a) with respect to Lam Collaboration Technology Products, the period commencing on first commercial sale, lease or commercial disposition of a Lam Collaboration Technology Product and ending on the date when such Lam Collaboration Technology Product is no longer Covered by (i) a Valid Claim of a Patent Controlled by Lam that claims the Lam Collaboration Technology, and (ii) such product no longer incorporates or is based on any Lam Collaboration Technology, and (b) with respect to Joint Collaboration Technology Products, the period commencing on first commercial sale of a Joint Collaboration Technology Product and ending on the date when such Joint Collaboration Technology Product is no longer Covered by a Valid Claim of a Patent within the Joint Collaboration Technology, and such Product no longer incorporates or includes any trade secret within the Joint Collaboration Technology, and (c) with respect to Royalty Secondary Components, the period commencing on first commercial sale of a Royalty Secondary Component and ending on the date when such Royalty Secondary Component is no longer Covered by a Valid Claim of a Patent within the Lam Component Technology, and such Royalty Secondary Component no longer incorporates or includes any trade secret within the Lam Component Technology.

1.43 **"Secondary Component"** has the meaning set forth in the Secondary Component Development Plan.

1.44 " **Senior Officer** " means the CEO of NanoString (or one of his direct reports) and a Senior or Executive Vice-President of Lam (or one of his or her direct reports), as applicable.

1.45 " **Sublicensee** " means, with respect to a Party, a Third Party to whom such Party grants a license to use Collaboration Technology to manufacture and Commercialize Royalty Products.

1.46 " **Territory** " means worldwide.

1.47 " **Third Party** " means any Person other than Lam, NanoString, and their respective Affiliates.

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1.48 " **Trademarks** " means all registered or unregistered trademarks, service marks, trade dress, trade names, logos, insignias, domain names, symbols, designs, artwork, and combinations thereof, and other indicia of origin, including all applications for registration and registrations of any such marks and renewals for any of the foregoing.

1.49 " **United States** " or " **U.S.** " means the United States of America and all its territories and possessions.

1.50 " **Valid Claim** " means any issued claim of any Patent that has not been permanently revoked, nor held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction that is unappealable or unappealed in the time allowed for appeal, and which have not been cancelled, withdrawn or abandoned or admitted to be invalid or unenforceable through reissue, disclaimer or otherwise.

1.51 **Additional Definitions** . The following terms have the meanings set forth in the corresponding Sections of this Agreement:

Term	**Section**
"Actual Development Costs"	4.2.2
"Agreement"	Preamble
"Auditor"	4.8.2
"Breaching Party"	10.2.1
"Chair"	2.1.2(a)
"Change of Control"	6.4.3.1
"Combination"	1.31
"Common Stock"	4.3
"Cost Report"	4.2.2
"Covered Persons"	Exhibit B-1(c)(ix)
"Derivative Securities"	Exhibit B-1(a)(i)
"Development Failure"	2.1.6
"Development Funding"	4.2.1
"Development Term"	2.1.2(b)
"Disclosing Party"	7.1
"Disputes"	11.1
"Disqualification Events"	Exhibit B-1(c)(ix)
"Effective Date"	Preamble
"Exchange Act"	Exhibit B-1(a)(i)
"Executive Meetings"	2.2
"First Quarter Costs"	4.1
"Force Majeure"	12.3
"Forecast"	4.2.1
"FTE Costs"	3.1.3
"Hyb & Seq Technology"	2.1.3
"Indemnification Claim"	8.3
"Indemnitee"	8.3
"Indemnitor"	8.3
"Joint Collaboration Technology"	6.1.3
"Joint Patents"	6.5.2.1
"JSC"	2.1.1
"Lam Background Technology"	6.1.2(b)
"Lam Collaboration Technology"	6.1.3
"Lam Component Technology"	6.2.4
"Lam Indemnitees"	8.1
"Lam"	Preamble
"Losses and Claims"	8.1

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“Material Adverse Effect”	Exhibit B-1(c)(i)
“Material Contracts”	Exhibit B-1(c)(iv)
“NanoString Background Technology”	6.1.2(a)
“NanoString Collaboration Technology”	6.1.3
“NanoString Indemnitees”	8.2
“NanoString”	Preamble
“Non-Breaching Party”	10.2.1
“Party” or “Parties”	Preamble
“Patent Dispute”	11.4
“Quarterly Budget”	4.2.1
“Quarterly Estimate”	4.2.1
“Receiving Party”	7.1
“Representatives”	9.2.1
[†]	[†]
[†]	[†]
[†]	[†]
“Royalty Cap”	4.5.1(f)
“Royalty Product”	1.31
“SEC Reports”	Exhibit B-1(c)(v)
“SEC”	Exhibit B-1(a)(iii)
“Securities Act”	Exhibit B-1(c)(iii)
“Selling Party”	1.31
“Solicitor”	Exhibit B-1(c)(ix)
“Sub-Team”	2.1.5
“Term”	10.1
“Warrant Shares”	4.3
“Warrant”	4.3

2. **GOVERNANCE** .

2.1 **Joint Steering Committee** .

2.1.1 **Generally** . The Parties hereby establish a joint steering committee (the “ **JSC** ”) to oversee and coordinate the overall conduct and progress of the Collaboration during the Term. The JSC shall:

(a) oversee, review and coordinate the Parties’ activities pursuant to the Collaboration;

(b) monitor progress and expenditures against the Development Plan, and associated budgets;

(c) review and approve amendments and modifications to the Development Plan;

(d) establish and disband Sub-Teams in accordance with Section 2.1.5;

(e) determine whether a Development Failure has occurred with respect to the Product and, if so, whether to wind-down the Collaboration and terminate this Agreement, in each case in accordance with Section 2.1.6;

(f) identify all technology used or created under this Agreement as (i) Nanostring Background Technology, (ii) Lam Background Technology or (iii) Collaboration Technology (which shall further be identified as Lam, Joint or NanoString Collaboration Technology), and the Parties may convene a Sub-Team, as provided for in sub-section (d) of this Section 2.1.2 for this purpose); and

(g) perform such other duties as are specifically assigned to the JSC under this Agreement.

2.1.2 **Membership; Meetings** .

(a) **Membership** . The JSC shall be composed of three (3) employees from each of Lam and NanoString or such other equal number as the Parties may agree. The initial members of the JSC are set forth on Schedule 2.1.2. The JSC shall have at least one (1) representative from each Party with relevant decision-making authority, such that the JSC is

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able to effectuate decisions within the scope of its authority. Any member of the JSC may designate a substitute, who is an employee of such Party, to attend JSC meetings upon prior written notice to the other Party. The JSC shall be chaired by an employee of NanoString (the " **Chair** "). Ad hoc guests who are subject to written confidentiality obligations commensurate in scope to the provisions in Article 7 may be invited to the JSC meetings, as mutually agreed by the Parties. Each Party may replace its JSC members with other of its employees, at any time, upon written notice to the other Party.

(b) **Meetings** . During the period in which Lam is providing Development Funding in accordance with Article 4 (the " **Development Term** "), the JSC shall meet, in person, by teleconference, or by video-teleconference, at least one (1) time per month; provided that at least two (2) JSC meetings per calendar year must be in person. Notwithstanding the foregoing, either Party may request additional meetings of the JSC, and the JSC will meet by teleconference or by video-teleconference within ten (10) Business Days of any such request reasonably made by a Party. In-person meetings shall alternate between NanoString's facilities in Seattle, Washington and Lam's facilities whenever possible, unless otherwise agreed by the Parties. After the expiration of the Development Term, the JSC shall meet as often as the JSC shall determine; provided that either Party may, in its sole discretion, terminate its participation on the JSC any time thereafter by providing thirty (30) days' prior written notice to the other Party. Should either Party elect to terminate its participation in the JSC prior to the expiration of the Term, the Parties will amend the decision-making and disclosure rights and obligations enumerated in this Agreement to preserve the Parties respective rights and obligations in the absence of participation through the JSC.

2.1.3 **Decision-Making; Limitations on JSC** . Decisions of the JSC shall be made by consensus, with the representatives of each Party having, collectively, one (1) vote in all decisions. The JSC shall have only such powers as are specifically assigned to it in this Agreement, and such powers shall be subject to the terms and conditions set forth herein. Without limiting the generality of the foregoing, the JSC shall have no power to amend, modify or waive compliance with this Agreement, or take any action which, under the terms of this Agreement, requires the consent or agreement of either or both of the Parties, without having received such consent or agreement. In the event that the JSC is unable to reach a consensus decision on a matter that is within its decision-making authority within ten (10) Business Days after it has met and used best efforts to reach consensus with respect to such decision, then the Chair may refer such disagreement to a meeting between the Senior Officers for resolution. Such meeting shall take place as soon as practicable, but in no event later than ten (10) Business Days after the date of the applicable referral. If the Senior Officers of the Parties cannot, in good faith, resolve such disagreement within five (5) Business Days after such meeting or such longer period as is agreed by the Senior Officers (such agreement not to be unreasonably withheld), then NanoString shall have final decision-making authority. Notwithstanding the foregoing, decisions regarding (i) Development Failure, (ii) amendments and modifications to the Development Plan that will delay Development by [†] or result in a Product that no longer relies on the Hyb& Seq Technology, (iii) decisions on technology ownership pursuant to Section 2.1.1(f), (iv) amendments and modifications to the Development Plan that alter the ultimate target market for the Product away from clinical diagnostic sequencing, and (v) proposed budget increases that would result in the Quarterly Budget for the [†] covered by a Forecast to be [†], cannot be taken without concurrence of the Parties. For purposes of the foregoing, the " **Hyb & Seq Technology** " means the subject matter claimed in the patent applications set forth on Schedule 2.1.3 or substantially related thereto.

2.1.4 **Chairs; Minutes** . The Chair shall be responsible for calling meetings, preparing and circulating the agenda for each meeting of the JSC, and preparing and circulating minutes within ten (10) days after each meeting of the JSC setting forth, among other things, a summary, in reasonable detail, of the discussions at the meeting and a list of any actions, decisions, or determinations approved by the JSC. Such minutes shall be effective only after being approved by both Parties. Definitive minutes of all JSC meetings shall be finalized no later than fifteen (15) days after the meeting to which the minutes pertain.

2.1.5 **Sub-Teams** . From time to time, the JSC may create sub-teams that will be responsible for assisting the Parties with respect to various activities undertaken pursuant to the Collaboration (each, a " **Sub-Team** ").

2.1.6 **Development Failure** . If, [†] (a " **Development Failure** "), the JSC shall meet to determine whether to wind-down the Collaboration and terminate this Agreement.

2.1.7 **Royalty Generating Technology.** At each meeting (as applicable), the JSC shall discuss whether any products or processes offered by either Party give rise to an obligation to pay royalties under this Agreement.

2.2 **Executive Updates.** During the first twelve (12) full calendar quarters after the Effective Date, the Senior Officers shall hold quarterly meetings (the " **Executive Meetings** "), pursuant to which each Party will provide updates regarding the Product Development and Secondary Component Development hereunder. The Executive Meetings shall be in addition to the JSC meetings set forth above. At each Executive Meeting that occurs, NanoString shall also provide Lam with a non-confidential update regarding NanoString's business activities, which shall comprise information generally made available to NanoString's shareholders.

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3. **DEVELOPMENT AND COMMERCIALIZATION** .

3.1 **Development** .

3.1.1 The Product Development Plan shall set forth a plan to Develop the Product based on the NanoString Technology and certain technical contributions made by Lam, utilizing funding provided by Lam in accordance with Sections 4.1 and 4.2. NanoString will lead the Product Development with engineering support from Lam, as set forth in further detail in the Product Development Plan. In addition to the plan to Develop the Product set forth in the Product Development Plan, the Development Plan will include a plan to conduct certain Development activities for Secondary Components, as set forth in the Secondary Component Development Plan. NanoString will utilize its facilities to Develop the Product and will have access to Lam's facilities as appropriate to support such activities and as set forth in the Development Plan. The Development Funding is intended for use solely to fund Development Costs, and NanoString will not deliberately apply the Development Funding toward any other purpose.

3.1.2 During the Development Term, NanoString shall use Commercially Reasonable Efforts to conduct the Product Development activities assigned to NanoString in the Product Development Plan, including in accordance with the timelines provided therein; and Lam shall use Commercially Reasonable Efforts to conduct the Product Development activities assigned to Lam as described in the Product Development Plan, including in accordance with the timelines provided therein. The Parties shall work in good faith to conduct the Secondary Component Development activities set forth in the Secondary Component Development Plan in accordance with such timelines. The Development Plan may be updated or modified from time to time by the Parties, in each case subject to approval by the JSC in accordance with Section 2.1.3.

3.1.3 NanoString shall reimburse Lam for certain FTE costs incurred by Lam in the performance Product Development activities in accordance with the Product Development Plan, at the FTE Rate and in accordance with the budget set forth therein (such costs and expenses, collectively, " **FTE Costs** "); provided that in no event shall NanoString be obligated to reimburse Lam for more than ten (10) FTEs during any year during the Development Term. Lam shall invoice NanoString for FTE Costs on a quarterly basis, and NanoString shall pay such invoices within thirty (30) days of the invoice date. Each such invoice shall be accompanied by a detailed report accounting for the time spent by such FTEs. Lam shall provide, at its own cost and expense, [†] to [†] FTEs, as reasonably determined by Lam to be necessary, to conduct Secondary Component Development activities in accordance with the Secondary Component Development Plan. In the event Secondary Components are incorporated into the Product Development Plan, Lam's obligation to provide, at its own cost and expense, [†] to [†] FTES will continue through the completion of the Development of such Product.

3.2 **Updates and Information Relating to Development Activities** .

3.2.1 During the Development Term, at each JSC meeting, NanoString shall provide Lam with updates with respect to its progress under the Development Plan.

3.2.2 During the Development Term, at each JSC meeting, Lam shall provide to NanoString with updates with respect to its progress under the Development Plan.

3.3 **Manufacture.** As between the Parties, NanoString shall have the sole right to manufacture of the Product and shall do so in material compliance with applicable Law.

