
**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 June 30, 2020

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 No.: 001-36534

IRADIMED CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

73-1408526

(I.R.S. Employer
Identification Number)

**1025 Willa Springs Drive
Winter Springs, Florida**

(Address of principal executive offices)

32708

(Zip Code)

(407) 677-8022

(Registrant's telephone number, including area code)

N/A

(Former Name, former address and former fiscal year, if changed since last report)

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

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common stock, par value \$0.0001	IRMD	NASDAQ Capital Market

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 pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐

Non-accelerated filer ☐

Accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☒

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

The registrant had 12,242,757 shares of common stock, par value \$0.0001 per share, outstanding as of August 1, 2020.

IRADIMED CORPORATION

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that involve substantial risks and uncertainties. The forward-looking statements are contained principally in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In some cases, you can identify forward-looking statements by the following words: “may,” “will,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “potential,” “continue,” “ongoing” or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These statements relate to future events or our future financial performance or condition and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements include, but are not limited to, statements about:

- our ability to respond and adapt to unexpected hospital, legal and regulatory changes resulting from the ongoing COVID-19 pandemic, such as changes in hospital treatment and financial practices, shelter-in-place orders, travel, social distancing and quarantine policies, curtailment of trade, and other business restrictions affecting our ability to assemble and sell our products;
- our ability to receive 510(k) clearance for our products and product candidates, complete inspections conducted by the FDA or other regulatory bodies resulting in favorable outcomes, additional actions by or requests from the U.S. Food & Drug Administration (“FDA”), including a request to cease domestic distribution of products, or other regulatory bodies and unanticipated costs or delays associated with the resolution of these matters;
- the timing and likelihood of regulatory approvals or clearances from the FDA or other regulatory bodies and regulatory actions on our product candidates and product marketing activities;
- unexpected costs, expenses and diversion of management attention resulting from actions or requests posed to us by the FDA or other regulatory bodies;
- our primary reliance on a limited number of products;
- our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals;
- our expectations regarding the sales and marketing of our products, product candidates and services;
- our expectations regarding the integrity of our supply chain for our products;
- the potential for adverse application of environmental, health and safety and other laws and regulations of any jurisdiction on our operations;
- our expectations for market acceptance of our new products;
- the potential for our marketed products to be withdrawn due to recalls, patient adverse events or deaths;
- our ability to establish and maintain intellectual property on our products and our ability to successfully defend these in cases of infringement;
- the implementation of our business strategies;
- the potential for exposure to product liability claims;
- our financial performance expectations and interpretations thereof by securities analysts and investors;
- our ability to compete in the development and marketing of our products and product candidates with other companies in our industry;

- difficulties or delays in the development, production, manufacturing and marketing of new or existing products and services, including difficulties or delays associated with obtaining requisite regulatory approvals or clearances associated with those activities;
- changes in laws and regulations or in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations as a result of possible misinterpretations or misapplications;
- cost-containment efforts of our customers, purchasing groups, third-party payers and governmental organizations;
- costs associated with protecting our trade secrets and enforcing our patent, copyright and trademark rights, and successful challenges to the validity of our patents, copyrights or trademarks;
- actions of regulatory bodies and other government authorities, including the FDA and foreign counterparts, that could delay, limit or suspend product development, manufacturing or sales or result in recalls, seizures, consent decrees, injunctions and monetary sanctions;
- costs or claims resulting from potential errors or defects in our manufacturing that may injure persons or damage property or operations, including costs from remediation efforts or recalls;
- the results, consequences, effects or timing of any commercial disputes, patent infringement claims or other legal proceedings or any government investigations;
- interruption in our ability to manufacture our products or an inability to obtain key components or raw materials or increased costs in such key components or raw materials;
- uncertainties in our industry due to the effects of government-driven or mandated healthcare reform;
- competitive pressures in the markets in which we operate;
- the loss of, or default by, one or more key customers or suppliers; and
- unfavorable changes to the terms of key customer or supplier relationships.

Forward-looking statements are not guarantees of future performance and are subject to substantial risks and uncertainties that could cause the actual results to differ materially from those that we predicted in the forward-looking statements. Factors that may cause or contribute to such differences include, but are not limited to, those discussed in more detail in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A “Risk Factors” of this Quarterly Report on Form 10-Q. Readers should carefully review these risks, as well as the additional risks described in other documents we file from time to time with the Securities and Exchange Commission (“SEC”). In light of the significant risks and uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that such results will be achieved, and readers are cautioned not to place undue reliance on such forward-looking statements. Except as required by law, we undertake no obligation to revise the forward-looking statements contained herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. You should read this Quarterly Report on Form 10-Q and the documents we file with the SEC with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Unless expressly indicated or the context requires otherwise, references in this Quarterly Report to “IRADIMED,” the “Company,” “we,” “our,” and “us” refer to IRADIMED CORPORATION.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

IRADIMED CORPORATION CONDENSED BALANCE SHEETS

	June 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 45,457,652	\$ 43,481,781
Accounts receivable, net of allowance for doubtful accounts of \$107,820 as of June 30, 2020 and \$69,093 as of December 31, 2019	4,505,599	7,293,303
Investments	2,326,186	2,768,287
Inventory, net	4,868,721	3,641,561
Prepaid expenses and other current assets	657,679	407,802
Prepaid income taxes	2,268,898	1,370,947
Total current assets	60,084,735	58,963,681
Property and equipment, net	2,227,020	2,053,806
Intangible assets, net	937,131	860,087
Operating lease right-of-use asset	2,837,253	2,955,873
Deferred income taxes, net	2,492,124	1,663,415
Other assets	246,474	232,002
Total assets	<u>\$ 68,824,737</u>	<u>\$ 66,728,864</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 703,530	\$ 993,742
Accrued payroll and benefits	1,693,504	2,166,209
Other accrued taxes	508,125	596,576
Warranty reserve	88,372	81,761
Deferred revenue	1,873,090	1,671,420
Current portion of operating lease liability	248,159	240,843
Other current liability	139,562	108,421
Total current liabilities	5,254,342	5,858,972
Deferred revenue	2,617,075	2,630,467
Operating lease liability, less current portion	2,589,094	2,715,030
Total liabilities	<u>10,460,511</u>	<u>11,204,469</u>
Stockholders' equity:		
Common stock; \$0.0001 par value; 31,500,000 shares authorized; 12,197,837 shares issued and outstanding as of June 30, 2020 and 11,765,875 shares issued and outstanding as of December 31, 2019	1,220	1,177
Additional paid-in capital	22,351,673	19,192,394
Retained earnings	35,957,391	36,300,450
Accumulated other comprehensive income	53,942	30,374
Total stockholders' equity	58,364,226	55,524,395
Total liabilities and stockholders' equity	<u>\$ 68,824,737</u>	<u>\$ 66,728,864</u>

See accompanying notes to unaudited condensed financial statements.

IRADIMED CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 6,794,692	\$ 9,225,596	\$ 15,472,233	\$ 17,663,189
Cost of revenue	1,864,587	1,858,288	4,078,317	3,906,115
Gross profit	4,930,105	7,367,308	11,393,916	13,757,074
Operating expenses:				
General and administrative	5,002,427	2,460,372	7,865,154	4,873,068
Sales and marketing	2,374,134	2,199,823	4,807,701	4,310,475
Research and development	482,654	331,310	912,936	683,883
Total operating expenses	7,859,215	4,991,505	13,585,791	9,867,426
(Loss) income from operations	(2,929,110)	2,375,803	(2,191,875)	3,889,648
Other income, net	17,852	78,025	116,354	170,599
(Loss) income before provision for income taxes	(2,911,258)	2,453,828	(2,075,521)	4,060,247
Provision for income tax (benefit) expense	(798,988)	364,987	(1,732,462)	125,841
Net (loss) income	\$ (2,112,270)	\$ 2,088,841	\$ (343,059)	\$ 3,934,406
Net (loss) income per share:				
Basic	\$ (0.17)	\$ 0.19	\$ (0.03)	\$ 0.35
Diluted	\$ (0.17)	\$ 0.17	\$ (0.03)	\$ 0.32
Weighted average shares outstanding:				
Basic	12,076,399	11,163,506	11,983,913	11,096,942
Diluted	12,076,399	12,226,660	11,983,913	12,227,949

See accompanying notes to unaudited condensed financial statements.

IRADIMED CORPORATION
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Net (loss) income	\$ (2,112,270)	\$ 2,088,841	\$ (343,059)	\$ 3,934,406
Other comprehensive income:				
Change in fair value of available-for-sale securities, net of tax expense of \$4,227 and \$8,671 for the three months ended June 30, 2020 and 2019, respectively, and \$7,669 and \$20,327 for the six months ended June 30, 2020 and 2019, respectively	19,797	27,301	30,230	62,618
Realized (gain) loss on available-for-sale securities reclassified to net income, net of tax expense (benefit) of \$2,199 and \$12 for the three months ended June 30, 2020 and 2019, respectively, and \$2,199 and \$(937) for the six months ended June 30, 2020 and 2019, respectively	(6,662)	(36)	(6,662)	2,841
Other comprehensive income	13,135	27,265	23,568	65,459
Comprehensive (loss) income	<u>\$ (2,099,135)</u>	<u>\$ 2,116,106</u>	<u>\$ (319,491)</u>	<u>\$ 3,999,865</u>

See accompanying notes to unaudited condensed financial statements.

IRADIMED CORPORATION
CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Stockholders' Equity
	Shares	Amount				
Balances, December 31, 2019	11,765,875	\$ 1,177	\$ 19,192,394	\$ 36,300,450	\$ 30,374	\$ 55,524,395
Net income	—	—	—	1,769,211	—	1,769,211
Other comprehensive income	—	—	—	—	10,433	10,433
Stock-based compensation expense	—	—	568,958	—	—	568,958
Net share settlement of restricted stock units	14,521	1	(133,873)	—	—	(133,872)
Exercise of stock options	190,541	19	322,160	—	—	322,179
Balances, March 31, 2020	11,970,937	\$ 1,197	\$ 19,949,639	\$ 38,069,661	\$ 40,807	\$ 58,061,304
Net loss	—	—	—	(2,112,270)	—	(2,112,270)
Other comprehensive income	—	—	—	—	13,135	13,135
Stock-based compensation expense	—	—	2,658,632	—	—	2,658,632
Net share settlement of restricted stock units	76,381	8	(725,393)	—	—	(725,385)
Exercise of stock options	150,519	15	468,795	—	—	468,810
Balances, June 30, 2020	12,197,837	\$ 1,220	\$ 22,351,673	\$ 35,957,391	\$ 53,942	\$ 58,364,226

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Stockholders' Equity
	Shares	Amount				
Balances, December 31, 2018	10,989,111	\$ 1,099	\$ 15,317,335	\$ 26,669,491	\$ (42,192)	\$ 41,945,733
Net income	—	—	—	1,845,565	—	1,845,565
Other comprehensive income	—	—	—	—	38,194	38,194
Stock-based compensation expense	—	—	382,353	—	—	382,353
Net share settlement of restricted stock units	4,322	—	(22,507)	—	—	(22,507)
Exercise of stock options	150,763	15	456,724	—	—	456,739
Balances, March 31, 2019	11,144,196	\$ 1,114	\$ 16,133,905	\$ 28,515,056	\$ (3,998)	\$ 44,646,077
Net income	—	—	—	2,088,841	—	2,088,841
Other comprehensive income	—	—	—	—	27,265	27,265
Stock-based compensation expense	—	—	468,436	—	—	468,436
Net share settlement of restricted stock units	23,331	3	(125,708)	—	—	(125,705)
Exercise of stock options	28,875	3	43,505	—	—	43,508
Balances, June 30, 2019	11,196,402	\$ 1,120	\$ 16,520,138	\$ 30,603,897	\$ 23,267	\$ 47,148,422

See accompanying notes to unaudited condensed financial statements.

