

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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 Number: 000-50744

NUVASIVE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

33-0768598

(I.R.S. Employer
Identification No.)

7475 Lusk Boulevard

San Diego, CA 92121

(Address of principal executive offices)

(858) 909-1800

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	NUVA	The NASDAQ Stock Market LLC (NASDAQ Global Select 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 than the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of May 4, 2020 there were 51,248,457 shares of the registrant's common stock (par value \$0.001 per share) outstanding.

NuVasive, Inc.
Quarterly Report on Form 10-Q
March 31, 2020

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements	4
	Consolidated Balance Sheets	4
	Consolidated Statements of Operations	5
	Consolidated Statements of Comprehensive Income	6
	Consolidated Statements of Equity	7
	Consolidated Statements of Cash Flows	9
	Notes to Unaudited Consolidated Financial Statements	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	38
Item 4.	Controls and Procedures	38

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	38
Item 1A.	Risk Factors	38
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	42
Item 3.	Defaults Upon Senior Securities	42
Item 4.	Mine Safety Disclosures	42
Item 5.	Other Information	42
Item 6.	Exhibits	43

	SIGNATURES	45
--	----------------------------	----

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

NUVASIVE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par values and share amounts)

ASSETS	March 31, 2020	December 31, 2019
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 511,976	\$ 213,034
Accounts receivable, net of allowances of \$17,386 and \$17,019, respectively	186,826	211,532
Inventory, net	324,675	312,419
Prepaid income taxes	17,628	10,434
Prepaid expenses and other current assets	17,294	16,917
Total current assets	1,058,399	764,336
Property and equipment, net	280,058	266,318
Intangible assets, net	191,136	201,092
Goodwill	559,299	561,064
Operating lease right-of-use assets	107,304	66,932
Deferred tax assets	9,354	9,162
Restricted cash and investments	1,494	1,494
Other assets	13,477	14,892
Total assets	\$ 2,220,521	\$ 1,885,290
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 91,241	\$ 97,160
Contingent consideration liabilities	14,859	15,727
Accrued payroll and related expenses	40,173	86,458
Operating lease liabilities	7,031	5,567
Income tax liabilities	151	2,005
Senior convertible notes	628,681	—
Total current liabilities	782,136	206,917
Long-term senior convertible notes	361,633	623,298
Deferred and income tax liabilities	23,905	14,655
Operating lease liabilities	116,496	73,153
Other long-term liabilities	50,152	52,060
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.001 par value; 120,000,000 shares authorized at March 31, 2020 and December 31, 2019, 57,691,871 and 57,524,658 issued and outstanding at March 31, 2020 and December 31, 2019, respectively	62	62
Additional paid-in capital	1,478,294	1,429,854
Accumulated other comprehensive loss	(13,227)	(9,418)
Retained earnings	87,773	82,475
Treasury stock at cost; 6,524,218 shares and 5,379,536 shares at March 31, 2020 and December 31, 2019, respectively	(666,703)	(587,766)
Total equity	886,199	915,207
Total liabilities and equity	\$ 2,220,521	\$ 1,885,290

See accompanying Notes to Unaudited Consolidated Financial Statements.

NUVASIVE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

(unaudited)	Three Months Ended March 31,	
	2020	2019
Revenue		
Product revenue	\$ 234,687	\$ 243,823
Service revenue	25,194	30,953
Total revenue	259,881	274,776
Cost of revenue (excluding below amortization of intangible assets)		
Cost of products sold	51,645	54,486
Cost of services	20,220	20,008
Total cost of revenue	71,865	74,494
Gross profit	188,016	200,282
Operating expenses:		
Sales, marketing and administrative	130,231	145,076
Research and development	18,257	17,575
Amortization of intangible assets	12,649	13,625
Business transition costs	(1,440)	3,833
Total operating expenses	159,697	180,109
Interest and other expense, net:		
Interest income	731	409
Interest expense	(11,517)	(9,513)
Other (expense) income, net	(7,408)	(366)
Total interest and other expense, net	(18,194)	(9,470)
Income before income taxes	10,125	10,703
Income tax expense	(4,827)	(1,317)
Consolidated net income	\$ 5,298	\$ 9,386
Net income per share:		
Basic	\$ 0.10	\$ 0.18
Diluted	\$ 0.10	\$ 0.18
Weighted average shares outstanding:		
Basic	51,837	51,675
Diluted	53,727	52,480

See accompanying Notes to Unaudited Consolidated Financial Statements.

NUVASIVE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

(unaudited)	Three Months Ended March 31,	
	2020	2019
Consolidated net income	\$ 5,298	\$ 9,386
Other comprehensive loss:		
Translation adjustments, net of tax	(3,809)	(494)
Other comprehensive loss	(3,809)	(494)
Total consolidated comprehensive income	\$ 1,489	\$ 8,892

See accompanying Notes to Unaudited Consolidated Financial Statements.

NUVASIVE, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)

(unaudited)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2019	57,525	\$ 62	\$ 1,429,854	\$ (9,418)	\$ 82,475	(5,380)	\$ (587,766)	\$ 915,207
Issuance of common stock under employee and director equity option and purchase plans	167	—	119	—	—	(59)	(3,937)	(3,818)
Stock-based compensation expense	—	—	2,786	—	—	—	—	2,786
Tax benefits related to convertible note issuance	—	—	484	—	—	—	—	484
Shares repurchased	—	—	—	—	—	(1,085)	(75,000)	(75,000)
Sale of warrants	—	—	47,070	—	—	—	—	47,070
Convertible note hedge	—	—	(78,300)	—	—	—	—	(78,300)
Equity component of convertible note issuance	—	—	78,268	—	—	—	—	78,268
Debt issuance costs attributable to convertible feature	—	—	(1,987)	—	—	—	—	(1,987)
Consolidated net income	—	—	—	—	5,298	—	—	5,298
Other comprehensive loss	—	—	—	(3,809)	—	—	—	(3,809)
Balance at March 31, 2020	<u>57,692</u>	<u>\$ 62</u>	<u>\$ 1,478,294</u>	<u>\$ (13,227)</u>	<u>\$ 87,773</u>	<u>(6,524)</u>	<u>\$ (666,703)</u>	<u>\$ 886,199</u>

See accompanying Notes to Unaudited Consolidated Financial Statements.

NUVASIVE, INC.
CONSOLIDATED STATEMENTS OF EQUITY – (Continued)
(in thousands)

(unaudited)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2018	56,648	\$ 61	\$ 1,397,829	\$ (8,628)	\$ 17,241	(5,116)	\$ (571,978)	\$ 834,525
Issuance of common stock under employee and director equity option and purchase plans	399	—	202	—	—	(146)	(8,379)	(8,177)
Stock-based compensation expense	—	—	4,766	—	—	—	—	4,766
Issuance of common stock in connection with royalty milestone achievement	72	—	—	—	—	—	—	—
Consolidated net income	—	—	—	—	9,386	—	—	9,386
Other comprehensive loss	—	—	—	(494)	—	—	—	(494)
Balance at March 31, 2019	<u>57,119</u>	<u>\$ 61</u>	<u>\$ 1,402,797</u>	<u>\$ (9,122)</u>	<u>\$ 26,627</u>	<u>(5,262)</u>	<u>\$ (580,357)</u>	<u>\$ 840,006</u>

See accompanying Notes to Unaudited Consolidated Financial Statements.

NUVASIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

(unaudited)	Three Months Ended March 31,	
	2020	2019
Operating activities:		
Consolidated net income	\$ 5,298	\$ 9,386
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,972	34,054
Amortization of non-cash interest	7,143	5,210
Stock-based compensation	(2,858)	5,717
Reserves on current assets	5,232	3,785
Net loss on strategic investments	1,411	—
Other non-cash adjustments	5,403	3,172
Deferred income taxes	9,105	1,547
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	22,409	1,620
Inventory	(21,135)	(19,292)
Prepaid expenses and other current assets	(2,042)	(1,399)
Accounts payable and accrued liabilities	(5,271)	(2,249)
Accrued payroll and related expenses	(45,927)	(14,815)
Income taxes	(8,515)	(2,261)
Net cash provided by operating activities	5,225	24,475
Investing activities:		
Purchases of intangible assets	(2,490)	(6,827)
Purchases of property and equipment	(28,116)	(33,929)
Net cash used in investing activities	(30,606)	(40,756)
Financing activities:		
Purchases of treasury stock	(78,818)	(8,177)
Payment of contingent consideration	(346)	(1,435)
Proceeds from issuance of convertible debt, net of issuance costs	437,686	—
Proceeds from sale of warrants	47,070	—
Purchase of convertible note hedge	(78,300)	—
Other financing activities	(1,233)	1,556
Net cash provided by (used in) financing activities	326,059	(8,056)
Effect of exchange rate changes on cash	(1,736)	(112)
Increase (decrease) in cash, cash equivalents and restricted cash	298,942	(24,449)
Cash, cash equivalents and restricted cash at beginning of period	214,528	120,235
Cash, cash equivalents and restricted cash at end of period	\$ 513,470	\$ 95,786

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on our Unaudited Consolidated Statements of Cash Flows for the periods presented:

	Three Months Ended March 31,	
	2020	2019
Cash and cash equivalents	\$ 511,976	\$ 93,391
Restricted cash	1,494	2,395
Total cash, cash equivalents and restricted cash shown in the Unaudited Consolidated Statement of Cash Flows	\$ 513,470	\$ 95,786

See accompanying Notes to Unaudited Consolidated Financial Statements.

NUVASIVE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Basis of Presentation*Description of Business*

NuVasive, Inc. (the “Company” or “NuVasive”) was incorporated in Delaware on July 21, 1997, and began commercializing its products in 2001. The Company’s principal product offering includes a minimally disruptive surgical platform called Maximum Access Surgery, or MAS. The MAS platform combines three categories of solutions that collectively minimize soft tissue disruption during spine fusion surgery, provide maximum visualization and are designed to enable safe and reproducible outcomes for the surgeon and the patient. The platform includes the Company’s proprietary software-driven nerve detection and avoidance systems and Intraoperative Monitoring (“IOM”) services and support; MaXcess, an integrated split-blade retractor system; and a wide variety of specialized implants and biologics. To assist with surgical procedures, the Company offers a technology platform called Integrated Global Alignment (“iGA”); in which products and computer assisted technology under the MAS platform help achieve more precise spinal alignment. The individual components of the MAS platform, and many of the Company’s products, can also be used in open or traditional spine surgery. The Company continues to focus research and development efforts to expand its MAS product platform and advance the applications of its unique technology into procedurally integrated surgical solutions. The Company dedicates significant resources toward training spine surgeons on its unique technology and products.

The Company’s procedurally integrated solutions use innovative, technological advancements and the MAS platform to provide surgical efficiency, operative reliability, and procedural versatility. The Company offers a range of implants for spinal surgery, which include its porous titanium and polyetheretherketone (“PEEK”) implants under its Advanced Materials Science portfolio, fixation products such as customizable rods, plates and screws, bone allograft in patented saline packaging, allogeneic and synthetic biologics, and disposables used in IOM. The Company makes available MAS instrument sets, MaXcess and neuromonitoring systems to hospitals to facilitate surgeon access to the spine to perform restorative and fusion procedures using the Company’s implants and fixation products. The Company sells MAS instrument sets, MaXcess and neuromonitoring systems to hospitals, however, such sales are immaterial to the Company’s results of operations.

The Company also designs and sells expandable growing rod implant systems that can be non-invasively lengthened following implantation with precise, incremental adjustments via an external remote controller using magnetic technology called MAGnetic External Control, or MAGEC, which allows for the minimally invasive treatment of early-onset and adolescent scoliosis. This technology is also the basis for the Company’s Precice limb lengthening system, which allows for the correction of long bone limb length discrepancy, as well as enhanced bone healing in patients that have experienced traumatic injury.

The Company has developed a procedural solution for spine surgery that includes IOM services, iGA and hardware and software technology offerings. The Company has also invested in the development of capital equipment designed to further improve clinical and economic outcomes through proceduralization, including LessRay and Pulse. LessRay is an image enhancement platform designed to reduce radiation exposure in the operating room by allowing surgeons to take low-quality, low-dose images and improve them to look like conventional full-dose images. Pulse integrates multiple enabling technologies within a single, expandable platform and is engineered to improve workflow, reduce variability, and increase the reproducibility of surgical outcomes. Revenue from the sale or lease of capital equipment does not make up a material portion of the Company’s total revenue.

Basis of Presentation and Principles of Consolidation

The accompanying Unaudited Consolidated Financial Statements include the accounts of the Company and its majority-owned or controlled subsidiaries, collectively referred to as either NuVasive or the Company. The Company translates the financial statements of its foreign subsidiaries using end-of-period exchange rates for assets and liabilities and average exchange rates during each reporting period for results of operations. When there is a portion of equity in an acquired subsidiary not attributable, directly or indirectly, to the respective parent entity, the Company records the fair value of the non-controlling interest at the acquisition date and classifies the amounts attributable to non-controlling interest separately in equity in the Company’s Consolidated Financial Statements. Any subsequent changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary are accounted for as equity transactions. All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying Unaudited Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Pursuant to these rules and regulations, the Company has condensed or omitted certain information and footnote disclosures it normally includes in its annual Consolidated Financial Statements prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). Operating results for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for any other interim period or for the full year. These Unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2019 included in the Company’s Annual Report on Form 10-K filed with the SEC. In the opinion of management, the Unaudited Consolidated Financial Statements and notes thereto include all adjustments that are of a normal and recurring nature that are necessary for the fair presentation of the Company’s financial position and of the results of operations and cash flows for the periods presented.

Use of Estimates

To prepare financial statements in conformity with GAAP, management must make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued Accounting Standards Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which modifies Accounting Standard Codification 740 – Income Taxes, to simplify the accounting for income taxes. ASU 2019-12 removes certain exceptions for intraperiod tax allocation, recognizing deferred taxes for investments and simplifies guidance to reduce complexity in certain areas. This update is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, and early adoption is permitted. The Company is in the process of determining the impact the adoption will have on its Consolidated Financial Statements as well as whether to early adopt the new guidance.

In January 2020, the FASB issued Accounting Standards Update No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)*, which clarifies the interaction of the accounting for equity securities, investments accounted for under the equity method, and certain forward contracts and purchased options. This update is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, and early adoption is permitted. The Company is in the process of determining the impact the adoption will have on its Consolidated Financial Statements as well as whether to early adopt the new guidance.

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses*, which changes the accounting for recognizing impairments of financial assets. Under the new guidance, credit losses for certain types of financial instruments will be estimated based on expected losses. The new guidance also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. The amendments in this update were adopted using a modified retrospective transition method as of January 1, 2020, which had no cumulative impact to retained earnings. The adoption of this guidance did not have a material impact on the Company’s Unaudited Consolidated Financial Statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles – Goodwill and Other*, which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value. The Company adopted the amendments in this update on January 1, 2020, which will be applied using a prospective transition method. The adoption did not have a material impact on the Company’s Unaudited Consolidated Financial Statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), which adds and modifies certain disclosure requirements for fair value measurements. Under the new guidance, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, or valuation processes for Level 3 fair value measurements. However, public companies will be required to disclose the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and related changes in unrealized gains and losses included in other comprehensive income. The Company adopted ASU 2018-13 as of January 1, 2020. The adoption did not have a material impact on the Company’s Unaudited Consolidated Financial Statements. See Note 3 to the Unaudited Consolidated Financial Statements for further discussion on fair value measurements.

In September 2018, the FASB issued Accounting Standards Update No. 2018-15, *Intangible – Goodwill and Other – Internal-Use Software* (“ASU 2018-15”), which requires a customer in a cloud computing arrangement to determine whether implementation costs should be capitalized as assets or expensed as incurred. Under the new guidance, capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The amendments in this update will be applied using a prospective transition method to each period presented. The Company adopted ASU 2018-15 as of January 1, 2020. The adoption did not have a material impact on the Company’s Unaudited Consolidated Financial Statements.

In March 2020, the FASB issued Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”), which provides temporary optional expedients and exceptions to the guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. This update is effective upon issuance. The relief is temporary and generally cannot be applied to contract modifications that occur after December 31, 2022 or hedging relationships entered into or evaluated after that date. The adoption of ASU 2020-04 did not have a material impact on the Company’s Unaudited Consolidated Financial Statements.