3.4 **Commercialization** . As between the Parties, NanoString shall have the sole right to Commercialize the Product in the Territory, including the right to engage Third Parties to Commercialize the Product on its behalf. After receipt of all necessary Regulatory Approvals, NanoString will use Commercially Reasonable Efforts to make the Product available in the Territory.

3.5 **Regulatory Approvals** . NanoString shall have the sole right to seek, obtain and maintain Regulatory Approvals for the Product in the Territory and shall have sole responsibility for all interactions with Regulatory Authorities regarding the Product.

3.6 **Conduct and Records; Audit Rights; Subcontractors; Materials** .

3.6.1 **Conduct** . Each Party shall conduct all of its activities in connection with the Collaboration in good scientific manner, and in compliance in all material respects with all requirements of applicable Laws.

3.6.2 **Records** . Each Party shall maintain complete and accurate records of all work conducted during the Term in furtherance of the Collaboration and in compliance with applicable Law, including all results, data, and developments made in conducting such activities. Such records shall be complete and accurate and shall properly reflect all such work done and results achieved in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes. Without limiting the foregoing or being limited thereby, each Party agrees to retain all such records for the time required by applicable Law, and allow for auditing by Regulatory Authorities of all such records.

3.6.3 **Subcontracting** . Either Party may discharge its duties under this Agreement and otherwise perform any activities in support of the Collaboration through its Affiliates and through subcontracting to Third Parties; provided that, with respect to Affiliates and subcontractors performing activities under the Development Plan:

(a) Any Third Party subcontractor to whom such Party discloses the other Party's Confidential Information shall enter into an appropriate written agreement obligating such Third Party to be bound by (i) obligations of confidentiality and restrictions on use of such Confidential Information that are no less restrictive than the obligations set forth in Article 7, and (ii) the invention assignment and ownership of data and results provisions that allow for the allocation of ownership provided for in Article 6; and

(b) The subcontracting Party shall at all times be responsible for and ensure the performance of its Third Party subcontractor hereunder.

4. **FINANCIAL TERMS** .

4.1 **Initial Development Funding Payment** . NanoString's estimate of its Development Costs for the period commencing on August 1, 2017 and ending on September 30, 2017 (" **First Quarter Costs** ") is set forth on Schedule 4.1. Lam shall make a payment to NanoString equal to the First Quarter Costs within five (5) Business Days of the Effective Date.

4.2 **Development Funding** .

4.2.1 **Quarterly Estimate** . Including the First Quarter Costs, Lam will provide NanoString with up to Fifty Million Dollars ($50,000,000) in funding for Development Costs (" **Development Funding** ") in accordance with Section 4.1 and this Section 4.2. Not less than thirty (30) days prior to end of each calendar quarter (beginning with the calendar quarter ending September 30, 2017), NanoString will provide Lam with an estimate of its Development Costs to be incurred in the performance of the Development Plan during the following quarter (" **Quarterly Estimate** "). Within thirty (30) days of receipt of each such Quarterly Estimate, Lam will make a payment to NanoString equal to the Quarterly Estimate. To facilitate budgeting with respect to the Quarterly Estimate, NanoString will provide Lam with a rolling one (1) year forecast of its good faith estimate of its estimated Development Costs (each, a " **Forecast** ") on a quarterly basis, not less than thirty (30) days prior to the first day of the first calendar quarter covered by such Forecast. Each Forecast shall break down such budget on a quarterly basis (the portion of a Forecast for each quarter, a " **Quarterly Budget** ").

4.2.2 **True-Up** . Within sixty (60) days after the end of each calendar quarter during the Development Term, NanoString will provide Lam with a report (each, an " **Cost Report** ") setting forth the Development Costs actually incurred by NanoString (the " **Actual Development Costs** ") during such quarter. If the Actual Development Costs exceed the Quarterly Estimate paid to NanoString for such calendar quarter, Lam shall increase the payment of the Quarterly Estimate made to NanoString pursuant to this Section 4.2 for the following calendar quarter by the difference between such Actual Development Costs and such Quarterly Estimate. If Actual Development Costs are less than the Quarterly Estimate paid to NanoString for a given quarter, Lam shall decrease the payment of the Quarterly Estimate made to NanoString pursuant to this Section 4.2 for the following calendar quarter by the difference between such Quarterly Estimate and such Actual Development Costs.

4.2.3 **Payments** . All payments of Development Funding made pursuant to this Section 4.2 shall be non-refundable. Notwithstanding the foregoing, in the event that the parties determine that there has been a Development Failure, and all Development activities are discontinued, any Development Funding advanced by Lam that has not been committed or spent by NanoString shall be refunded to Lam. Lam shall provide Development Funding to cover all amounts incurred by NanoString in the performance of Development activities hereunder, up to the Fifty Million Dollar ($50,000,000) cap set forth in Section 4.2.1. Any failure by Lam to provide NanoString with the Development Funding requested by NanoString in the Quarterly Estimates shall be a material breach of this Agreement.

4.3 **Equity/Warrant.** Pursuant to, and subject to the representations and warranties, covenants, agreements conditions set forth herein (including those set forth in **Exhibit B-1** hereto), NanoString shall issue Lam a warrant (the " **Warrant** ") to purchase up to one million (1,000,000) shares (" **Warrant Shares** ") of its common stock, par value $0.0001 per share (the " **Common Stock** ") at a per share exercise price of the greater of $16.75 and the closing bid price on the date of execution per share in the form attached hereto as **Exhibit B-2** .

4.4 **FTE Costs.** NanoString will reimburse Lam for FTE Costs in accordance with Section 3.1.3 on a quarterly basis. For avoidance of doubt, NanoString and Lam agree that no employee can be billed hereunder for more than the FTE Rate.

4.5 **Royalties**

4.5.1 **By NanoString.**

(a) During the Term, NanoString will pay to Lam a running royalty equal to the Product Rate multiplied by Net Sales of Product by NanoString, its Affiliates or Sublicensees in the Territory.

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

(b) During the Royalty Term, NanoString will pay to Lam a running royalty equal to [†] percent [†]%) Net Sales of Lam Collaboration Technology Products by NanoString, its Affiliates or Sublicensees.

(c) During the Royalty Term, NanoString will pay to Lam a running royalty equal to [†] percent [†]%) of Net Sales of Joint Collaboration Technology Products, which are not also Lam Collaboration Technology Products, by NanoString, its Affiliates or Sublicensees.

(d) During the Royalty Term, NanoString will pay to Lam a running royalty equal to [†] percent [†]%) of Net Sales of Royalty Secondary Components by NanoString, its Affiliates or Sublicensees.

(e) If NanoString or its Affiliate or Sublicensee is required to make payments to a Third Party for the use of patent rights held by, or acquired from, such Third Party that Cover a Lam Collaboration Technology Product subject to royalties under Section 4.5.1(b), a Joint Collaboration Technology Product subject to royalties under Section 4.5.1(c), or a Royalty Secondary Component subject to the royalties under Section 4.5.1(d), NanoString will be entitled to credit up to fifty percent (50%) of the amounts actually paid by NanoString or its Affiliates or Sublicensees to such Third Parties against the royalties due to Lam under Section 4.5.1(b) or Section 4.5.1(c), as applicable. In no event will royalties to Lam be so reduced by more than fifty percent (50%) of such royalties otherwise payable to Lam hereunder. For clarity, this Section 4.5.1(e) shall not apply with respect to royalties owed on Product under Section 4.5.1(a).

(f) Notwithstanding anything herein to the contrary, the total royalties paid by NanoString to Lam pursuant to this Section 4.5.1 shall be capped at One Hundred Fifty Million Dollars ($150,000,000) multiplied by the Funding Percentage (the " **Royalty Cap** "). For clarity, in no event shall the royalties set forth in Sections 4.5.1(a)-(d) be additive; only a single royalty may be applicable to any given Royalty Product sold by NanoString, its Affiliates or Sublicensees (which shall be the highest royalty rate applicable).

4.5.2 **By Lam.**

(a) During the Royalty Term, Lam will pay to NanoString a running royalty equal to [†] percent ([†]%) of Net Sales of Joint Collaboration Technology Products by Lam, its Affiliates or Sublicensees.

(b) If Lam or its Affiliate or Sublicensee is required to make payments to a Third Party for the use of patent rights held by, or acquired from, such Third Party that Cover a Joint Collaboration Technology Product subject to royalties hereunder, Lam will be entitled to credit up to fifty percent (50%) of the amounts actually paid by Lam or its Affiliates or Sublicensees to such Third Parties against the royalties due to NanoString under this Section 4.5.2 with respect to such Joint Collaboration Technology Product. In no event will royalties to NanoString be so reduced by more than fifty percent (50%) of such royalties otherwise payable to NanoString hereunder.

(c) Notwithstanding anything herein to the contrary, the total royalties payable by Lam to NanoString pursuant to this Section 4.5.2 shall be capped at One Hundred Fifty Million Dollars ($150,000,000).

4.5.3 **Reports and Payment** .

(g) Within sixty (60) days after the end of each calendar quarter after the first commercial sale of Royalty Product on which royalties are owed by NanoString pursuant to this Agreement, NanoString shall provide Lam with a report setting forth the Net Sales by NanoString, its Affiliates and Sublicensees for such quarter and the royalties owed to Lam. NanoString shall pay Lam such royalties together with each such report.

(h) Within sixty (60) days after the end of each calendar quarter after the first commercial sale of Joint Collaboration Technology Product on which royalties are owed by Lam pursuant to this Agreement, Lam shall provide NanoString with a report setting forth the Net Sales of Joint Collaboration Technology Product by Lam, its Affiliates and Sublicensees for such quarter and the royalties owed to NanoString. Lam shall pay NanoString such royalties together with each such report.

4.6 **Taxes and Withholding** . If Laws require withholding of any taxes from any payment made in connection with this Agreement, the paying Party shall pay in a timely manner, to the appropriate Governmental Authority, such withholding taxes as required by Law and subtract the amount of such withholding taxes from the payment otherwise required to be made hereunder. The paying Party shall submit official receipts of payment of any withholding taxes to the other Party within a reasonable period of time. At the request of the Party receiving payment, such paying Party shall give such other Party reasonable assistance so that such other Party may ensure that any withholding taxes imposed are reduced as far as possible under the provisions of the applicable tax treaty, which assistance shall include the prompt provision of appropriate certificates of such deductions made together with other supporting documentation as may be required or requested by the relevant tax authority, to enable such other Party to claim exemption from such withholding or other tax imposed or obtain a repayment thereof or reduction thereof and shall provide such

additional documentation from time to time as is reasonably required to confirm the payment of tax. In any event, each Party shall reasonably cooperate in filing any forms required for such reduction.

4.7 **Method of Payment** . All amounts payable hereunder shall be non-refundable and non-creditable, and shall be paid in United States dollars by bank wire transfer in immediately available funds to such bank account as may be designated in writing by the receiving party. This Section 4.7 shall in no way limit any other remedies available to the Parties. Payments required in this Agreement shall, if overdue, bear interest from the due date of such payments until payment at the lower of either a per annum rate 2% above the prime rate in effect at the J.P. Morgan Chase Bank, N.A., New York, New York, U.S.A. or the highest interest rate permissible under applicable Law.

4.8 **Records and Audit Rights** .

4.8.1 Lam shall maintain complete and accurate records in sufficient detail in accordance with its Accounting Standards in relation to this Agreement to permit NanoString to confirm the accuracy of the amount of any FTE Costs to be reimbursed by NanoString under this Agreement and the corresponding report made to NanoString. NanoString shall maintain complete and accurate records in sufficient detail in accordance with its Accounting Standards in relation to this Agreement to permit Lam to confirm the accuracy of the amount of any Development Expenses incurred by NanoString under this Agreement and the corresponding Cost Report. Each Party shall maintain complete and accurate records in sufficient detail in accordance with its Accounting Standards in relation to this Agreement to permit the other Party to confirm the accuracy of the royalties to be paid under this Agreement.

4.8.2 Each Party will keep such books and records it is required to maintain under section 4.8.1 for at least three (3) years following the calendar year to which they pertain. Upon reasonable prior notice, such records shall be inspected during regular business hours at such place or places where such records are customarily kept by an independent certified public accountant (the " **Auditor** ") selected by the auditing Party and reasonably acceptable to audited Party for the sole purpose of verifying the accuracy of the financial reports furnished by the audited Party pursuant to this Agreement or of any payments made, or required to be made, to the auditing Party pursuant to this Agreement. The results of any such audit shall be the Confidential Information of audited Party, subject to the protections of Article 7 below. Before beginning its audit, the Auditor shall execute an agreement reasonably acceptable to each Party by which the Auditor agrees to keep confidential all information reviewed during the audit and any reports or summaries of such information prepared by the Auditor. Such audits may occur no more often than once each calendar year by each Party and not more frequently than once with respect to records covering any specific period of time. The auditing Party shall be entitled to audit the books and records of the audited Party from the three (3) calendar years prior to the calendar year in which the audit request is made. Such Auditor shall not disclose Lam's Confidential Information to the auditing Party, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by audited Party or the amount of payments to auditing Party under this Agreement. The Auditor shall provide the audited Party with a copy of any report provided to auditing Party as a result of an audit conducted pursuant to this Section 4.8. In the event that the final result of the inspection reveals an undisputed underpayment or overpayment, the underpaid or overpaid amount, as applicable, shall be settled promptly. The auditing Party shall bear the full cost of such audit unless such audit reveals an overpayment to or underpayment by audited Party that resulted from a discrepancy in the financial report provided by audited Party for the audited period, which overpayment or underpayment was more than five percent (5%) of the amount set forth in such report, in which case the audited Party shall reimburse auditing Party for the costs for such audit.

5. **REPRESENTATIONS, WARRANTIES, AND COVENANTS; DISCLAIMERS** .