IRADIMED CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2020	2019
Operating activities:		
Net (loss) income	\$ (343,059)	\$ 3,934,406
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Change in allowance for doubtful accounts	40,029	15,124
Change in provision for excess and obsolete inventory	35,376	115,600
Depreciation and amortization	668,823	672,676
Stock-based compensation	3,227,590	850,789
Deferred income taxes, net	(834,179)	35,574
(Gain) loss on maturities of investments	(8,861)	3,778
Changes in operating assets and liabilities:		
Accounts receivable	2,747,675	(1,682,525)
Inventory	(1,360,074)	(494,108)
Prepaid expenses and other current assets	(674,047)	(600,485)
Other assets	(26,402)	(10,830)
Accounts payable	(319,583)	178,912
Accrued payroll and benefits	(472,705)	(243,044)
Other accrued taxes	(88,451)	(80,451)
Warranty reserve	6,611	533
Deferred revenue	255,298	371,317
Other current liability	31,141	—
(Prepaid) accrued income taxes	(897,951)	78,366
Net cash provided by operating activities	<u>1,987,231</u>	<u>3,145,632</u>
Investing activities:		
Proceeds from maturity of investments	480,000	1,050,000
Purchases of property and equipment	(300,558)	(118,962)
Capitalized intangible assets	(122,534)	(34,399)
Net cash provided by investing activities	<u>56,908</u>	<u>896,639</u>
Financing activities:		
Proceeds from exercises of stock options	790,989	500,247
Taxes paid related to the net share settlement of equity awards	(859,257)	(148,212)
Net cash (used in) provided by financing activities	<u>(68,268)</u>	<u>352,035</u>
Net increase in cash and cash equivalents	1,975,871	4,394,306
Cash and cash equivalents, beginning of period	43,481,781	28,027,688
Cash and cash equivalents, end of period	<u>\$ 45,457,652</u>	<u>\$ 32,421,994</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ —	\$ 12,000
Right-of-use asset recognized in exchange for new lease obligation	\$ —	\$ 3,182,724
Operating and short-term lease payments recorded within cash flow from operating activities	<u>\$ 214,877</u>	<u>\$ 213,336</u>

See accompanying notes to unaudited condensed financial statements.

IRADIMED CORPORATION
Notes to Unaudited Condensed Financial Statements

1 — Basis of Presentation

The accompanying interim condensed financial statements of IRADIMED CORPORATION ("IRADIMED", the "Company", "we", "our") have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally presented in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The interim financial information is unaudited, but reflects all normal adjustments that are, in the opinion of management, necessary for the fair presentation of our financial position, results of operations and cash flows for the interim periods presented. Operating results for the three and six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

These accompanying interim condensed financial statements should be read with the financial statements and related footnotes to financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019. The accounting policies followed in the preparation of these interim condensed financial statements, except as described in Note 1, are consistent in all material respects with those described in Note 1 of our Form 10-K.

We operate in one reportable segment which is the development, manufacture and sale of MRI compatible medical devices, related accessories, disposables and services for use by hospitals and acute care facilities during MRI procedures.

Certain Significant Risks and Uncertainties

We market our products to end users in the U.S. and to distributors internationally. Sales to end users in the U.S. are generally made on open credit terms. Management maintains an allowance for potential credit losses.

COVID-19 Considerations

We are subject to risks and uncertainties as a result of the spread of COVID-19. We have experienced a decline in operating results, which has limited our generation of capital resources. The extent of the impact of COVID-19 on our business is highly uncertain and difficult to predict. Our future results of operations and liquidity could be adversely impacted by delays in payments from customers, supply chain disruptions, and uncertain demand. As of the date of the issuance of these financial statements, the extent to which COVID-19 may materially impact our financial condition, liquidity, or results of operations in future periods is uncertain.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements to be Implemented

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. ASU 2019-12 will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2020. We do not expect ASU 2019-12 to have a material impact on financial condition, results of operations or cash flows.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the Company to measure and recognize expected credit losses for financial assets held and not accounted for at fair value through net income. In November 2018, April 2019 and May 2019, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses* and ASU 2019-05, *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief*, which provided additional implementation guidance on ASU 2016-03. The previously mentioned ASUs are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. We do not expect the adoption of these ASUs to have a material impact on our financial condition, results of operations or cash flows.

2 — Revenue Recognition

Disaggregation of Revenue

We disaggregate revenue from contracts with customers by geographic region and revenue type as we believe it best depicts the nature, amount, timing and uncertainty of our revenue and cash flow.

Revenue information by geographic region is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
United States	\$4,642,916	\$7,561,054	\$10,965,022	\$14,634,788
International	2,151,776	1,664,542	4,507,211	3,028,401
Total revenue	<u>\$6,794,692</u>	<u>\$9,225,596</u>	<u>\$15,472,233</u>	<u>\$17,663,189</u>

Revenue information by type is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
Devices:				
MRI Compatible IV Infusion Pump Systems	\$1,875,159	\$4,550,542	\$4,539,993	\$8,743,296
MRI Compatible Patient Vital Signs Monitoring Systems	1,927,473	1,891,031	4,546,988	3,657,639
Total Devices Revenue	3,802,632	6,441,573	9,086,981	12,400,935
Disposables, services and other	2,535,548	2,313,755	5,467,449	4,350,428
Amortization of extended warranty agreements	456,512	470,268	917,803	911,826
Total revenue	<u>\$6,794,692</u>	<u>\$9,225,596</u>	<u>\$15,472,233</u>	<u>\$17,663,189</u>

Contract Liabilities

Our contract liabilities consist of:

	June 30, 2020 (unaudited)	December 31, 2019
Advance payments from customers	\$19,471	\$12,765
Shipments in-transit	67,021	4,250
Extended warranty agreements	4,403,673	4,284,872
Total	<u>\$4,490,165</u>	<u>\$4,301,887</u>

Changes in the contract liabilities during the periods presented are as follows:

	Deferred Revenue
Contract liabilities, December 31, 2019	\$4,301,887
Increases due to cash received from customers	1,236,658
Decreases due to recognition of revenue	(1,048,380)
Contract liabilities, June 30, 2020	<u>\$4,490,165</u>

	Deferred Revenue
Contract liabilities, December 31, 2018	\$ 3,605,789
Increases due to cash received from customers	1,646,638
Decreases due to recognition of revenue	(1,396,920)
Contract liabilities, June 30, 2019	<u>\$ 3,855,507</u>

Capitalized Contract Costs

Our capitalized contract costs consist of:

	June 30, 2020 (unaudited)	December 31, 2019
Capitalized contract costs	\$ 378,652	\$ 352,250

Expense related to the amortization of capitalized contract costs for the three and six months ended June 30, 2020 and 2019 were immaterial to our financial statements.

3 — Basic and Diluted Net (Loss) Income per Share

Basic net (loss) income per share is based upon the weighted-average number of common shares outstanding during the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Stock options and restricted stock units granted by us represent the only dilutive effect reflected in diluted weighted-average shares outstanding.

The following table presents the computation of basic and diluted net (loss) income per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
Net (loss) income	\$ (2,112,270)	\$ 2,088,841	\$ (343,059)	\$ 3,934,406
Weighted-average shares outstanding — Basic	12,076,399	11,163,506	11,983,913	11,096,942
Effect of dilutive securities:				
Underwriters' warrants	—	92,898	—	96,482
Stock Options	—	880,908	—	938,135
Restricted Stock Units	—	89,348	—	96,390
Weighted-average shares outstanding — Diluted	12,076,399	12,226,660	11,983,913	12,227,949
Basic net (loss) income per share	\$ (0.17)	\$ 0.19	\$ (0.03)	\$ 0.35
Diluted net (loss) income per share	<u>\$ (0.17)</u>	<u>\$ 0.17</u>	<u>\$ (0.03)</u>	<u>\$ 0.32</u>

Stock options and restricted stock units excluded from the calculation of diluted net income per share because the effect would have been anti-dilutive are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
Anti-dilutive stock options and restricted stock units	399,772	6,639	479,499	6,895

4 — Inventory

Inventory consists of:

	June 30, 2020 (unaudited)	December 31, 2019
Raw materials	\$ 3,819,597	\$ 2,939,451
Work in process	315,133	229,479
Finished goods	908,411	697,483
Inventory before allowance for excess and obsolete	5,043,141	3,866,413
Allowance for excess and obsolete	(174,420)	(224,852)
Total	<u>\$ 4,868,721</u>	<u>\$ 3,641,561</u>

5 — Property and Equipment

Property and equipment consist of:

	June 30, 2020 (unaudited)	December 31, 2019
Computer software and hardware	\$ 667,609	\$ 627,624
Furniture and fixtures	1,233,227	1,112,550
Leasehold improvements	225,841	225,841
Machinery and equipment	1,801,315	1,778,524
Tooling in-process	407,119	163,105
	4,335,111	3,907,644
Accumulated depreciation	(2,108,091)	(1,853,838)
Total	<u>\$ 2,227,020</u>	<u>\$ 2,053,806</u>

Depreciation expense of property and equipment was \$127,945 and \$126,653 for the three months ended June 30, 2020 and 2019, respectively, and \$254,253 and \$250,994 for the six months ended June 30, 2020 and 2019, respectively.

Property and equipment, net, information by geographic region is as follows:

	June 30, 2020 (unaudited)	December 31, 2019
United States	\$ 1,899,118	\$ 1,689,740
International	327,902	364,066
Total property and equipment, net	<u>\$ 2,227,020</u>	<u>\$ 2,053,806</u>

Long-lived assets held outside of the United States consist principally of tooling and machinery and equipment, which are components of property and equipment, net.

6 — Intangible Assets

The following table summarizes the components of intangible asset balances:

	June 30, 2020 (unaudited)	December 31, 2019
Patents — in use	\$ 325,434	\$ 304,270
Patents — in process	127,369	120,581
Internally developed software — in use	867,569	867,569
Internally developed software — in process	174,414	80,721
Trademarks	27,022	26,133
	1,521,808	1,399,274
Accumulated amortization	(584,677)	(539,187)
Total	<u>\$ 937,131</u>	<u>\$ 860,087</u>

Amortization expense of intangible assets was \$22,999 and \$22,490 for the three months ended June 30, 2020 and 2019, respectively, and \$45,490 and \$44,981 for the six months ended June 30, 2020 and 2019, respectively.

Expected annual amortization expense for the remaining portion of 2020 and the next five years related to intangible assets is as follows (excludes in process intangible assets):

Six months ending December 31, 2020	\$ 45,999
2021	\$ 91,998
2022	\$ 91,427
2023	\$ 90,775
2024	\$ 90,474
2025	\$ 89,481

7 — Investments

Our investments consist of corporate bonds that we have classified as available-for-sale and are summarized in the following tables:

June 30, 2020				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds:				
U.S. corporations	\$2,258,686	\$ 67,500	\$ —	\$2,326,186
Total	<u>\$2,258,686</u>	<u>\$ 67,500</u>	<u>\$ —</u>	<u>\$2,326,186</u>

December 31, 2019				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds:				
U.S. corporations	\$2,258,686	\$ 29,123	\$ —	\$2,287,809
International corporations	471,139	9,339	—	480,478
Total	<u>\$2,729,825</u>	<u>\$ 38,462</u>	<u>\$ —</u>	<u>\$2,768,287</u>

8 — Fair Value Measurements

The fair values of cash equivalents, accounts receivables, net and accounts payable approximate their carrying amounts due to their short duration.

The fair value of our assets and liabilities subject to recurring fair value measurements are as follows:

Fair Value at June 30, 2020				
Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Corporate bonds:				
U.S. corporations	\$2,326,186	\$ —	\$2,326,186	\$ —
Total	<u>\$2,326,186</u>	<u>\$ —</u>	<u>\$2,326,186</u>	<u>\$ —</u>
Fair Value at December 31, 2019				
Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Corporate bonds:				
U.S. corporations	\$2,287,809	\$ —	\$2,287,809	\$ —
International corporations	480,478	—	480,478	—
Total	<u>\$2,768,287</u>	<u>\$ —</u>	<u>\$2,768,287</u>	<u>\$ —</u>

Our corporate bonds are valued by a third-party custodian at closing prices from secondary exchanges or pricing vendors on the valuation date.

There were no transfers into or out of any Levels during the six months ended June 30, 2020 or the year ended December 31, 2019.

9 — Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income, net of tax, for the three months ended June 30, 2020 and 2019 are as follows:

	Unrealized (Losses) Gains on Available-For-Sale Securities
Balance at March 31, 2020	\$ 40,807
Gains on available-for-sale securities, net	19,797
Reclassification realized in net earnings	(6,662)
Balance at June 30, 2020	<u>\$ 53,942</u>
Balance at March 31, 2019	\$ (3,998)
Gains on available-for-sale securities, net	27,301
Reclassification realized in net earnings	(36)
Balance at June 30, 2019	<u>\$ 23,267</u>

The components of accumulated other comprehensive income, net of tax, for the six months ended June 30, 2020 and 2019 are as follows:

	Unrealized (Losses) Gains on Available-For-Sale Securities
Balance at December 31, 2019	\$ 30,374
Gains on available-for-sale securities, net	30,230
Reclassification realized in net earnings	(6,662)
Balance at June 30, 2020	\$ 53,942
Balance at December 31, 2018	\$ (42,192)
Gains on available-for-sale securities, net	62,618
Reclassification realized in net earnings	2,841
Balance at June 30, 2019	\$ 23,267

10 — Stock-Based Compensation

Stock-based compensation was recognized as follows in the Condensed Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
Cost of revenue	\$ 58,253	\$ 58,319	\$ 116,507	\$ 120,843
General and administrative	2,500,634	303,375	2,862,786	523,080
Sales and marketing	77,572	87,168	208,527	169,299
Research and development	22,173	19,574	39,770	37,567
Total	\$ 2,658,632	\$ 468,436	\$ 3,227,590	\$ 850,789

As of June 30, 2020, we had \$2,599,720 of unrecognized compensation cost related to unvested restricted stock units, which is expected to be recognized over a weighted-average period of 2.7 years.