Revenue Recognition

In accordance with Accounting Standards Codification 606 Revenue from Contracts with Customers (“ASC 606”), the Company recognizes revenue upon the transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. The principles in ASC 606 are applied using the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Company satisfies its performance obligation(s). Specifically, revenue from the sale of implants, fixation products and disposables is generally recognized at an amount that reflects the expected consideration upon notice that the Company’s products have been used in a surgical procedure or upon shipment to a third-party customer assuming control of the products. Revenue from IOM services is recognized in the period the service is performed for the amount of consideration expected to be received. Revenue from the sale of surgical instrument sets is generally recognized upon receipt of a purchase order and the subsequent shipment to a customer who assumes control. In certain cases, the Company does offer the ability for customers to lease surgical instrumentation primarily on a non-sales type basis. Revenue from the sale or lease of capital equipment is generally recognized following the execution of a contract and upon the installation of the equipment and the acceptance by the customer. Revenue from sales and leases of surgical instrument sets and capital equipment represent an immaterial amount of the Company’s total revenue in all periods presented. Revenue associated with products holding rights of return or trade-in are recognized when the Company concludes there is not a risk of significant revenue reversal in future periods for the expected consideration in the transaction. Costs incurred by the Company associated with sales contracts with customers are deferred over the performance obligation period and recognized in the same period as the related revenue, with the exception of contracts that complete within one year or less, in which case the associated costs are expensed as incurred.

Allowance for Credit Losses

The Company maintains an allowance for credit losses for estimated losses resulting from the inability of its customers, including hospitals, ambulatory surgery centers, and distributors, to make required payments. The allowance for credit losses is calculated quarterly, and is estimated on a region-by-region basis considering a number of factors including age of account balances, collection history, historical account write-offs, third party credit reports, identified trends, current economic conditions, and supportable forecasted economic expectations. The allowance is adjusted on a specific identification basis for certain accounts as well as pooling of accounts with similar characteristics. An increase in the provision for credit losses may be required when the financial condition of the Company’s customers or its collection experience deteriorates. An increase to the allowance for credit losses results in a corresponding charge to sales, marketing and administrative expenses. The Company has a diverse customer base and no single customer represented greater than ten percent of sales or accounts receivable. Historically, the Company’s reserves have been adequate to cover credit losses.

The Company’s exposure to credit losses may increase if its customers are adversely affected by changes in healthcare laws, coverage and reimbursement, economic pressures or uncertainty associated with local or global economic recessions, disruption associated with the current COVID-19 pandemic, or other customer-specific factors. It is possible that there could be a material adverse impact from potential adjustments of the carrying amount of trade receivables as customers’ cash flows are impacted by their response to the COVID-19 pandemic and deferral of elective surgical procedures.

The following table summarizes the changes in the allowance for credit losses:

<i>(in thousands)</i>	March 31, 2020
Allowance for credit losses at January 1, 2020	\$ 9,423
Current-period provision for expected losses	37
Write-offs charged against the allowance	(319)
Recoveries of amounts previously written off	23
Changes resulting from foreign currency fluctuations	(95)
Allowance for credit losses at end of period	<u>\$ 9,069</u>

Inventory

Net inventory as of March 31, 2020 consisted of \$313.5 million of finished goods, \$4.5 million of work in progress and \$6.7 million of raw materials. Net inventory as of December 31, 2019 consisted of \$298.7 million of finished goods, \$6.4 million of work in progress and \$7.3 million of raw materials.

Finished goods primarily consists of specialized implants, fixation products and disposables and are stated at the lower of cost or net realizable value determined by utilizing a standard cost method, which includes capitalized variances, which approximates the weighted average cost. Work in progress and raw materials represent the underlying material, and labor for work in progress, that ultimately yield finished goods upon completion and are subject to lower of cost or net realizable value. The Company reviews the components of its inventory on a periodic basis for excess and obsolescence and adjusts inventory to its net realizable value as necessary.

Comprehensive Income

Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income includes net of tax, unrealized gains or losses on the Company's marketable securities and foreign currency translation adjustments. The cumulative translation adjustments included in accumulated other comprehensive loss were \$13.2 million and \$9.4 million at March 31, 2020 and December 31, 2019, respectively.

Product Shipment Costs

Product shipment costs, included in sales, marketing and administrative expense in the accompanying Unaudited Consolidated Statements of Operations, were \$6.4 million for both the three months ended March 31, 2020 and March 31, 2019. The majority of the Company's shipping costs are associated with providing instrument sets to hospitals for use in individual surgical procedures. Amounts billed to customers for shipping and handling of products are reflected in revenues and are not material for any period presented.

Business Transition Costs

The Company incurs certain costs related to acquisition, integration and business transition activities, which include severance, relocation, consulting, leasehold exit costs, third-party merger and acquisition costs, contingent consideration fair value adjustments and other costs directly associated with such activities. Contingent consideration is accrued based on the fair value of the expected payment, and such accruals are subject to increase or decrease based on the assessment of the likelihood that the contingent milestones will be achieved resulting in payment. If an accrual for contingent consideration decreases during a particular period, it results in a reduction of costs during such period.

During the three months ended March 31, 2020, the Company recorded \$(1.4) million of costs related to acquisition, integration and business transition activities, which included \$(2.1) million of fair value adjustments on contingent consideration liabilities primarily associated with the Company's 2017 and 2016 acquisitions.

During the three months ended March 31, 2019, the Company incurred \$3.8 million of costs related to acquisition, integration and business transition activities, which included \$0.4 million of fair value adjustments on contingent consideration liabilities associated with the Company's 2017 and 2016 acquisitions.

2. Net Income Per Share

The following table sets forth the computation of basic and diluted consolidated net income per share:

<i>(in thousands, except per share data)</i>	Three Months Ended March 31,	
	2020	2019
Numerator:		
Net income	\$ 5,298	\$ 9,386
Denominator for basic and diluted net income per share:		
Weighted average common shares outstanding for basic	51,837	51,675
Dilutive potential common stock outstanding:		
Stock options and employee stock purchase plan	37	15
Restricted stock units	658	790
Senior Convertible Notes	1,195	—
Weighted average common shares outstanding for diluted	53,727	52,480
Basic net income per share	\$ 0.10	\$ 0.18
Diluted net income per share	\$ 0.10	\$ 0.18

The following weighted average outstanding common stock equivalents were not included in the calculation of net income per diluted share because their effects were anti-dilutive:

<i>(in thousands)</i>	Three Months Ended March 31,	
	2020	2019
Stock options, employee stock purchase plan, and restricted stock units	131	266
Warrants	15,689	10,865
Senior Convertible Notes	4,824	10,865
Total	20,644	21,996

3. Financial Instruments and Fair Value Measurements

Foreign Currency and Derivative Financial Instruments

The Company translates the financial statements of its foreign subsidiaries using end-of-period exchange rates for assets and liabilities and average exchange rates during each reporting period for results of operations.

Some of the Company's reporting entities conduct a portion of their business in currencies other than the entity's functional currency. These transactions give rise to receivables and payables that are denominated in currencies other than the entity's functional currency. The value of these receivables and payables is subject to changes in currency exchange rates from the point at which the transactions are originated until the settlement in cash. Both realized and unrealized gains and losses in the value of these receivables and payables are included in the determination of net income. Currency exchange (losses) gains, which include gains and losses from derivative instruments, were \$(5.9) million and \$(0.3) million for the three months ended March 31, 2020 and March 31, 2019 respectively, and are included in other (expense) income, net in the Unaudited Consolidated Statements of Operations.

To manage foreign currency exposure risks, the Company uses derivatives for activities in entities that have short-term intercompany receivables and payables denominated in a currency other than the entity's functional currency. The fair value is based on a quoted market price (Level 1). As of March 31, 2020 and December 31, 2019 a notional principal amount of \$26.0 million and \$26.9 million, respectively, was outstanding to hedge currency risk relative to the Company's foreign receivables and payables. Derivative instrument net gains on the Company's forward exchange contracts were \$0.2 million and \$0.4 million for the three months ended March 31, 2020 and March 31, 2019, respectively, and are included in other (expense) income, net in the Unaudited Consolidated Statements of Operations. The fair value of the forward contract exchange derivative instrument liability was de minimis and \$0.1 million as of March 31, 2020 and December 31, 2019, respectively. The derivative instruments are recorded in other current assets or other current liabilities in the Unaudited Consolidated Balance Sheets commensurate with the nature of the instrument at period end.

Fair Value Measurements

The Company measures certain assets and liabilities in accordance with authoritative guidance, which requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain assets or liabilities within the fair value hierarchy. The Company did not have any transfers of assets and liabilities between the levels of the fair value measurement hierarchy during the periods presented.

The fair values of the Company's assets and liabilities, including cash equivalents, marketable securities, restricted investments, derivatives, and contingent consideration are measured at fair value on a recurring basis. As of March 31, 2020 and December 31, 2019, the Company held investments in securities classified as cash equivalents. During the periods presented, the Company did not hold any such investments that were in a significant unrealized loss position and no impairment charges were recorded on such investments. Realized gains and losses and interest income related to marketable securities were immaterial during all periods presented. Cash equivalents are determined under the fair value categories as follows:

<i>(in thousands)</i>	<u>Total</u>	<u>Quoted Price in Active Market (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
March 31, 2020:				
Cash equivalents:				
Money market funds	\$ 449,873	\$ 449,873	\$ —	\$ —
Total cash equivalents	<u>\$ 449,873</u>	<u>\$ 449,873</u>	<u>\$ —</u>	<u>\$ —</u>
December 31, 2019:				
Cash equivalents:				
Money market funds	\$ 151,750	\$ 151,750	\$ —	\$ —
Total cash equivalents	<u>\$ 151,750</u>	<u>\$ 151,750</u>	<u>\$ —</u>	<u>\$ —</u>

The carrying amounts of certain financial instruments such as cash and cash equivalents, accounts receivable, prepaid expenses, other current assets, accounts payable, accrued expenses, and other current liabilities as of March 31, 2020 and December 31, 2019 approximate their related fair values due to the short-term maturities of these instruments.

The fair value of certain financial instruments was measured and classified within Level 1 of the fair value hierarchy based on quoted prices. Certain financial instruments classified within Level 2 of the fair value hierarchy include the types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The Company did not hold any financial instruments classified within Level 2 of the fair value hierarchy during the periods presented.

Fair Value of Senior Convertible Notes

The fair value, based on a quoted market price (Level 1), of the Company's outstanding Senior Convertible Notes due 2021 at March 31, 2020 and December 31, 2019 was approximately \$679.6 million and \$869.3 million, respectively. The fair value, based on a quoted market price (Level 1), of the Company's outstanding Senior Convertible Notes due 2025 at March 31, 2020 was approximately \$382.4 million. See Note 6 to the Unaudited Consolidated Financial Statements for further discussion on the carrying value of the notes.

Contingent Consideration Liabilities

The fair value of contingent consideration liabilities assumed in business combinations is recorded as part of the purchase price consideration of the acquisition, and is determined using a discounted cash flow model or probability simulation model. The significant inputs of such models are not observable in the market, such as certain financial metric growth rates, volatility rates, projections associated with the applicable milestone, the interest rate, and the related probabilities and payment structure in the contingent consideration arrangement. Fair value adjustments to contingent consideration liabilities are recorded through operating expenses in the Unaudited Consolidated Statement of Operations. Contingent consideration arrangements assumed by an asset purchase will be measured and accrued when such contingency is resolved.

The recurring Level 3 fair value measurements of contingent consideration liabilities associated with commercial sales milestones include the following significant unobservable inputs as of March 31, 2020:

<i>(in thousands, except rates and years)</i>	<u>March 31, 2020</u>
Valuation Technique	Discounted cash flow
Discount Rate Range	2.6% - 5.7%
Weighted Average Discount Rate	4.6%
Expected Years	2020 - 2027

Contingent consideration liabilities at March 31, 2020 and December 31, 2019 were \$40.1 million and \$42.6 million, respectively, and were recorded in the Unaudited Consolidated Balance Sheet commensurate with the respective payment terms. The following table sets forth the changes in the estimated fair value of the Company's liabilities measured on a recurring basis using significant unobservable inputs (Level 3):

<i>(in thousands)</i>	<u>Three Months Ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Fair value measurement at beginning of period	\$ 42,559	\$ 50,410
Change in fair value measurement	(2,011)	356
Contingent consideration paid or settled	(438)	(1,435)
Changes resulting from foreign currency fluctuations	—	(59)
Fair value measurement at end of period	<u>\$ 40,110</u>	<u>\$ 49,272</u>

Non-financial assets and liabilities measured on a nonrecurring basis

Certain non-financial assets and liabilities are measured at fair value, usually with Level 3 inputs including the discounted cash flow method or cost method, on a nonrecurring basis in accordance with authoritative guidance. These include items such as non-financial assets and liabilities initially measured at fair value in a business combination and non-financial long-lived assets measured at fair value for an impairment assessment. In general, non-financial assets, including goodwill, right-of-use assets, intangible assets and property and equipment, are measured at fair value when there is an indication of impairment and are recorded at fair value only when any impairment is recognized. The carrying values of the Company's financing lease obligations approximated their estimated fair value as of March 31, 2020 and December 31, 2019.

4. Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

<i>(in thousands, except years)</i>	<u>Weighted- Average Amortization Period (in years)</u>	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Intangible Assets, net</u>
March 31, 2020:				
Intangible assets subject to amortization:				
Developed technology	8	\$ 271,748	\$ (171,415)	\$ 100,333
Manufacturing know-how and trade secrets	13	30,783	(20,899)	9,884
Trade name and trademarks	9	25,500	(17,696)	7,804
Customer relationships	9	153,630	(80,515)	73,115
Total intangible assets subject to amortization	9	<u>\$ 481,661</u>	<u>\$ (290,525)</u>	<u>\$ 191,136</u>
Intangible assets not subject to amortization:				
Goodwill				\$ 559,299
Total goodwill and intangible assets, net				<u>\$ 750,435</u>

December 31, 2019:	Weighted-Average Amortization Period (in years)	Gross Amount	Accumulated Amortization	Intangible Assets, net
Intangible assets subject to amortization:				
Developed technology	8	\$ 271,748	\$ (163,459)	\$ 108,289
Manufacturing know-how and trade secrets	13	30,798	(20,333)	10,465
Trade name and trademarks	9	25,500	(16,947)	8,553
Customer relationships	9	150,744	(76,959)	73,785
Total intangible assets subject to amortization	9	\$ 478,790	\$ (277,698)	\$ 201,092
Intangible assets not subject to amortization:				
Goodwill				\$ 561,064
Total goodwill and intangible assets, net				\$ 762,156

The following table summarizes the changes in the carrying value of the Company's goodwill:

(in thousands)

December 31, 2019			
Gross goodwill		\$	569,364
Accumulated impairment loss			(8,300)
			<u>561,064</u>
Changes to gross goodwill			
Changes resulting from foreign currency fluctuations			(1,765)
			<u>(1,765)</u>
March 31, 2020			
Gross goodwill			567,599
Accumulated impairment loss			(8,300)
		\$	<u>559,299</u>

Total expense related to the amortization of intangible assets, which is recorded in both cost of revenue and operating expenses in the Unaudited Consolidated Statements of Operations depending on the functional nature of the intangible asset, was \$13.5 million and \$14.5 million for the three months ended March 31, 2020 and March 31, 2019, respectively.

Total future amortization expense related to intangible assets subject to amortization at March 31, 2020 is set forth in the table below:

(in thousands)

Remaining 2020	\$	40,021
2021		51,235
2022		42,680
2023		18,809
2024		13,029
Thereafter through 2031		25,362
Total future amortization expense	\$	<u>191,136</u>

5. Business Combinations

The Company recognizes the assets acquired, liabilities assumed, and any non-controlling interest at fair value at the date of acquisition. Certain acquisitions contained contingent consideration arrangements that required the Company to assess the acquisition date fair value of the contingent consideration liabilities, which was recorded as part of the purchase price allocation of the acquisition, with subsequent fair value adjustments to the contingent consideration recorded in the Unaudited Consolidated Statements of Operations. See Note 3 to the Unaudited Consolidated Financial Statements for further discussion on contingent consideration liabilities.