5.1 **Mutual Representations and Warranties** . Each Party represents and warrants to the other Party as of the Effective Date that:

5.1.1 such Party is duly organized, validly existing, and in good standing under the Laws of the jurisdiction of its incorporation and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

5.1.2 execution of this Agreement and the performance by such Party of its obligations hereunder have been duly authorized by all necessary corporate action of such Party;

5.1.3 this Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with the terms hereof, subject to the effect of (a) applicable bankruptcy, insolvency, reorganization, moratorium, or similar Laws relating to rights of creditors generally; and (b) rules of Law and equity governing specific performance, injunctive relief, and other equitable remedies;

5.1.4 the performance of this Agreement by such Party does not conflict with, or create a breach or default under, any other agreement to which it is a party, which conflict, breach or default would adversely affect such Party's performance, or the other Party's rights or performance, under this Agreement; and

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

5.1.5 no government authorization, consent, approval, license, exemption of, or filing or registration with any court or governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign, under any Laws currently in effect, is necessary in connection with the execution and delivery of this Agreement, or for the performance by such Party of its obligations under this Agreement, except as may be required under the applicable Regulatory Approvals or Regulatory Filings related to the Development, Commercialization, or manufacture of Product or Secondary Components hereunder.

5.2 **Additional Representations and Warranties of NanoString** . NanoString hereby represents and warrants to Lam:

5.2.1 As of the Effective Date, there is no pending litigation, or to the Knowledge of NanoString threatened litigation, that alleges that NanoString has infringed or misappropriated any intellectual property rights of any Third Party, which litigation would adversely affect NanoString's performance under this Agreement;

5.2.2 NanoString has not employed and, to its Knowledge, has not used a contractor or consultant that has employed, any individual or entity (a) debarred by the FDA (or subject to a similar sanction of any other applicable Regulatory Authority), (b) who is the subject of an FDA debarment investigation or proceeding (or similar proceeding of any other applicable Regulatory Authority), or (c) who has been charged with or convicted under United States Law for conduct relating to the development or approval, or otherwise relating to the regulation of any product under the Generic Drug Enforcement Act of 1992, in each case, in the conduct of its activities prior to the Effective Date, and will not employ or use any such individual or entity in its performance under this Agreement; and

5.2.3 NanoString will perform its obligations under the Collaboration in accordance with all applicable Law.

5.3 **Additional Representations and Warranties of Lam** . Lam hereby represents and warrants to NanoString:

5.3.1 As of the Effective Date, there is no pending litigation, or to the Knowledge of Lam threatened litigation, that alleges that Lam has infringed or misappropriated any intellectual property rights of any Third Party, which litigation would adversely affect Lam's performance under this Agreement;

5.3.2 Lam has not employed and, to its Knowledge, has not used a contractor or consultant that has employed, any individual or entity (a) debarred by the FDA (or subject to a similar sanction of any other applicable Regulatory Authority), (b) who is the subject of an FDA debarment investigation or proceeding (or similar proceeding of any other applicable Regulatory Authority), or (c) who has been charged with or convicted under United States Law for conduct relating to the development or approval, or otherwise relating to the regulation of any product under the Generic Drug Enforcement Act of 1992, in each case, in the conduct of its activities prior to the Effective Date, and will not employ or use any such individual or entity in its performance under this Agreement; and

5.3.3 Lam will perform its obligations under the Collaboration in accordance with all applicable Law.

5.4 **DISCLAIMERS** . EXCEPT AS EXPRESSLY SET FORTH IN SECTIONS 5.1, 5.2 AND 5.3, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING ANY EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OR VALIDITY OF ANY PATENTS ISSUED OR PENDING, OR WITH RESPECT TO THE OUTCOME OR RESULTS OF ANY ACTIVITIES TO BE PERFORMED PURSUANT TO THE COLLABORATION OR ANY OTHER ACTIVITIES UNDER THIS AGREEMENT.

6. **INTELLECTUAL PROPERTY** .

6.1 **Ownership of Technology** .

6.1.1 Inventorship of Collaboration Technology shall be determined:

(a) as to patentable Collaboration Technology by application of U.S. patent Laws pertaining to inventorship, and

(b) as to non-patentable Collaboration Technology, by contribution.

6.1.2 Notwithstanding anything herein to the contrary, as between the Parties,

(a) NanoString shall own and retain all technology and intellectual property rights owned or controlled by NanoString prior to the Effective Date or developed by or on behalf of NanoString outside of this Agreement and prior to the end of the Term (" **NanoString Background Technology** ") and associated intellectual property rights, and

(b) Lam shall own and retain all technology and intellectual property rights owned or controlled by Lam prior to the Effective Date or developed by or on behalf of Lam outside of this Agreement and prior to the end of the Term (" **Lam Background Technology** ") and associated intellectual property rights.

6.1.3 As between the Parties: (a) Collaboration Technology made or conceived solely by or on behalf Lam, (collectively, the " **Lam Collaboration Technology** ") together with all intellectual property rights therein, shall be solely owned by Lam; (b) Collaboration Technology made or conceived solely by or on behalf NanoString, (collectively, the " **NanoString Collaboration Technology** ") together with all intellectual property rights therein, shall be solely owned by NanoString; and (c) Collaboration Technology made or conceived jointly by or on behalf of the Parties (collectively, the " **Joint Collaboration Technology** ") together with all intellectual property rights therein, shall be jointly owned by the Parties. Each Party may license and otherwise exploit its interest in the Joint Collaboration Technology without reporting or accounting to, or consent from, the other Party. Notwithstanding the foregoing, NanoString may not license Joint Collaboration Technology to Lam Competitors.

6.1.4 During the Term, each Party agrees to promptly disclose to the JSC all Collaboration Technology made by it, on its behalf or by its Affiliates and promptly disclose to the JSC any intellectual property filings it or its Affiliates intend to file to protect or Cover such Collaboration Technology. All information disclosed pursuant to this Section 6.1.4 shall be the Confidential Information of the disclosing Party.

6.1.5 During the Term, each Party (a) shall enter into binding agreements obligating all employees performing activities under this Agreement during the Term to assign, and (b) shall use reasonable efforts to enter into binding agreements obligating all such Party's agents and consultants performing activities under this Agreement during the Term to assign, to such Party such Person's right, title, and interest in any Collaboration Technology (including all intellectual property rights therein).

6.2 **Licenses to NanoString.**

6.2.1 Lam hereby grants to NanoString a non-exclusive license under all its rights (including all such intellectual property rights) to the Lam Collaboration Technology and to [†] solely to the extent necessary to conduct its activities under the Development Plan in accordance with this Agreement.

6.2.2 Lam hereby grants to NanoString a worldwide, non-exclusive license, including the limited right to grant and authorize sublicenses (subject to Section 6.4.4), under the Lam Collaboration Technology, and [†], together in each case with all intellectual property rights therein, to make, have made, use, offer for sale, sell, import and otherwise exploit Products. Such license shall be subject to the royalties set forth in Section 4.5.1(a). For clarity, [†].

6.2.3 Lam hereby grants to NanoString a worldwide, non-exclusive license, including the right to grant and authorize sublicenses (subject to Section 6.4.4), under the Lam Collaboration Technology, together with all intellectual property rights therein, to make, have made, use, offer for sale, sell, import and otherwise exploit Other NanoString Products in the Field. Such licenses shall be subject to the royalties set forth in Section 4.5.1(b). For clarity, the foregoing license shall not include the right for NanoString (or its successors or assigns) to use the Lam Collaboration Technology to make, have made, use, offer for sale, sell, import and otherwise exploit products or services outside of the Field.

6.2.3 Lam hereby grants to NanoString a worldwide, non-exclusive license, including the right to grant and authorize sublicenses (subject to Section 6.4.4), [†] (such [†], the " **Lam Component Technology** "), together with [†]. Such [†].

6.3 **License to Lam** . NanoString hereby grants to Lam a non-exclusive license under all its rights (including all such intellectual property rights) to NanoString Collaboration Technology and [†] in accordance with this Agreement.

6.4 **IP Restrictions, Sublicenses** [†].

6.4.1 **Lam Collaboration Technology.** Lam hereby agrees not to use, directly or indirectly, the Lam Collaboration Technology for applications within the Field during [†]. Thereafter, Lam may use the Lam Collaboration Technology in the Field, subject to the rights and licenses granted to NanoString hereunder. For clarity, Lam shall retain the right to use the Lam Collaboration Technology outside of the Field at any time.

6.4.2 **Joint Collaboration Technology.**

6.4.1 **Restrictions on Lam** .

(a) Lam hereby agrees not to use, directly or indirectly, the Joint Collaboration Technology for applications in the Field [†].

(b) Lam shall not, at any time, use (directly or indirectly) any Joint Collaboration Technology that [†] or [†], to make, have made, use, offer for sale, sell, import and otherwise exploit products or services for applications in the

NanoString Competitive Field. Lam shall retain the right to use the Joint Collaboration Technology for applications outside of the Field at any time.

6.4.2 **Restrictions on NanoString** .

(a) NanoString hereby agrees not to use, directly or indirectly, the Joint Collaboration Technology for applications outside of the Field [†].

(b) NanoString shall not, at any time, use, directly or indirectly, the Joint Collaboration Technology, which Joint Collaboration Technology [†] or [†], to make, have made, use, offer for sale, sell, import and otherwise exploit products or services for applications in the Lam Competitive Field.

6.4.3 **Springing Restrictions on NanoString** .

6.4.3.1 **Lam Collaboration Technology** . In the event of [†] (a " **Change of Control** "), [†], and NanoString [†].

6.4.3.2 **Joint Collaboration Technology** . In the event of [†], which [†].

6.4.4 **Sublicenses** . NanoString's right to grant and authorize sublicenses under the licenses granted in Sections 6.2.2, 6.2.3 and 6.2.4 shall not include the right to grant or authorize sublicenses to Third Parties to develop and commercialize their own products, independently from NanoString and without use of the NanoString Platform. In addition, NanoString is [†] or any Lam Collaboration Technology on a stand-alone basis for any purpose outside of the scope of the licenses granted in Section 6.2.2, 6.2.3 and 6.2.4.

6.4.5 [†]. During the [†], which [†]. NanoString may [†]. Upon Lam's [†].

6.5 **Prosecution of Patents for the Collaboration Technology** .

6.5.1 **Sole Collaboration Technology** . NanoString shall have the sole right to Prosecute Patents for the NanoString Collaboration Technology. NanoString shall bear all costs incurred by NanoString in Prosecuting such Patents. Lam shall have the sole right to Prosecute Patents for the Lam Collaboration Technology. Lam shall bear all costs incurred by Lam in Prosecuting such Patents.

6.5.2 **Joint Collaboration Technology** .

6.5.2.1 NanoString shall have the primary right to Prosecute any Patents within the Joint Collaboration Technology (" **Joint Patents** "). NanoString shall reasonably consult with Lam with respect to the Prosecution of the Joint Patents. NanoString shall keep Lam reasonably informed of its Prosecution of such Joint Patents and provide Lam with copies of material correspondence (including applications, office actions, responses, etc.) relating to Prosecution of such Patents. Lam may provide comments and suggestions with respect to any material actions to be taken by NanoString with respect to the Prosecution of such Patents, and NanoString shall take such comments into good faith consideration. NanoString shall not include in any Patent any Lam Confidential Information unless approved by Lam.

6.5.2.2 NanoString shall promptly give notice to Lam of the grant, lapse, revocation, surrender, invalidation or abandonment of any Joint Patents. NanoString may elect not to file or to cease Prosecution of Joint Patents on a country-by-country basis, and if it does so, NanoString shall give timely notice to Lam which notice will not be less than [†] days prior to any statutory bar date that would apply to the filing, or any due date for any payments or action required to be taken in connection with any pending application. Lam may by notice to NanoString assume Prosecution of such Joint Patents in such country(ies) at Lam's expense; provided, however, the Parties acknowledge and agree that NanoString shall still retain its joint ownership rights in such Joint Patents and Lam shall keep NanoString reasonably informed with respect to the Prosecution thereof.

6.6 **Trademarks** . NanoString shall have the sole right to select, register and maintain the Trademarks which it employs in connection with branding the marketing, sale or distribution of the Product, at its own expense, and (as between the Parties) shall own all rights, title and interest in and to such Trademarks and all associated goodwill.

6.7 **No Implied Licenses** . Neither Party grants to the other Party any rights or licenses in or to any intellectual property, whether by implication, estoppel or otherwise, other than the rights and licenses that are expressly granted under this Agreement.

7. **CONFIDENTIALITY** .

7.1 **Nondisclosure** . Each Party agrees that, during the Term and for a period of seven (7) years thereafter, or for any Confidential Information that is maintained by a Party as a trade secret, for so long as such Party continues to maintain and treat such information as a trade secret, a Party (the " **Receiving Party** ") receiving Confidential Information of the other Party (the " **Disclosing Party** ") shall (a) maintain in confidence such Confidential Information using not less than the efforts such Receiving

Party uses to maintain in confidence its own proprietary industrial information of similar kind and value, but in no event less than a reasonable degree of efforts, (b) not disclose such Confidential Information to any Third Party without the prior written consent of the Disclosing Party, except for disclosures expressly permitted below, and (c) not use such Confidential Information for any purpose other than exercising its rights and fulfilling its obligations under this Agreement and the Warrant.

7.2 **Exceptions** . The obligations in Section 7.1 shall not apply with respect to any portion of the Confidential Information of the Disclosing Party that the Receiving Party can show by competent written proof:

7.2.1 is publicly disclosed by the Disclosing Party, either before or after it is disclosed to the Receiving Party hereunder;

7.2.2 was known to the Receiving Party or any of its Affiliates, without any obligation to keep it confidential or any restriction on its use, prior to disclosure by the Disclosing Party;

7.2.3 is subsequently disclosed to the Receiving Party or any of its Affiliates by a Third Party lawfully in possession thereof and without any obligation to keep it confidential or any restriction on its use;

7.2.4 is published by a Third Party or otherwise becomes publicly available or enters the public domain, other than as a result of a breach of its obligations under this Article 7 by the Receiving Party; or

7.2.5 is independently developed by or for the Receiving Party or its Affiliates without reference to, use of, or reliance upon the Disclosing Party's Confidential Information.