The following table presents a summary of our stock-based compensation activity for the six months ended June 30, 2020 (shares):

	Stock Options	Restricted Stock Units
Outstanding beginning of period	638,860	297,048
Awards granted	—	18,129
Awards exercised/vested	(341,059)	(128,878)
Awards canceled	(3,500)	(27,851)
Outstanding end of period	294,301	158,448

11 — Income Taxes

For the three and six months ended June 30, 2020, we recorded a provision for income tax benefit of \$(798,988) and \$(1,732,462), respectively. Our effective tax rate was 27.4 percent and 83.5 percent, respectively, and differed from the U.S. Federal statutory rate primarily due to discrete items related to tax benefits associated with stock-based compensation and a U.S. state tax benefit, partially offset by a limitation on the deductibility of certain executive compensation associated with the separation of our former Chief Executive Officer. Additionally, we recognized a benefit in our effective tax rate resulting from the Coronavirus Aid, Relief, and Economic Security Act, which allowed us to carryback net operating losses to years prior to the enactment of the Tax Cuts and Jobs Act.

For the three and six months ended June 30, 2019, we recorded a provision for income tax expense of \$364,987 and \$125,841, respectively. Our effective tax rate was 14.9 percent and 3.1 percent, respectively, and differed from the U.S. Federal statutory rate primarily due to discrete items related to tax benefits associated with stock-based compensation and the foreign derived intangible income deduction, partially offset by U.S. state tax expense.

As of June 30, 2020 and December 31, 2019, we had not identified or accrued for any uncertain tax positions. We are currently unaware of any uncertain tax positions that could result in significant payments, accruals or other material deviations in this estimate over the next 12 months. We believe that our tax positions comply in all material respects with applicable tax law. However, tax law is subject to interpretation, and interpretations by taxing authorities could be different from ours, which could result in the imposition of additional taxes and penalties.

We file tax returns in the U.S. Federal jurisdiction and many U.S. state jurisdictions. The Company is subject to income tax examinations for our U.S. Federal and certain U.S. state income taxes for 2016 and subsequent years and various other U.S. state income taxes for 2015 and subsequent years.

12 — Leases

We have one material lease contract outstanding. In January 2014, we entered into a non-cancelable operating lease, commencing July 1, 2014, for our manufacturing and headquarters facility in Winter Springs, Florida owned by Susi, LLC, an entity controlled by our President, Chief Executive Officer, and Chairman of the Board, Roger Susi. Pursuant to the terms of our lease for this property, the monthly base rent is \$34,133, adjusted annually for changes in the consumer price index. Under the terms of the lease, we are responsible for property taxes, insurance and maintenance expenses. Prior to May 31, 2019, the expiration date of the initial lease term, and pursuant to the terms of the lease contract, we renewed the lease for an additional five years, resulting in a new lease expiration date of May 31, 2024. Unless advance written notice of termination is timely provided, the lease will automatically renew for one additional successive term of five years beginning in 2024, and thereafter, will be renewed for successive terms of one year each. For purposes of Topic 842, we concluded that we will exercise both of the five-year options, resulting in a remaining lease term of 8.9 years as of June 30, 2020. This lease agreement does not contain any residual value guarantee or material restrictive covenants.

Operating lease cost recognized in the Condensed Statements of Operations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Cost of revenue	\$ 46,535	\$ 46,534	\$ 93,070	\$ 93,069
General and administrative	46,044	46,045	92,088	92,089
Sales and marketing	2,603	2,604	5,208	5,209
Research and development	7,215	7,216	14,430	14,431
Total	<u>\$ 102,397</u>	<u>\$ 102,399</u>	<u>\$ 204,796</u>	<u>\$ 204,798</u>

Lease costs for short-term leases were immaterial for the three and six months ended June 30, 2020 and 2019.

Maturity of Operating Lease Liability as of June 30, 2020 is as follows:

Six months ending December 31, 2020	\$ 204,798
2021	409,596
2022	409,596
2023	409,596
2024	409,596
Thereafter	1,809,050
Total lease payments	<u>3,652,232</u>
Imputed interest	<u>(814,979)</u>
Present value of lease liability	<u>\$ 2,837,253</u>

13 — Commitments and Contingencies

Purchase commitments. We had various purchase orders for goods or services totaling \$2,258,175 and \$3,208,174 as of June 30, 2020 and December 31, 2019, respectively. No amounts related to these purchase orders have been recognized in our balance sheet.

Legal matters. We may from time to time become party to various legal proceedings or claims that arise in the ordinary course of business.

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

The following discussion and analysis should be read in conjunction with our condensed financial statements and the related notes to those statements included in this Quarterly Report, the discussion of certain risks and uncertainties contained in Part II, Item 1A of this Quarterly Report, the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" included in our Annual Report filed on Form 10-K for the fiscal year ended December 31, 2019 and the cautionary information regarding forward-looking statements at the beginning of this Quarterly Report.

Our Business

We develop, manufacture, market and distribute Magnetic Resonance Imaging ("MRI") compatible medical devices and accessories and services relating to them.

We are a leader in the development of innovative MRI compatible medical devices. We are the only known provider of a non-magnetic intravenous ("IV") infusion pump system that is specifically designed to be safe for use during MRI procedures. We were the first to develop an infusion delivery system that largely eliminates many of the dangers and problems present during MRI procedures. Standard infusion pumps contain magnetic and electronic components which can create radio frequency interference and are dangerous to operate in the presence of the powerful magnet that drives an MRI system. Our patented MRidium® MRI compatible IV infusion pump system has been designed with a non-magnetic ultrasonic motor, uniquely designed non-ferrous parts and other special features to safely and predictably deliver anesthesia and other IV fluids during various MRI procedures. Our pump solution provides a seamless approach that enables accurate, safe and dependable fluid delivery before, during and after an MRI scan, which is important to critically-ill patients who cannot be removed from their vital medications, and children and infants who must generally be sedated to remain immobile during an MRI scan.

Each IV infusion pump system consists of an MRidium® MRI compatible IV infusion pump, non-magnetic mobile stand, proprietary disposable IV tubing sets and many of these systems contain additional optional upgrade accessories.

Our 3880 MRI compatible patient vital signs monitoring system has been designed with non-magnetic components and other special features to safely and accurately monitor a patient's vital signs during various MRI procedures. The IRADIMED 3880 system operates dependably in magnetic fields up to 30,000 gauss, which means it can operate virtually anywhere in the MRI scanner room. The IRADIMED 3880 has a compact, lightweight design allowing it to travel with the patient from their critical care unit, to the MRI and back, resulting in increased patient safety through uninterrupted vital signs monitoring and decreasing the amount of time critically ill patients are away from critical care units. The features of the IRADIMED 3880 include: wireless ECG with dynamic gradient filtering; wireless SpO2 using Masimo® algorithms; non-magnetic respiratory CO2; invasive and non-invasive blood pressure; patient temperature, and; optional advanced multi-gas anesthetic agent unit featuring continuous Minimum Alveolar Concentration measurements. The IRADIMED 3880 MRI compatible patient vital signs monitoring system has an easy-to-use design and allows for the effective communication of patient vital signs information to clinicians.

We generate revenue from the sale of MRI compatible medical devices and accessories, extended warranty agreements, services related to maintaining our products and the sale of disposable products used with our devices. The principal customers for our MRI compatible products include hospitals and acute care facilities, both in the U.S. and internationally.

Historical selling cycles for our devices have varied widely and are typically three to six months in duration. We also enter into agreements with healthcare supply contracting companies in the U.S., which enable us to sell and distribute our products to their member hospitals. Under these agreements, we are required to pay these group purchasing organizations ("GPOs") a fee of three percent of the sales of our products to their member hospitals. Our current GPO contracts effectively give us the ability to sell to more than 95 percent of all U.S. hospitals and acute care facilities.

Financial Highlights

Our revenue decreased \$(2.4) million, or (26.3) percent, to \$6.8 million for the second quarter ended June 30, 2020, compared to \$9.2 million for the second quarter last year. Net loss was \$(2.1) million, or \$(0.17) per diluted share in the second quarter ended June 30, 2020, compared to net income of \$2.1 million, or \$0.17 per diluted share in the second quarter last year.

COVID-19 Impact

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic, which continues to spread throughout the U.S. and the world and has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, business limitations and shutdowns. While we are unable to accurately predict the full impact that COVID-19 will have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, our compliance with these measures has impacted our day-to-day operations and could disrupt our business and operations, as well as that of our customers and suppliers, for an indefinite period of time. Considering the significant uncertainties created by COVID-19, we have withdrawn our 2020 financial guidance.

We have taken several steps to support the health and well-being of our employees as a result of the pandemic, including:

- Restricted the travel of our field sales and clinical support teams;
- Implemented remote and flexible working arrangements where possible for a portion of our staff;
- Adopted more stringent cleaning procedures at our headquarters and manufacturing facility; and
- Adopted a policy guaranteeing a portion of compensation for employees that are subject to variable compensation plans for the three months ended June 30, 2020. We also adopted a policy allowing all employees to donate their accrued time off to other employees unable to work due to COVID-19 issues.

The COVID-19 pandemic has resulted in significant economic disruption across the globe and has and will likely continue to adversely affect our business. Many of our hospital customers have and will likely continue to restrict access to healthcare workers only, diminishing our ability to generate sales, which may delay the timing of future orders and may result in declining revenue for the remaining portion of 2020. Resulting from hospitals restricting access to their facilities, we have made certain investments in equipment to facilitate virtual meetings to enhance our selling process and perform product demonstrations and training.

Our business may also be adversely impacted as a result of the pandemic's global economic impact. For example, hospitals may curtail their overall capital spending, or we may be unable to collect receivables from customers significantly impacted by COVID-19. Also, a decrease in orders in a given period could negatively affect our revenues in future periods from sales of our disposables and extended maintenance contracts, particularly if experienced on a sustained basis.

We believe that our current cash, investments and any cash generated from operations will be sufficient to meet our ongoing operating requirements for at least the next 12 months. We do not anticipate requiring additional capital; however, if required or desirable, we may seek to obtain a credit facility, raise debt or issue additional equity in private or public markets.

We will continue to monitor the situation and may take further actions altering our business operations that we determine are in the best interest of our employees, customers, partners, suppliers, and stockholders, or as required by federal, state, or local authorities.

Application of Critical Accounting Policies

We prepare our financial statements in conformity with GAAP. The preparation of these financial statements requires us to make estimates and use assumptions that affect the reported amounts of assets, liabilities and related disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

We believe that the following critical accounting policies require the use of significant estimates, assumptions, and judgments:

- Revenue recognition;
- Accounts receivable and allowance for doubtful accounts;

- Inventory carried at the lower of cost or net realizable value;
- Stock-based compensation; and
- Income taxes.

These critical accounting policies are described in more detail in our Annual Report filed on Form 10-K, under *Management's Discussion and Analysis and Results of Operations*. Except as disclosed in Note 1 to the unaudited condensed financial statements contained herein related to the adoption of recent accounting pronouncements, there have been no changes to these policies during the three and six months ended June 30, 2020.

The use of different estimates, assumptions, and judgments could have a material effect on the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements and revenue and expenses during the reporting period.

Results of Operations

The following table sets forth selected statements of operations data as a percentage of total revenue for the periods indicated. Our historical operating results are not necessarily indicative of the results for any future period.

	Percent of Revenue Three Months Ended June 30,		Percent of Revenue Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	27.4	20.1	26.4	22.1
Gross profit	72.6	79.9	73.6	77.9
Operating expenses:				
General and administrative	73.6	26.7	50.8	27.6
Sales and marketing	34.9	23.8	31.1	24.4
Research and development	7.1	3.6	5.9	3.9
Total operating expenses	115.7	54.1	87.8	55.9
(Loss) income from operations	(43.1)	25.8	(14.2)	22.0
Other income, net	0.3	0.8	0.8	1.0
(Loss) income before provision for income taxes	(42.8)	26.6	(13.4)	23.0
Provision for income tax (benefit) expense	(11.8)	4.0	(11.2)	0.7
Net (loss) income	(31.1)%	22.6 %	(2.2)%	22.3 %

Revenue by Geographic Region

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
United States	\$ 4,642,916	\$ 7,561,054	(38.6)%	\$ 10,965,022	\$ 14,634,788	(25.1)%
International	2,151,776	1,664,542	29.3 %	4,507,211	3,028,401	48.8 %
Total Revenue	\$ 6,794,692	\$ 9,225,596	(26.3)%	\$ 15,472,233	\$ 17,663,189	(12.4)%

Revenue by Type

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Devices:						
MRI Compatible IV Infusion Pump Systems	\$ 1,875,159	\$ 4,550,542	(58.8)%	\$ 4,539,993	\$ 8,743,296	(48.1)%
MRI Compatible Patient Vital Signs Monitoring Systems	1,927,473	1,891,031	1.9 %	4,546,988	3,657,639	24.3 %
Total Devices Revenue	3,802,632	6,441,573	(41.0)%	9,086,981	12,400,935	(26.7)%
Disposables, services and other	2,535,548	2,313,755	9.6 %	5,467,449	4,350,428	25.7 %
Amortization of extended warranty agreements	456,512	470,268	(2.9)%	917,803	911,826	0.7 %
Total revenue	\$ 6,794,692	\$ 9,225,596	(26.3)%	\$ 15,472,233	\$ 17,663,189	(12.4)%

For the three months ended June 30, 2020, revenue decreased \$(2.4) million, or (26.3) percent, to \$6.8 million from \$9.2 million for the same period in 2019.