Variable Interest Entities

The Company provides IOM services through various subsidiaries, which conduct business as NuVasive Clinical Services. In providing IOM services to surgeons and healthcare facilities across the United States, the Company maintains contractual relationships with several physician practices (“PCs”). In accordance with authoritative guidance, the Company has determined that the PCs are variable interest entities and therefore, the accompanying Unaudited Consolidated Financial Statements include the accounts of the PCs from the date of acquisition. During the periods presented, the results of the PCs were immaterial to the Company’s financial statements. The creditors of the PCs have claims only to the assets of the PCs, which are not material, and the assets of the PCs are not available to the Company.

6. Indebtedness

The carrying values of the Company’s Senior Convertible Notes are as follows:

(in thousands)	March 31, 2020	December 31, 2019
2.25% Senior Convertible Notes due 2021:		
Principal amount	\$ 650,000	\$ 650,000
Unamortized debt discount	(17,953)	(22,501)
Unamortized debt issuance costs	(3,366)	(4,201)
	<u>628,681</u>	<u>623,298</u>
0.375% Senior Convertible Notes due 2025:		
Principal amount	\$ 450,000	\$ —
Unamortized debt discount	(77,094)	—
Unamortized debt issuance costs	(11,273)	—
	<u>361,633</u>	<u>—</u>
Total Senior Convertible Notes	<u>\$ 990,314</u>	<u>\$ 623,298</u>
Less: Current portion	<u>(628,681)</u>	<u>—</u>
Long-term Senior Convertible Notes	<u>\$ 361,633</u>	<u>\$ 623,298</u>

0.375% Senior Convertible Notes due 2025

In March 2020, the Company issued \$450.0 million principal amount of unsecured Senior Convertible Notes with a stated interest rate of 0.375% and a maturity date of March 15, 2025 (the “2025 Notes”). The net proceeds from the offering, after deducting initial purchasers’ discounts and costs directly related to the offering, were approximately \$437.7 million. The 2025 Notes may be settled in cash, stock, or a combination thereof, solely at the Company’s discretion. It is the Company’s current intent and policy to settle all conversions through combination settlement, which involves satisfying the principal amount outstanding with cash and any note conversion value over the principal amount in shares of the Company’s common stock. The initial conversion rate of the 2025 Notes is 10.7198 shares per \$1,000 principal amount, which is equivalent to a conversion price of approximately \$93.29 per share, subject to adjustments. In addition, following certain corporate events that occur prior to the maturity date or if the Company issues a notice of redemption, the Company will increase the conversion rate for a holder who elects to convert its 2025 Notes in connection with such a corporate event or in connection with such redemption in certain circumstances. The Company uses the treasury share method for assumed conversion of the 2025 Notes to compute the weighted average shares of common stock outstanding for diluted earnings per share. The Company also entered into transactions for a convertible notes hedge (the “2025 Hedge”) and warrants (the “2025 Warrants”) concurrently with the issuance of the 2025 Notes.

The cash conversion feature of the 2025 Notes required bifurcation from the notes and was initially accounted for as an equity instrument classified to stockholders’ equity, which resulted in recognizing \$78.3 million in additional paid-in-capital during the three months ended March 31, 2020.

The interest expense recognized on the 2025 Notes during the three months ended March 31, 2020 includes \$0.1 million, \$1.2 million and \$0.1 million for the contractual coupon interest, the accretion of the debt discount and the amortization of the debt issuance costs, respectively. The effective interest rate on the 2025 Notes is 4.9%, which includes the interest on the notes, amortization of the debt discount and debt issuance costs. Interest on the 2025 Notes began accruing upon issuance and is payable semi-annually.

Prior to September 15, 2024, holders may convert their 2025 Notes only under the following conditions: (a) during any calendar quarter commencing after the calendar quarter ending on June 30, 2020 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (b) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price of the 2025 Notes per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on such trading day; (c) if the Company calls any or all of the 2025 Notes for redemption, at any time prior to the close of business on the second scheduled trading day preceding the redemption date; or (d) upon the occurrence of specified corporate events, as defined in the 2025 Notes. On or after September 15, 2024, until the close of business on the second scheduled trading day immediately preceding March 15, 2025, holders may convert their 2025 Notes at any time, regardless of the foregoing conditions.

The Company may not redeem the 2025 Notes prior to March 20, 2023. The Company may redeem the 2025 Notes, at its option, in whole or in part, on or after March 20, 2023 until the close of business on the business day immediately preceding September 15, 2024, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company delivers written notice of a redemption. The redemption price will be equal to 100% of the principal amount of such 2025 Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date. No principal payments are due on the 2025 Notes prior to maturity. Other than restrictions relating to certain fundamental changes and consolidations, mergers or asset sales and customary anti-dilution adjustments, the 2025 Notes do not contain any financial covenants and do not restrict the Company from conducting significant restructuring transactions, paying dividends or issuing or repurchasing any of its other securities. As of March 31, 2020, the Company is unaware of any current events or market conditions that would allow holders to convert the 2025 Notes.

2025 Hedge

In connection with the sale of the 2025 Notes, the Company entered into privately negotiated call option transactions with certain dealers, which included affiliates of certain of the initial purchasers of the 2025 Notes and other financial institutions (the "2025 Counterparties"), entitling the Company to purchase up to 4,823,910 shares of the Company's common stock at an initial stock price of \$93.29 per share, each of which is subject to adjustment. The cost of the 2025 Hedge was \$78.3 million and accounted for as an equity instrument by recognizing \$78.3 million in additional paid-in-capital during the three months ended March 31, 2020. The 2025 Hedge will expire on the second scheduled trading day immediately preceding March 15, 2025. The 2025 Hedge is expected to reduce the potential equity dilution upon conversion of the 2025 Notes if the daily volume-weighted average price per share of the Company's common stock exceeds the strike price of the 2025 Hedge. An assumed exercise of the 2025 Hedge by the Company is considered anti-dilutive since the effect of the inclusion would always be anti-dilutive with respect to the calculation of diluted earnings per share.

2025 Warrants

The Company sold warrants to the 2025 Counterparties to acquire up to 4,823,910 shares of the Company's common stock. The 2025 Warrants will expire on various dates from June 2025 through October 2025 and may be settled in net shares or cash, subject to certain conditions. It is the Company's current intent and policy to settle all conversions in shares of the Company's common stock. The Company received \$47.1 million in cash proceeds from the sale of the 2025 Warrants, which was recorded in additional paid-in-capital. The 2025 Warrants could have a dilutive effect on the Company's earnings per share to the extent that the price of the Company's common stock during a given measurement period exceeds the strike price of the 2025 Warrants, which is \$127.84 per share. The Company uses the treasury share method for assumed conversion of its 2025 Warrants to compute the weighted average common shares outstanding for diluted earnings per share.

2.25% Senior Convertible Notes due 2021

In March 2016, the Company issued \$650.0 million principal amount of unsecured Senior Convertible Notes with a stated interest rate of 2.25% and a maturity date of March 15, 2021 (the “2021 Notes”). The net proceeds from the offering, after deducting initial purchasers’ discounts and costs directly related to the offering, were approximately \$634.1 million. The 2021 Notes may be settled in cash, stock, or a combination thereof, solely at the Company’s discretion. It is the Company’s current intent and policy to settle all conversions through combination settlement, which involves satisfying the principal amount outstanding with cash and any note conversion value over the principal amount in shares of the Company’s common stock. The initial conversion rate of the 2021 Notes is 16.7158 shares per \$1,000 principal amount, which is equivalent to a conversion price of approximately \$59.82 per share, subject to adjustments. The Company uses the treasury share method for assumed conversion of the 2021 Notes to compute the weighted average shares of common stock outstanding for diluted earnings per share. The Company also entered into transactions for a convertible notes hedge (the “2021 Hedge”) and warrants (the “2021 Warrants”) concurrently with the issuance of the 2021 Notes.

The cash conversion feature of the 2021 Notes required bifurcation from the notes and was initially accounted for as an equity instrument classified to stockholders’ equity, which resulted in recognizing \$84.8 million in additional paid-in-capital during 2016.

The interest expense recognized on the 2021 Notes during the three months ended March 31, 2020 includes \$3.7 million, \$4.5 million and \$0.8 million for the contractual coupon interest, the accretion of the debt discount and the amortization of the debt issuance costs, respectively. The interest expense recognized on the 2021 Notes during the three months ended March 31, 2019 includes \$3.7 million, \$4.3 million and \$0.8 million for the contractual coupon interest, the accretion of the debt discount and the amortization of the debt issuance costs, respectively. The effective interest rate on the 2021 Notes is 5.8%, which includes the interest on the notes, amortization of the debt discount and debt issuance costs. Interest on the 2021 Notes began accruing upon issuance and is payable semi-annually.

Prior to September 15, 2020, holders may convert their 2021 Notes only under the following conditions: (a) during any calendar quarter beginning June 30, 2016, if the reported sale price of the Company’s common stock for at least 20 days out of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price on each applicable trading day; (b) during the five business day period in which the trading price of the 2021 Notes falls below 98% of the product of (i) the last reported sale price of the Company’s common stock and (ii) the conversion rate on that date; and (c) upon the occurrence of specified corporate events, as defined in the 2021 Notes. From September 15, 2020 and until the close of business on the second scheduled trading day immediately preceding March 15, 2021, holders may convert their 2021 Notes at any time (regardless of the foregoing circumstances). Prior to March 20, 2019, the Company could not redeem the 2021 Notes. The Company may redeem the 2021 Notes, at its option, in whole or in part on or after March 20, 2019 until the close of business on the business day immediately preceding September 15, 2020 if the last reported sale price of the Company’s common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company delivers written notice of a redemption. The redemption price will be equal to 100% of the principal amount of such 2021 Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date. No principal payments are due on the 2021 Notes prior to maturity. Other than restrictions relating to certain fundamental changes and consolidations, mergers or asset sales and customary anti-dilution adjustments, the 2021 Notes do not contain any financial covenants and do not restrict the Company from paying dividends or issuing or repurchasing any of its other securities. As of March 31, 2020, the Company is unaware of any current events or market conditions that would allow holders to convert the 2021 Notes.

2021 Hedge

In connection with the offering of the 2021 Notes, the Company entered into the hedge transaction with the initial purchasers of the 2021 Notes and/or their affiliates (the “2021 Counterparties”) entitling the Company to purchase up to 10,865,270 shares of the Company’s common stock at an initial stock price of \$59.82 per share, each of which is subject to adjustment. The cost of the 2021 Hedge was \$111.2 million and accounted for as an equity instrument by recognizing \$111.2 million in additional paid-in-capital during 2016. The 2021 Hedge will expire on March 15, 2021. The 2021 Hedge is expected to reduce the potential equity dilution upon conversion of the 2021 Notes if the daily volume-weighted average price per share of the Company’s common stock exceeds the strike price of the 2021 Hedge. An assumed exercise of the 2021 Hedge by the Company is considered anti-dilutive since the effect of the inclusion would always be anti-dilutive with respect to the calculation of diluted earnings per share.

2021 Warrants

The Company sold warrants to the 2021 Counterparties to acquire up to 10,865,270 shares of the Company's common stock. The 2021 Warrants will expire on various dates from June 2021 through December 2021 and may be settled in cash or net shares. It is the Company's current intent and policy to settle all conversions in shares of the Company's common stock. The Company received \$44.9 million in cash proceeds from the sale of the 2021 Warrants, which was recorded in additional paid-in-capital. The 2021 Warrants could have a dilutive effect on the Company's earnings per share to the extent that the price of the Company's common stock during a given measurement period exceeds the strike price of the 2021 Warrants, which is \$80.00 per share. The Company uses the treasury share method for assumed conversion of its 2021 Warrants to compute the weighted average common shares outstanding for diluted earnings per share.

Revolving Senior Credit Facility

In February 2020, the Company entered into a Second Amended and Restated Credit Agreement (the "2020 Credit Agreement") for a revolving senior credit facility (the "2020 Facility"), which replaced the previous Amended and Restated Credit Agreement the Company had entered into in April 2017. The 2020 Credit Agreement provides for secured revolving loans, multicurrency loan options and letters of credit in an aggregate amount of up to \$550.0 million. The 2020 Credit Agreement also contains an expansion feature, which allows the Company to increase the aggregate principal amount of the 2020 Facility provided the Company remains in compliance with the underlying financial covenants on a pro forma basis, including but not limited to, compliance with the consolidated interest coverage ratio and certain consolidated leverage ratios.

The 2020 Facility matures in February 2025 (subject to an earlier springing maturity date), and includes a sublimit of \$50.0 million for standby letters of credit, a sublimit of \$250.0 million for multicurrency borrowings, and a sublimit of \$5.0 million for swingline loans. All assets of the Company and its material domestic subsidiaries continue to be pledged as collateral under the 2020 Facility (subject to customary exceptions) pursuant to the terms set forth in the Second Amended and Restated Security and Pledge Agreement executed in favor of the administrative agent by the Company. Each of the Company's material domestic subsidiaries guarantee the 2020 Facility. In connection with the 2020 Facility, the Company incurred issuance costs which will be amortized over the term of the 2020 Facility. The Company did not carry any outstanding revolving loans under the 2020 Facility as of March 31, 2020 and December 31, 2019.

Any borrowings under the 2020 Facility are intended to be used by the Company to provide financing for working capital and other general corporate purposes, including potential mergers and acquisitions and to refinance indebtedness. Borrowings under the 2020 Facility bear interest, at the Company's option, at a rate equal to an applicable margin plus: (a) the applicable Eurocurrency Rate (as defined in the 2020 Credit Agreement), or (b) a base rate determined by reference to the highest of (1) the federal funds effective rate plus 0.50%, (2) the Bank of America prime rate, and (3) the Eurocurrency Rate for an interest period of one month plus 1.00%. The margin for the 2020 Facility ranges, based on the Company's consolidated total net leverage ratio, from 0.00% to 0.75% in the case of base rate loans and from 1.00% to 1.75% in the case of Eurocurrency Rate loans. The 2020 Facility includes an unused line fee ranging, based on the Company's consolidated total net leverage ratio, from 0.20% to 0.35% per annum on the revolving commitment.

The 2020 Credit Agreement contains affirmative, negative, permitted acquisition and financial covenants, and events of default customary for financings of this type. The financial covenants require the Company to maintain a consolidated interest coverage ratio and certain consolidated leverage ratios, which are measured on a quarterly basis. The 2020 Facility grants the lenders preferred first priority liens and security interests in capital stock, intercompany debt and all of the present and future property and assets of the Company and each guarantor. The Company is currently in compliance with the 2020 Credit Agreement covenants.

7. Shareholders' Equity

In October 2017, the Company announced that the Board of Directors approved a share repurchase program authorizing the repurchase of up to \$100 million of the Company's common stock over a three-year period. Under this program, the Company is authorized to repurchase common stock in open market purchases, privately negotiated purchases or other transactions through October 2020. In February 2020, the Company announced that the Board of Directors increased the share repurchase authorization from \$100 million to \$150 million of the Company's common stock through December 31, 2021. In March 2020, in connection with the issuance of the 2025 Notes, the Company repurchased approximately 1,085,000 shares of its common stock for \$75.0 million.

8. Stock-Based Compensation

The compensation (benefit) cost that has been included in the Unaudited Consolidated Statements of Operations for the Company's stock-based compensation plans was as follows:

<i>(in thousands)</i>	Three Months Ended March 31,	
	2020	2019
Sales, marketing and administrative (benefit) expense	\$ (4,161)	\$ 4,779
Research and development expense	1,323	900
Cost of revenue	(20)	38
Stock-based compensation (benefit) expense before taxes	(2,858)	5,717
Related income tax expense (benefit)	1,078	(1,429)
Stock-based compensation (benefit) expense, net of taxes	<u>\$ (1,780)</u>	<u>\$ 4,288</u>

At March 31, 2020, there was \$55.2 million of unamortized compensation expense for restricted stock units ("RSUs") and performance-based restricted stock units ("PRSUs") to be recognized over a weighted average period of 2.6 years.