7.3 **Authorized Disclosure** . The Receiving Party may disclose Confidential Information belonging to the Disclosing Party, to the extent such disclosure is reasonably necessary in the following instances:

7.3.1 subject to Section 7.5, for complying with Laws (including the rules and regulations of the Securities and Exchange Commission or any national securities exchange) and with judicial process, if in the reasonable opinion of the Receiving Party's counsel, such disclosure is necessary for such compliance;

7.3.2 solely with respect to NanoString, the file and maintain Regulatory Filings and Regulatory Approvals for the Product;

7.3.3 disclosure, solely on a "need to know basis," to Affiliates, potential or actual research and development collaborators, commercialization partners, distributors, licensees, sublicensees, subcontractors, advisors (including attorneys and accountants), investment bankers, investors, lenders, acquirers or other potential financial partners, and their and each of the Parties' respective directors, employees, contractors, and agents, each of whom, prior to any such disclosure, must be bound by obligations of confidentiality, non-disclosure and non-use no less restrictive than the obligations set forth in this Article 7, which disclosure, for the avoidance of doubt, will not permit use of such Confidential Information for any purpose except those permitted by this Agreement.

Where reasonably possible and subject to Section 7.5, the Receiving Party shall notify the Disclosing Party of the Receiving Party's intent to make any disclosures pursuant to Section 7.3.1 prior to making such disclosure so as to allow the Disclosing Party a reasonable opportunity to take action to protect the confidentiality of the information, and the Receiving Party will provide reasonable assistance to the Disclosing Party with respect to such action; provided that, in any event, the Receiving Party will use reasonable measures to ensure confidential treatment of such information and shall only disclose such Confidential Information of the Disclosing Party as is necessary to comply with such Laws or judicial process.

7.4 **Terms of this Agreement** . The Parties agree that the terms of this Agreement are Confidential Information of both Parties, and each Party agrees not to disclose any of them, without the prior written consent of the other Party, except each Party may disclose the terms of this Agreement in accordance with the procedures of Sections 7.3, 7.5 and 7.8 (and the provisions related thereto).

7.5 **Securities Filings** . If either Party proposes to file with the Securities and Exchange Commission or the securities regulators of any state or other jurisdiction a registration statement or any other disclosure document that describes or refers to the terms and conditions of this Agreement under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or any other applicable securities Law, the Party shall notify the other Party of such intention and shall provide such other Party with a copy of relevant portions of the proposed filing prior to such filing (and any revisions to such portions of the proposed filing a reasonable time prior to the filing thereof), including any exhibits thereto disclosing terms or conditions of this Agreement, and shall use reasonable and diligent efforts to obtain confidential treatment of the terms and conditions of this Agreement that such other Party requests be kept confidential, and shall only disclose such terms and conditions of this Agreement that it is advised by counsel is legally required to be disclosed. No such notice shall be required under this Section 7.5 if the

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description of or reference to this Agreement contained in the proposed filing has been included in any previous filing made by the either Party hereunder or otherwise approved by the other Party.

7.6 **Relationship to Confidentiality Agreement.** That certain Confidentiality Agreement, dated January 20, 2017, by and between Lam and NanoString shall remain in effect and applicable with respect to all information disclosed pursuant to it; provided that the Parties agree to amend, and hereby amend, such Confidentiality Agreement to extend the term to include the Term plus a period of [†] years thereafter and to terminate the standstill provisions set forth therein.

7.7 **Publications** . NanoString shall have the sole right to publish the results of the Collaboration.

7.8 **Publicity** . Upon execution of this Agreement, the Parties shall issue a press release announcing the existence of this Agreement in the form and substance as set forth in Schedule 7.8 hereto.

8. **INDEMNITY AND INSURANCE** .

8.1 **NanoString Indemnity** . NanoString shall indemnify, defend, and hold harmless Lam and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns, and representatives (the " **Lam Indemnitees** "), from and against any and all damages, losses, suits, liabilities, costs (including reasonable legal expenses, costs of litigation and reasonable attorney's fees), or judgments (" **Losses and Claims** ") resulting from any Third Party claim or proceeding against a Lam Indemnitee, to the extent that such claim or proceeding arises out of: (a) the negligence, recklessness, or wrongful intentional acts or omissions of NanoString, its Affiliates, or its licensees (excluding Lam and any Lam controlled Affiliates) and its or their respective directors, officers, employees, and agents, in connection with NanoString's performance of its obligations or exercise of its rights under this Agreement; and (b) any material breach by NanoString of any representation, warranty, or covenant set forth in this Agreement; except for Losses and Claims to the extent (1) arising out of Section 4.3, Exhibits B-1 or B-2 or, for the avoidance of doubt, the Warrant, (2) covered by Section 8.2(a) or (b) or (3) reasonably attributable to any Lam Indemnitee having committed an act or acts of negligence, recklessness, or willful misconduct.

8.2 **Lam Indemnity** . Lam shall indemnify, defend, and hold harmless NanoString and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns, and representatives (the " **NanoString Indemnitees** "), from and against any and all Losses and Claims, resulting from any Third Party claim or proceeding against a NanoString Indemnitee, to the extent that such claim or proceeding arises out of: (a) the negligence, recklessness, or wrongful intentional acts or omissions of Lam, its Affiliates, or its (sub)licensees and its or their respective directors, officers, employees, and agents, in connection with Lam's performance of its obligations or exercise of its rights under this Agreement; and (b) any material breach by Lam of any representation, warranty, or covenant set forth in this Agreement; except for Losses and Claims to the extent (1) arising out of Section 4.3, Exhibits B-1 or B-2 or, for the avoidance of doubt, the Warrant, (2) covered by Section 8.1(a) or (b), or (3) reasonably attributable to any NanoString Indemnitee having committed an act or acts of negligence, recklessness, or willful misconduct.

8.3 **Indemnification Procedure** . A claim to which indemnification applies under Section 8.1 or Section 8.2 shall be referred to herein as an " **Indemnification Claim** ." If any Person or Persons (collectively, the " **Indemnitee** ") intends to claim indemnification under this Article 8, the Indemnitee shall notify the other Party (the " **Indemnitor** ") in writing promptly upon becoming aware of any claim that may be an Indemnification Claim (it being understood and agreed, however, that the failure by an Indemnitee to give such notice shall not relieve the Indemnitor of its indemnification obligation under this Agreement except and only to the extent that the Indemnitor is actually prejudiced as a result of such failure to give notice). The Indemnitor shall have the right to assume and control the defense of the Indemnification Claim at its own expense with counsel selected by the Indemnitor and to which the Indemnitee does not reasonably object. If the Indemnitor does not assume the defense of the Indemnification Claim as described in this Section 8.3, the Indemnitee may defend the Indemnification Claim but shall have no obligation to do so. The Indemnitee shall not settle or compromise the Indemnification Claim without the prior written consent of the Indemnitor, and the Indemnitor shall not settle or compromise the Indemnification Claim in any manner that would impose any obligation on the Indemnitee or otherwise have an adverse effect on the Indemnitee's rights or interests, without the prior written consent of the Indemnitee, which consent, in each case, shall not be unreasonably withheld or delayed. The Indemnitee shall reasonably cooperate with the Indemnitor at the Indemnitor's reasonable expense and shall make available to the Indemnitor all pertinent information under the control of the Indemnitee, which information shall be subject to Article 7.

8.4 **LIMITATION OF LIABILITY** . EXCEPT FOR A BREACH OF ARTICLE 7 AND EXCEPT WITH RESPECT TO THE PARTIES' INDEMNIFICATION OBLIGATIONS UNDER THIS ARTICLE 8, NEITHER PARTY SHALL BE LIABLE TO THE OTHER, WHETHER UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY, OR OTHER LEGAL OR EQUITABLE THEORY, FOR ANY INCIDENTAL, INDIRECT, SPECIAL, EXEMPLARY, PUNITIVE, MULTIPLE, OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION LOST PROFITS, LOSS OF USE, DAMAGE TO GOODWILL, OR LOSS OF BUSINESS) ARISING OUT OF THIS AGREEMENT. The maximum aggregate liability of NanoString under this Agreement shall not exceed [†] dollars ($[†])[†].

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8.5 **Insurance** . Each Party shall, maintain at all times during the Term, appropriate insurance through self-insured retention and/or insurance with an insurance carrier, in an amount consistent with industry standards for a company in a similar position, which shall include commercial general liability insurance and product liability insurance. The insurance set forth herein shall not be construed to create a limit on either Party's liability hereunder. Within ten (10) days following written request from the other Party, a Party shall furnish to the other Party a certificate of insurance or other reasonably satisfactory documentation evidencing such coverage as of the date. In the case of a modification or cancellation of such coverage, the Party carrying such modified or cancelled coverage shall notify the other Party and promptly provide such other Party with a new certificate of insurance evidencing the first Party's coverage meets the requirements of this Section 8.5.

9. **COMPLIANCE WITH LAW** .

9.1 **Laws** . Notwithstanding anything to the contrary contained herein, all obligations of Lam and NanoString are subject to an obligation to comply with export and import regulations, securities Laws, and such other Laws and regulations in effect in such jurisdictions or any other relevant country as may be applicable, and to obtaining all necessary approvals required by the applicable agencies of the governments of any relevant countries. Lam and NanoString shall cooperate with each other and shall provide assistance to the other as reasonably necessary to obtain any required approvals in connection with the Collaboration.

9.2 **Anti-Bribery and Anti-Corruption Compliance** .

9.2.1 Each Party agrees, on behalf of itself, its officers, directors and employees and shall cause its Affiliates, agents, representatives, consultants and subcontractors hired in connection with the subject matter of this Agreement (together with such Party, the " **Representatives** ") to agree that for the performance of its obligations hereunder:

9.2.1.1 The Representatives shall not directly or indirectly pay, offer or promise to pay, authorize the payment of any money or give, offer or promise to give, or authorize the giving of anything else of value, to: (i) any government official in order to influence official action; (ii) any individual or entity (whether or not a government official) (x) to influence such individual or entity to act in breach of a duty of good faith, impartiality or trust ("acting improperly"), (y) to reward such individual or entity for acting improperly or (z) where such individual or entity would be acting improperly by receiving the money or other thing of value; or (iii) any individual or entity (whether or not a government official) while knowing or having reason to know that all or any portion of the money or other thing of value will be paid, offered, promised or given to, or will otherwise benefit, a government official in order to influence official action for or against either Party in connection with the matters that are the subject of this Agreement.

9.2.1.2 The Representatives shall not, directly or indirectly, solicit, receive or agree to accept any payment of money or anything else of value in violation of any Anti-Corruption Laws.

9.2.2 Each Party shall be responsible for any breach of this Section 9.2 or of the Anti-Corruption Laws by any of its Representatives in connection with its activities under the Collaboration.

10. **TERM AND TERMINATION** .

10.1 **Term** . This Agreement shall begin on the Effective Date and shall, subject to earlier termination pursuant to Section 10.2, expire fifteen (15) years thereafter (the " **Term** ").

10.2 **Termination** .

10.2.1 **Breach** . Either Party (the " **Non-Breaching Party** ") may, without prejudice to any other remedies available to it at law or in equity, terminate this Agreement in the event the other Party (the " **Breaching Party** ") has materially breached this Agreement, and such breach has continued for sixty (60) days (ten (10) Business Days with respect to payment breaches by Lam under Section 4.2) after written notice thereof is provided to the Breaching Party by the Non-Breaching Party.

10.2.2 **Bankruptcy** . To the extent permitted under Law, either Party may terminate this Agreement, (a) if, at any time, the other Party files in any court or agency pursuant to any statute or regulation of any state or country, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of the Party or of substantially all of its assets, or (b) if the other Party is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within ninety (90) days after the filing thereof, or (c) if the other Party shall propose or be a party to any dissolution or liquidation, or (d) if the other Party shall make an assignment of substantially all of its assets for the benefit of creditors.

10.2.3 **Development Failure** . This Agreement may also be terminated in accordance with Section 2.1.6 in the event of a Development Failure.

10.2.4 **Change of Control** . Lam may terminate this Agreement, upon ninety (90) days prior written notice to NanoString, in the event of a Change of Control of NanoString; provided however if such a Change of Control occurs within the first twelve (12) months following the Effective Date, and Lam elects to exercise this termination right, such termination shall not become effective until the first anniversary of the Effective Date. NanoString will notify Lam in writing within thirty (30) days of the occurrence of a Change of Control. Any such termination notice must be provided by Lam within thirty (30) days of the closing of such Change of Control, or Lam's termination right under this Agreement shall expire.

10.3 **Consequences of Expiration or Termination; Survival** .

10.3.1 **Generally** . Upon expiration or termination of this Agreement, all rights and obligations of the Parties hereunder shall automatically terminate, except as expressly provided in this Section 10.3.

10.3.2 **Return of Confidential Information** . Following expiration or termination of this Agreement, each Party shall promptly either, at the other Party's election, return to the other Party or destroy, at no cost to the other Party, all Confidential Information of the other Party.

10.3.3 **Rights and Remedies** . All of the effects of expiration or termination, as applicable, set forth in this Article 10 are in addition to the other rights and remedies that may be available to the Parties at law or in equity.

10.3.4 **Survival; Accrued Obligations** . The following provisions shall survive any termination or expiration of this Agreement in its entirety: Sections 1, 3.3, 3.4, 3.5, 3.6.2, 4.2.3, 4.5.1 (as described in 10.3.6), 4.5.2 (other than in the case of termination by Lam pursuant to Section 10.2.1), 4.5.3 (with respect to surviving royalties), 4.8, 5.4, 6, 7, 8, 10.3, 10.4, 11, and 12.

10.3.5 **Accrued Obligations** . Termination or expiration of this Agreement shall not relieve the Parties of any liability or obligation that accrued hereunder prior to the effective date of such termination or expiration nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation. Without limiting the foregoing, each Party shall remain responsible for any and all accrued and unpaid payment obligations that it has at the time of such termination.

10.3.6 **Surviving Royalty** . In the event of a termination by Lam pursuant to Section 10.2.1, or a termination pursuant to Section 10.2.2, 10.2.3, 10.2.4 or 12.3, NanoString shall continue to pay the royalties set forth under Section 4.5.1 after such termination for what would be any remaining portion of the Term or Royalty Term, as applicable, had this Agreement not been terminated; and the corresponding reporting and payment obligations under Section 4.5.3(a) shall similarly survive. In all other cases of termination of this Agreement, the royalties set forth in Sections 4.5.1 of this Agreement shall terminate upon the effective date of such termination.