Revenue from sales in the U.S. decreased \$(3.0) million, or (38.6) percent, to \$4.6 million for the second quarter 2020, from \$7.6 million for the second quarter 2019. Revenue from sales internationally increased \$0.5 million, or 29.3 percent, to \$2.2 million for the second quarter 2020, from \$1.7 million for the second quarter 2019. Domestic sales accounted for 68.3 percent of revenue for the second quarter 2020, compared to 82.0 percent for the second quarter 2019.

Revenue from sales of devices decreased \$(2.6) million, or (41.0) percent, to \$3.8 million for the three months ended June 30, 2020, from \$6.4 million for the same period in 2019.

The average selling price of our MRI compatible IV infusion pump system during the three months ended June 30, 2020 was approximately \$30,200, compared to approximately \$35,300 for the same period in 2019. The decrease in ASP relates to higher international sales of our MRI compatible IV infusion pump recognized in revenue when compared to the same period in 2019.

The average selling price of our MRI compatible patient vital signs monitoring system during the three months ended June 30, 2020 was approximately \$30,600, compared to approximately \$32,200 for the same period in 2019. The decrease in ASP relates to higher international sales of our 3880 MRI compatible patient vital signs monitoring system recognized in revenue when compared to the same period in 2019.

Revenue from sales of our disposables, services and other increased \$0.2 million, or 9.6 percent, to \$2.5 million from \$2.3 million for the same period in 2019. Revenue from the amortization of extended maintenance contracts was consistent at \$0.5 million for the three months ended June 30, 2020 and 2019.

For the six months ended June 30, 2020, revenue decreased \$(2.2) million, or (12.4) percent, to \$15.5 million from \$17.7 million for the same period in 2019.

Revenue from sales in the U.S. decreased \$(3.6) million, or (25.1) percent, to \$11.0 million for the six months ended June 30, 2020, from \$14.6 million for the same period in 2019. Revenue from sales internationally increased \$1.5 million, or 48.8 percent, to \$4.5 million for the six months ended June 30, 2020, from \$3.0 million for the same period in 2019. Domestic sales accounted for 70.9 percent of revenue for the six months ended June 30, 2020, compared to 82.9 percent for the same period 2019.

Revenue from sales of devices decreased \$(3.3) million, or (26.7) percent, to \$9.1 million for the six months ended June 30, 2020, from \$12.4 million for the same period in 2019.

The average selling price of our MRI compatible IV infusion pump system during the six months ended June 30, 2020 was approximately \$30,100, compared to approximately \$35,500 for the same period in 2019. The decrease in ASP relates to higher international sales of our MRI compatible IV infusion pump recognized in revenue when compared to the same period in 2019.

The average selling price of our MRI compatible patient vital signs monitoring system during the six months ended June 30, 2020 was approximately \$33,100, compared to approximately \$34,600 for the same period in 2019. The decrease in ASP relates to higher international sales of our 3880 MRI compatible patient vital signs monitoring system recognized in revenue when compared to the same period in 2019.

Revenue from sales of our disposables, services and other increased \$1.1 million, or 25.7 percent, to \$5.5 million from \$4.4 million for the same period in 2019. Revenue from the amortization of extended maintenance contracts was consistent at \$0.9 million for the six months ended June 30, 2020 and 2019.

Cost of Revenue and Gross Profit

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 6,794,692	\$ 9,225,596	\$ 15,472,233	\$ 17,663,189
Cost of revenue	1,864,587	1,858,288	4,078,317	3,906,115
Gross profit	\$ 4,930,105	\$ 7,367,308	\$ 11,393,916	\$ 13,757,074
Gross profit percentage	72.6 %	79.9 %	73.6 %	77.9 %

For the three months ended June 30, 2020 and 2019, cost of revenue was consistent at \$1.9. Gross profit decreased \$(2.5) million, or (33.1) percent, to \$4.9 million for the second quarter 2020 from \$7.4 million for the same period in 2019. The decrease in gross profit is primarily due to lower revenue and unfavorable overhead variances.

Gross profit margin was 72.6 percent for second quarter 2020, compared to 79.9 percent for the second quarter 2019. The decrease in gross profit margin is due to higher international revenue as a percent of total revenue and unfavorable overhead variances.

For the six months ended June 30, 2020, cost of revenue increased \$0.2 million, or 4.4 percent, to \$4.1 million from \$3.9 million for the same period in 2019. Gross profit decreased \$(2.4) million, or (17.2) percent, to \$11.4 million for the six months ended June 30, 2020 from \$13.8 million for the same period in 2019. The increase in cost of revenue and decrease in gross profit is primarily due to lower revenue and unfavorable overhead variances.

Gross profit margin was 73.6 percent for the six months ended June 30, 2020, compared to 77.9 percent for the same period in 2019. The decrease in gross profit margin is due to higher international revenue as a percent of total revenue and unfavorable overhead variances.

Operating Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
General and administrative	\$ 5,002,427	\$ 2,460,372	\$ 7,865,154	\$ 4,873,068
Percentage of revenue	73.6 %	26.7 %	50.8 %	27.6 %
Sales and marketing	\$ 2,374,134	\$ 2,199,823	\$ 4,807,701	\$ 4,310,475
Percentage of revenue	34.9 %	23.8 %	31.1 %	24.4 %
Research and development	\$ 482,654	\$ 331,310	\$ 912,936	\$ 683,883
Percentage of revenue	7.1 %	3.6 %	5.9 %	3.9 %

General and Administrative

For the three months ended June 30, 2020, general and administrative expense increased \$2.5 million, or 103.3 percent, to \$5.0 million from \$2.5 million for the same period last year. This increase is primarily due to higher expenses from stock and cash compensation related to the separation of our former Chief Executive Officer, and partially offset by lower legal and professional expenses. During the three months ended June 30, 2020, the Company recognized total general and administrative expense of \$2.8 million related to our former Chief Executive Officer, of which \$2.7 million relates to the separation.

For the six months ended June 30, 2020, general and administrative expense increased \$3.0 million, or 61.4 percent, to \$7.9 million from \$4.9 million for the same period last year. This increase is primarily due to higher expenses from stock and cash compensation related to the separation of our former Chief Executive Officer, higher payroll and benefits costs related to higher headcount, partially offset by lower legal and professional expenses. During the six months ended June 30, 2020, the Company recognized total general and administrative expense of \$3.2 million related to our former Chief Executive Officer, of which \$2.7 million relates to the separation.

Sales and Marketing

For the three months ended June 30, 2020, sales and marketing expense increased \$0.2 million, or 7.9 percent, to \$2.4 million from \$2.2 million for the same period last year. This increase is primarily the result of higher payroll and employee benefits costs resulting from increased headcount and higher sales commissions expense, partially offset by lower sales activities expenses.

For the six months ended June 30, 2020, sales and marketing expense increased \$0.5 million, or 11.5 percent, to \$4.8 million from \$4.3 million for the same period last year. This increase is primarily the result of higher payroll and employee benefits costs resulting from increased headcount, partially offset by lower sales activities expenses.

Research and Development

For the three months ended June 30, 2020 and 2019, research and development expense increased \$0.2 million, or 45.7 percent, to \$0.5 million from \$0.3 million for the same period last year. This increase is primarily the result of higher expenses related to payroll and employee benefits costs due to increased headcount.

For the six months ended June 30, 2020 and 2019, research and development expense increased \$0.2 million, or 33.5 percent, to \$0.9 million from \$0.7 million for the same period last year. This increase is primarily the result of higher expenses related to payroll and employee benefits costs due to increased headcount and higher employee recruiting expenses, partially offset by lower consulting expenses.

Other Income, Net

Other income, net consists of interest income, foreign currency gains and losses, and other miscellaneous income. For the three months ended June 30, 2020 and 2019, we reported other income of approximately \$18,000 and \$78,000, respectively. This decrease is primarily due to lower interest income.

For the six months ended June 30, 2020 and 2019, we reported other income of approximately \$116,000 and \$171,000, respectively. This decrease is primarily due to lower interest income.

Income Taxes

For the three and six months ended June 30, 2020, we recorded a provision for income tax benefit of \$(798,988) and \$(1,732,462), respectively. Our effective tax rate was 27.4 percent and 83.5 percent, respectively, and differed from the U.S. Federal statutory rate primarily due to discrete items related to tax benefits associated with stock-based compensation and a U.S. state tax benefit, partially offset by a limitation on the deductibility of certain executive compensation associated with the separation of our previous Chief Executive Officer. Additionally, we recognized a benefit in our effective tax rate resulting from the Coronavirus Aid, Relief, and Economic Security Act, which allowed us to carryback net operating losses to years prior to the enactment of the Tax Cuts and Jobs Act.

For the three and six months ended June 30, 2019, we recorded a provision for income tax expense of \$364,987 and \$125,841, respectively. Our effective tax rate was 14.9 percent and 3.1 percent, respectively, and differed from the U.S. Federal statutory rate primarily due to discrete items related to tax benefits associated with stock-based compensation and the foreign derived intangible income deduction, partially offset by U.S. state tax expense.

As of June 30, 2020 and December 31, 2019, we had not identified or accrued for any uncertain tax positions. We are currently unaware of any uncertain tax positions that could result in significant payments, accruals or other material deviations in this estimate over the next 12 months. We believe that our tax positions comply in all material respects with applicable tax law. However, tax law is subject to interpretation, and interpretations by taxing authorities could be different from ours, which could result in the imposition of additional taxes and penalties.

We file tax returns in the U.S. Federal jurisdiction and many U.S. state jurisdictions. The Company is subject to income tax examinations for our U.S. Federal and certain U.S. state income taxes for 2016 and subsequent years and various other U.S. state income taxes for 2015 and subsequent years.

Liquidity and Capital Resources

Our principal sources of liquidity have historically been our cash and cash equivalents balances, our investments, cash flow from operations and access to the financial markets. Our principal uses of cash are operating expenses, working capital requirements and capital expenditures.

As of June 30, 2020, we had cash and investments of \$47.8 million, stockholders' equity of \$58.4 million, and working capital of \$54.8 million. As of December 31, 2019, we had cash and investments of \$46.3 million, stockholders' equity of \$55.5 million, and working capital of \$53.1 million.

We believe that our current cash, investments and any cash generated from operations will be sufficient to meet our ongoing operating requirements for at least the next 12 months. We do not anticipate requiring additional capital; however, if required or desirable, we may seek to obtain a credit facility, raise debt or issue additional equity in private or public markets.

	Six Months Ended June 30,	
	2020	2019
Net cash provided by operating activities	\$ 1,987,231	\$ 3,145,632
Net cash provided by investing activities	56,908	896,639
Net cash (used in) provided by financing activities	(68,268)	352,035

Cash provided by operating activities decreased \$(1.1) million to \$2.0 million for the six months ended June 30, 2020, compared to \$3.1 million for the same period in 2019. During the six months ended June 30, 2020, cash provided by operations was positively impacted by cash inflows from accounts receivable and deferred revenue, and negatively impacted by inventory, prepaid income taxes, prepaid expenses and other current assets, accrued payroll and benefits, and accounts payable.

Cash provided by investing activities decreased \$(0.8) million to \$0.1 million for the six months ended June 30, 2020, compared to \$0.9 million for the same period in 2019. This decrease is due to proceeds from the maturity of investments, partially offset by purchases of property and equipment and the capitalization of intangible assets.

Cash used in financing activities was \$(0.1) million for the six months ended June 30, 2020 resulting from taxes paid for the net share settlement of restricted stock units, partially offset by proceeds from the exercise of stock options. For the six months ended June 30, 2019, cash provided by financing activities was \$0.4 million resulting from proceeds from the exercise of stock options, partially offset by taxes paid for the net share settlement of restricted stock units.