Restricted Stock Units and Performance-Based Restricted Stock Units

The Company issued approximately 164,000 shares of common stock, before net share settlement, upon vesting of RSUs and PRSUs during the three months ended March 31, 2020 and issued approximately 642,000 shares of common stock, before net share settlement, upon vesting of RSUs and PRSUs during the year ended December 31, 2019.

Stock Options and Purchase Rights

The weighted average assumptions used to estimate the fair value of stock purchase rights under the employee stock purchase plan ("ESPP") are as follows:

ESPP	Three Months Ended March 31,	
	2020	2019
Volatility	30%	37%
Expected term (years)	0.5	0.5
Risk free interest rate	1.6%	2.5%
Expected dividend yield	—%	—%

Under the terms of the ESPP, the Company's employees (referred to as "shareowners") can elect to have up to 15% of their annual compensation, up to a maximum of \$21,250 per year, withheld to purchase shares of the Company's common stock for a purchase price equal to 85% of the lower of the fair market value per share (at closing) of the Company's common stock on (i) the commencement date of the six-month offering period, or (ii) the respective purchase date.

The Company has not granted any options since 2011. The Company issued approximately 3,000 shares of common stock, before net share settlement, upon the exercise of outstanding stock options during the three months ended March 31, 2020 and issued approximately 33,000 shares of common stock, before net share settlement, upon the exercise of outstanding stock options during the year ended December 31, 2019.

9. Income Taxes

Income taxes are determined using an estimated annual effective tax rate applied against income, and then adjusted for the tax impacts of certain significant and discrete items. For the three months ended March 31, 2020, the Company treated the tax impact of the following as discrete events for which the tax effect was recognized separately from the application of the annual effective tax rate: tax benefits from return to provision adjustments, tax expense related to net shortfalls on share-based payments, valuation allowance adjustments, and miscellaneous tax payments, net of refunds. The Company's effective tax rate recorded for the three months ended March 31, 2020 was 48%.

In accordance with the disclosure requirements as described in ASC Topic 740, Income Taxes, the Company has classified unrecognized tax benefits as non-current income tax liabilities, or a reduction in deferred tax assets, unless expected to be paid within one year. The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had an increase in gross unrecognized tax benefits of approximately \$0.5 million during the three months ended March 31, 2020, primarily related to research and development credits. The Company believes it is reasonably possible that approximately \$5.9 million of its remaining unrecognized tax positions may be recognized within the next twelve months as certain statute of limitations expire, the amount of which is primarily attributable to tax positions involving the valuation of intercompany transactions.

The Company is subject to routine compliance reviews on various tax matters around the world in the ordinary course of business. Currently, the only active audit is with the U.S. Internal Revenue Service for 2014 – 2016 tax years. California income tax returns are subject to examination in all years due to prior year net operating losses and research and development credits. Income tax returns of other major state and foreign jurisdictions remain subject to examination from 2015 and 2012 forward, respectively.

10. Business Segment, Product and Geographic Information

The Company operates in one segment based upon the Company's organizational structure, the way in which the operations and investments are managed and evaluated by the chief operating decision maker ("CODM") as well as the lack of availability of discrete financial information at a lower level. The Company's CODM reviews revenue at the product line offering level, and manufacturing, operating income and expenses, and net income at the Company wide level to allocate resources and assess the Company's overall performance. The Company shares common, centralized support functions, including finance, human resources, legal, information technology, and corporate marketing, all of which report directly to the CODM. Accordingly, decision-making regarding the Company's overall operating performance and allocation of Company resources is assessed on a consolidated basis. As such, the Company operates as one reporting segment. The Company has disclosed the revenues for each of its product line offerings to provide the reader of the financial statements transparency into the operations of the Company.

The Company reports under two distinct product lines; spinal hardware and surgical support. The Company's spinal hardware product line offerings include implants and fixation products. The Company's surgical support product offerings include IOM services, disposables and biologics, all of which are used to aid spinal surgery.

Revenue by product line was as follows:

<i>(in thousands)</i>	Three Months Ended March 31,	
	2020	2019
Spinal hardware	\$ 190,869	\$ 197,138
Surgical support	69,012	77,638
Total revenue	<u>\$ 259,881</u>	<u>\$ 274,776</u>

Revenue and property and equipment, net, by geographic area were as follows:

<i>(in thousands)</i>	Revenue		Property and Equipment, Net	
	Three Months Ended March 31,		March 31,	December 31,
	2020	2019	2020	2019
United States	\$ 204,032	\$ 222,813	\$ 235,084	\$ 218,771
International (excludes Puerto Rico)	55,849	51,963	44,974	47,547
Total	<u>\$ 259,881</u>	<u>\$ 274,776</u>	<u>\$ 280,058</u>	<u>\$ 266,318</u>

11. Commitments

Leases

At the inception of a contractual arrangement, the Company determines whether the contract contains a lease by assessing whether there is an identified asset and whether the contract conveys the right to control the use of the identified asset in exchange for consideration over a period of time. If both criteria are met, the Company records the associated lease liability and corresponding right-of-use asset upon commencement of the lease using a discount rate based on a credit-adjusted secured borrowing rate commensurate with the term of the lease.

The Company records lease liabilities within current liabilities or long-term liabilities based upon the length of time associated with the lease payments. The Company records its operating lease right-of-use assets as long-term assets. Right-of-use assets for financing leases are recorded within property and equipment, net in the Unaudited Consolidated Balance Sheet. Leases with an initial term of 12 months or less are not recorded on the Unaudited Consolidated Balance Sheet. The Company recognizes lease expense on a straight-line basis over the lease term. In connection with certain operating leases, the Company has security deposits recorded and maintained as restricted cash totaling \$1.5 million as of March 31, 2020 and December 31, 2019.

The Company leases office and storage facilities and equipment under various operating and financing lease agreements. The initial terms of these leases range from 1 to 17 years and generally provide for periodic rent increases, and renewal and termination options. The Company's lease agreements do not contain any material variable lease payments, residual value guarantees or material restrictive covenants.

Certain leases require the Company to pay taxes, insurance, and maintenance. Payments for the transfer of goods or services such as common area maintenance and utilities represent non-lease components. The Company elected the package of practical expedients and therefore does not separate non-lease components from lease components.

In the first quarter of 2020, the lease commenced with respect to the remaining build-out portion of the Company's corporate headquarters in San Diego, California, which totals approximately \$58.8 million in lease payments over a 15-year term.

The table below summarizes the Company's right-of-use assets and lease liabilities as of March 31, 2020 and December 31, 2019:

<i>(in thousands)</i>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Assets		
Operating	\$ 107,304	\$ 66,932
Financing	2,672	1,453
Total leased assets	<u>\$ 109,976</u>	<u>\$ 68,385</u>
Liabilities		
Current:		
Operating	\$ 7,031	\$ 5,567
Financing	1,160	672
Long-term:		
Operating	116,496	73,153
Financing	1,645	905
Total lease liabilities	<u>\$ 126,332</u>	<u>\$ 80,297</u>
Supplemental non-cash information:		
Weighted-average remaining lease term (years) - operating leases	13.4	12.4
Weighted-average remaining lease term (years) - finance leases	2.2	2.3
Weighted-average discount rate - operating leases	5.5%	7.3%
Weighted-average discount rate - finance leases	4.2%	5.4%

The table below summarizes the Company's lease costs, cash payments, and operating lease liabilities arising from obtaining right-of-use assets under its operating and financing lease obligations were as follows:

<i>(in thousands, except years and rates)</i>	Three Months Ended March 31,	
	2020	2019
Lease expense:		
Operating lease expense	\$ 3,507	\$ 2,822
Finance lease expense:		
Depreciation of right-of-use assets	258	98
Interest expense on lease liabilities	28	14
Total lease expense	\$ 3,793	\$ 2,934
Consolidated Statements of Cash Flows information:		
Operating cash flows used for operating leases	\$ 3,296	\$ 3,019
Operating cash flows used for financing leases	28	14
Financing cash flows used for financing leases	247	92
Total cash paid for amounts included in the measurement of lease liabilities	\$ 3,571	\$ 3,125
Supplemental non-cash information:		
Operating lease liabilities arising from obtaining right-of-use assets	\$ 39,262	\$ 75,109

The Company's future minimum annual lease payments under operating and financing leases at March 31, 2020 are as follows:

<i>(in thousands)</i>	Financing Leases	Operating Leases
	Remaining 2020	\$ 943
2021	1,158	13,535
2022	790	13,191
2023	60	12,924
2024	9	11,981
Thereafter	—	116,881
Total minimum lease payments	\$ 2,960	\$ 178,754
Less: amount representing interest	(155)	(55,227)
Present value of obligations under leases	2,805	123,527
Less: current portion	(1,160)	(7,031)
Long-term lease obligations	\$ 1,645	\$ 116,496

Executive Severance Plans

The Company has employment contracts with key executives and maintains severance plans that provide for the payment of severance and other benefits if such executives are terminated for reasons other than cause, as defined in those agreements and plans. Certain agreements call for payments that are based on historical compensation, and accordingly, the amount of the contractual commitment will change over time commensurate with the executive's applicable earnings. At March 31, 2020, future commitments for such key executives were approximately \$14.1 million. In certain circumstances, the agreements call for the acceleration of equity vesting. Those figures are not reflected in the above information.

12. Contingencies

The Company is subject to potential liabilities under government regulations and various claims and legal actions that are pending or may be asserted from time-to-time. These matters arise in the ordinary course and conduct of the Company's business and include, for example, commercial, intellectual property, environmental, securities and employment matters. The Company intends to continue to defend itself vigorously in such matters and when warranted, take legal action against others. Furthermore, the Company regularly assesses contingencies to determine the degree of probability and range of possible loss for potential accrual in its financial statements.

An estimated loss contingency is accrued in the Company's financial statements if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on the Company's assessment, it has adequately accrued an amount for contingent liabilities currently in existence. The Company does not accrue amounts for liabilities that it does not believe are probable. Litigation is inherently unpredictable, and unfavorable resolutions could occur. As a result, assessing contingencies is highly subjective and requires judgment about future events. The amount of ultimate loss may exceed the Company's current accruals, and it is possible that its cash flows or results of operations could be materially affected in any particular period by the unfavorable resolution of one or more of these contingencies.

13. Regulatory Matters

On August 31, 2015, the Company received a civil investigative demand ("CID") issued by the Department of Justice ("DOJ") pursuant to the federal False Claims Act. The CID requires the delivery of a wide range of documents and information related to an investigation by the DOJ concerning allegations that the Company assisted a physician group customer in submitting improper claims for reimbursement and made improper payments to the physician group in violation of the Anti-Kickback Statute. The Company is cooperating with the DOJ in regards to this matter. No assurance can be given as to the timing or outcome of this investigation. As of March 31, 2020, the probable outcome of this matter cannot be determined, nor can the Company estimate a range of potential loss. In accordance with authoritative guidance on the evaluation of loss contingencies, the Company has not recorded an accrual related to this matter.

14. Subsequent Events

In December 2019, a novel strain of coronavirus, which causes COVID-19, was identified. Due to the rapid and global spread of the virus, on March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. To slow the proliferation of COVID-19, governments have implemented extraordinary measures, which include the mandatory closure of businesses, restrictions on travel and gatherings, and quarantine and physical distancing requirements. In addition, in March 2020, the U.S. Surgeon General and the American College of Surgeons issued guidance advising that elective surgical procedures be curtailed or deferred and hospitals in the U.S. and globally have, to varying degrees, suspended elective surgeries. While certain spine surgeries are deemed essential and certain surgeries, like in cases of trauma, cannot be delayed, we are seeing a significant reduction in procedural volumes as hospital systems and/or patients elect to defer spine surgery procedures. As a result of these measures, the Company has experienced substantial reductions in procedural volumes and anticipates this trend will continue during the pandemic. In addition, restrictions on the ability to travel as well as the temporary closures of the Company's facilities and the facilities of the Company's suppliers has adversely affected the Company's business. Further, due to the travel restrictions and physical distancing requirements, the Company has been limited in its ability to train and educate surgeons on the Company's surgical techniques and products. These restrictions have also impacted the Company's manufacturing capabilities and distribution and warehousing operations as it reduces capacity and implements policies to prioritize the health and safety of employees and contractors.

Although the cumulative impact of these disruptions has had a significant impact on the Company's business, as of the date of this filing, the Company cannot predict the specific extent, duration, or scope of the impact that the COVID-19 pandemic will have on its financial results.

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

Forward-Looking Statements May Prove Inaccurate

This quarterly report on Form 10-Q ("Quarterly Report"), including the following discussion and analysis, may contain forward-looking statements that involve risks, uncertainties, assumptions and other factors which, if they do not materialize or prove correct, could cause our results to differ from historical results or those expressed or implied by such forward-looking statements. In some cases, you can identify these forward-looking statements by words like "may", "will", "should", "could", "expect", "plan", "anticipate", "believes", "estimates", "predicts", "potential", "intends", or "continues" (or the negative of those words and other comparable words). Forward-looking statements include, but are not limited to, statements about:

- the value proposition of our products and procedural solutions;
- our intentions, beliefs and expectations regarding our expenses, sales, operations and future financial performance;
- our operating results;
- our plans for obsoleting our products and our ability to develop future products and enhancements of existing products;
- anticipated growth and trends in our business;
- third party reimbursement policies and practices;
- the timing of and our ability to maintain and obtain regulatory clearances or approvals;
- our belief that our cash and cash equivalents and investments will be sufficient to satisfy our anticipated cash requirements;
- the impact of global economic conditions and public health crises and epidemics, such as the COVID-19 pandemic, on our business;
- our expectations regarding our revenues, customers and distributors;
- our beliefs and expectations regarding our market penetration and expansion efforts;
- our expectations regarding the benefits and integration of recently-acquired businesses and our ability to make future acquisitions and successfully integrate any such future-acquired businesses;
- our anticipated trends, product pricing pressure, competitive tactics and other challenges in the markets in which we operate; and
- our expectations and beliefs regarding and the impact of policy changes, investigations, claims and litigation.

These statements are not guarantees of future performance or events. Our actual results may differ materially from those discussed here. The potential risks and uncertainties that could cause actual results to differ materially include, but are not limited to those set forth under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, and this Quarterly Report on Form 10-Q, and similar discussions in our other Securities and Exchange Commission filings. We assume no obligation to update any forward looking statements to reflect new information, future events or circumstances or otherwise.

This information should be read in conjunction with the Unaudited Consolidated Financial Statements and the notes thereto included in Part I, Item 1 of this Quarterly Report and with Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2019 contained in our 2019 Annual Report on Form 10-K.

Overview

We are a leading medical device company in the global spine surgery market, focused on developing minimally disruptive surgical products and procedurally integrated solutions for spine surgery. Our currently marketed product portfolio is focused on applications for spine fusion surgery, including ancillary products and services used to aid in the surgical procedure. Our procedurally integrated solutions use innovative, technological advancements and a minimally disruptive surgical platform called Maximum Access Surgery, or MAS, to provide surgical efficiency, operative reliability, and procedural versatility.

Our principal product offering includes the MAS platform which combines three categories of solutions that collectively minimize soft tissue disruption during spine fusion surgery, provide maximum visualization and are designed to enable safe and reproducible outcomes for the surgeon and the patient. The platform includes our proprietary software-driven nerve detection and avoidance systems, and Intraoperative Monitoring, or IOM, services and support offered by NuVasive Clinical Services; MaXcess, an integrated split-blade retractor system; and a wide variety of specialized implants and biologics. Many of our products, including the individual components of our MAS platform can also be used in open or traditional spine surgery. Our spine surgery product line offerings, which include products for the thoracolumbar and the cervical spine, are primarily used to enable surgeon access to the spine to perform restorative and fusion procedures in a minimally disruptive fashion. To assist with surgical procedures, we offer a platform called Integrated Global Alignment, or iGA, in which products and computer assisted technology under our MAS platform help achieve more precise spinal alignment.