10.3.7 **Wind-Down** . In the event of a termination by NanoString pursuant to Section 10.2.1, Lam shall be obligated to pay NanoString's Quarterly Estimate, and continue to fulfill its obligations under this Agreement (including pursuant to the Development Plan) for the first full calendar quarter following the effective date of such termination; provided that such Quarterly Estimate shall be based on the Development Plan in effect immediately prior to such termination and shall not exceed one hundred thirty percent (130%) of the most recent Quarterly Budget for such quarter.

10.4 **NanoString Change of Control** . In the event of a Change of Control of NanoString, NanoString shall have the right to buy out the royalties set forth in Section 4.5.1 by making a payment to Lam equal to the net present value of the balance of the Royalty Cap, adjusted for any royalties already paid by NanoString hereunder prior to such buy out (and any applicable adjustments based on the Funding Percentage as set forth in this Agreement). Upon making such payment, the licenses granted to NanoString in Section 6.2.2-6.2.4 shall become royalty-free.

11. **DISPUTE RESOLUTION** .

11.1 **Exclusive Dispute Resolution Mechanism** . The Parties agree that the procedures set forth in this Article 11 shall be the exclusive mechanism for resolving any dispute, controversy, or claim between the Parties that may arise from time to time pursuant to this Agreement relating to any Party's rights or obligations hereunder (collectively, " **Disputes** ") that cannot be resolved through good faith negotiation between the Parties.

11.2 **Resolution by Senior Officers** . Except as otherwise provided in this Agreement, in the event of any Dispute between the Parties in connection with this Agreement, the construction hereof, or the rights, duties, or liabilities of either Party hereunder, the Parties shall first attempt in good faith to resolve such Dispute by negotiation and consultation between themselves. If such Dispute is not resolved on an informal basis within ten (10) Business Days, either Party may, by written notice to the other Party, refer the Dispute to the Senior Officer of the other Party (or a designee of such Senior Officer) for attempted resolution by good faith negotiation within thirty (30) days after such notice is received. Such officers, or their designees, shall attempt in good faith to promptly resolve such Dispute. If any matter is not resolved, or both Parties believe that it will not be resolved, under the

foregoing provisions, each Party may, at its sole discretion, seek resolution of such matter in accordance with Section 11.3 or Section 11.4, as applicable.

11.3 Any Dispute (other than a Patent Dispute) that is not resolved pursuant to Section 11.2 shall be settled by binding arbitration as follows. Either Party, following the end of the thirty (30) day period referenced in Section 11.2, may refer such issue to arbitration by submitting a written notice of such request to the other Party. Promptly following receipt of such notice, the Parties shall meet and discuss in good faith and agree on a single arbitrator to resolve the issue, which arbitrator shall be neutral and independent of the Parties and all of their respective Affiliates, shall have significant experience and expertise in the diagnostic industry. If the Parties cannot agree on such arbitrator within fifteen (15) days of request by a Party for arbitration, then such arbitrator shall be appointed by JAMS, which arbitrator must meet the foregoing criteria. The place of arbitration shall be Seattle, Washington. The proceedings shall be conducted pursuant to the rules set forth by JAMS for such proceedings. All proceedings and communications shall be in English. A Party may apply to the arbitrator for interim injunctive relief or, prior to appointment of the arbitrator, may seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party prior to appointment of the arbitrator in accordance with this Article 11. The Parties shall have the right to be represented by counsel. Any judgment or award rendered by the arbitrator shall be final and binding on the Parties. The Parties agree that such a judgment or award may be enforced in any court of competent jurisdiction. Each Party shall bear its own costs and expenses and attorneys' fees in the arbitration, except that the arbitrator may order the non-prevailing Party to bear all or an appropriate part (reflective of the relative success on the issues) of the costs and expenses and reasonable attorneys' fees incurred by the prevailing Party based on the relative merits of each Party's positions on the issues in the Dispute. All proceedings hereunder and decisions of the arbitrator(s) shall be deemed Confidential Information of each of the Parties, and shall be subject to Article 8.

11.4 Notwithstanding anything to the contrary in this Article 11, the Parties shall be free to bring an action in any court of competent jurisdiction with respect to any Dispute primarily related to ownership, scope, validity, enforceability or infringement of any Patent (each, a " **Patent Dispute** ").

12. **MISCELLANEOUS** .

12.1 **Severability** . If any one or more of the provisions of this Agreement is held to be invalid or unenforceable, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof, unless the invalid or unenforceable provision is of such essential importance to this Agreement that it is to be reasonably assumed that the Parties would not have entered into this Agreement without the invalid or unenforceable provision. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

12.2 **Notices** . Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and in English and shall be deemed given and effective if (a) delivered by hand or by overnight courier with tracking capabilities, (b) mailed postage prepaid by first class, registered, or certified mail, or (c) delivered by facsimile, and followed by a confirmation copy delivered via either of the methods set forth in Sections 12.2(a) and (b), in each case, addressed as set forth below unless changed by notice so given:

(i) if to Lam, to:

Lam Research Corporation
4650 Cushing Parkway
Fremont, CA 94538
Attention: [†]
Telephone No.: [†]
Email: [†]

with copies (which shall not constitute notice) to:

Lam Research Corporation
4650 Cushing Parkway
Fremont, CA 94538
Attention: Legal Department
Telephone No.: [†]
Facsimile No.: [†]
Email: [†]

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

(ii) if to NanoString, to:

NanoString Technologies, Inc.
530 Fairview Avenue, N., Suite 2000
Seattle, Washington 98109
Attention: Business Development
Telephone No: (206) 378-6266
Facsimile No.: [†]
Email: [†]

with copies (which shall not constitute notice) to:

NanoString Technologies, Inc.
530 Fairview Avenue, N., Suite 2000
Seattle, Washington 98109
Attention: General Counsel and VP of Finance
Telephone No: (206) 378-6266
Facsimile No.: [†]
Email: [†]

Any such notice shall be deemed given on the date received. A Party may add, delete, or change the person or address to which notices should be sent at any time upon written notice delivered to the Party's notices in accordance with this Section 12.2.

12.3 **Force Majeure** . Except for the payment of money, neither Party shall be liable for delay or failure in the performance of any of its obligations hereunder if such delay or failure is due to causes beyond its reasonable control, including acts of God, fires, earthquakes, acts of war, terrorism, or civil unrest (" **Force Majeure** "); provided , however , that the affected Party promptly notifies the other Party and further provided that the affected Party shall use its diligent efforts to avoid or remove such causes of non-performance and to mitigate the effect of such occurrence, and shall continue performance with the utmost dispatch whenever such causes are removed. Notwithstanding the foregoing, in the event that Force Majeure prevents a Party's performance hereunder for a period of one hundred eighty (180) days or more, the other Party shall have the right to terminate this Agreement upon written notice to the affected Party.

12.4 **Assignment** . Neither Party may, without the consent of the other Party, assign or transfer any of its rights and obligations hereunder; provided that no such consent is required for an assignment or transfer by either Party to its Affiliate or to a successor-in-interest by reason of merger or consolidation or sale of all or substantially all of the assets of such Party relating to the subject matter of this Agreement; provided , however , that, with respect to an assignment or transfer by Lam or NanoString to an Affiliate, the assigning Party remains responsible for the performance of this Agreement. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding on the Parties' successors and assigns. Any attempted assignment or transfer of this Agreement in violation of the foregoing shall be null and void and wholly invalid.

12.5 **Waivers and Modifications** . The failure of any Party to insist on the performance of any obligation hereunder shall not be deemed to be a waiver of such obligation. Waiver of any breach of any provision hereof shall not be deemed to be a waiver of any other breach of such provision or any other provision on such occasion or any succeeding occasion. No waiver, modification, release, or amendment of any obligation under, or provision of, this Agreement shall be valid or effective unless in writing and signed by both Parties.

12.6 **Choice of Law** . THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON, IRRESPECTIVE OF THE CHOICE OF LAWS PRINCIPLES OF THE STATE OF WASHINGTON THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER STATE, AS TO ALL MATTERS, INCLUDING MATTERS OF VALIDITY, CONSTRUCTION, EFFECT, ENFORCEABILITY, PERFORMANCE, AND REMEDIES.

12.7 **Relationship of the Parties** . Each Party is an independent contractor under this Agreement. Nothing contained herein is intended or is to be construed so as to constitute NanoString and Lam as partners, agents, or joint ventures or in any other fiduciary relationship. Neither Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement, or undertaking with any Third Party. There are no express or implied Third Party beneficiaries hereunder.

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

12.8 **Entire Agreement** . This Agreement and the attached schedules and exhibits, constitute the entire agreement between the Parties as to the subject matter of this Agreement and supersede and merge all prior and contemporaneous negotiations, representations, agreements, and understandings regarding the same.

12.9 **Counterparts** . This Agreement may be executed in separate counterparts, each such counterpart, whether in electronic or hard copy, being deemed to be an original instrument, and all such counterparts will together constitute the same agreement.

12.10 **Interpretation** . In this Agreement, unless the context otherwise requires, references:

12.10.1 to the recitals, articles, sections, exhibits, or schedules are to a recital, article, or section of, or exhibit or schedule to, this Agreement;

12.10.2 to any agreement (including this Agreement), contract, or Law are to the agreement, contract, or Law as amended, modified, supplemented, or replaced from time to time, and to any section of any statute or regulation are to any successor to the section;

12.10.3 to any Person include any successor to that Person or permitted successors and assigns of that Person; and

12.10.4 to this Agreement are to this Agreement and the exhibits and schedules to it, taken as a whole.

12.10.5 The word “will” shall be construed to have the same meaning and effect as the word “shall.”

12.10.6 The word “or” means “and/or” unless otherwise clearly indicated by context.

12.10.7 The captions, and headings contained herein are for reference purposes only and do not limit or otherwise affect any of the provisions of this Agreement.

12.10.8 Whenever the words “include,” “includes,” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

12.10.9 Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

12.10.10 The words “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement.

12.10.11 The terms herein defined in the singular shall have a comparable meaning when used in the plural, and vice versa. The masculine, feminine, and neuter genders used herein shall include each other gender.

12.10.12 The terms “dollars” and “$” means dollars of the United States of America.

12.10.13 The Parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

[*Signature Page Follows*]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized officers as of the Effective Date.

NANOSTRING TECHNOLOGIES, INC.	**LAM RESEARCH CORPORATION**
By: /s/ R. Bradley Gray	By: /s/ Gary Bultman
Name: R. Bradley Gray	Name: Gary Bultman
Title: President & Chief Executive Officer	Title: Senior Vice President
Date: August 4, 2017	Date: August 4, 2017

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

Schedules :

Schedule 1.25: [†]

Schedule 2.1.2: Initial JSC Members

Schedule 2.1.3: Hyb & Seq Technology

Schedule 4.1: First Quarter Costs

Schedule 7.8: Press Release

Exhibits :

Exhibit A: Product Development Plan

Exhibit B-1: Additional Provisions Related to the Warrant and Warrant Shares

Exhibit B-2: Form of Warrant

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

Schedule 1.25: [†]

[†]

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

Schedule 2.1.2: Initial JSC Members

Lam :
[†]

NanoString :
[†]

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

Schedule 2.1.3: Hyb & Seq Technology

Country	Application Serial Number	Filing Date	Title
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]
[†]	[†]	[†]	[†]

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

Schedule 4.1: First Quarter Costs

FORECAST COSTS

TOTALS (Quarterly)	
Avg FTE heads	[†]
FTE$	[†]
Internal Oligo Synthesis	[†]
Reagent Production & Process Development	[†]
Outside Services	[†]
Materials	[†]
Lab Equipment	[†]
Computing	[†]
Travel	[†]
TOTAL	[†]

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

Schedule 7.8: Press Release

NanoString and Lam Research Announce Strategic Development Collaboration to Advance Hyb & Seq Next Generation Sequencing Platform

Partnership Brings Together Leaders in Nanoscale Manufacturing and Molecular Profiling

SEATTLE, Wash. and FREMONT, Calif., August 8, 2017 (GLOBE NEWSWIRE) -- NanoString Technologies, Inc. (Nasdaq:NSTG), a provider of life science tools for translational research and molecular diagnostic products, and Lam Research Corporation (Nasdaq:LRCX), a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry, today announced a strategic collaboration to develop NanoString's proprietary Hyb & Seq™ next-generation sequencing platform.

This collaboration brings together NanoString's proprietary sequencing chemistry and Lam's expertise in advanced systems engineering to enable nanoscale manufacturing, with the goal of building a clinical sequencer with the simplest workflow in the industry. The objectives of the collaboration are to complete the development of the Hyb & Seq single molecule sequencing chemistry, design and engineer a clinical sequencing instrument, develop clinical assay panels, and secure the necessary regulatory approvals. In addition, the companies intend to explore methods for coupling the sequencing chemistry with advanced semiconductor fabrication processes to optimize the performance of molecular profiling platforms.

Under the terms of the collaboration, Lam will provide up to $50 million of funding intended to cover the costs of development and regulatory approval over a development period expected to last approximately three years, as well as advanced engineering and technical support. Lam will receive a warrant to purchase one million shares of NanoString common stock at $16.75 per share, as well as a royalty on all products developed under the collaboration. NanoString retains all rights to commercialize the resulting Hyb & Seq products, and the parties will share ownership rights in jointly developed intellectual property

"We are excited to collaborate with Lam Research, in a partnership that brings together leading innovators in our respective fields," said Brad Gray, NanoString's President and Chief Executive Officer. "By combining our Hyb & Seq technology with Lam's advanced engineering expertise, we intend to fully resource the development of the industry's simplest clinical sequencer, and enable open-ended innovation at the intersection of semiconductors and genomics."

"Our vision is to create value from natural technology extensions, including nanoscale applications enablement, chemistry, plasma, fluidics, and advanced systems engineering," stated Martin Anstice, Lam Research's President and Chief Executive Officer. "We are excited to collaborate with NanoString to advance the development of their novel Hyb & Seq system and chemistry to meet the challenge of increasing our understanding of human genetics, and we envision a number of strategic benefits by aligning our complimentary respective strengths. This is a compelling opportunity for the whole to be significantly greater than the sum of its parts; it is an accelerator of enablement and value for both companies."