We market our products to end users in the U.S. and to distributors internationally. Sales to end users in the U.S. are generally made on open credit terms. Management maintains an allowance for potential credit losses.

Our manufacturing and headquarters facility has been leased from Susi, LLC, an entity controlled by our Chairman of the Board and Chief Executive Officer, Roger Susi. Pursuant to the terms of our lease, the monthly base rent is \$34,133, adjusted annually for changes in the consumer price index.

Off-Balance Sheet Arrangements

As of June 30, 2020 and December 31, 2019, we did not have any off-balance sheet arrangements, as such term is defined under Item 303 of Regulation S-K, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Contractual Obligations

There have been no material changes outside the ordinary course of business to our contractual obligations and commercial commitments since December 31, 2019.

Recent Accounting Pronouncements

See Note 1 to the unaudited condensed financial statements contained herein for a full description of recent accounting pronouncements including the respective expected dates of adoption and status of evaluation of expected effects on results of our operations and financial condition.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. Dollar, principally the Japanese yen (“Yen”). The volatility of the Yen depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income because of transaction gains (losses) related to revaluing Yen denominated accounts payable balances. In the event our Yen denominated accounts payable or expenses increase, our operating results may be affected by fluctuations in the Yen exchange rate. If the U.S. Dollar uniformly increased or decreased in strength by 10 percent relative to the Yen, our net income would have correspondingly increased or decreased by an immaterial amount for the three and six months ended June 30, 2020 and 2019.

Interest Rate Risk

When able, we invest excess cash in bank money-market funds, corporate debt securities or discrete short-term investments. The fair value of our cash equivalents and short-term investments is sensitive to changes in the general level of interest rates in the U.S., and the fair value of these investments will decline if market interest rates increase. As of June 30, 2020, we had \$2.3 million in corporate bonds, with \$1.0 million maturing in less than 1 year and \$1.3 million maturing between 1 and 3 years. These corporate bonds have fixed interest rates and semi-annual interest payment dates. If market interest rates were to change by 100 basis points from levels at June 30, 2020, we expect the corresponding change in fair value of our investments would be approximately \$27,000. This is based on sensitivity analyses performed on our financial position as of June 30, 2020. Actual results may differ as our analysis of the effects of changes in interest rates does not account for, among other things, sales of securities prior to maturity and repurchase of replacement securities, the change in mix or quality of the investments in the portfolio, and changes in the relationship between short-term and long-term interest rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We may from time to time become party to various legal proceedings or claims that arise in the ordinary course of business. Our management reviews these matters if and when they arise and believes that the resolution of any such matters currently known will not have a material effect on our results of operations or financial position.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. The occurrence of any of these risks could harm our business, financial condition, results of operations and/or growth prospects or cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. In evaluating the Company and its business, you should carefully consider the information included in this Quarterly Report on Form 10-Q and the factors discussed under Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as well as in other documents we file with the SEC. Except as described below, there have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Our business, financial condition and operations may be materially adversely affected by the COVID-19 pandemic or other public health crises.

The COVID-19 pandemic, and the resulting restrictions intended to slow the spread of COVID-19, including stay-at-home orders, business shut downs and other restrictions, has and will likely continue to adversely affect our business in a number of ways. To respond to the demands of managing COVID-19 and the resulting economic uncertainties, healthcare organizations may be forced to adjust spending priorities by increased spending related to COVID-19, which may have a significant effect on the demand and available budget for our products and related services. The financial strains on healthcare systems may also lead to an increased risk of delays in customer payments. In addition, a recession resulting from the spread of COVID-19 could materially affect our business, especially if a recession results in higher unemployment causing potential patients to not have access to health insurance. Our ability to generate sales may be further disrupted by hospitals restricting access to hospital workers only. A decline in operating results has limited and could further limit our generation of capital resources and cause financial stress if we are unable to increase revenues or adjust our costs appropriately to changes in revenue. We believe that COVID-19’s adverse impact on our operating results, cash flows and financial condition will be primarily driven by the severity and duration of the pandemic and its impact on the U.S. and global economy.

In addition to adversely impacting demand for our products, COVID-19 or other public health crises could have an adverse impact on our manufacturing capacity, supply chains, and distribution systems as we and other businesses and governments take preventative and precautionary measures designed to slow the spread of COVID-19. We could experience other negative impacts of COVID-19 relating to lack of availability of our key personnel or temporary closures of our office or the facilities of our suppliers or third-party service providers.

The future progression of the COVID-19 pandemic and its resulting impacts on our customers, sales activity, supply chain and distribution networks are highly uncertain at this time. However, the foregoing and other disruptions as a result of COVID-19 could have a material adverse effect on our business, operating results and financial condition, especially to the extent these impacts persist or exacerbate over an extended period of time.

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

None.

Item 3. Default Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description of Document
10.1+	Iradimed Corporation Amended and Restated 2014 Equity Incentive Plan.
10.2+	Separation Agreement and General Release, dated May 28, 2020, by and between Iradimed Corporation and Leslie McDonnell (incorporated by reference to Exhibit 10.1 the Company's Current Report on Form 8-K filed on June 18, 2020).
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 I.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

+ Indicates a management contract or compensatory plan arrangement.

* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

** In accordance with Rule 402 of Regulation S-T, this interactive data file is deemed not filed or part of this Quarterly Report on Form 10-Q for purposes of Sections 11 or 12 of the Securities Act or Section 18 of the Exchange Act and otherwise is not subject to liability under these sections.

IRADIMED CORPORATION

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.

IRADIMED CORPORATION

Dated: August 6, 2020

/s/ Roger Susi

By: Roger Susi

Its: Chief Executive Officer and President (Principal Executive Officer and Authorized Officer)

/s/ Chris Scott

By: Chris Scott

Its: Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)

IRADIMED CORPORATION
AMENDED AND RESTATED
2014 EQUITY INCENTIVE PLAN

Iradimed Corporation, a Delaware corporation (the “**Company**”), sets forth herein the terms of its Amended and Restated 2014 Equity Incentive Plan (the “**Plan**”), as follows:

1. PURPOSE

The Plan, which amends and restates the Iradimed Corporation 2014 Equity Incentive Plan, originally effective April 14, 2014, is intended to enhance the ability of the Company and its Affiliates (as defined herein) ability to attract and retain highly qualified officers, non-employee members of the Board, key employees, consultants and advisors, and to motivate such officers, non-employee members of the Board, key employees, consultants and advisors to serve the Company and its Affiliates and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, unrestricted stock, other stock-based awards and cash awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of performance goals in accordance with the terms hereof. Stock options granted under the Plan may be non-qualified stock options or incentive stock options, as provided herein.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

- 2.1. “Acquiror”** shall have the meaning set forth in **Section 15.2.1**.
 - 2.2. “Affiliate”** means any company or other trade or business that “controls,” is “controlled by” or is “under common control” with the Company within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any Subsidiary.
 - 2.3. “Award”** means a grant of an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Other Stock-based Award or cash award under the Plan.
 - 2.4. “Award Agreement”** means a written agreement between the Company and a Grantee, or notice from the Company or an Affiliate to a Grantee that evidences and sets out the terms and conditions of an Award.
 - 2.5. “Board”** means the Board of Directors of the Company.
 - 2.6. “Business Combination”** shall have the meaning set forth in **Section 15.2.2**.
-

2.7. “Cause” shall be defined as that term is defined in the Grantee’s offer letter or other applicable employment agreement; or, if there is no such definition, “Cause” means, as determined by the Company and unless otherwise provided in an applicable Award Agreement: (i) the commission of any act by a Grantee constituting financial dishonesty against the Company or its Affiliates (which act would be chargeable as a crime under applicable law); (ii) a Grantee’s engaging in any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality or harassment which, as determined in good faith by the Board, would: (A) materially adversely affect the business or the reputation of the Company or any of its Affiliates with their respective current or prospective customers, suppliers, lenders and/or other third parties with whom such entity does or might do business; or (B) expose the Company or any of its Affiliates to a risk of civil or criminal legal damages, liabilities or penalties; (iii) the repeated failure by a Grantee to follow the directives of the chief executive officer of the Company or any of its Affiliates or the Board, or (iv) any material misconduct, violation of the Company’s or Affiliates’ policies, or willful and deliberate non-performance of duty by the Grantee in connection with the business affairs of the Company or its Affiliates.

2.8. “Change in Control” shall have the meaning set forth in **Section 15.2.2**.

2.9. “Code” means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. References to the Code shall include the valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder.

2.10. “Committee” means the Compensation Committee of the Board, or such other committee as determined by the Board. The Compensation Committee of the Board may, in its discretion, designate a subcommittee of its members to serve as the Committee (to the extent the Board has not designated another person, committee or entity as the Committee). Following the Initial Public Offering, (i) the Board will cause the Committee to satisfy the applicable requirements of any stock exchange on which the Common Stock may then be listed; (ii) for purposes of Awards to Covered Employees intended to constitute Performance Awards, to the extent required by Code Section 162(m), Committee means all of the members of the Compensation Committee who are “outside directors” within the meaning of Section 162(m) of the Code; and (iii) for purposes of Awards to Grantees who are subject to Section 16 of the Exchange Act, Committee means all of the members of the Compensation Committee who are “non-employee directors” within the meaning of Rule 16b-3 adopted under the Exchange Act.

2.11. “Company” shall have the meaning set forth in the preamble.

2.12. “Common Stock” or “Stock” means a share of common stock of the Company, par value \$0.0001 per share.

2.13. “Consultant” means a consultant or advisor that provides bona fide services to the Company or any Affiliate and who qualifies as a consultant or advisor under Rule 701 of the Securities Act (during any period in which the Company is not a public company subject to the reporting requirements of the Exchange Act) or Form S-8 (during any

period in which the Company is a public company subject to the reporting requirements of the Exchange Act).

2.14. “Covered Employee” means a Grantee who is a “covered employee” within the meaning of Section 162(m)(3) of the Code as qualified by **Section 12.4**.

2.15. “Disability” shall be defined as that term is defined in the Grantee’s offer letter or other applicable employment agreement; or, if there is no such definition, “Disability” means, as determined by the Company and unless otherwise provided in an applicable Award Agreement, the Grantee is unable to perform each of the essential duties of such Grantee’s position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than 12 months; *provided, however*, that, with respect to rules regarding expiration of an Incentive Stock Option following termination of the Grantee’s Service, “Disability” means “permanent and total disability” as set forth in Section 22(e)(3) of the Code.

2.16. “Effective Date” means April 14, 2014, the date the Plan was approved by the Company’s stockholders.

2.17. “Exchange Act” means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.18. “Fair Market Value” of a share of Common Stock as of a particular date shall mean (1) if the Common Stock is listed on a national securities exchange, the closing or last price of the Common Stock on the composite tape or other comparable reporting system for the applicable date, or if the applicable date is not a trading day, the trading day immediately preceding the applicable date, or (2) if the shares of Common Stock are not then listed on a national securities exchange, or the value of such shares is not otherwise determinable, such value as determined by the Board in good faith in its sole discretion.

2.19. “Family Member” means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the applicable individual, any person sharing the applicable individual’s household (other than a tenant or employee), a trust in which any one or more of these persons have more than fifty percent of the beneficial interest, a foundation in which any one or more of these persons (or the applicable individual) control the management of assets, and any other entity in which one or more of these persons (or the applicable individual) own more than fifty percent of the voting interests.

2.20. “Grant Date” means, as determined by the Board, the latest to occur of (i) the date as of which the Board approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under **Section 6**, or (iii) such other date as may be specified by the Board in the Award Agreement.

2.21. “Grantee” means a person who receives or holds an Award under the Plan.

- 2.22. “Holder”** means, with respect to any Issued Shares, the person holding such Issued Shares, including the initial Grantee or any Permitted Transferee.
- 2.23. “Incentive Stock Option”** means an “incentive stock option” within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.
- 2.24. “Incumbent Directors”** shall have the meaning set forth in **Section 15.2.2**.
- 2.25. “Initial Public Offering”** means the initial public offering of shares of Common Stock pursuant to a registration statement (other than a Form S-8 or successor forms) filed with, and declared effective by, the SEC.
- 2.26. “Issued Shares”** means, collectively, all outstanding shares of Stock issued pursuant to Awards (including without limitation, outstanding shares of Restricted Stock prior to or after vesting and shares issued in connection with the exercise of an Option or SAR).
- 2.27. “New Shares”** shall have the meaning set forth in **Section 15.1**.
- 2.28. “Non-qualified Stock Option”** means an Option that is not an Incentive Stock Option.
- 2.29. “Offered Shares”** shall have the meaning set forth in **Section 17.4.1**.
- 2.30. “Offering”** shall have the meaning set forth in **Section 17.5**.
- 2.31. “Option”** means an option to purchase one or more shares of Stock pursuant to the Plan.
- 2.32. “Option Price”** means the exercise price for each share of Stock subject to an Option.
- 2.33. “Other Stock-based Awards”** means Awards consisting of Stock units, or other Awards, valued in whole or in part by reference to, or otherwise based on, Common Stock.
- 2.34. “Performance Award”** means an Award made subject to the attainment of performance goals (as described in **Section 12**) over a performance period of from one (1) to five (5) years.
- 2.35. “Permitted Transferee”** means any of the following to whom a Holder may transfer Issued Shares hereunder (as set forth in **Section 17.13.3**): the Holder’s spouse, children (natural or adopted), stepchildren or a trust for their sole benefit of which the Holder is the settlor; *provided however*, that any such trust does not require or permit distribution of any Issued Shares during the term of this Agreement unless subject to its terms. Upon the death of the Holder, the term Permitted Transferees shall also include

such deceased Holder's estate, executors, administrators, personal representatives, heirs, legatees and distributees, as the case may be.