Our MAS platform and its related offerings are designed to provide a unique and comprehensive solution for the safe and reproducible minimally disruptive surgical treatment of spine disorders by enabling surgeons to access the spine in a manner that affords both direct visualization and detection and avoidance of critical nerves along with intraoperative reconciliation. The fundamental difference between our MAS platform, which is sometimes referred to in the industry as “minimally invasive surgery” or “MIS”, is the ability to customize safe and reproducible access to the spine while allowing surgeons to continue to use instruments that are familiar to them and effective during surgery. Accordingly, the MAS platform does not force surgeons to reinvent or learn new approaches that add complexity and undermine safety, ease of use and/or efficacy. We have dedicated and continue to dedicate significant resources toward training spine surgeons around the world; both those who are new to our MAS and other product platforms, as well as ongoing education for MAS-trained surgeons attending advanced courses. An important ongoing objective of ours has been to maintain a leading position in access and nerve avoidance, as well as to pioneer and remain the ongoing leader in minimally invasive spine surgery. Our MAS platform, with the unique advantages provided by our neuromonitoring systems, enables innovative lateral procedures, including a procedure known as eXtreme Lateral Interbody Fusion, or XLIF, in which surgeons access the spine for a fusion procedure from the side of the patient’s body, rather than from the front or back. It has been demonstrated clinically that XLIF and other procedures facilitated by our MAS platform decrease trauma and blood loss, and lead to faster overall patient recovery times compared to open spine surgery.

We offer a range of implants for spinal surgery, which include our porous titanium and porous polyetheretherketone, or PEEK, implants under our Advanced Materials Science portfolio, fixation products such as customizable rods, plates and screws, bone allograft in patented saline packaging, allogeneic and synthetic biologics, and disposables used in IOM. We also design and sell expandable growing rod implant systems that can be non-invasively lengthened following implantation with precise, incremental adjustments via an external remote controller using magnetic technology called MAGnetic External Control, or MAGEC, which allows for the minimally invasive treatment of early-onset and adolescent scoliosis. This technology is also the basis for our Precice limb lengthening system, which allows for the correction of long bone limb length discrepancy, as well as enhanced bone healing in patients who have experienced traumatic injury.

We believe that offering customers a comprehensive procedural solution for spine surgery distinguishes us from traditional spine implant companies, and we have built a procedural solution for spine surgery that includes our IOM services, iGA and hardware and software technology offerings. We have also invested in the development of capital equipment designed to further improve clinical and economic outcomes through proceduralization. Our capital equipment portfolio currently consists of LessRay and Pulse. LessRay is an image enhancement platform designed to reduce radiation exposure in the operating room by allowing surgeons to take low-quality, low-dose images and improve them to look like conventional full-dose images. Pulse integrates multiple enabling technologies within a single, expandable platform and is engineered to improve workflow, reduce variability, and increase the reproducibility of surgical outcomes. The Pulse platform’s modular architecture is designed to incorporate applications for neuromonitoring, iGA surgical planning, patient-specific rod bending, smart imaging with LessRay radiation reduction, 2D and 3D imaging navigation, and integration with robotics and other smart tools. Revenue from the sale or lease of capital equipment does not make up a material portion of our total revenue.

We intend to continue development on a wide variety of projects intended to broaden our MAS and other product platforms and advance the applications of our unique technology into procedurally integrated surgical solutions to improve clinical and economic outcomes. We also expect to continue to invest in the Pulse platform to support a full commercial launch of the technology and to develop and expand its application offerings, including investments related to surgical automation and robotics.

In addition, we expect to continue to pursue business and technology acquisition targets and strategic relationships to identify opportunities to broaden participation along the spine care continuum. Top priorities include opportunities that complement our technology leadership position in spine, targeted geographic expansion, technology that makes procedures even safer, as well as opportunities for surgical automation.

In December 2019, a novel strain of coronavirus, which causes COVID-19, was identified. Due to the rapid and global spread of the virus, on March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. To slow the proliferation of COVID-19, governments have implemented extraordinary measures, which include the mandatory closure of businesses, restrictions on travel and gatherings, and quarantine and physical distancing requirements. In addition, in March 2020, the U.S. Surgeon General and the American College of Surgeons issued guidance advising that elective surgical procedures be curtailed or deferred and hospitals in the U.S. and globally have to varying degrees suspended elective surgeries. While certain spine surgeries are deemed essential and certain surgeries, like in cases of trauma, cannot be delayed, we are seeing a significant reduction in procedural volumes as hospital systems and/or patients elect to defer spine surgery procedures. As a result of these measures, we have experienced substantial reductions in procedural volumes and anticipate this trend will continue during the pandemic. Although we cannot predict the specific extent, duration, or scope of the impact that the COVID-19 pandemic will have on our financial results, we anticipate that we will experience material declines in our revenues, cash flow, and/or profitability in one or more quarterly periods in 2020 compared to the corresponding prior-year periods and compared to our expectations at the beginning of our 2020 fiscal year. Further discussion of the potential impacts on our business from the COVID-19 pandemic is provided below under Part II, Item 1A – Risk Factors.

Revenues and Operations

The majority of our revenue is derived from the sale of implants and fixation products, biologics, disposables and IOM services and we expect this trend to continue for the foreseeable future. Our implants and fixation products, biologics, and disposables are currently sold and shipped from our distribution and warehousing operations. We generally recognize revenue for implants and fixation products, biologics and disposables upon notice that our products have been used in a surgical procedure or upon shipment to a third-party customer assuming control of the products. Revenue from IOM services is recognized in the period the service is performed for the amount of payment we expect to receive. We make available MAS surgical instrument sets, MaXcess and neuromonitoring systems to hospitals to facilitate surgeon access to the spine to perform restorative and fusion procedures using our implants and fixation products. We sell MAS surgical instrument sets, MaXcess devices, and our proprietary software-driven neuromonitoring systems, however this does not make up a material part of our business. Revenue from the sale or lease of capital equipment does not make up a material portion of our total revenue.

The majority of our operations are located and the majority of our sales have been generated in the United States. We sell our products in the United States through a sales force comprised primarily of independent sales agents and directly-employed sales representatives. Our sales force provides a delivery and consultative service to our surgeon and hospital customers and is compensated based on sales and product placements in their territories. Sales force commissions are reflected in the sales, marketing and administrative operating expense line item within our Unaudited Consolidated Statements of Operations. We continue to invest in international expansion with a focus on European, Asia-Pacific and Latin American markets. Our international sales force is comprised of directly-employed sales personnel, independent sales agents, as well as exclusive and non-exclusive independent third-party distributors.

Results of Operations

Revenue

(in thousands, except %)

Three Months Ended

	March 31,		\$ Change	% Change
	2020	2019		
Revenue				
Spinal hardware	\$ 190,869	\$ 197,138	\$ (6,269)	(3)%
Surgical support	69,012	77,638	(8,626)	(11)%
Total revenue	\$ 259,881	\$ 274,776	\$ (14,895)	(5)%

Our spinal hardware product line offerings include our implants and fixation products. Our surgical support product line offerings include IOM services, disposables and biologics, and our capital equipment, all of which are used to aid spine surgery.

The continued adoption of minimally invasive procedures for spine surgery has led to the expansion of our procedure volume. In addition, increased market acceptance in our international markets contributed to the increase in international revenue for the periods presented. We expect continued adoption of our innovative minimally invasive procedures and deeper penetration into existing accounts and international markets as our sales force executes on our strategy of selling the full mix of our products and services. However, the continued consolidation and increased purchasing power of our hospital customers and group purchasing organizations, the continued existence of physician-owned distributorships, continued changes in the public and private insurance markets regarding reimbursement, and ongoing policy and legislative changes in the United States have created less predictability. Although the market for procedurally-integrated spine surgery solutions should continue to grow over the long term, economic, political and regulatory influences are subjecting our industry to significant changes that may slow the growth rate of the spine surgery market. Further, the COVID-19 pandemic has led to a significant reduction in procedural volumes, and we cannot predict the specific extent, duration, or scope of the impact or rate of recovery from the pandemic.

Revenue from our spinal hardware product line offerings decreased \$6.3 million, or 3%, during the three months ended March 31, 2020, compared to the same period in 2019. Product volume in spinal hardware decreased our revenue by approximately 1% for the three months ended March 31, 2020, primarily due to a reduction in elective surgeries as of result of the COVID-19 pandemic. Additionally, we experienced unfavorable pricing impacts of approximately 2% for the three months ended March 31, 2020, compared to the same period in 2019. Foreign currency fluctuation had an insignificant impact on revenue from spinal hardware for the period presented.

Revenue from our surgical support product line offerings decreased \$8.6 million, or 11%, during the three months ended March 31, 2020, compared to the same period in 2019. Product and service volume in surgical support decreased our revenue by approximately 10% for the three months ended March 31, 2020, primarily due to a reduction in elective surgeries as of result of the COVID-19 pandemic. Additionally, we experienced unfavorable pricing impacts of approximately 1% for the three months ended March 31, 2020, as compared to the same period in 2019. Foreign currency fluctuation had an insignificant impact on revenue from surgical support for the period presented.

Cost of Revenue, Excluding Below Amortization of Intangible Assets

(in thousands, except %)	March 31,		\$ Change	% Change
	2020	2019		
Three Months Ended				
Cost of revenue	\$ 71,865	\$ 74,494	\$ (2,629)	(4)%
% of total revenue	28%	27%		

Cost of revenue consists primarily of purchased goods, raw materials, labor and overhead associated with product manufacturing, inventory-related costs and royalty expenses, as well as the cost of providing IOM services, which includes personnel and physician oversight costs. We primarily procure and manufacture our goods in the United States, and accordingly, foreign currency fluctuations have not materially impacted our cost of revenue.

Cost of revenue decreased \$2.6 million, or 4%, during the three months ended March 31, 2020, compared to the same period in 2019. Cost of revenue for our business decreased primarily due to a reduction in procedural volume as of result of the COVID-19 pandemic, changes in product mix, and shifts in production costs, offset by favorable manufacturing absorption from in-sourced products and improved throughput and plant efficiencies during the three months ended March 31, 2020, compared to the same period in 2019.

Cost of revenue as a percentage of revenue increased during the three months ended March 31, 2020 compared to the same period in 2019.

Operating Expenses

(in thousands, except %)	Three Months Ended			
	March 31,		\$ Change	% Change
	2020	2019		
Sales, marketing and administrative	\$ 130,231	\$ 145,076	\$ (14,845)	(10)%
% of total revenue	50%	53%		
Research and development	18,257	17,575	682	4%
% of total revenue	7%	6%		
Amortization of intangible assets	12,649	13,625	(976)	(7)%
Business transition costs	(1,440)	3,833	(5,273)	(138)%

Sales, Marketing and Administrative

Sales, marketing and administrative expenses consist primarily of compensation costs, commissions and training costs for our employees (who we refer to as “shareowners”) engaged in sales, marketing and customer support functions. The expense also includes commissions to sales representatives, freight expenses, surgeon training costs, depreciation expense for property and equipment such as surgical instrument sets, and administrative expenses for both shareowners and third party service providers.

Sales, marketing and administrative expenses decreased by \$14.8 million, or 10%, during the three months ended March 31, 2020, compared to the same period in 2019. The decrease during the three months ended March 31, 2020 is primarily due to impacts from the COVID-19 pandemic reducing compensation costs, including stock-based compensation subject to fair value adjustments for certain equity awards, as compared to the same period in 2019. These reductions were partially offset by an increase in depreciation expense associated with our instrument sets.

Research and Development

Research and development expense consists primarily of product research and development, clinical trial and study costs, regulatory and clinical functions, and compensation and other shareowner related expenses. In the last several years, we have introduced numerous new products and product enhancements that have significantly expanded our MAS platform and our comprehensive product portfolio. We have also acquired complementary and strategic assets and technology, particularly in the area of spinal hardware products. We continue to invest in research and development programs related to our core product portfolio, as well as in our capital equipment.

Research and development expense increased by \$0.7 million, or 4%, during the three months ended March 31, 2020, compared to the same period in 2019. The increase in spending is primarily due to increased headcount and increased cost associated with further enhancement and functionality of our current and future product offerings, including capital equipment.

Business Transition Costs

We incur certain costs related to acquisition, integration and business transition activities, which include severance, relocation, consulting, leasehold exit costs, third-party merger and acquisition costs, contingent consideration fair value adjustments and other costs directly associated with such activities. Contingent consideration is accrued based on the fair value of the expected payment, and such accruals are subject to increase or decrease based on assessment of the likelihood that the contingent milestones will be achieved resulting in payment. If an accrual for contingent consideration decreases during a particular period, it results in a reduction of costs during such period.

During the three months ended March 31, 2020, we recorded \$(1.4) million of costs related to acquisition, integration and business transition activities, which included \$(2.1) million of fair value adjustments on contingent consideration liabilities primarily associated with our 2017 and 2016 acquisitions.

During the three months ended March 31, 2019, we incurred \$3.8 million of costs related to acquisition, integration and business transition activities, which included \$0.4 million of fair value adjustments on contingent consideration liabilities associated with our 2017 and 2016 acquisitions.

Interest and Other Expense, Net

(in thousands, except %)	March 31,		\$ Change	% Change
	2020	2019		
Three Months Ended				
Interest income	\$ 731	\$ 409	\$ 322	79%
Interest expense	(11,517)	(9,513)	(2,004)	21%
Other (expense) income, net	(7,408)	(366)	(7,042)	1,924%
Total interest and other expense, net	\$ (18,194)	\$ (9,470)	\$ (8,724)	92%

Total interest and other expense, net for the periods presented included gains and losses from strategic investments, foreign currency impacts, our pro rata allocation of net income or loss from our equity method investments, and net foreign currency exchange gains and losses. Total interest and other expense, net increased by \$8.7 million during the three months ended March 31, 2020, as compared to the same period in 2019. The increase is primarily due to an increase in interest expense associated with the Senior Convertible Notes due 2025 issued in March 2020, as well as an increase in unrealized foreign currency losses.

Income Tax Expense

(in thousands, except %)	March 31,	
	2020	2019
Three Months Ended		
Income tax expense	\$ 4,827	\$ 1,317
Effective income tax rate	48%	12%

The effective income tax rate from continuing operations was 48% for the three months ended March 31, 2020 compared with 12% for the same period in 2019. The rate was higher during the three months ended March 31, 2020 primarily due to decreased benefits associated with share-based payments, an increase in valuation allowance, an increase in limitations on certain compensation deductions for our executive officers and an increase in losses in jurisdictions where we receive no tax benefit.

Liquidity, Cash Flows and Capital Resources

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash, cash equivalents and marketable securities, cash generated from operations, proceeds from our convertible notes issuances, and access to our revolving line of credit. We expect that cash provided by operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in our operating results, working capital requirements and capital deployment decisions. We have historically invested our cash primarily in the U.S. treasuries and government agencies, corporate debt, and money market funds. Certain of these investments are subject to general credit, liquidity and other market risks. The general condition of the financial markets and the economy may increase those risks and may affect the value and liquidity of investments and restrict our ability to access the capital markets.

Our future capital requirements will depend on many factors including our rate of revenue growth, the timing and extent of spending to support development efforts, the expansion of sales, marketing and administrative activities, the timing of introductions of new products and enhancements to existing products, successful insourcing of our manufacturing process, the continuing market acceptance of our products, the expenditures associated with possible future acquisitions or other business combination transactions, the outcome of current and future litigation, and international expansions of our business. We expect our cash flows from operations to continue to fund the ongoing core business. As current borrowing sources become due, we may be required to access the capital markets for additional funding. As we assess inorganic growth strategies, we may need to supplement our internally generated cash flow with outside sources. As part of our liquidity strategy, we will continue to monitor our current level of earnings and cash flow generation as well as our ability to secure additional credit facilities, term loans, or other similar arrangements and access the capital markets in light of those earning levels and general financial market conditions.