Interested parties can access a presentation summarizing details of the collaboration using the link below.

http://investors.nanostring.com/events.cfm

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About Hyb & Seq

Hyb & Seq is a novel single molecule sequencing technology being developed by NanoString. The platform enables a workflow that is simpler and faster than current sequencing methods because it does not require library preparation, enzymes or amplification. Hyb & Seq technology's simplicity, flexibility, and accuracy offer the potential for an ideal sample-to-answer solution for clinical sequencing. In proof-of-concept experiments, the Hyb & Seq chemistry has demonstrated:

- A low intrinsic error rate and the ability to provide high consensus accuracy at low coverage by non-destructively sequencing the same native molecule multiple times
- Simultaneous capture and sequencing of DNA and RNA molecules in a single experiment
- Both short and long read capabilities, with demonstrated read lengths up to 33kb and no theoretical upper limit
- Total processing time from FFPE sample to start of sequencing of under 60 minutes, and hands-on time of less than 15 minutes

Hyb & Seq technology is currently for research use only and is not for use in diagnostic procedures.

About NanoString Technologies, Inc.

NanoString Technologies provides life science tools for translational research and molecular diagnostic products. The company's nCounter® Analysis System has been employed in life sciences research since it was first introduced in 2008 and has been cited in more than 1,600 peer-reviewed publications. The nCounter Analysis System offers a cost-effective way to easily profile the expression of hundreds of genes, proteins, miRNAs, or copy number variations, simultaneously with high sensitivity and precision, facilitating a wide variety of basic research and translational medicine applications, including biomarker discovery and validation. The company's technology is also being used in diagnostics. The Prosigna® Breast Cancer Prognostic Gene Signature Assay together with the nCounter Dx Analysis System is FDA 510(k) cleared for use as a prognostic indicator for distant recurrence of breast cancer. In addition, the company is collaborating with multiple biopharmaceutical companies in the development of companion diagnostic tests for various cancer therapies, helping to realize the promise of precision oncology.

For more information, please visit www.nanostring.com .

About Lam Research Corporation

Lam Research Corp. is a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. As a trusted, collaborative partner to the world's leading semiconductor companies, Lam combines superior systems engineering capability, technology leadership, and unwavering commitment to customer success to accelerate innovation through enhanced device performance. In fact, today, nearly every advanced chip is built with Lam technology. Lam Research (Nasdaq: LRCX) is a FORTUNE 500® company headquartered in Fremont, Calif., with operations around the globe. Learn more at www.lamresearch.com . (LRCX-B)

Forward-Looking Statements

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding the

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development of Hyb & Seq chemistry and related products, the funding and expected timing for such development, regulatory approvals and expected product capabilities and commercial opportunity for such products. Such statements are based on current assumptions that involve risks and uncertainties that could cause actual outcomes and results to differ materially. These risks and uncertainties, many of which are beyond our control, include market acceptance of our products; delays or denials of regulatory approvals or clearances for products; the impact of competition; the impact of expanded sales, marketing, product development on operating expenses; delays or other unforeseen problems with respect to manufacturing and product development; adverse conditions in the general domestic and global economic markets; as well as the other risks set forth in the company's filings with the Securities and Exchange Commission. These forward-looking statements speak only as of the date hereof. NanoString Technologies disclaims any obligation to update these forward-looking statements.

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Exhibit A: Product Development Plan

1. *INTRODUCTION*

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1.1. Scope of Project

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Exhibit B-1: Additional Provisions Related to the Warrant and Warrant Shares

(a) For a period commencing with the date hereof, and ending on the third anniversary hereof, neither Party nor any of such Party's officers, directors, employees, or contractors acting on behalf of the Party shall, without the prior written consent of the other Party or such other Party's board of directors (or other applicable governing body):

(i) except for the Warrant or Warrant Shares, acquire, offer to acquire, or agree to acquire, or publicly propose or offer to acquire, directly or indirectly, by purchase or otherwise, including any merger, consolidation or other form of business combination, recapitalization, restructuring, liquidation, dissolution or any other extraordinary transaction, (A) beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the " **Exchange Act** ")) of, any economic interest in, any right to direct the voting or disposition of, or any other right with respect to any securities of the other Party, including through options, puts, calls, swaps or other derivative or convertible instruments, hedging contracts or any other form of transaction, agreement, arrangement or understanding (collectively, " **Derivative Securities** "), in each case, whether or not any of the foregoing may be acquired or obtained immediately or only after the passage of time or upon the satisfaction of one or more conditions (whether or not within the control of such Party) and whether or not any of the foregoing would give rise to beneficial ownership (as defined under Rule 13d-3 under the Exchange Act) or (B) ownership of any indebtedness, businesses, properties or assets of the other Party or any subsidiary or division thereof or of any such successor or controlling person.

(ii) initiate, or induce or attempt to induce any other person or group to initiate, (A) any transaction referenced in the foregoing clause (i), (B) any stockholder proposal regarding the other Party or such other Party's board of directors (or other applicable governing body), management, business, strategies, policies or affairs thereof (whether binding or precatory in nature), or (C) the calling, holding or convening of a stockholders' meeting of the other Party for any purpose;

(iii) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" to vote (as such terms are used in the rules of the Securities and Exchange Commission (the " **SEC** "), or seek to advise or influence any person or entity with respect to the voting of any voting securities of the other Party;

(iv) make any public announcement with respect to, or submit a proposal for, or offer of (with or without conditions) any extraordinary transaction involving the other Party or any of its securities or assets;

(v) form, join or in any way participate in a "group" as defined in Section 13(d)(3) of the Exchange Act in connection with any of the foregoing;

(vi) otherwise act or seek to control or influence the management, board of directors (or other applicable governing body) or policies of the other Party;

(vii) take any action that could reasonably be expected to require the other Party to make a public announcement regarding the possibility of any of the events described in clauses (i) through (vi) above; or

(viii) advise, assist or encourage any other person (including serving as a financing source for any other person) in connection with any of the matters referenced or described in paragraph (a) of this **Exhibit B-1** .

Notwithstanding anything to the contrary in this **Exhibit B-1** , (i) the prohibitions in this paragraph (a) shall not affect Lam's ability to hold the Warrant or the Warrant Shares or to exercise its rights under the Warrant; (ii) the prohibitions in this paragraph (a) shall not prevent Lam from making an offer to the Board of Directors of NanoString to acquire all of the outstanding shares of capital stock of NanoString or proposing to NanoString any other strategic transaction, so long as such offer or proposal is not publicly disclosed; (iii) the prohibitions in this paragraph (a) shall not apply to any employee pension benefit plan or similar plan of Lam or of any of its affiliates that invests in NanoString; (iv) in the event that it shall be publicly announced or disclosed that NanoString has (A) entered into a change of control (as defined below) transaction or an agreement for a change of control or (B) received an unsolicited offer for a majority of the outstanding shares of capital stock of NanoString, or for the sale of NanoString or substantially all of its assets at any time, Lam shall be released from compliance with the terms of this paragraph (a) with respect to such transaction, offer or process; and (v) this paragraph (a) shall not prevent Lam from tendering shares in connection with a third-party tender offer or participating in any sale approved by the Board of Directors of NanoString.

(b) Lam hereby agrees that, without the prior written consent of NanoString (which consent may be withheld by NanoString in its sole discretion, unless the Agreement has been terminated, in which case consent may not be unreasonably withheld by NanoString), it will not, during the period commencing on the date hereof and ending on the third anniversary hereof, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock beneficially owned (as such term is used in Rule 13d-3 of the Exchange Act), by Lam or any other securities so owned convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any Derivative Securities of

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NanoString, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise; provided that the foregoing restrictions shall not apply to: (A) the exercise of the Warrant by Lam; (B) the transfer of the Warrant or any Warrant Shares by Lam of to another corporation, partnership or other business entity that controls, is controlled by or is under common control with Lam (provided that it shall be a condition of such transfer that the transferee shall execute and deliver to NanoString a lock-up letter substantially in the form of paragraph (b) of this **Exhibit B-1**); or (C) the disposition of the Warrant or Warrant Shares pursuant to a bona fide third party tender offer, merger, consolidation or other similar transaction made to all holders of the Common Stock involving a change of control of NanoString (including, without limitation, entering into any lock-up, voting or similar agreement pursuant to which the undersigned may agree to transfer, sell, tender or otherwise dispose of Common Stock or such other securities in connection with any such transaction, or vote any securities in favor of any such transaction) that has been approved by the board of directors of NanoString, provided that if the tender offer, merger, consolidation or other such transaction is not completed, the Warrant and any Common Stock owned by Lam shall remain subject to the restrictions contained in paragraph (b) of this **Exhibit B-1** . For the purposes of this **Exhibit B-1** , a " **change of control** " means the transfer (whether by tender offer, merger, consolidation or other similar transaction), in one transaction or a series of related transactions, to a person or group of affiliated persons, of shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock if, after such transfer, the stockholders of NanoString immediately prior to such transfer do not own a majority of the outstanding voting securities of NanoString (or the surviving entity).

(c) Except as set forth in the disclosure schedule delivered to Lam in connection herewith and, with respect to the representations and warranties set forth in Sections (c)(vii) and (xii), as described in the SEC Reports (as defined below) filed prior to the date hereof, NanoString hereby represents and warrants to Lam as of the date of this Agreement as follows:

(i) NanoString is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. NanoString has the requisite corporate power and authority to own and operate its properties and assets, to carry on its business as presently conducted or proposed to be conducted, to execute and deliver the Warrant, to issue and sell the Warrant Shares and to perform its obligations pursuant to each of the Agreements, the Warrant and NanoString's certificate of incorporation in effect as of the time hereof. NanoString is presently qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the failure to be so qualified could reasonably be expected to have a material adverse effect on NanoString's financial condition or business as now conducted or proposed to be conducted (a " **Material Adverse Effect** ").

(ii) All corporate action on the part of NanoString and its directors, officers and stockholders necessary for the authorization, execution and delivery hereof and the Warrant by NanoString, the authorization, sale, issuance and delivery of the Warrant Shares, and the performance of all of NanoString's obligations hereunder and the Warrant has been taken or will be taken prior to the date hereof. The Agreement and the Warrant, when executed and delivered by NanoString, shall constitute valid and binding obligations of NanoString, enforceable in accordance with their terms, except (i) as limited by laws of general application relating to bankruptcy, insolvency and the relief of debtors, and (ii) as limited by rules of law governing specific performance, injunctive relief or other equitable remedies and by general principles of equity. The Warrant and Warrant Shares when issued pursuant to the Agreement, will be validly issued, fully paid and nonassessable, and shall be free and clear of all encumbrances and restrictions, except for restrictions on transfer set forth in this **Exhibit B-1** or the Warrant or imposed by applicable securities laws or by the action or inaction of Lam or the holder of the Warrant or Warrant Shares.

(iii) No consent, approval or authorization of, or designation, declaration, notification or filing with any Governmental Authority on the part of NanoString is required in connection with the valid execution and delivery of this Agreement, the Warrant, or the offer, sale or issuance of the Warrant Shares, or the consummation of any other transaction contemplated by this Agreement, except (i) the filing of such notices as may be required under the Securities Act of 1933, as amended (the " **Securities Act** ") and (ii) such filings as may be required under applicable state securities laws.

(iv) NanoString is not in violation of any term of its certificate of incorporation or bylaws, each as amended to date. To NanoString's knowledge, NanoString is not in violation of any federal or state statute, rule or regulation applicable to NanoString the violation of which would have a Material Adverse Effect. The execution and delivery of the Agreement and the Warrant by NanoString, the performance by NanoString of its obligations pursuant to the Agreement and the Warrant, and the offer, sale and issuance of the Warrant Shares will not result in any violation of NanoString's certificate of incorporation or bylaws, each as amended to date, or any material violation, or materially conflict with, or constitute a material default under, any of its contracts, instruments, agreements and understandings with respect to NanoString that it believes would be required to be filed as an exhibit to its Annual Report on Form 10-K pursuant to Item 601(b)(4), (b)(10)(i) or (b)(10)(ii) (collectively the " **Material Contracts** ") under Regulation S-K promulgated under the Securities Act, nor, to NanoString's knowledge, result in the creation of any material mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of NanoString.

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(v) NanoString has filed all reports, schedules, forms, statements and other documents required to have been filed by it under the Exchange Act as of the date hereof, including pursuant to Section 13(a) or 15(d) thereof, for the year preceding the date hereof (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the (" **SEC Reports** ")) on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension, except where the failure to file on a timely basis would not have or reasonably be expected to result in a Material Adverse Effect. As of their respective filing dates, or to the extent corrected by a subsequent restatement, the SEC Reports complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(vi) The financial statements of NanoString included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing (or to the extent corrected by a subsequent restatement). Such financial statements have been prepared in accordance with GAAP applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of NanoString as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial year-end audit adjustments.

(vii) Except as specifically disclosed in SEC Reports filed prior to the date hereof, (i) there have been no events, occurrences or developments that have had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect, (ii) NanoString has not incurred any material liabilities other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in NanoString's financial statements pursuant to GAAP or disclosed in filings made with the SEC, (iii) NanoString has not altered materially its method of accounting or the manner in which it keeps its accounting books and records, (iv) NanoString has not declared or made any dividend or distribution of cash, shares of capital stock or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock (other than in connection with repurchases of unvested stock issued to employees of NanoString), and (v) NanoString has not issued any equity securities to any officer, director or affiliate, except Common Stock issued in the ordinary course as dividends on outstanding preferred stock or issued pursuant to existing Company stock option or stock purchase plans or executive and director compensation arrangements disclosed in the SEC Reports.

(viii) Subject to the accuracy of Lam's representations and warranties in paragraph (d) of this **Exhibit B-1** , the execution and delivery of the Warrant and the sale and issuance of the Warrant Shares, constitute transactions exempt from the registration requirements of Section 5 of the Securities Act and from the registration or qualification requirements of applicable state securities laws, and neither NanoString nor any authorized agent acting on its behalf will take any action hereafter that would cause the loss of such exemption.