- 2.36. **"Plan"** shall have the meaning set forth in the preamble.
- 2.37. **"Prior Plan"** means the Iradimed Corporation (Oklahoma) 2005 Incentive Stock Plan.
- 2.38. **"Purchase Price"** means the purchase price for each share of Stock pursuant to a grant of Restricted Stock.
- 2.39. **"Restricted Period"** shall have the meaning set forth in **Section 10.1**.
- 2.40. **"Restricted Stock"** means shares of Stock, awarded to a Grantee pursuant to **Section 10**.
- 2.41. **"Restricted Stock Unit"** means a bookkeeping entry representing the equivalent of shares of Stock, awarded to a Grantee pursuant to **Section 10**.
- 2.42. **"SAR Exercise Price"** means the per share exercise price of a SAR granted to a Grantee under **Section 9**.
- 2.43. **"SEC"** means the United States Securities and Exchange Commission.
- 2.44. **"Section 409A"** means Section 409A of the Code.
- 2.45. **"Securities Act"** means the Securities Act of 1933, as now in effect or as hereafter amended.
- 2.46. **"Separation from Service"** means a termination of Service by a Service Provider, as determined by the Board, which determination shall be final, binding and conclusive; *provided, however*, that if any Award governed by Section 409A is to be distributed on a Separation from Service, then the definition of Separation from Service for such purposes shall comply with the definition provided in Section 409A.
- 2.47. **"Service"** means service as a Service Provider to the Company or an Affiliate. Unless otherwise stated in the applicable Award Agreement, a Grantee's change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or an Affiliate.
- 2.48. **"Service Provider"** means an employee, officer, non-employee member of the Board, or Consultant of the Company or an Affiliate.
- 2.49. **"Stock Appreciation Right" or "SAR"** means a right granted to a Grantee under **Section 9**.
- 2.50. **"Subsidiary"** means any "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code.

2.51. “Substitute Award” means any Award granted in assumption of or in substitution for an award of a company or business acquired by the Company or a Subsidiary or with which the Company or an Affiliate combines.

2.52. “Ten Percent Stockholder” means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding stock of the Company, its parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

2.53. “Termination Date” means the date that is ten (10) years after the Effective Date, unless the Plan is earlier terminated by the Board under **Section 5.2**.

2.54. “Transition Period” means the period beginning with the consummation of an Initial Public Offering and ending as of the earlier of (i) the date of the first annual meeting of shareholders of the Company at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which the Initial Public Offering occurs and (ii) the expiration of the “reliance period” under Treasury Regulation Section 1.162-27(f)(2).

2.55. “Voting Securities” shall have the meaning set forth in **Section 15.2.2**.

3. ADMINISTRATION OF THE PLAN

3.1. General.

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company’s certificate of incorporation and bylaws and applicable law. The Board shall have the power and authority to delegate its responsibilities hereunder to the Committee, which shall have full authority to act in accordance with its charter (as in effect from time to time), and with respect to the authority of the Board to act hereunder, all references to the Board shall be deemed to include a reference to the Committee, to the extent such power or responsibilities have been delegated. Except as specifically provided in **Section 14** or as otherwise may be required by applicable law, regulatory requirement or the certificate of incorporation or the bylaws of the Company, the Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations, including determinations of fact, not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan. Following the Initial Public Offering, the Committee shall administer the Plan; *provided, however*, the Board shall retain the right to exercise the authority of the Committee to the extent consistent with applicable law and the applicable requirements of any securities exchange on which the Common Stock may then be listed. The interpretation and construction by the Board of any provision of the Plan, any Award or any Award Agreement shall be final, binding and conclusive. Without limitation, the Board shall have full and final authority, subject to the other terms and conditions of the Plan, to:

- (i) designate Grantees;

- (ii) determine the type or types of Awards to be made to a Grantee;
- (iii) determine the number of shares of Stock to be subject to an Award;
- (iv) establish the terms and conditions of each Award (including, but not limited to, the Option Price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the shares of Stock subject thereto, and any terms or conditions that may be necessary to qualify Options as Incentive Stock Options);
- (v) prescribe the form of each Award Agreement; and
- (vi) amend, modify, or supplement the terms of any outstanding Award including the authority, in order to effectuate the purposes of the Plan, to modify Awards to foreign nationals or individuals who are employed outside the United States to recognize differences in local law, tax policy, or custom.

3.2. Deferral Arrangement.

The Board may permit or require the deferral of any Award payment into a deferred compensation arrangement, subject to such rules and procedures as it may establish and in accordance with Section 409A, which may include provisions for the payment or crediting of interest or dividend equivalents, including converting such credits into deferred Stock units.

3.3. No Liability.

No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan, any Award or Award Agreement.

3.4. Book Entry.

Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of stock certificates through the use of book-entry.

4. STOCK SUBJECT TO THE PLAN

4.1. Authorized Number of Shares.

Subject to adjustment under **Section 15**, the aggregate number of shares of Common Stock that may be initially issued pursuant to the Plan is 2,000,000. The total number of shares of Common Stock described in the preceding sentence shall be available for issuance under Incentive Stock Options. Shares of Common Stock underlying any outstanding stock option or other award granted under the Prior Plan or any other predecessor employee stock plan of the Company that is forfeited, terminated or cancelled for any reason without issuance of such shares, including an award that is settled in cash or shares underlying an award that are surrendered or tendered to the Company for payment of an exercise price or to cover taxes, shall be cancelled and will not be available for future grant under the Plan. From and after the

Effective Date, no new awards will be made under the Prior Plan. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares, treasury shares, or shares purchased on the open market or otherwise, all as determined by the Company from time to time. No later than the end of the Transition Period, the maximum number of shares for each type of Stock-based Award, and the maximum amount of cash for any cash-based Award, intended to constitute “performance-based compensation” under Code Section 162(m) granted to any Grantee in any specified period shall be established by the Company and approved by the Company’s stockholders.

4.2. Share Counting.

Any Award settled in cash shall not be counted as shares of Common Stock for any purpose under this Plan. If any Award under the Plan expires, or is terminated, surrendered or forfeited, in whole or in part, the unissued Common Stock covered by such Award shall again be available for the grant of Awards under the Plan. If shares of Common Stock issued pursuant to the Plan are repurchased by, or are surrendered or forfeited to the Company at no more than cost, such shares of Common Stock shall again be available for the grant of Awards under the Plan. If shares of Common Stock issuable upon exercise, vesting or settlement of an Award, or shares of Common Stock owned by a Grantee (which are not subject to any pledge or other security interest), are surrendered or tendered to the Company in payment of the Option Price or Purchase Price of an Award or any taxes required to be withheld in respect of an Award, in each case, in accordance with the terms and conditions of the Plan and any applicable Award Agreement, such surrendered or tendered shares of Common Stock shall again become available for issuance under the Plan. In addition, in the case of any Substitute Award, such Substitute Award shall not be counted against the number of shares reserved under the Plan.

5. EFFECTIVE DATE, DURATION AND AMENDMENTS

5.1. Term.

The Plan shall be effective as of the Effective Date, provided that it has been approved by the Company’s stockholders. The Plan shall terminate automatically on the ten (10) year anniversary of the Effective Date and may be terminated on any earlier date as provided in **Section 5.2**.

5.2. Amendment and Termination of the Plan.

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan as to any Awards which have not been made. An amendment shall be contingent on approval of the Company’s stockholders to the extent stated by the Board, required by applicable law or required by applicable stock exchange listing requirements. No Awards shall be made after the Termination Date. The applicable terms of the Plan, and any terms and conditions applicable to Awards granted prior to the Termination Date shall survive the termination of the Plan and continue to apply to such Awards. No amendment, suspension, or termination of the Plan shall, without the consent of the Grantee, materially impair rights or obligations under any Award theretofore awarded.

6. AWARD ELIGIBILITY AND LIMITATIONS

6.1. Service Providers.

Subject to this Section 6, Awards may be made to any Service Provider as the Board shall determine and designate from time to time in its discretion.

6.2. Successive Awards.

An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

6.3. Stand-Alone, Additional, Tandem, and Substitute Awards.

Awards may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Affiliate, or any business entity to be acquired by the Company or an Affiliate, or any other right of a Grantee to receive payment from the Company or any Affiliate. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Board shall have the right to require the surrender of such other Award in consideration for the grant of the new Award. Subject to the requirements of applicable law, the Board shall have the right, in its discretion, to make Awards in substitution or exchange for any other award under another plan of the Company, any Affiliate, or any business entity to be acquired by the Company or an Affiliate. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Affiliate, in which the value of Stock subject to the Award is equivalent in value to the cash compensation (for example, Restricted Stock Units or Restricted Stock).

7. AWARD AGREEMENT

Each Award shall be evidenced by an Award Agreement, in such form or forms as the Board shall from time to time determine. Without limiting the foregoing, an Award Agreement may be provided in the form of a notice which provides that acceptance of the Award constitutes acceptance of all terms of the Plan and the notice. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Agreement evidencing an Award of Options shall specify whether such Options are intended to be Non-qualified Stock Options or Incentive Stock Options, and in the absence of such specification such options shall be deemed Non-qualified Stock Options.

8. TERMS AND CONDITIONS OF OPTIONS

8.1. Option Price.

The Option Price of each Option shall be fixed by the Board and stated in the related Award Agreement. The Option Price of each Option intended to be an Incentive Stock Option (except those that constitute Substitute Awards) shall be at least the Fair Market Value on the Grant Date of a share of Stock; *provided, however*, that in the event that a Grantee is a Ten

Percent Stockholder as of the Grant Date, the Option Price of an Option granted to such Grantee that is intended to be an Incentive Stock Option shall be not less than 110 percent of the Fair Market Value of a share of Stock on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a share of Stock.

8.2. Vesting.

Subject to **Section 8.3**, each Option shall become exercisable at such times and under such conditions (including, without limitation, performance requirements) as shall be determined by the Board and stated in the Award Agreement.

8.3. Term.

Each Option shall terminate, and all rights to purchase shares of Stock thereunder shall cease, upon the expiration of the Option term determined by the Board and stated in the Award Agreement not to exceed ten (10) years from the Grant Date, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Board and stated in the related Award Agreement; *provided, however*, that in the event that the Grantee is a Ten Percent Stockholder, an Option granted to such Grantee that is intended to be an Incentive Stock Option at the Grant Date shall not be exercisable after the expiration of five (5) years from its Grant Date.

8.4. Limitations on Exercise of Option.

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, (i) prior to the date the Plan is approved by the stockholders of the Company as provided herein or (ii) after the occurrence of an event which results in termination of the Option.

8.5. Method of Exercise.

An Option that is exercisable may be exercised by the Grantee's delivery of a notice of exercise to the Company, setting forth the number of shares of Stock with respect to which the Option is to be exercised, accompanied by full payment for the shares. To be effective, notice of exercise must be made in accordance with procedures established by the Company from time to time.

8.6. Rights of Holders of Options.

Unless otherwise stated in the related Award Agreement, an individual holding or exercising an Option shall have none of the rights of a stockholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject shares of Stock or to direct the voting of the subject shares of Stock) until the shares of Stock covered thereby are fully paid and issued to him. Except as provided in **Section 15** or the related Award Agreement, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

8.7. Delivery of Stock Certificates.

Promptly after the exercise of an Option by a Grantee and the payment in full of the Option Price, such Grantee shall be entitled to the issuance of a stock certificate or certificates evidencing his or her ownership of the shares of Stock subject to the Option.

8.8. Limitations on Incentive Stock Options.

An Option shall constitute an Incentive Stock Option only (i) if the Grantee of such Option is an employee of the Company or any Subsidiary of the Company; (ii) to the extent specifically provided in the related Award Agreement; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the shares of Stock with respect to which all Incentive Stock Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee's employer and its Affiliates) does not exceed \$100,000. This limitation shall be applied by taking Options into account in the order in which they were granted.

9. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

9.1. Right to Payment.

A SAR shall confer on the Grantee a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value of one share of Stock on the date of exercise over (ii) the SAR Exercise Price, as determined by the Board. The Award Agreement for an SAR shall specify the SAR Exercise Price. SARs may be granted alone or in conjunction with all or part of an Option or at any subsequent time during the term of such Option or in conjunction with all or part of any other Award.

9.2. Other Terms.

The Board shall determine at the Grant Date or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which SARs shall cease to be or become exercisable following Separation from Service or upon other conditions, the method of exercise, whether or not a SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR.

9.3. Term of SARs.

The term of a SAR granted under the Plan shall be determined by the Board, in its sole discretion; *provided, however*, that such term shall not exceed ten (10) years.

9.4. Payment of SAR Amount.

Upon exercise of a SAR, a Grantee shall be entitled to receive payment from the Company (in cash or Stock, as determined by the Board) in an amount determined by multiplying:

(i) the difference between the Fair Market Value of a share of Stock on the date of exercise over the SAR Exercise Price; by

(ii) the number of shares of Stock with respect to which the SAR is exercised.

10. TERMS AND CONDITIONS OF RESTRICTED STOCK AND RESTRICTED STOCK UNITS

10.1. Restrictions.

At the time of grant, the Board may, in its sole discretion, establish a period of time (a “**Restricted Period**”) and any additional restrictions including the satisfaction of corporate or individual performance objectives applicable to an Award of Restricted Stock or Restricted Stock Units in accordance with **Section 12.1** and **12.2**. Each Award of Restricted Stock or Restricted Stock Units may be subject to a different Restricted Period and additional restrictions. Neither Restricted Stock nor Restricted Stock Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Period or prior to the satisfaction of any other applicable restrictions.

10.2. Restricted Stock Certificates.

The Company shall issue stock, in the name of each Grantee to whom Restricted Stock has been granted, stock certificates or other evidence of ownership representing the total number of shares of Restricted Stock granted to the Grantee, as soon as reasonably practicable after the Grant Date. The Board may provide in an Award Agreement that either (i) the Secretary of the Company shall hold such certificates for the Grantee’s benefit until such time as the Restricted Stock is forfeited to the Company or the restrictions lapse, or (ii) such certificates shall be delivered to the Grantee; *provided, however*, that such certificates shall bear a legend or legends that comply with the applicable securities laws and regulations and make appropriate reference to the restrictions imposed under the Plan and the Award Agreement.

10.3. Rights of Holders of Restricted Stock.

Unless the Board otherwise provides in an Award Agreement, holders of Restricted Stock shall have rights as stockholders of the Company, including voting and dividend rights.

10.4. Rights of Holders of Restricted Stock Units.

10.4.1. Settlement of Restricted Stock Units.

Restricted Stock Units may be settled in cash or Stock, as determined by the Board and set forth in the Award Agreement. The Award Agreement shall also set forth whether the Restricted Stock Units shall be settled (i) within the time period specified in **Section 17.11** for short term deferrals or (ii) otherwise within the requirements of Section 409A, in which case the Award Agreement shall specify upon which events such Restricted Stock Units shall be settled.

10.4.2. Voting and Dividend Rights.

Unless otherwise stated in the applicable Award Agreement, holders of Restricted Stock Units shall not have rights as stockholders of the Company, including no voting or dividend or dividend equivalents rights.

10.4.3. Creditor's Rights.

A holder of Restricted Stock Units shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

10.5. Purchase of Restricted Stock.

The Grantee shall be required, to the extent required by applicable law, to purchase the Restricted Stock from the Company at a Purchase Price equal to the greater of (i) the aggregate par value of the shares of Stock represented by such Restricted Stock or (ii) the Purchase Price, if any, specified in the related Award Agreement. If specified in the Award Agreement, the Purchase Price may be deemed paid by Services already rendered. The Purchase Price shall be payable in a form described in **Section 11** or, in the discretion of the Board, in consideration for past Services rendered.

10.6. Delivery of Stock.

Upon the expiration or termination of any Restricted Period and the satisfaction of any other conditions prescribed by the Board, the restrictions applicable to shares of Restricted Stock or Restricted Stock Units settled in Stock shall lapse, and, unless otherwise provided in the Award Agreement, a stock certificate for such shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

11. FORM OF PAYMENT FOR OPTIONS AND RESTRICTED STOCK

11.1. General Rule.

Payment of the Option Price for the shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock shall be made in cash or in cash equivalents acceptable to the Company, except as provided in this **Section 11**.

11.2. Surrender of Stock.

To the extent the Award Agreement so provides, payment of the Option Price for shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock may be made all or in part through the tender to the Company of shares of Stock, which shares shall be valued, for purposes of determining the extent to which the Option Price or Purchase Price for Restricted Stock has been paid thereby, at their Fair Market Value on the date of exercise or surrender. Notwithstanding the foregoing, in the case of an Incentive Stock Option, the right to make payment in the form of already owned shares of Stock may be authorized only at the time of grant.

11.3. Cashless Exercise.

With respect to an Option only (and not with respect to Restricted Stock) following the Initial Public Offering, to the extent permitted by law and to the extent the Award Agreement so provides, payment of the Option Price may be made all or in part by delivery (on a form acceptable to the Company) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell shares of Stock and to deliver all or part of the sales proceeds to the Company in payment of the Option Price and any withholding taxes described in **Section 17.3**.

11.4. Other Forms of Payment.

To the extent the Award Agreement so provides, payment of the Option Price or the Purchase Price for Restricted Stock may be made in any other form that is consistent with applicable laws, regulations and rules, including, but not limited to, the Company's withholding of shares of Stock otherwise due to the exercising Grantee.

12. TERMS AND CONDITIONS OF PERFORMANCE AWARDS

12.1. Performance Conditions.

The right of a Grantee to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Board. The Board may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce the amounts payable under any Award subject to performance conditions, except as limited under **Section 12.2** in the case of a Performance Award intended to qualify under Code Section 162(m).

12.2. Performance Awards Granted to Designated Covered Employees.

If and to the extent that the Board determines that a Performance Award to be granted to a Grantee who is designated by the Board as likely to be a Covered Employee should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of pre-established performance goals and other terms set forth in this **Section 12.2**.

12.2.1. Performance Goals Generally.

The performance goals for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Board consistent with this **Section 12.2**. Following the end of the Transition Period, performance goals shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder including the requirement that the level or levels of performance targeted by the Board result in the achievement of performance goals being "substantially uncertain." The Board may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may, in the

discretion of the Board, be established on a Company-wide basis, or with respect to one or more business units, divisions, subsidiaries or business segments, as applicable. Performance goals may be absolute or relative (to the performance of one or more comparable companies or indices). Measurement of performance goals may exclude (in the discretion of the Board) the impact of charges for restructuring, discontinued operations, extraordinary items, and other unusual non-recurring items, and the cumulative effects of tax or accounting changes (each as defined by generally accepted accounting principles and as identified in the Company's financial statements or other SEC filings). Performance goals may differ for Performance Awards granted to any one Grantee or to different Grantees.

12.2.2. Business Criteria.

One or more of the following business criteria for the Company, on a consolidated basis, and/or specified subsidiaries or business units of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used exclusively by the Board in establishing performance goals for such Performance Awards: net sales; revenue; revenue growth or product revenue growth; operating income (before or after taxes); pre-or after-tax income (before or after allocation of corporate overhead and bonuses; net earnings; earnings per share; net income (before or after taxes); return on equity; total shareholder return; return on assets or net assets; appreciation in and/or maintenance of, share price; market share; gross profits; earnings (including earnings before taxes, earnings before interest and taxes or earnings before interest, taxes depreciation and amortization); economic value-added models or equivalent metrics; comparisons with various stock market indices; reduction in costs; cash flow or cash flow per share (before or after dividends); return on capital (including return on total capital or return on invested capital; cash flow return on investment; improvement in or attainment of expense levels or working capital levels; operating margins; gross margins or cash margin; year-end cash; debt reductions; shareholder equity; regulatory performance; implementation, completion or attainment of measurable objectives with respect to research, development, products or projects and recruiting and maintaining personnel and any other business criteria established by the Board.

12.2.3. Timing for Establishing Performance Goals.

Following the Transition Period, performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance Awards, or at such other date as may be required or permitted for "performance-based compensation" under Code Section 162(m).

12.2.4. Settlement of Performance Awards; Other Terms.

Settlement of Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Board. The Board may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards.

12.3. Written Determinations.

All determinations by the Board as to the establishment of performance goals, the amount of any Performance Award pool or potential individual Performance Awards and as to the

achievement of performance goals relating to Performance Awards, shall be made in writing in the case of any Award intended to qualify under Code Section 162(m) to the extent required by Code Section 162(m). To the extent permitted by Code Section 162(m), the Board may delegate any responsibility relating to such Performance Awards.

12.4. Status of Section 12.2 Awards under Code Section 162(m).

The provisions of this **Section 12.4** are applicable following the Transition Period. It is the intent of the Company that Performance Awards under **Section 12.2** granted to persons who are designated by the Board as likely to be Covered Employees within the meaning of Code Section 162(m) and regulations thereunder shall, if so designated by the Board, constitute “qualified performance-based compensation” within the meaning of Code Section 162(m) and regulations thereunder. Accordingly, the terms of **Section 12.2**, including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Board cannot determine with certainty whether a given Grantee will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Board, at the time of grant of Performance Awards, as likely to be a Covered Employee with respect to that fiscal year. If any provision of the Plan or any agreement relating to such Performance Awards does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

13. OTHER STOCK-BASED AWARDS

13.1. Grant of Other Stock-based Awards.

Other Stock-based Awards may be granted either alone or in addition to or in conjunction with other Awards under the Plan. Other Stock-based Awards may be granted in lieu of other cash or other compensation to which a Service Provider is entitled from the Company or may be used in the settlement of amounts payable in shares of Common Stock under any other compensation plan or arrangement of the Company, including without limitation, the Company’s incentive compensation plan. Subject to the provisions of the Plan, the Board shall have the sole and complete authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be granted pursuant to such Awards, and all other conditions of such Awards. Unless the Board determines otherwise, any such Award shall be confirmed by an Award Agreement, which shall contain such provisions as the Board determines to be necessary or appropriate to carry out the intent of this Plan with respect to such Award.

13.2. Terms of Other Stock-based Awards.

Any Common Stock subject to Awards made under this **Section 13** may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

14. REQUIREMENTS OF LAW

14.1. General.

The Company shall not be required to sell or issue any shares of Stock under any Award if the sale or issuance of such shares would constitute a violation by the Grantee, any other individual exercising an Option, or the Company of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares hereunder, no shares of Stock may be issued or sold to the Grantee or any other individual exercising an Option pursuant to such Award unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or the delivery of any shares of Stock underlying an Award, unless a registration statement under such Act is in effect with respect to the shares of Stock covered by such Award, the Company shall not be required to sell or issue such shares unless the Board has received evidence satisfactory to it that the Grantee or any other individual exercising an Option may acquire such shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Board shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of shares of Stock pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the shares of Stock covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

14.2. Rule 16b-3.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards and the exercise of Options granted to officers and directors hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board or Committee does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

14.3. Non-Exempt Employees.

No Option granted to a Grantee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable for any shares of Stock until at least six months following the date of grant of the Option. Notwithstanding the foregoing, consistent with the provisions of the Worker Economic Opportunity Act, in the event of the Grantee's death or Disability, upon a Change in Control in which the vesting of such Options accelerates, or upon the Grantee's retirement (as such term may be defined in the Grantee's Award Agreement or in another applicable agreement or in accordance with the Company's then current employment policies and guidelines) any such vested Options may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option shall be exempt from his or her regular rate of pay.

15. EFFECT OF CHANGES IN CAPITALIZATION

15.1. Adjustments for Changes in Capital Structure.

Subject to any required action by the stockholders of the Company, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and class of shares subject to the Plan and to any outstanding Awards, and in the Option Price, SAR Exercise Price or Purchase Price per share of any outstanding Awards in order to prevent dilution or enlargement of Grantees' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to a Change in Control) shares of another corporation (the "**New Shares**"), the Board may unilaterally amend the outstanding Awards to provide that such Awards are for New Shares. In the event of any such amendment, the number of shares subject to, and the Option Price, SAR Exercise Price or Purchase Price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Board, in its discretion. Any fractional share resulting from an adjustment pursuant to this **Section 15.1** shall be rounded down to the nearest whole number and the Option Price, SAR Exercise Price or Purchase Price per share shall be rounded up to the nearest whole cent. In no event may the exercise price of any Award be decreased to an amount less than the par value, if any, of the stock subject to the Award. The Board in its sole discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate. Adjustments determined by the Board pursuant to this **Section 15.1** shall be made in accordance with Section 409A to the extent applicable.