A substantial portion of our operations are located in the United States, and the majority of our sales and cash generation since inception have been made in the United States. Accordingly, we do not have material net cash flow exposures to foreign currency rate fluctuations. However, as our business in markets outside of the United States continues to increase, we will be exposed to foreign currency exchange risk related to our foreign operations. Fluctuations in the rate of exchange between the United States dollar and foreign currencies, primarily in the pound sterling, the euro, the Australian dollar, the Brazilian real, the Singapore dollar, and the yen, could adversely affect our financial results, including our revenues, revenue growth rates, gross margins, income and losses as well as assets and liabilities. We enter into forward currency contracts to partially offset the impact from fluctuations of the foreign currency rates on our third-party and short-term intercompany receivables and payables between our domestic and international operations. We currently do not hedge future forecasted transactions but will continue to assess whether that strategy is appropriate. As of March 31, 2020, the cash balance held by our foreign subsidiaries with currencies other than the United States dollar was approximately \$41.4 million and it is our intention to indefinitely reinvest all of current foreign earnings in order to partially support foreign working capital and to expand our existing operations outside the United States. As of March 31, 2020, our account receivable balance held by our foreign subsidiaries with currencies other than the United States dollar was approximately \$45.3 million. We have operations in markets in which there is governmental financial instability which could impact funds that flow into the medical reimbursement system. In addition, loss of financial stability within these markets could lead to delays in reimbursement or inability to remit payment due to currency controls. Specifically, we have operations and/or sales in Puerto Rico, Brazil and Argentina. We do not have any material financial exposure to one customer or one country that would significantly hinder our liquidity.

We are currently, and in the future could be, involved in legal actions and investigations arising out of the normal course of our business. Due to the inherent uncertainties associated with pending legal actions and investigations, we cannot predict the outcome, and, with respect to certain pending litigation or claims where no liability has been accrued, to make a meaningful estimate of the reasonably possible loss or range of loss that could result from an unfavorable outcome, other than those matters disclosed in this Quarterly Report. We have no material accruals for pending litigation or claims for which accrual amounts are not disclosed in our Unaudited Consolidated Financial Statements. It is reasonably possible, however, that an unfavorable outcome that exceeds our accrual estimate, if any, for one or more of the matters described in our Unaudited Consolidated Financial Statements could have a material adverse effect on our liquidity and access to capital resources. Additionally, it is possible that in connection with a legal proceeding or investigation we are required to pay fees and expenses of the other party or set aside funds in an escrow or purchase a performance bond, regardless of our assessment of the probability of a loss. These requirements to pay fees and expenses or escrow funding in connection with a legal proceeding or investigation could have an adverse impact on our liquidity or affect our access to additional capital resources. We have disclosed all material accruals for pending litigation or investigations in Note 11 of the Unaudited Consolidated Financial Statements.

On August 31, 2015, we received a civil investigative demand, or CID, issued by the U.S. Department of Justice, or DOJ, pursuant to the federal False Claims Act. The CID requires the delivery of a wide range of documents and information related to an investigation by the DOJ concerning allegations that we assisted a physician group customer in submitting improper claims for reimbursement and made improper payments to the physician group in violation of the Anti-Kickback Statute. We are cooperating with the DOJ in regards to this matter. No assurance can be given as to the timing or outcome of this investigation, and the probable outcome of this matter cannot be determined.

On September 12, 2016, we completed an acquisition of an imaging software and technology platform known as LessRay. In connection with the acquisition, we recorded a purchase accounting fair value estimate of \$34.1 million for contingent consideration liabilities related to the achievement of certain regulatory and commercial milestones. In January 2018, we paid \$9.0 million of the outstanding contingent consideration liabilities for the achievement of a commercial milestone. In July 2018, we paid \$10.0 million of the outstanding contingent consideration liabilities for the achievement of a regulatory approval milestone. We anticipate the remaining sales-based milestones will become payable at varying times between 2026 and 2027.

On September 7, 2017, we completed an acquisition of a medical device company that developed interbody implants for spinal fusion using patented porous PEEK technology. In connection with the acquisition, we recorded a purchase accounting fair value estimate of \$31.4 million for contingent consideration liabilities related to the achievement of certain manufacturing and commercial milestones. We anticipate these milestones will become payable at varying times between 2020 and 2025, but are subject to change based on the achievement of those manufacturing and commercial milestones.

In the first quarter of 2020, the lease commenced with respect to the remaining build-out portion of our corporate headquarters in San Diego, California, which totals approximately \$58.8 million in lease payments over a 15-year term.

Cash and cash equivalents were \$512.0 million and \$213.0 million at March 31, 2020 and December 31, 2019, respectively. While the unprecedented public health and governmental efforts to contain the spread of COVID-19 have created significant disruptions to the healthcare system and the global economy, as of the filing date of this report, we believe our existing cash and cash equivalents, projected future cash flows from operations and access to external financing sources are sufficient to satisfy our current and reasonably anticipated requirements for funds to conduct our operations in the ordinary course of our business and pay our obligation as they become due for the next twelve months. Given the impact of the COVID-19 pandemic on demand for elective surgical procedures, we have taken temporary actions to reduce operating expenses and preserve liquidity such as reducing compensation for our directors and executive officers, limiting discretionary spend, and adjusting manufacturing capacity based on certain government directives and demand. We may have varying needs for cash in connection with our Senior Convertible Notes due March 2021, and also as a result of the achievement of certain acquisition related milestones. Future litigation or requirements to escrow funds could also materially impact our liquidity and our ability to invest in and run our business on an ongoing basis. Although we have no cash borrowings under our existing revolving senior credit facility as of the date of this report, for the remainder of 2020, we expect to use our cash resources or cash borrowings under our senior credit facility to support our business within the context of prevailing market and economic conditions, which, given the COVID-19 crisis, could rapidly and materially deteriorate or otherwise change. During this time, we may seek other sources of liquidity through capital market or bank loan transactions to support our business needs. In addition, we may seek to adjust or amend the terms of and/or expand the capacity of our existing senior credit facility, or enter into additional credit facilities, term loans, or other similar arrangements. However, with the uncertainty surrounding the COVID-19 crisis, our ability to engage in such transactions may be constrained by volatile financial market conditions, reduced investor and/or lender interest or capacity, as well as our liquidity, leverage, and general creditworthiness and we can provide no assurance as to successfully completing such transactions. Furthermore, our ability to borrow under our existing revolving senior credit facility is subject to remaining in compliance with underlying financial covenants which may be difficult to satisfy if the COVID-19 pandemic continues to adversely impact the healthcare system and our business. Further discussion of the potential impacts from the COVID-19 pandemic is provided below under Part II, Item 1A – Risk Factors.

The increase in liquidity during the three months ended March 31, 2020 of \$299.0 million was mainly driven by cash inflows of \$437.7 million related to the net issuance of our Senior Convertible Notes due 2025, offset by \$78.8 million in cash used for treasury stock purchases, \$31.2 million net in cash used for the call spread on the sale and purchase of our warrants and bond hedge issued in connection with the Senior Convertible Notes due 2025, and \$28.1 million in cash used for purchases of property and equipment. At March 31, 2020, we had cash totaling \$1.5 million in restricted accounts which is not available to us to meet any ongoing capital requirements if and when needed.

Cash Flows from Operating Activities

Cash provided by operating activities was \$5.2 million for the three months ended March 31, 2020, compared to \$24.5 million for the same period in 2019. The \$19.3 million decrease in cash provided by operating activities was due to decreased operational cash flows in 2020 related primarily to an increase in payments for compensation related accruals.

Cash Flows from Investing Activities

Cash used in investing activities was \$30.6 million for the three months ended March 31, 2020, compared to \$40.8 million used for the same period in 2019. The \$10.2 million decrease in cash used in investing activities was primarily due to a decrease of \$5.8 million in cash used for purchases of property and equipment and a decrease of \$4.3 million in cash used for purchases of intangible assets during the three months ended March 31, 2020, as compared to the same period in 2019.

Cash Flows from Financing Activities

Cash provided by financing activities was \$326.1 million for the three months ended March 31, 2020, compared to \$8.1 million used for the same period in 2019. The \$334.2 million increase in cash provided by financing activities was primarily due to the net issuance of the Senior Convertible Notes due 2025 of \$437.7 million, offset by \$31.2 million net cash used for the call spread on the sale and purchase of our warrants and bond hedge and an increase in treasury stock purchases of \$70.6 million during the three months ended March 31, 2020, compared to the same period in 2019.

Treasury stock purchases totaled \$78.8 million during the three months ended March 31, 2020, relating to our share repurchase program, equity award vesting's and stock option exercises. In March 2020, in connection with the issuance of the 2025 Notes, we repurchased approximately 1,085,000 shares of our common stock for \$75.0 million. We use net share settlement on stock issuances, which results in cash tax payments we make on behalf of shareowners and a decrease in the cash receipt from the issuance of common stock upon the exercising of stock options. Net share settlement is generally used in lieu of cash payments by shareowners for minimum tax withholding or exercise costs for equity awards. The net share settlement is accounted for as a treasury share repurchase transaction, with the cost of any deemed repurchased shares included in treasury stock and reported as a reduction in total equity at the time of settlement. Additionally, net share settlement for tax withholding requires us to fund a significant amount of cash for certain tax payment obligations from time-to-time with respect to the shareowner tax obligations for vested equity awards. We anticipate using cash generated from operating activities to fund such payments.

Senior Convertible Notes

0.375% Senior Convertible Notes due 2025

In March 2020, we issued \$450.0 million principal amount of unsecured senior convertible notes with a stated interest rate of 0.375% and a maturity date of March 15, 2025, which we refer to as the 2025 Notes. The net proceeds from the offering, after deducting initial purchasers' discounts and costs directly related to the offering, were approximately \$437.7 million. Interest on the 2025 Notes began accruing upon issuance and is payable semi-annually. The 2025 Notes may be settled in cash, stock, or a combination thereof, solely at our discretion. It is our current intent and policy to settle all conversions through combination settlement, which involves satisfying the principal amount outstanding with cash and any note conversion value over the principal amount in shares of our common stock. The initial conversion rate of the 2025 Notes is 10.7198 shares per \$1,000 principal amount, which is equivalent to a conversion price of approximately \$93.29 per share, subject to adjustments. In addition, following certain corporate events that occur prior to the maturity date or if we issue a notice of redemption, we will increase the conversion rate for a holder who elects to convert its 2025 Notes in connection with such a corporate event or in connection with such redemption in certain circumstances. Prior to September 15, 2024, holders may convert their 2025 Notes only under the following conditions: (a) during any calendar quarter commencing after the calendar quarter ending on June 30, 2020 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (b) during the five business day period after any five consecutive trading day period, referred to as the measurement period, in which the trading price of the 2025 Notes per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on such trading day; (c) if we call any or all of the 2025 Notes for redemption, at any time prior to the close of business on the second scheduled trading day preceding the redemption date; or (d) upon the occurrence of specified corporate events, as defined in the 2025 Notes. On or after September 15, 2024, until the close of business on the second scheduled trading day immediately preceding March 15, 2025, holders may convert their 2025 Notes at any time, regardless of the foregoing conditions. On or after September 15, 2024, until the close of business on the second scheduled trading day immediately preceding March 15, 2025, holders may convert their 2025 Notes at any time, regardless of the foregoing conditions. We may not redeem the 2025 Notes prior to March 20, 2023. We may redeem the 2025 Notes, at our option, in whole or in part, on or after March 20, 2023 until the close of business on the business day immediately preceding September 15, 2024, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we deliver written notice of a redemption. The redemption price will be equal to 100% of the principal amount of such 2025 Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date. No principal payments are due on the 2025 Notes prior to maturity. Other than restrictions relating to certain fundamental changes and consolidations, mergers or asset sales and customary anti-dilution adjustments, the 2025 Notes do not contain any financial covenants and do not restrict us from conducting significant restructuring transactions, paying dividends or issuing or repurchasing any of our other securities. As of March 31, 2020, we are unaware of any current events or market conditions that would allow holders to convert the 2025 Notes. The impact of the convertible feature will be dilutive to our earnings per share when our average stock price for the period is greater than the conversion price.

In connection with the sale of the 2025 Notes, we entered into transactions for convertible notes hedge, which we refer to as the 2025 Hedge, and warrants, which we refer to as the 2025 Warrants. The 2025 Hedge was entered into with certain dealers, which included affiliates of certain of the initial purchasers of the 2025 Notes and other financial institutions, which we refer to as the 2025 Counterparties, entitling us to purchase up to 4,823,910 shares of our own common stock at an initial stock price of \$93.29 per share, each of which is subject to adjustment. The cost of the 2025 Hedge was \$78.3 million. The 2025 Hedge will expire on the second scheduled trading day immediately preceding March 15, 2025. The 2025 Hedge is expected to reduce the potential equity dilution upon conversion of the 2025 Notes if the daily volume-weighted average price per share of our common stock exceeds the strike price of the 2025 Hedge. Our assumed exercise of the 2025 Hedge is considered anti-dilutive since the effect of the inclusion would always be anti-dilutive with respect to the calculation of diluted earnings per share.

In addition, we sold the 2025 Warrants to the 2025 Counterparties to acquire up to 4,823,910 common shares of our stock. The 2025 Warrants will expire on various dates from June 2025 through October 2025 and may be settled in net shares or cash, subject to certain conditions. It is our current intent and policy to settle all conversions in shares of our common stock. We received \$47.1 million in cash proceeds from the sale of the 2025 Warrants. The 2025 Warrants could have a dilutive effect on our earnings per share to the extent that the price of our common stock during a given measurement period exceeds the strike price of the 2025 Warrants, which is \$127.84 per share.

2.25% Senior Convertible Notes due 2021

In March 2016, we issued \$650.0 million principal amount of unsecured senior convertible notes with a stated interest rate of 2.25% and a maturity date of March 15, 2021, which we refer to as the 2021 Notes. The net proceeds from the offering, after deducting initial purchasers' discounts and costs directly related to the offering, were approximately \$634.1 million. Interest on the 2021 Notes began accruing upon issuance and is payable semi-annually. The 2021 Notes may be settled in cash, stock, or a combination thereof, solely at our discretion. It is our current intent and policy to settle all conversions through combination settlement, which involves satisfying the principal amount outstanding with cash and any note conversion value over the principal amount in shares of our common stock. The initial conversion rate of the 2021 Notes is 16.7158 shares per \$1,000 principal amount, which is equivalent to a conversion price of approximately \$59.82 per share, subject to adjustments. Prior to September 15, 2020, holders may convert their 2021 Notes only under the following conditions: (a) during any calendar quarter beginning June 30, 2016, if the reported sale price of our common stock for at least 20 days out of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price on each applicable trading day; (b) during the five business day period in which the trading price of the 2021 Notes falls below 98% of the product of (i) the last reported sale price of our common stock and (ii) the conversion rate on that date; and (c) upon the occurrence of specified corporate events, as defined in the 2021 Notes. From September 15, 2020 and until the close of business on the second scheduled trading day immediately preceding March 15, 2021, holders may convert their 2021 Notes at any time (regardless of the foregoing circumstances). Prior to March 20, 2019, we could not redeem the 2021 Notes. We may redeem the 2021 Notes, at our option, in whole or in part on or after March 20, 2019 until the close of business on the business day immediately preceding September 15, 2020 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we deliver written notice of a redemption. The redemption price will be equal to 100% of the principal amount of such 2021 Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date. No principal payments are due on the 2021 Notes prior to maturity. Other than restrictions relating to certain fundamental changes and consolidations, mergers or asset sales and customary anti-dilution adjustments, the 2021 Notes do not contain any financial covenants and do not restrict us from paying dividends or issuing or repurchasing any of our other securities. As of March 31, 2020, we are unaware of any current events or market conditions that would allow holders to convert the 2021 Notes. The impact of the convertible feature will be dilutive to our earnings per share when our average stock price for the period is greater than the conversion price.

In connection with the offering of the 2021 Notes, we entered into transactions for convertible notes hedge, which we refer to as the 2021 Hedge, and warrants, which we refer to as the 2021 Warrants. The 2021 Hedge was entered into with the initial purchasers of the 2021 Notes and/or their affiliates, which we refer to as the 2021 Counterparties, entitling us to purchase up to 10,865,270 shares of our own common stock at an initial stock price of \$59.82 per share, each of which is subject to adjustment. The cost of the 2021 Hedge was \$111.2 million. The 2021 Hedge will expire on March 15, 2021. The 2021 Hedge is expected to reduce the potential equity dilution upon conversion of the 2021 Notes if the daily volume-weighted average price per share of our common stock exceeds the strike price of the 2021 Hedge. Our assumed exercise of the 2021 Hedge is considered anti-dilutive since the effect of the inclusion would always be anti-dilutive with respect to the calculation of diluted earnings per share.