(ix) NanoString has exercised reasonable care, in accordance with SEC rules and guidance, to determine whether any Covered Person (as defined below) is subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) through (viii) under the Securities Act (" **Disqualification Events** "). To NanoString's knowledge, no Covered Person is subject to a Disqualification Event, except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) under the Securities Act. NanoString has complied, to the extent applicable, with any disclosure obligations under Rule 506(e) under the Securities Act. " **Covered Persons** " are those persons specified in Rule 506(d)(1) under the Securities Act, including NanoString; any predecessor or affiliate of NanoString; any director, executive officer, other officer participating in the offering, general partner or managing member of NanoString; any beneficial owner of 20% or more of NanoString's outstanding voting equity securities, calculated on the basis of voting power; any promoter (as defined in Rule 405 under the Securities Act) connected with NanoString in any capacity at the time of the sale of the Warrant and the Warrant Shares; and any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of the Warrant and the Warrant Shares (a " **Solicitor** "), any general partner or managing member of any Solicitor, and any director, executive officer or other officer participating in the offering of any Solicitor or general partner or managing member of any Solicitor.

(x) NanoString has not incurred, and will not incur, directly or indirectly, as a result of any action taken by NanoString, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement, the Warrant or any of the transactions contemplated hereby or thereby.

(xi) NanoString is not an investment company within the meaning of the Investment Company Act of 1940, as amended.

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(xii) NanoString has the capitalization set forth in the SEC Reports as of the dates set forth therein. All of the issued and outstanding shares of NanoString's capital stock have been duly authorized and validly issued and are fully paid, nonassessable and free of pre-emptive rights and were issued in full compliance with applicable legal requirements and all material requirements set forth in applicable Material Contracts. No Person is entitled to pre-emptive or similar statutory or contractual rights with respect to any securities of NanoString. Except as described in the SEC Reports, there are no outstanding warrants, options, convertible securities or other rights, agreements or arrangements of any character under which NanoString is or may be obligated to issue any equity securities of any kind, except for securities that may be granted to employees of NanoString under NanoString's existing equity incentive plans. Except as described in the SEC Reports, there are no voting agreements, buy-sell agreements, option or right of first purchase agreements or other agreements of any kind among NanoString and any of its stockholders relating to the securities of NanoString.

(xiii) As of the date hereof, NanoString does not have outstanding stockholder purchase rights, a "poison pill" or any similar arrangement in effect giving any Person the right to purchase any equity interest of NanoString upon the occurrence of certain events.

(xiv) NanoString is in compliance with applicable continued listing requirements of NASDAQ. There are no proceedings pending or, to NanoString's knowledge, threatened against NanoString relating to the continued listing of the Common Stock on NASDAQ and NanoString has not received any currently pending notice of the delisting of the Common Stock from NASDAQ.

(d) Lam hereby represents and warrants to NanoString as of the date of this Agreement as follows:

(i) Lam understands that the Warrant and the Warrant Shares, have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of Lam's representations as expressed herein or otherwise made pursuant hereto.

(ii) Lam is acquiring the Warrant, and the Warrant Shares, for investment for its own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof, and that Lam has no present intention of selling, granting any participation in, or otherwise distributing the same. Lam further represents that it does not have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participation to such Person or to any third Person with respect to the Warrant or any of the Warrant Shares.

(iii) Lam acknowledges that Lam can protect its own interests. Lam has such knowledge and experience in financial and business matters so that Lam is capable of evaluating the merits and risks of its investment in NanoString.

(iv) Lam understands and acknowledges that an investment in NanoString is highly speculative and involves substantial risks. Lam can bear the economic risk of its investment and is able, without impairing its financial condition, to hold the Warrant and the Warrant Shares for an indefinite period of time and to suffer a complete loss of its commitment.

(v) Lam has had an opportunity to ask questions of, and receive answers from, the officers of NanoString concerning the Agreement, the Warrant, the exhibits and schedules attached hereto and thereto and the transactions contemplated by the Agreement, as well as NanoString's business, management and financial affairs, which questions were answered to its satisfaction. Lam believes that it has received all the information it considers necessary or appropriate for deciding whether to purchase the Warrant and the Warrant Shares. Lam understands that such discussions, as well as any information issued by NanoString, were intended to describe certain aspects of NanoString's business and prospects, but were not necessarily a thorough or exhaustive description. Lam acknowledges that any business plans related to the development of the technology that is the subject of the Agreement prepared by NanoString have been, and continue to be, subject to change and that any projections included in such business plans or otherwise are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results. Lam also acknowledges that it is relying solely on its own counsel and not on any statements or representations of NanoString or its agents for legal advice with respect to this investment or the transactions contemplated by the Agreements.

(vi) Lam is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated under the Securities Act and shall submit to NanoString such further assurances of such status as may be reasonably requested by NanoString.

(vii) Lam has all requisite power and authority to execute and deliver the Agreement, to purchase the Warrant and the Warrant Shares and to carry out and perform its obligations under the terms of the Agreement and the Warrant. All action on the part of Lam necessary for the authorization, execution, delivery and performance of the Agreement,

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and the performance of all of its obligations under the Agreement, has been taken or, with respect to exercise of the Warrant and the purchase of the Warrant Shares, will be taken prior to the exercise and purchase thereof. The Agreement, when executed and delivered by Lam, will constitute valid and legally binding obligations of Lam, enforceable in accordance with their terms except: (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies or by general principles of equity.

(viii) No consent, approval, authorization, order, filing, registration or qualification of or with any court, Governmental Authority or third Person is required to be obtained by Lam in connection with the execution and delivery of the Agreement by Lam or the performance of its obligations hereunder.

(ix) Lam has not engaged any brokers, finders or agents, and neither NanoString nor Lam has, nor will, incur, directly or indirectly, as a result of any action taken by Lam, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with the Agreement and Warrant.

(x) Lam has reviewed with its own tax advisors the U.S. federal, state, local and foreign tax consequences of this investment and the transactions contemplated by the Agreements. With respect to such matters, Lam relies solely on such advisors and not on any statements or representations of NanoString or any of its agents, written or oral. Lam understands that it (and not NanoString) shall be responsible for its own tax liability that may arise as a result of this investment or the transactions contemplated by the Agreement.

(xi) None of (i) Lam, (ii) any of its directors, executive officers, other officers that may serve as a director or officer of any company in which it invests, general partners or managing members, nor (iii) any beneficial owner of NanoString's voting equity securities (in accordance with Rule 506(d) of the Securities Act) held by the Lam is subject to any Disqualification Event, except for Disqualification Events covered by Rule 506(d)(2)(ii) or (iii) or (d)(3) under the Securities Act and disclosed reasonably in advance of the Closing in writing in reasonable detail to NanoString.

(e) NanoString's obligation to execute and deliver the Warrant on the date hereof to Lam is subject to the fulfillment, on or prior to the date hereof, of each of the following conditions, any of which may be waived by NanoString:

(i) The representations and warranties made by Lam in paragraph (d) of this Exhibit B-1 shall be true and correct in all material respects.

(ii) Lam shall have delivered to NanoString a certificate, dated as of the date hereof and signed by a corporate officer of Lam, certifying to the fulfillment of the conditions specified in paragraph (d)(i) of this Exhibit B-1 in the form and substance reasonably satisfactory to NanoString.

(f) Lam's obligation to purchase the Warrant on the date hereof from NanoString is subject to the fulfillment, on or prior to the date hereof, of each of the following conditions, any of which may be waived by Lam:

(i) The representations and warranties made by NanoString in paragraph (c) of this **Exhibit B-1** shall be true and correct in all material respects.

(ii) NanoString shall have delivered to Lam a certificate dated as of the date hereof, and signed by a corporate officer of NanoString, certifying (i) for the execution and delivery of the Warrant, the representations and warranties made by NanoString in paragraph (c) of this **Exhibit B-1** are true and correct in all material respects and (ii) NanoString has performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement and the Warrant to be performed, satisfied or complied with by NanoString at or prior to the date hereof, which certification shall be in form and substance reasonably satisfactory to Lam.

(g) NanoString shall maintain a reserve from its duly authorized shares of Common Stock for issuance upon exercise of the Warrant in such amount as may then be required to fulfill its obligations in full under the Warrant.

(h) NanoString shall cause the Warrant Shares to be listed on NASDAQ promptly following the date hereof. Further, if NanoString applies to have its Common Stock or other securities traded on any other principal stock exchange or market, it shall include in such application the Warrant Shares. NanoString will use commercially reasonable efforts to continue the listing and trading of its Common Stock on NASDAQ and, in accordance therewith, will use commercially reasonable efforts to comply in all respects with NanoString's reporting, filing and other obligations under the listing rules of NASDAQ.

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Exhibit B-2: Form of Warrant

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICABLE REGISTRATION REQUIREMENTS OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE, TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

FORM OF WARRANT

NanoString Technologies, Inc.

Warrant to Purchase Common Stock

Warrant No.: _____
Date of Issuance: August [__], 2017 ("Issuance Date")

NanoString Technologies, Inc., a Delaware corporation (the " **Company** "), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, [Lam Research Corporation], the registered holder hereof or its permitted assigns (the " **Holder** "), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, the " **Warrant** "), at any time or times on or after the Issuance Date (the "Exercisability Date"), but not after 5:00 p.m., New York time, on the Expiration Date (as defined below), a number of fully paid and nonassessable shares of Common Stock (the " **Warrant Shares** ") equal to (a) the product of (i) one million (1,000,000) and (ii)(A) and amount equal to the Actual Development Expenses paid to the Company pursuant to the Collaboration Agreement as determined in in accordance with Section 4.2.2 thereof divided by (B) fifty million (50,000,000) less (b) the aggregate number of shares delivered in connection with the exercise(s) hereof (including for purpose of this calculation the number of Warrant Shares withheld in connection with Cashless Exercise(s)), with any fractional share being rounded down to the nearest whole share. For the avoidance of doubt, it is understood and agreed that under no circumstances shall the Company be required to issue greater than one million (1,000,000) Warrant Shares (subject to adjustment in accordance with the terms herein). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 14 of this Warrant. This Warrant is the Warrant to Purchase Common Stock issued pursuant to that certain Collaboration Agreement, dated as of August [__], 2017 (the " **Subscription Date** "), by and among the Company and the Holder (the " **Collaboration Agreement** ").

1. Exercise of Warrant .

(a) Mechanics of Exercise . Subject to the terms and conditions hereof, this Warrant may be exercised by the Holder on any day on or after the Exercisability Date, in whole or in part (subject to adjustment in accordance herewith)), by (i) delivery of a written notice, in the form attached hereto as Exhibit A (the " **Exercise Notice** "), of the Holder's election to exercise this Warrant and (ii)(A) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the " **Aggregate Exercise Price** ") in cash or by wire transfer of immediately available funds, or (B) by notifying the Company that this Warrant is being exercised pursuant to a Cashless Exercise (as defined in Section 1(c)). Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the second (2nd) Business Day following the date on which the Company has received the Exercise Notice (or notice of a Cashless Exercise) (the " **Exercise Delivery Documents** "), the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of the Exercise Delivery Documents to the Holder and the Company's transfer agent (the " **Transfer Agent** "). On or before the third (3rd) Business Day following the date on which the Company has received all of the Exercise Delivery Documents, but subject to the prior receipt by the Company of the Aggregate Exercise Price (the " **Share Delivery Date** "), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company (" **DTC** ") Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with DTC through its Direct Registration System, or if the Warrant Shares will not bear a restrictive legend contemplated by Section 13(b) hereof, the Deposit Withdrawal Agent Commission system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Exercise Notice,

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a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. The Holder acknowledges and agrees that to the extent it elects to exercise this Warrant other than pursuant to a Cashless Exercise, the certificate or book entry evidencing such Warrant Shares delivered upon such exercise will be bear the restrictive legend contemplated by Section 13(b) and be subject to restrictions on resale under applicable securities law. Upon delivery of the Exercise Delivery Documents and, if applicable, the Aggregate Exercise Price, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder's DTC account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than five (5) Business Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 6(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock to be issued shall be rounded down to the nearest whole number. The Company shall pay any and all taxes which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant; provided, however, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the registration of Warrants or Warrant Shares in a name other than that of the Holder. It is understood and agreed by the Holder that Holder shall be responsible for all other tax liabilities that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise thereof.

(b) Exercise Price . For purposes of this Warrant, " **Exercise Price** " means $[_____] [1] Amount to be the greater of $16.75 and the closing sale price on the issuance date of the warrant. subject to adjustment as provided herein.

(c) Cashless Exercise . The Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a " **Cashless Exercise** "):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

[1] Amount to be the greater of $16.75 and the closing sale price on the issuance date of the warrant.

For purposes of the foregoing formula:

A = the total number of shares with respect to which this Warrant is then being exercised (which shall include both the number of Warrant Shares issued to the Holder and the number of Warrant Shares subject to the portion of the Warrant being cancelled in payment of the Purchase Price).

B = the arithmetic average of the Closing Sale Prices of the shares of Common Stock for the five (5) consecutive Trading Days ending on the date immediately preceding the date of the Exercise Notice (the " **Fair Market Value** ").

C = the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

If on the Expiration Date the Net Number exceeds zero, this Warrant shall be deemed to be automatically exercised via a Cashless Exercise pursuant to this Section 1(c).

(d) Rule 144 . For purposes of Rule 144 promulgated under the Securities Act of 1933, as amended (the " **Securities Act** "), as in effect on the date hereof, it is intended that the Warrant Shares issued in a Cashless Exercise shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued.

(e) Disputes . In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed.

(f) Company's Failure to Timely Deliver Securities . If the Company shall fail for any reason or for no reason to issue to the Holder on the Share Delivery Date in compliance with the terms of this Section 1, a certificate for the

number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company's share register or to credit the Holder's balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder's exercise of this Warrant, then the Holder shall be entitled, but not required, to rescind the previously submitted Exercise Notice and the Company shall return all consideration paid by Holder for such shares upon such rescission. Notwithstanding anything herein to the contrary, the Company shall not be required to make any cash payments to the Holder in lieu of issuance of the Warrant Shares.