15.2. Change in Control.

15.2.1. Consequences of a Change in Control.

Subject to the requirements and limitations of Section 409A if applicable, the Board may provide for any one or more of the following in connection with a Change in Control:

(a) ***Accelerated Vesting.*** The Board may, in its discretion, provide in any Award Agreement or, in the event of a Change in Control, may take such actions as it deems appropriate to provide for the acceleration of the exercisability, vesting and/or settlement in connection with such Change in Control of each or any outstanding Award or portion thereof and shares acquired pursuant thereto upon such conditions, including termination of the Grantee's Service prior to, upon, or following such Change in Control, to such extent as the Board shall determine.

(b) ***Assumption, Continuation or Substitution.*** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "**Acquiror**"), may, without the consent of any Grantee, either assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable. For purposes of this **Section 15.2.1**, if so determined by the Board, in its discretion, an Award denominated in shares of Stock shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled; *provided, however*, that if such consideration is not solely common stock of the Acquiror, the Board may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each share of Stock subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. If any portion of such consideration may be received by holders of Stock pursuant to the Change in Control on a contingent or delayed basis, the Board may, in its sole discretion, determine such Fair Market Value per share as of the time of the Change in Control on the basis of the Board's good faith estimate of the present value of the probable future payment of such consideration. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

(c) ***Cash-Out of Awards.*** The Board may, in its discretion and without the consent of any Grantee, determine that, upon the occurrence of a Change in Control, each or any Award or a portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Board) of Stock subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount

having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control, reduced by the exercise or purchase price per share, if any, under such Award. If any portion of such consideration may be received by holders of Stock pursuant to the Change in Control on a contingent or delayed basis, the Board may, in its sole discretion, determine such Fair Market Value per share as of the time of the Change in Control on the basis of the Board's good faith estimate of the present value of the probable future payment of such consideration. In the event such determination is made by the Board, the amount of such payment (reduced by applicable withholding taxes, if any) shall be paid to Grantees in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

15.2.2. Change in Control Defined.

Except as may otherwise be defined in an Award Agreement, a Change in Control shall mean the occurrence of any of the following events:

- (a) the acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act), other than the Company or any subsidiary, affiliate (within the meaning of Rule 144 promulgated under the Securities Act of 1933, as amended) or employee benefit plan of the Company, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "**Voting Securities**"); or
- (b) a reorganization, merger, consolidation or recapitalization of the Company (a "**Business Combination**"), other than a Business Combination in which more than 50% of the combined voting power of the outstanding voting securities of the surviving or resulting entity immediately following the Business Combination is held by the persons who, immediately prior to the Business Combination, were the holders of the Voting Securities; or
- (c) a complete liquidation or dissolution of the Company, or a sale of all or substantially all of the assets of the Company; or
- (d) during any period of 24 consecutive months, the Incumbent Directors cease to constitute a majority of the Board of Directors; "**Incumbent Directors**" shall mean individuals who were members of the Board of Directors at the beginning of such period or individuals whose election or nomination for election to the Board of Directors by the Company's stockholders was approved by a vote of at least a majority of the then Incumbent Directors (but excluding any individual whose initial election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors).

Notwithstanding the foregoing, if it is determined that an Award hereunder is subject to the requirements of Section 409A and payable upon a Change in Control, the Company will not

be deemed to have undergone a Change in Control unless the Company is deemed to have undergone a “change in control event” pursuant to the definition of such term in Section 409A.

15.3. Adjustments.

Adjustments under this **Section 15** related to shares of Stock or securities of the Company shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

16. NO LIMITATIONS ON COMPANY

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

17. TERMS APPLICABLE GENERALLY TO AWARDS GRANTED UNDER THE PLAN

17.1. Disclaimer of Rights.

No provision in the Plan or in any Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Company or any Affiliate either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company or any Affiliate. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a Service Provider. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

17.2. Nonexclusivity of the Plan.

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals), including, without limitation, the granting of stock options as the Board in its discretion determines desirable.

17.3. Withholding Taxes.

The Company or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, state, or local taxes of any kind required by law to be withheld (i) with respect to the vesting of or other lapse of restrictions applicable to an Award, (ii) upon the issuance of any shares of Stock upon the exercise of an Option or SAR, or (iii) otherwise due in connection with an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Company or the Affiliate, as the case may be, any amount that the Company or the Affiliate may reasonably determine to be necessary to satisfy such withholding obligation. Subject to the prior approval of the Company or the Affiliate, which may be withheld by the Company or the Affiliate, as the case may be, in its sole discretion, the Grantee may elect to satisfy such obligations, in whole or in part, (i) by causing the Company or the Affiliate to withhold the minimum required number of shares of Stock otherwise issuable to the Grantee as may be necessary to satisfy such withholding obligation or (ii) by delivering to the Company or the Affiliate shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Company or the Affiliate as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this **Section 17.3** may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

17.4. Right of First Refusal; Right to Repurchase.

17.4.1. Right of First Refusal.

Except as otherwise expressly provided in an Award Agreement, stockholders' agreement or other agreement to which a Holder is a party, at any time prior to registration by the Company of its Common Stock under Section 12 of the Exchange Act, in the event that the Holder desires at any time to sell or otherwise transfer all or any part of such Holder's Issued Shares (to the extent vested), the Holder first shall give written notice to the Company of the Holder's intention to make such transfer. Such notice shall state the number of Issued Shares which the Holder proposes to sell (the "**Offered Shares**"), the price and the terms at which the proposed sale is to be made and the name and address of the proposed transferee. At any time within 30 days after the receipt of such notice by the Company, the Company or its assigns may elect to purchase all or any portion of the Offered Shares at the price and on the terms offered by the proposed transferee and specified in the notice. The Company or its assigns shall exercise this right by mailing or delivering written notice to the Holder within the foregoing 30-day period. If the Company or its assigns elect to exercise its purchase rights under this **Section 17.4.1**, the closing for such purchase shall, in any event, take place within 45 days after the receipt by the Company of the initial notice from the Holder. In the event that the Company or its assigns do not elect to exercise such purchase right, or in the event that the Company or its assigns do not pay the full purchase price within such 45-day period, the Holder may, within 60 days thereafter, sell the Offered Shares to the proposed transferee and at the same price and on the same terms as specified in the Holder's notice. Any Issued Shares purchased by such proposed transferee shall no longer be subject to the terms of the Plan. Any Issued Shares not sold to the proposed transferee shall remain subject to the Plan.

17.4.2. Right of Repurchase.

Except as otherwise expressly provided in an Award Agreement, stockholders' agreement or other agreement to which a Grantee is a party, at any time prior to registration by the Company of its Common Stock under Section 12 of the Exchange Act, in the case of any Grantee whose Separation from Service is for Cause, or where the Grantee has, in the Board's reasonable determination, taken any action prior to or following his Separation of Service which would have constituted grounds for Cause, the Company shall have the right, exercisable at any time and from time to time thereafter, to repurchase from the Grantee (or any successor in interest by purchase, gift or other mode of transfer) any shares of Common Stock issued to such Grantee under the Plan for the purchase price paid by the Grantee for such shares of Common Stock (or the Fair Market Value of such Common Stock at the time of repurchase, if lower).

17.5. Market Standoff Requirement.

Except as otherwise expressly provided in an Award Agreement, stockholders' agreement or other agreement to which a Grantee is a party, in connection with any underwritten public offering of its Common Stock ("**Offering**") and upon request of the Company or the underwriters managing the Offering, Grantees shall not be permitted to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise directly or indirectly dispose of any Common Stock delivered under the Plan (other than those shares of Common Stock included in the Offering) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of the registration statement with respect to such Offering as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters in connection with such Offering.

17.6. Captions.

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or any Award Agreement.

17.7. Other Provisions.

Each Award Agreement may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion. In the event of any conflict between the terms of an employment agreement and the Plan, the terms of the employment agreement govern.

17.8. Number and Gender.

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

17.9. Severability.

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

17.10. Governing Law.

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law.

17.11. Section 409A.

The Plan is intended to comply with Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the Plan that are due within the “short-term deferral period” as defined in Section 409A shall not be treated as deferred compensation unless applicable laws require otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six (6) month period immediately following the Grantee’s Separation from Service shall instead be paid on the first payroll date after the six-month anniversary of the Grantee’s Separation from Service (or the Grantee’s death, if earlier). Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any excise tax or penalty on any Grantee under Section 409A and neither the Company nor the Committee will have any liability to any Grantee for such tax or penalty.

17.12. Separation from Service.

The Board shall determine the effect of a Separation from Service upon Awards, and such effect shall be set forth in the appropriate Award Agreement. Without limiting the foregoing, the Board may provide in the Award Agreements at the time of grant, or any time thereafter with the consent of the Grantee, the actions that will be taken upon the occurrence of a Separation from Service, including, but not limited to, accelerated vesting or termination, depending upon the circumstances surrounding the Separation from Service.

17.13. Transferability of Awards and Issued Shares.

17.13.1. Transfers in General.

Except as provided in **Section 17.13.2**, no Award shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution, and, during the lifetime of the Grantee, only the Grantee personally (or the Grantee’s personal representative) may exercise rights under the Plan.

17.13.2. Family Transfers.

If authorized in the applicable Award Agreement, a Grantee may transfer, not for value, all or part of an Award (other than Incentive Stock Options) to any Family Member. For the purpose of this **Section 17.13.2**, a “not for value” transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in that entity. Following a transfer under this **Section 17.13.2**, any such Award shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Awards are prohibited except to Family Members of the original Grantee in accordance with this **Section 17.13.2** or by will or the laws of descent and distribution.

17.13.3. Issued Shares.

No Issued Shares shall be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of or encumbered, whether voluntarily or by operation of law, unless (i) such transfer is in compliance with the terms of the applicable Award, all applicable securities laws, and with the terms and conditions of the Plan (including **Sections 17.4** and **17.5** and this **Section 17.13.3**), (ii) such transfer does not cause the Company to become subject to the reporting requirements of the Exchange Act, and (iii) the transferee consents in writing to be bound by the provisions of the Plan (including **Sections 17.4** and **17.5** and this **Section 17.13.3**). In connection with any proposed transfer, the Board may require the transferor to provide at the transferor’s own expense an opinion of counsel to the transferor, satisfactory to the Board, that such transfer is in compliance with all foreign, federal and state securities laws. Any attempted disposition of Issued Shares not in accordance with the terms and conditions of this **Section 17.13.3** shall be null and void, and the Company shall not reflect on its records any change in record ownership of any Issued Shares as a result of any such disposition, shall otherwise refuse to recognize any such disposition and shall not in any way give effect to any such disposition of Issued Shares. Subject to the foregoing general provisions, and unless otherwise provided in the agreement with respect to a particular Award, Issued Shares may be transferred pursuant to the following specific terms and conditions:

- (i) Transfers to Permitted Transferees. The Holder may sell, assign, transfer or give away any or all of the Issued Shares to Permitted Transferees; *provided, however*, that following such sale, assignment, or other transfer, such Issued Shares shall continue to be subject to the terms of this Plan (including **Sections 17.4** and **17.5** and this **Section 17.13.3**) and such Permitted Transferee(s) shall, as a condition to any such transfer, deliver a written acknowledgment to that effect to the Company.
- (ii) Transfers Upon Death. Upon the death of the Holder, any Issued Shares then held by the Holder at the time of such death and any Issued Shares acquired thereafter by the Holder’s legal representative shall be subject to the provisions of this Plan, and the Holder’s estate, executors, administrators, personal representatives, heirs, legatees and distributees shall be obligated to convey such Issued Shares to the Company or its assigns under the terms contemplated hereby.

17.14. Dividends and Dividend Equivalent Rights.

If specified in the Award Agreement, the recipient of an Award under this Plan may be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the Common Stock or other securities covered by an Award. The terms and conditions of a dividend equivalent right may be set forth in the Award Agreement. Dividend equivalents credited to a Grantee may be paid currently or may be deemed to be reinvested in additional shares of Stock or other securities of the Company at a price per unit equal to the Fair Market Value of a share of Stock on the date that such dividend was paid to shareholders, as determined in the sole discretion of the Board.

Iradimed Corporation

/s/Roger Susi

By: Roger Susi

Title: CEO and President

Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Roger Susi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IRADIMED CORPORATION;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

/s/ Roger Susi

By: Roger Susi
Chief Executive Officer and President
(Principal Executive Officer)

Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Chris Scott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IRADIMED CORPORATION;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

/s/ Chris Scott

By: Chris Scott
Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

Certification of Chief Executive Officer and Chief Financial Officer 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 IRADIMED CORPORATION (the "Company") on Form 10-Q for the quarter ending June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his 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/ Roger Susi

By: Roger Susi
Chief Executive Officer and President
(Principal Executive Officer)
August 6, 2020

/s/ Chris Scott

By: Chris Scott
Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)
August 6, 2020