In addition, we sold the 2021 Warrants to the 2021 Counterparties to acquire up to 10,865,270 common shares of our stock. The 2021 Warrants will expire on various dates from June 2021 through December 2021 and may be settled in cash or net shares. It is our current intent and policy to settle all conversions in shares of our common stock. We received \$44.9 million in cash proceeds from the sale of the 2021 Warrants. The 2021 Warrants could have a dilutive effect on our earnings per share to the extent that the price of our common stock during a given measurement period exceeds the strike price of the 2021 Warrants, which is \$80.00 per share.

Revolving Senior Credit Facility

In February 2020, we entered into a Second Amended and Restated Credit Agreement, or the 2020 Credit Agreement, for a revolving senior credit facility, referred to as the 2020 Facility, which replaced the previous Amended and Restated Credit Agreement we had entered into in April 2017. The 2020 Credit Agreement provides for secured revolving loans, multicurrency loan options and letters of credit in an aggregate amount of up to \$550.0 million. The 2020 Credit Agreement also contains an expansion feature, which allows us to increase the aggregate principal amount of the 2020 Facility provided we remain in compliance with the underlying financial covenants on a pro forma basis, including but not limited to, compliance with the consolidated interest coverage ratio and certain consolidated leverage ratios. The 2020 Facility matures in February 2025 (subject to an earlier springing maturity date), and includes a sublimit of \$50.0 million for standby letters of credit, a sublimit of \$250.0 million for multicurrency borrowings, and a sublimit of \$5.0 million for swingline loans. All of our assets including the assets of our material domestic subsidiaries continue to be pledged as collateral under the 2020 Facility (subject to customary exceptions) pursuant to the terms set forth in the Second Amended and Restated Security and Pledge Agreement executed in favor of the administrative agent. Each of our material domestic subsidiaries guarantee the 2020 Facility. In connection with the 2020 Facility, we incurred issuance costs which will be amortized over the term of the 2020 Facility. We did not carry any outstanding revolving loans under the 2020 Facility as of March 31, 2020 and December 31, 2019.

Borrowings under the 2020 Facility bear interest, at our option, at a rate equal to an applicable margin plus: (a) the applicable Eurocurrency Rate (as defined in the 2020 Credit Agreement), or (b) a base rate determined by reference to the highest of (1) the federal funds effective rate plus 0.50%, (2) the Bank of America prime rate, and (3) the Eurocurrency Rate for an interest period of one month plus 1.00%. The margin for the 2020 Facility ranges, based on our consolidated total net leverage ratio, from 0.00% to 0.75% in the case of base rate loans and from 1.00% to 1.75% in the case of Eurocurrency Rate loans. The 2020 Facility includes an unused line fee ranging, based on our consolidated total net leverage ratio, from 0.20% to 0.35% per annum on the revolving commitment.

The 2020 Credit Agreement contains affirmative, negative, permitted acquisition and financial covenants, and events of default customary for financings of this type. The financial covenants require us to maintain a consolidated interest coverage ratio and certain consolidated leverage ratios, which are measured on a quarterly basis. The 2020 Facility grants the lenders preferred first priority liens and security interests in capital stock, intercompany debt and all of our present and future property and assets including each guarantor. As of March 31, we are in compliance with the 2020 Credit Agreement covenants.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon our Unaudited Consolidated Financial Statements, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates including those related to credit losses, inventories, valuation of goodwill, intangibles, other long-term assets, stock-based compensation, income taxes, and legal proceedings. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates. Our critical accounting policies and estimates are discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and there have been no material changes during the three months ended March 31, 2020.

Off-Balance Sheet Arrangements

As of March 31, 2020, we did not have any off-balance sheet arrangements.

Contractual Obligations and Commitments

As of March 31, 2020, there were no material changes outside of the ordinary course of business, in our outstanding contractual obligations from those disclosed within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2020, there has been no material change in our assessment of our sensitivity to market risk since our presentation set forth in Item 7A, “Quantitative and Qualitative Disclosures About Market Risk”, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time lines specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we carried out an evaluation of the effectiveness of the Company’s disclosure controls and procedures (as defined in SEC Rules 13a - 15(e) and 15d - 15(e)) as of March 31, 2020. Based on such evaluation, our management has concluded that as of March 31, 2020, the Company’s disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we carried out an evaluation of any potential changes in our internal control over financial reporting during the fiscal quarter covered by this Quarterly Report.

There has been no change to our internal control over financial reporting during our most recent fiscal quarter that our certifying officers concluded materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our material pending legal proceedings, refer to Note 11 “Contingencies” of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report, which is incorporated herein by reference.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described under Item 1A of Part I of our Annual Report on Form 10-K, as updated in this Item 1A (collectively the “Risk Factors”) together with all other information contained or incorporated by reference in this report before you decide to invest in our common stock. If any of the Risk Factors were to actually occur, our business, financial condition, results of operations and our future growth prospects could be materially and adversely affected. Under the circumstances, the trading price of our common stock could decline, and you may lose all or part of your investment.

The risk factors set forth below are in addition to the risk factors previously disclosed and included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

A pandemic, epidemic or outbreak of a contagious disease is adversely affecting, and may continue to adversely affect, our business.

Our business has been, and could continue to be, adversely affected by the effects of a pandemic, epidemic or widespread outbreak of a contagious disease, such as the recent outbreak of a respiratory disease caused by a novel coronavirus (COVID-19). Widespread outbreaks of contagious diseases could adversely impact our business by, among other things, affecting the health and safety of our employees, disrupting our ability to manufacture and distribute our products resulting from the closure of our facilities or the facilities of our suppliers and customers, reducing demand for our products and services due to the deferral or suspension of elective surgical procedures, and restricting our ability to travel and interact with surgeons and our customers. Additionally, a significant outbreak of a contagious disease may result in a widespread health crisis that could broadly affect the global economy and financial markets, resulting in a significant decline in economic activity that could materially affect our business, financial condition and results of operations.

In December 2019, a novel strain of coronavirus, which causes COVID-19, was identified. Due to the rapid and global spread of the virus, on March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. To slow the proliferation of COVID-19, governments have implemented extraordinary measures, which include the mandatory closure of businesses, restrictions on travel and gatherings, and quarantine and physical distancing requirements. In addition, in March 2020, the U.S. Surgeon General and the American College of Surgeons issued guidance advising that elective surgical procedures be curtailed or deferred and hospitals in the U.S. and globally have to varying degrees suspended elective surgeries. While certain spine surgeries are deemed essential and certain surgeries, like in cases of trauma, cannot be delayed, we are seeing a significant reduction in procedural volumes as hospital systems and/or patients elect to defer spine surgery procedures. As a result of these measures, we have experienced substantial reductions in procedural volumes and anticipate this trend will continue during the pandemic. In addition, restrictions on our ability to travel as well as the temporary closures of our facilities and the facilities of our suppliers has adversely affected our business. Further, due to the travel restrictions and physical distancing requirements, we have been limited in our ability to train and educate surgeons on our surgical techniques and products. These restrictions have also impacted our manufacturing capabilities and distribution and warehousing operations as we reduce capacity and implement policies to prioritize the health and safety of our shareowner employees and contractors. Although the cumulative impact of these disruptions has had a significant impact on our business, as of the date of this filing, we cannot predict the specific extent, duration, or scope of the impact that the COVID-19 pandemic will have on our financial results. We continue to believe that our overall business strategy and long-term future growth opportunities remain strong, and our priority is the health and well-being of our employee shareowners, customers, surgeons, and patients and the communities in which we operate. However, the global pandemic of COVID-19 continues to rapidly evolve. The ultimate impact of the recent COVID-19 pandemic, or a similar health pandemic or epidemic, is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, healthcare systems or the global economy as a whole. These effects could have a material impact on our operations, and we will continue to monitor the COVID-19 situation closely.

The COVID-19 crisis is straining healthcare systems worldwide, which will further impact our business, results of operations and liquidity.

Due to the COVID-19 pandemic, hospitals in the U.S. and globally have to varying degrees suspended and delayed elective surgeries in order to allocate and direct medical supplies and capacity to the COVID-19 response. Some hospitals have also limited access to their facilities or changed access protocols, which has made it difficult for us to support our surgeon customers. As a result, we have experienced a significant reduction in procedural volumes and anticipate this trend will continue during the pandemic. We expect that hospitals and other facilities may face significant disruptions in their business and incur financial losses as they decrease elective procedures and increase spending on supplies and infrastructure in order to expand system capacity related to COVID-19 treatment. Potential patients may also cancel elective procedures or fail to seek needed care at hospitals which are involved in treating patients with COVID-19 due to the highly infectious nature of the disease. Additionally, the impact of the COVID-19 pandemic on the global economy and the financial markets could lead to a sustained period of economic turmoil and increased unemployment which may affect the ability of patients to seek care and treatment due to reduced health insurance coverage or the inability to pay premiums, deductibles, and copayments under health insurance plans. If the financial condition of hospitals deteriorate it could cause us to experience slower or impaired collections on accounts receivable, reductions in sales of our products and services, and increased price competition all of which could adversely impact our business, results of operations and liquidity. As of March 31, 2020, we had \$512.0 million in cash and cash equivalents and the ability to draw \$550.0 million under our 2020 Facility. However, our ability to borrow under the 2020 Facility is subject to remaining in compliance with underlying financial covenants which may be difficult to satisfy if the COVID-19 pandemic continues to adversely impact the healthcare system and our business. If the business interruptions caused by COVID-19 persist for a substantial period of time, we may need to seek other sources of liquidity and there can be no guarantee that additional liquidity will be readily available or available on favorable terms.

The potential effects of COVID-19 also could impact many of our Risk Factors included in Item 1A of Part I of our Annual Report on Form 10-K, including, but not limited to:

- our ability to effectively demonstrate to surgeons and hospitals the value proposition of our products and procedural solutions;
- our ability to expand our network of direct and independent sales representatives;
- performance issues or service interruptions by our shipping carriers;
- our ability to manufacture products;
- the loss or incapacity of existing members of our executive management team;
- laws and regulations affecting our business;
- fluctuations in foreign currency markets;
- information technology system interruptions, cybersecurity threats, and data security issues;
- delays in obtaining FDA clearances or approvals for our future products or product enhancements;
- the availability of future borrowings and the costs of current and future borrowings; and
- substantial fluctuations in the price of our common stock.

However, given the inherent uncertainty surrounding COVID-19 due to rapidly changing governmental directives, public health challenges and economic disruption, the potential impact that COVID-19 could have on our Risk Factors that are further described in our 2019 Annual Report on Form 10-K remain unclear.

The risk factors set forth below contain material changes to the risk factors previously disclosed and included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

We have a significant amount of outstanding indebtedness, and our financial condition and results of operations could be adversely affected if we do not effectively manage our liabilities.

As of March 31, 2020, we had outstanding \$650.0 million aggregate principal amount of our 2.25% Convertible Senior Notes due 2021 (the “2021 Notes”) and \$450.0 million aggregate principal amount of our 0.375% Convertible Senior Notes due 2025 (the “2025 Notes”). This significant amount of debt has important risks to us and our investors, including:

- requiring a portion of our cash flow from operations to make interest payments on this debt;
- increasing our vulnerability to general adverse economic and industry conditions;
- reducing the cash flow available to fund capital expenditures and other corporate purposes and to grow our business;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and
- limiting our ability to borrow additional funds as needed or take advantage of business opportunities as they arise.

In addition, to the extent we draw on our \$550.0 million revolving senior credit facility (the “2020 Facility”) or otherwise incur additional indebtedness, the risks described above could increase. Further, if we increase our indebtedness, our actual cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to repay all of the outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance our debt. Further, there are a large number of shares of common stock reserved for issuance upon the potential conversion of our 2021 Notes and 2025 Notes and the warrants that we issued as part of the related bond hedge transactions related to the 2021 Notes and 2025 Notes. If any of these shares are issued, the issuance of these shares may depress the market price of our common stock and our existing stockholders could experience dilution.

If we fail to comply with the covenants and other obligations under our credit facility, the lenders may be able to accelerate amounts owed under the facilities and may foreclose upon the assets securing our obligations.

In February 2020, we entered into a Second Amended and Restated Credit Agreement (the “2020 Credit Agreement”) with respect to the 2020 Facility, which replaced the previous Amended and Restated Credit Agreement we had entered into in April 2017. The 2020 Credit Agreement provides for secured revolving loans, multicurrency loan options and letters of credit in an aggregate amount of up to \$550.0 million. The 2020 Credit Agreement also contains an expansion feature, which allows us to increase the aggregate principal amount of the 2020 Facility provided we remain in compliance with the underlying financial covenants on a pro forma basis, including but not limited to, compliance with the consolidated interest coverage ratio and certain consolidated net leverage ratios. All of our assets and the assets of our material domestic subsidiaries are pledged as collateral under the 2020 Facility (subject to customary exceptions) and each of our material domestic subsidiaries guarantee the 2020 Facility. The covenants set forth in the 2020 Credit Agreement restrict, among other things, our ability to: create liens on assets, incur additional indebtedness, make investments, make acquisitions and other fundamental changes, sell and dispose of property or assets, pay dividends and other distributions, change the business conducted, engage in certain transactions with affiliates, enter into burdensome agreements, limit certain use of proceeds, amend organizational documents, change accounting policies or reporting practices, modify or terminate documents related to certain indebtedness, enter into sale and leaseback transactions, fund any person or business that is the subject of sanctions, and use proceeds for any breach of anti-corruption laws. If we fail to comply with the covenants and our other obligations under the 2020 Facility, the lenders would be able to accelerate the required repayment of amounts due under the 2020 Credit Agreement and, if they are not repaid, could foreclose upon our assets securing our obligations under the 2020 Facility.

We may need additional financing in the future to meet our capital needs or to make opportunistic acquisitions and such financing may not be available on favorable terms, if at all, and may be dilutive to existing stockholders.

In furtherance of our growth strategy and global expansion efforts, we intend to continue to invest in our business, including through acquisitions and strategic transactions. These investments may be expensive, and we may need to seek additional financing in the future to meet our capital needs. As of March 31, 2020, we had \$512.0 million in cash and cash equivalents and the ability to draw \$550.0 million on our 2020 Facility. Additionally, as of March 31, 2020, we had outstanding \$650.0 million aggregate principal amount of the 2021 Notes, which have a maturity date of March 15, 2021, and \$450.0 million aggregate principal amount of the 2025 Notes, which have a maturity date of March 15, 2025. We may seek to raise capital from public and private debt and equity offerings, borrowings under our existing or future credit facilities or other sources. We may be unable to obtain any desired additional financing on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to fund our expansion, successfully develop or enhance products or respond to competitive pressures, any of which could negatively affect our business. If we raise additional funds through the issuance of equity securities, our stockholders will experience dilution of their ownership interest. If we raise additional funds by issuing debt, we may be subject to limitations on our operations due to restrictive covenants. Additionally, our ability to make scheduled payments or refinance our obligations will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and financial, business and other factors beyond our control.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Share repurchase activity during the three months ended March 31, 2020 was as follows (in thousands, except per share amounts):

Periods	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (2)
January 1, 2020 – January 31, 2020	—	—	—	—
February 1, 2020 – February 29, 2020	—	—	—	—
March 1, 2020 – March 31, 2020	1,085	\$ 69.10	1,085	\$ 75,000