2. Adjustment of Exercise Price and Number of Warrant Shares . If the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time on or after the Subscription Date combines (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2 shall become effective at the close of business on the date the subdivision or combination becomes effective.

3. Rights Upon Distribution of Assets . If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to all holders of shares of Common Stock for no consideration, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction (other than stock or securities in which an adjustment is being made pursuant to Section 2 hereof)) (a " **Distribution** "), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution.

4. Fundamental Transactions .

(a) Purchase Rights . Except as set forth in Section 2 above, if at any time the Company grants or issues for no consideration any options, warrants, or securities (other than pursuant to any rights plan in effect from time to time) pro rata to the record holders of any class of shares of Common Stock (the " **Purchase Rights** "), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(b) Fundamental Transactions; Parent Entities . It shall be a condition to the Company's entry into a Fundamental Transaction that, at the Holder's election, (i) if the Successor Entity is a publicly traded corporation whose common stock is quoted on or listed for trading on an Eligible Market, the Successor Entity assumes in writing (or remains bound by) all of the obligations of the Company under this Warrant, including agreements (if necessary) to deliver to each holder of Warrants in exchange for such Warrants a written instrument issued by the Successor Entity substantially similar in form and substance to this Warrant, including, without limitation, an exercise price equal to the value for the shares of Common Stock reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, (ii) if the Successor Entity is not a publicly traded corporation whose common stock is quoted on or listed for trading on an Eligible Market, the Successor assumes in writing (or remains bound by) all of the obligations of the Company under this Warrant pursuant to written agreements, including (if necessary) agreements to deliver to each holder of Warrants in exchange for such Warrants a written instrument issued by the Successor Entity substantially similar in form and substance to this Warrant exercisable for the consideration that would have been issuable in the Fundamental Transaction in respect of the Warrant Shares had this Warrant been exercised immediately prior to the consummation of the Fundamental Transaction, or (iii) regardless of whether the Successor Entity is a publicly traded corporation whose common stock is quoted on or listed for trading on an Eligible Market, the Holder shall have the right to purchase and receive upon the basis and upon the terms and conditions herein specified, and in lieu of the Warrant Shares immediately theretofore issuable upon exercise of this Warrant, such shares of stock, securities or assets as would have been issuable or payable with respect to or in exchange for a number of Warrant Shares equal to the number of Warrant Shares immediately theretofore issuable upon exercise of this Warrant, had such Fundamental Transaction not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of the Holder to the end that the provisions hereof (including, without limitation, provision for adjustment of the Exercise Price) shall thereafter be applicable, as nearly equivalent as may be practicable in relation to any share of stock,

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securities or assets thereafter deliverable upon the exercise thereof, and the Successor Entity shall assume the obligation to deliver to the Holder, at the last address of the Holder appearing on the books of the Company, such shares of stock, securities or assets as, in accordance with the foregoing provision, the Holder may be entitled to purchase, and the other obligations under this Warrant. The Company shall provide a notice to the Holder at least twenty (20) Trading Days prior to the expected closing date of such Fundamental Transaction, after which the Holder shall have ten (10) Trading Days to notify the Company of its election for treatment of the Warrant upon the closing of the Fundamental Transaction in accordance with this Section. The provisions of this Section shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the exercise of this Warrant.

In the event that any person becomes a Parent Entity of the Company not in connection with a Fundamental Transaction, such person shall assume all of the obligations of the Company under this Warrant with the same effect as if such person had been named as the Company herein.

5. Warrant Holder Not Deemed a Stockholder. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

6. Reissuance of Warrants.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company together with such other information, documents and instruments related to such transfer that the Company shall reasonably request (including without limitation those required by the Collaboration Agreement or Section 13 hereof), whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 6(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 6(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 6(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 6(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional shares of Common Stock shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 6(a) or Section 6(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

7. Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and in English and shall be deemed given and effective if (a) delivered by hand or by overnight courier with tracking capabilities, (b) mailed postage prepaid by first class, registered, or certified mail, or (c) delivered by facsimile or electronic mail, and followed by a confirmation copy delivered via either of the methods set forth in Sections 7(a) and (b), in each case, addressed as set forth in Section 12.2 of the Collaboration Agreement. Any such notice shall be deemed given on the date received. The Company or Holder may add, delete, or change the person or address to which notices should be sent at any time upon written notice delivered to the other party's notices in accordance with Section 12.2 of the Collaboration Agreement.

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8. Transfer Agent Fees . The Company shall pay all fees of its transfer agent in connection with the transactions contemplated by this Agreement, the exercise of the Warrants and the issuance of the Warrant Shares.

9. Amendment and Waiver . Except as otherwise provided herein, the provisions of this Warrant may be amended and the Company may take any action herein prohibited, or omit to perform any action herein required to be performed by it, only if the Company has obtained the prior written consent of the Holder.

10. Governing Law . This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Delaware.

11. Construction; Headings . This Warrant shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

12. Remedies, Other Obligations, Breaches and Injunctive Relief . The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant.

13. Restrictions on Transfer of the Warrant and Warrant Shares; Compliance with Securities Laws .

(a) Restrictions on Transfers . Subject to paragraph (b) of Exhibit B-1 of the Collaboration Agreement, this Warrant may not be transferred or assigned in whole or in part without the Company's prior written consent (which consent may be withheld by the Company in its sole discretion until the third anniversary of the Issuance Date, unless the Collaboration Agreement has been terminated, in which case consent may not be unreasonably withheld by the Company, and, following the third anniversary of the Issuance Date, such consent may not be unreasonably withheld), and any attempt by Holder to transfer or assign any rights, duties or obligations that arise under the Warrant without such permission shall be void. For the avoidance of doubt, this Warrant may be transferred without the consent of the Company pursuant to the transactions described in clauses (B) and (C) of paragraph (b) of Exhibit B-2. Any transfer of this Warrant or the Warrant Shares (the " **Securities** ") must be in compliance with all applicable federal and state securities laws. The Holder agrees not to make any sale, assignment, transfer, pledge or other disposition of all or any portion of the Securities, or any beneficial interest therein, unless and until the transferee thereof has agreed in writing for the benefit of the Company to take and hold such Securities subject to, and to be bound by, the terms and conditions set forth herein and in Exhibit B-1 to the Collaboration Agreement to the same extent as if the transferee were the original Holder hereunder, and

(b) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement, or

(c) (A) such Holder shall have given prior written notice to the Company of such Holder's intention to make such disposition, (B) the transferee shall have confirmed to the satisfaction of the Company that the Securities are being acquired (i) solely for the transferee's own account and not as a nominee for any other party, (ii) for investment and (iii) not with a view toward distribution or resale, and shall have confirmed such other matters related thereto as may be reasonably requested by the Company, and (C) if requested by the Company, such Holder shall have furnished the Company, at the Holder's expense, with (i) an opinion of counsel, reasonably satisfactory to the Company, to the effect that such disposition will not require registration of such Securities under the Securities Act or (ii) a "no action" letter from the Securities and Exchange Commission to the effect that the transfer of such Securities without registration will not result in a recommendation by the staff of the Securities and Exchange Commission that action be taken with respect thereto, whereupon such Holder shall be entitled to transfer such Securities in accordance with the terms of the notice delivered by the Holder to the Company.

(d) Securities Law Legend . Each certificate, instrument or book entry evidencing the Securities shall (unless otherwise permitted by the provisions of this Warrant) be notated with a legend substantially similar to the following (in addition to any legend required by state securities laws):

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IN ACCORDANCE WITH APPLICABLE REGISTRATION REQUIREMENTS OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE OR

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TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. THIS CERTIFICATE MUST BE SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, TRANSFER, PLEDGE OR HYPOTHECATION OF ANY INTEREST IN ANY OF THE SECURITIES REPRESENTED HEREBY.

(e) Market Stand-off Legend . Unless otherwise agreed by the Company, until the third anniversary of the Subscription Date, the Warrant and Warrant Shares will be subject to restrictions set forth in paragraph (b) of Exhibit B-1 of the Collaboration Agreement. As long as the Warrant and Warrant Shares are subject to such restrictions, each certificate, instrument or book entry evidencing the Warrant Shares issued upon exercise hereof shall also be notated with a legend in substantially the following form:

THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, INCLUDING A LOCK-UP PERIOD, AS SET FORTH IN THE WARRANT PURSUANT TO WHICH THESE SHARES WERE ISSUED, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY.

(f) Instructions Regarding Transfer Restrictions . The Holder consents to the Company making a notation on its records and giving instructions to any transfer agent in order to implement the restrictions on transfer established in this Section 13.

(g) Removal of Legend . The legend referring to federal and state securities laws identified in Section 13(b) notated on any certificate or book entry evidencing the Warrant Shares and the stock transfer instructions and record notations with respect to such securities shall be removed, and the Company shall issue a certificate without such legend to the holder of such securities (to the extent the securities are certificated), if (i) such securities are registered under the Securities Act, or (ii) such holder provides the Company with an opinion of counsel reasonably acceptable to the Company to the effect that a sale or transfer of such securities may be made without registration, qualification or legend.

14. Certain Definitions . For purposes of this Warrant, the following terms shall have the following meanings:

(a) " **Business Day** " means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(b) " **Closing Bid Price** " and " **Closing Sale Price** " means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or the last trade price, respectively, of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by OTC Pink Markets, Inc. (formerly the National Quotation Bureau, Inc.). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price, as the case may be, of such security on such date shall be the fair market value as determined in good faith by the Board of Directors of the Company. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(c) " **Common Stock** " means (i) the Company's shares of Common Stock, par value $0.0001 per share, and (ii) any share capital into which such Common Stock shall have been changed or any share capital resulting from a reclassification of such Common Stock.

(d) " **Eligible Market** " means the Principal Market, The New York Stock Exchange, Inc., the NASDAQ Global Select Market, or The NASDAQ Capital Market.

(e) " **Expiration Date** " means the date seven (7) years after the Issuance Date. If such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a "Holiday"), then the Expiration Date shall be the next date that is a Business Day and is not a Holiday.

(f) " **Fundamental Transaction** " means any of the following transactions that occur prior to the Expiration Date: (i) any “person” or “group” within the meaning of Section 13(d) of the Exchange Act, other than the Company, its direct or indirect wholly-owned subsidiaries and the Company’s or such subsidiaries’ employee benefit plans, files a Schedule TO or any schedule, form or report under the Exchange Act that discloses that such person or group has become the direct or indirect “beneficial

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owner," as defined in Rule 13d-3 under the Exchange Act, of the Company's common equity representing more than 50% of the voting power of the Company's common equity (or the Company becomes aware that such a filing is required but has not been made); or (ii) the consummation of (A) any recapitalization, reclassification or change in Common Stock (other than changes resulting from a subdivision or combination) as a result of which the Common Stock would be converted into, or exchanged for, stock, other securities, other property or assets other than any transaction covered by clause (B) below; (B) any share exchange, consolidation or merger of the Company pursuant to which the Common Stock will be converted into or exchanged for cash, securities or other property or assets; (C) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its subsidiaries, taken as a whole, to any Person other than one of the Company's direct or indirect wholly-owned subsidiaries; provided however, that a transaction described in clause (B) in which the holders of all classes of the Company's common equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of common equity of the continuing or surviving corporation or transferee or the Parent Entity thereof immediately after such transaction in substantially the same proportions as such ownership immediately prior to such transaction shall not be a fundamental change pursuant to this clause (ii).

(g) " **Parent Entity** " of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(h) " **Person** " means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(i) " **Principal Market** " means The NASDAQ Global Market.

(j) " **Successor Entity** " means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(k) " **Trading Day** " means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock are then traded; provided that "Trading Day" shall not include any day on which the Common Stock are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock are suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time).

[Signature Page Follows]

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

IN WITNESS WHEREOF , the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Issuance Date set out above.

NANOSTRING TECHNOLOGIES, INC.

By: _____
Name:
Title:

Acknowledged and agreed

LAM RESEARCH CORPORATION

By: _____
Name:
Title:

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

EXHIBIT A TO WARRANT TO PURCHASE COMMON STOCK

EXERCISE NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS

WARRANT TO PURCHASE COMMON STOCK

NANOSTRING TECHNOLOGIES, INC.

The undersigned holder hereby exercises the right to purchase _____ of the shares of Common Stock (" **Warrant Shares** ") of NanoString Technologies, Inc., a Delaware corporation (the " **Company** "), evidenced by the attached Warrant to Purchase Common Stock (the " **Warrant** "). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

_____ a " Cash Exercise " with respect to _____ Warrant Shares; and/or

_____ a " Cashless Exercise " with respect to _____ Warrant Shares.

2. Payment of Exercise Price. In the event that the holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of $_____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to the Holder _____ Warrant Shares in accordance with the terms of the Warrant.

4. The undersigned, in [his/her] capacity as an officer of the Holder, hereby certify that (a) the representations and warranties made by Partner in paragraph (d) of Exhibit B-1 of the Collaboration Agreement are true and correct in all material respects as of the date hereof as if made on such date rather than on the date of the Collaboration Agreement and (b) the Holder has performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Collaboration Agreement and the Warrant to be performed, satisfied or complied with by the Holder at or prior to the date hereof.

Date: _____ __, ____

_____

Name of Registered Holder

By: _____
Name:
Title:

[†] DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

Exhibit 31.1

CERTIFICATIONS

I, R. Bradley Gray, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NanoString Technologies, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 8, 2017

/s/ R. Bradley Gray

R. Bradley Gray

President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, James A. Johnson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NanoString Technologies, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 8, 2017

/s/ James A. Johnson

James A. Johnson

Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

NANOSTRING TECHNOLOGIES, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NanoString Technologies, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2017 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, R. Bradley Gray, President and Chief Executive Officer *(Principal Executive Officer)* of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ R. Bradley Gray

R. Bradley Gray
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2017

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of NanoString Technologies, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

NANOSTRING TECHNOLOGIES, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NanoString Technologies, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2017 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James A. Johnson, Chief Financial Officer *(Principal Financial and Accounting Officer)* of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James A. Johnson

James A. Johnson

Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: November 8, 2017

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of NanoString Technologies, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.