- (1) All share purchases were made in privately negotiated transactions in connection with the issuance of the 2025 Notes.
- (2) In October 2017, we announced that the Board of Directors had approved a share repurchase program authorizing the repurchase of up to \$100 million of our common stock over a three-year period. Under this program, we are authorized to repurchase shares in open market purchases, privately negotiated purchases or other transactions through October 2020. In February 2020, we announced that the Board of Directors increased the share repurchase authorization from \$100 million to \$150 million of our common stock through December 31, 2021.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Restated Certificate of Incorporation (incorporated by reference to our Quarterly Report on Form 10-Q filed with the SEC on August 13, 2004)
3.2	Certificate of Amendment to the Restated Certificate of Incorporation (incorporated by reference to our Current Report on Form 8-K filed with the SEC on September 28, 2011)
3.3	Restated Bylaws (incorporated by reference to our Current Report on Form 8-K filed with the SEC on January 6, 2012)
3.4	Amendment No. 1 to the Restated Bylaws (incorporated by reference to our Current Report on Form 8-K filed with the SEC on May 19, 2014)
3.5	Amendment No. 2 to the Restated Bylaws (incorporated by reference to our Current Report on Form 8-K filed with the SEC on August 1, 2016)
4.1	Indenture, dated March 2, 2020, between the Company and Wilmington Trust, National Association, as Trustee (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
4.2	Form of 0.375% Convertible Senior Note due 2025 (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
10.1#	Form of Performance Restricted Stock Unit Agreement (with accompanying Notice of Grant) for grants on or after March 1, 2020
10.2#	Form of Restricted Stock Unit Agreement (with accompanying Form Notice of Grant) for grants on or after March 1, 2020
10.3#	Form of Performance Cash Award Agreement (with accompanying Form Notice of Grant) for grants on or after March 1, 2020
10.4#	Form of Temporary Reduction of Compensation Letter dated as of April 13, 2020 between the Company and its directors and executive officers
10.5#	Separation Agreement and General Release dated as of May 4, 2020, between the Company and Rajesh J. Asarpota
10.6	Second Amended and Restated Credit Agreement, dated as of February 24, 2020, by and among the Company, certain material subsidiaries of the Company, as guarantors, Bank of America, N.A. and each of those additional Lenders that are a party to such agreement (incorporated by reference to our Current Report on Form 8-K filed with the Commission on February 26, 2020)
10.7	Second Amended and Restated Security Agreement, dated as of February 24, 2020, by and among the Company, certain material subsidiaries of the Company, as guarantors, and Bank of America, N.A. (incorporated by reference to our Current Report on Form 8-K filed with the Commission on February 26, 2020)
10.8	Confirmation for base call option transaction dated as of February 26, 2020, between Morgan Stanley & Co. International plc and the Company (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
10.9	Confirmation for base call option transaction dated as of February 26, 2020, between JPMorgan Chase Bank, National Association and the Company (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
10.10	Confirmation for base call option transaction dated as of February 26, 2020, between Royal Bank of Canada and the Company (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
10.11	Confirmation for base call option transaction dated as of February 26, 2020, between The Bank of Nova Scotia and the Company (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
10.12	Confirmation for base call option transaction dated as of February 26, 2020, between Barclays Bank PLC and the Company (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
10.13	Confirmation for base warrant transaction dated as of February 26, 2020, between Morgan Stanley & Co. International plc and the Company (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
10.14	Confirmation for base warrant transaction dated as of February 26, 2020, between JPMorgan Chase Bank, National Association and the Company (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)

10.15	Confirmation for base warrant transaction dated as of February 26, 2020, between Royal Bank of Canada and the Company (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
10.16	Confirmation for base warrant transaction dated as of February 26, 2020, between The Bank of Nova Scotia and the Company (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
10.17	Confirmation for base warrant transaction dated as of February 26, 2020, between Barclays Bank PLC and the Company (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
10.18	Amendment Agreement, dated February 26, 2020, between the Company and Bank of America, N.A. (incorporated by reference to our Current Report on Form 8-K filed with the Commission on March 2, 2020)
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. section 1350
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. section 1350
32.1*	Certifications 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
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibit 101.INS)
#	Indicates management contract or compensatory plan.
*	These certifications are being furnished solely to accompany this annual report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of NuVasive, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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.

NUVASIVE, INC.

Date: May 6, 2020

By: /s/ J. Christopher Barry
J. Christopher Barry
Chief Executive Officer

Date: May 6, 2020

By: /s/ Matthew K. Harbaugh
Matthew K. Harbaugh
Executive Vice President and Chief Financial Officer

**[FORM OF] NUVASIVE, INC.
NOTICE OF GRANT OF PERFORMANCE RESTRICTED STOCK UNITS**

NuVasive, Inc. (the “**Company**”) has granted to the participant identified below (the “**Participant**”) an award (the “**Award**”) of the number of performance restricted stock units specified below in this Grant Notice (each, a “**Performance Restricted Stock Unit**” or “**PRSU**”) pursuant to the [2014 Equity Incentive Plan of NuVasive, Inc.] [Ellipse Technologies, Inc. 2015 Incentive Award Plan] (the “**Plan**”). This Award is subject to all of the terms and conditions set forth in the Performance Restricted Stock Unit Agreement attached hereto (together with this Notice of Grant, the “**Agreement**”) and the Plan, each of which is incorporated herein by reference. Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Plan or the Agreement, as appropriate[, and, in the event of any inconsistency between the Plan and the Agreement, the terms of the Plan shall control.]

Participant: [FIRST_NAME, LAST_NAME]

Participant ID: [EMPLOYEE_IDENTIFIER]

Date of Grant: [March 2, 2020]

Number of PRSUs: [TOTAL_SHARES_GRANTED], subject to adjustment as provided by the Agreement.

Payment: The actual amount of any payment made pursuant to this Award shall range from 0% - 200% of the Number of PRSUs, to be determined pursuant to Section 3 of the Performance Restricted Stock Unit Agreement. The maximum payment that may be made to the Participant is equal to 200% of the Number of PRSUs.

Vesting Date: Subject to the terms and conditions of the Agreement (including, without limitation, conditions requiring continued Service with the Company through the applicable date), this Award vests on [March 1, 2023] (the “**Scheduled Vesting Date**”).

By electronically accepting the Award according to the instructions in the Participant’s E*TRADE account (pursuant to which the Participant received this Notice of Grant), the Participant agrees that the Award is governed by this Notice of Grant and by the provisions of the Plan and the Agreement, both of which are made a part of this document.

The Participant acknowledges that copies of the Plan, the Agreement, and the prospectus for the Plan are available via the Participant’s E*TRADE account.

The Participant represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of their terms and conditions.

**[FORM OF] NUVASIVE, INC.
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT**

NuVasive, Inc. has granted to the Participant named in the *Notice of Grant of Performance Restricted Stock Units* (the “**Grant Notice**”) to which this Performance Restricted Stock Unit Agreement is attached (together, the Performance Restricted Stock Unit Agreement and the Grant Notice being referred to collectively herein as this “**Agreement**”) an Award consisting of Performance Restricted Stock Units (“**PRSUs**”) subject to the terms and conditions set forth in this Agreement. The Award has been granted pursuant to the terms and conditions of the [2014 Equity Incentive Plan of NuVasive, Inc.] [Ellipse Technologies, Inc. 2015 Incentive Award Plan] (the “**Plan**”), as amended from time-to-time, the provisions of which are incorporated herein by reference. By electronically accepting the Award, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with, this Agreement, the Plan and the prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares of Stock issuable pursuant to the Award (the “**Plan Prospectus**”), (b) accepts the Award subject to all of the terms and conditions of this Agreement and the Plan, and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee or its delegate (to the extent delegation is permitted under the Plan) in the event any questions arise (and/or interpretation may be required) regarding this Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

(a) “**Baseline Non-GAAP Operating Margin**” means 15.8%.

(b) “**Non-GAAP Operating Margin**” means the Company’s non-GAAP operating margin as publicly reported by the Company in its earnings press release for the fiscal year ended December 31, 2022, consistent with the Company’s non-GAAP policy, adjusted to exclude the effect of acquisitions and divestitures related activity that close after January 1, 2022. Notwithstanding the foregoing, in the event of a Change in Control prior to December 31, 2022, the non-GAAP operating margin will be determined based on the Company’s financial performance over the four consecutive fiscal quarters ending with and including the last fiscal quarter prior to such Change in Control.

(c) “**Non-GAAP Operating Margin Improvement**” means the amount of improvement, measured in basis points, in the Company’s Non-GAAP Operating Margin as compared to the Baseline Non-GAAP Operating Margin.

(d) “**Non-GAAP Operating Margin Performance Multiplier**” means the percentage calculated based on the respective Non-GAAP Operating Margin Improvement set forth in the table below:

Non-GAAP Operating Margin Improvement	Non-GAAP Operating Margin Performance Multiplier
Threshold 0.00 bps	0%
37.50 bps	25%
75.00 bps	50%
112.50 bps	75%
Target 150.00 bps	100%
187.50 bps	125%
225.00 bps	150%
262.50 bps	175%
Maximum 300.00 bps	200%

If the Company achieves a Non-GAAP Operating Margin Improvement that falls between the foregoing levels, the Non-GAAP Operating Margin Performance Multiplier will be determined by linear interpolation between the applicable levels noted above and using the following guiding principles:

- a 1.50% decrease in funding for every 1 bps of goal achieved below target; and
- a 1.50% incremental increase in funding for every 1 bps of goal achieved above 100%, up to a maximum of 200% of target.

When calculating Non-GAAP Operating Margin Improvement relative to the Baseline Non-GAAP Operating Margin, the Committee shall have the authority to make appropriate adjustments to Non-GAAP Operating Margin to account for changes in accounting standards and adopted changes in accounting principles issued by the accounting bodies to the extent necessary or appropriate to maintain consistency and comparability between periods. The Non-GAAP Operating Margin Improvement shall be rounded up to the nearest one hundredth of a percent and the Non-GAAP Operating Margin Performance Multiplier shall be rounded up to the nearest tenth of a percent.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. ADMINISTRATION.

2.1 **Committee Actions.** The Committee shall be responsible for determining and certifying whether the performance conditions associated with the Award have been achieved; provided, however, that in the event of a Change in Control, the Committee shall make such determination and certification no later than the date immediately preceding the date of the Change in Control. All questions of interpretation concerning this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee or its delegate. All such determinations by the Committee or its delegate shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award.

2.2 **Express Authority Required.** Only individuals expressly designated by the Committee shall have the authority to act on behalf of the Committee with respect to certain of the matters, rights, obligations, modifications, or elections allocated to the Company herein (or in the Plan).

3. THE AWARD; PAYMENT.

3.1 **Grant of PRSUs.** On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Number of PRSUs set forth in the Grant Notice, subject to (a) determination as set forth in Section 3.2, Section 3.3 or Section 3.4 of this Agreement, as applicable, and (b) adjustment as provided in [Section 4.4 (Adjustments for Changes in Capital Structure)] [Article VIII (Adjustments for Changes in Common Stock and Certain Other Events)] or [Section 4.5 (Assumption or Substitution of Awards)] [Section 4.4 (Substitute Awards)] of the Plan.

3.2 **Amount of Payment.** Subject to satisfaction of the vesting requirements of Section 4 of this Agreement, and except as otherwise specified in Section 3.3 or Section 3.4 below, the number of shares of Stock that shall be issued in settlement of this Award on the date specified in Section 5.1 of this Agreement, shall be equal to the Number of PRSUs (as set forth in the Grant Notice) multiplied by the Non-GAAP Operating Margin Performance Multiplier, rounding up to the nearest whole share of Stock. If the Non-GAAP Operating Margin Performance Multiplier is 0%, all PRSUs are forfeited and no shares will be paid.

3.3 **Death or Disability.** Notwithstanding any other provision of this Section 3 to the contrary, upon the Participant's death or termination of Service due to Disability, the number of shares of Stock that shall be issued in settlement of this Award shall be the Number of PRSUs (as set forth in the Grant Notice), without regard to the Non-GAAP Operating Margin Performance Multiplier.

3.4 **Change in Control.** Notwithstanding any other provision of this Section 3 to the contrary, in the event of a Change in Control, the number of shares of Stock that shall be issued in settlement of this Award shall be the greater of (i) the Number of PRSUs (as set forth in the Grant Notice) without regard to the Non-GAAP Operating Performance Multiplier and (ii) such number of PRSUs multiplied by the Non-GAAP Operating Margin Improvement Multiplier, rounding up to the nearest whole share of Stock. In the event of a Change in Control, this Award shall continue to vest subject to the terms and conditions of this Agreement, with respect to the number of shares of Stock determined pursuant to this Section 3.4. If the Participant's Service by the Company (or Company's successor) is terminated without Cause (as defined in Section 4.1 below) after a Change in Control, then this Award shall become vested upon such termination.

3.5 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the PRSUs or any shares of Stock issued upon settlement of Vested PRSUs (as defined in Section 4.1 of this Agreement), the consideration for which shall be the Participant rendering Service as provided in this Agreement to a Participating Company or for its benefit.

3.6 **Dividend Equivalent Units.** On the date that the Company pays a cash dividend to holders of Stock generally, if any, the Participant shall be credited with a number of additional whole Dividend Equivalent Units determined by dividing (a) the product of (i) the dollar amount of the cash dividend paid per share of Stock on such date, and (ii) the number of PRSUs which have not been settled as of such date, by (b) the Fair Market Value per share of Stock on such date. Any resulting fractional Dividend Equivalent Unit shall be rounded to the nearest whole number. Any such additional Dividend Equivalent Units shall be added to the Number of PRSUs specified in the Grant Notice and shall be subject to the same terms and conditions, and shall be settled or forfeited in the same manner and at the same time, as the PRSUs with respect to which they have been credited.

4. VESTING; FORFEITURE.

4.1 **Vesting of PRSUs.** Provided that the Participant's Service has not terminated prior to the applicable date, any PRSUs subject to this Award shall become vested upon the earliest date to occur of the following (the "**Vesting Date**") (such PRSUs, when so vested, being referred to herein as "**Vested PRSUs**"):

- (a) the Scheduled Vesting Date (as provided in the Grant Notice);
 - (b) the Participant's death;
 - (c) termination of the Participant's Service due to Disability;
 - (d) immediately before any Change in Control in which the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be, elects not to assume or substitute for this Award; and
 - (e) termination of the Participant's Service by the Company (or Company's successor) without Cause (as defined below) after a Change in Control.
-

For purposes hereof, “Cause” shall mean the following: (A) the Participant’s repeated failure to satisfactorily perform the Participant’s job duties; (B) refusal or failure to follow the lawful directions of the Participant’s direct supervisor, the Company’s Chief Executive Officer or the Board, as applicable; (C) conviction of a crime involving moral turpitude; or (D) engaging in acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the Participant with respect to the Participant’s obligations or otherwise relating to the business of the Company, its Affiliates or customers; except that if the Participant is a party to a Change in Control Agreement with the Company, the definition of “Cause” therein shall apply. Notwithstanding the foregoing, following a Change in Control, any determination as to whether “Cause” exists under the terms of this Agreement shall be subject to *de novo* review by a court of competent jurisdiction.

4.2 **Leaves of Absence.**

(a) If Participant takes an approved medical, FMLA (or other statutorily protected leave), or military leave (each, an “**Approved Leave**”) and returns from such leave for at least thirty calendar days, then Participant shall be treated as if the period of such Approved Leave had been a period of continuous Service with the Company or Affiliate, and such Vested PRSUs shall be settled in accordance with Section 5 of this Agreement.

(b) In the event the Participant takes a leave of absence other than an Approved Leave, any shares of Stock that are determined to be payable pursuant to Section 3 above shall be prorated by multiplying the Vested PRSUs by a fraction, the numerator of which is the number of whole months during the period commencing on January 1, 2020, and ending on the earlier of the date of a Change in Control or December 31, 2022, as applicable (the “**Vesting Period**”), that Participant had been in continuous Service with the Company or an Affiliate, and the denominator of which is the number of months the Vesting Period spans, rounding up to the nearest whole number.

(c) In the event of Participant’s termination of Service during any leave of absence, then the PRSUs shall expire in accordance with the provisions set forth in Section 4.4 below.

4.3 **Vesting of Dividend Equivalent Units.** Any Dividend Equivalent Units shall become vested (and also constitute Vested PRSUs) at the same time as the PRSUs with respect to which they have been credited.

4.4 **Forfeiture of PRSUs That Are Not Vested PRSUs Upon Termination of Service.** Except as otherwise provided in Section 4.1 above, any PRSUs that are not Vested PRSUs will terminate automatically without any further action by the Company and be forfeited without further notice and at no cost to the Company upon Participant’s termination of Service.

5. **SETTLEMENT OF VESTED PRSUs.**

5.1 **Distribution of Shares in Settlement of Vested PRSUs.**

(a) Subject to the terms and conditions of the Plan and this Agreement, any shares of Stock that are determined to be payable pursuant to Section 3 above shall be distributed to Participant (or Participant’s estate in the event of death) with respect to Participant’s Vested PRSUs within 30 days following the Vesting Date for such PRSUs, except as otherwise provided in Section 6.3 or Section 9.1 of this Agreement (the “**Settlement Date**”).

(b) All distributions of shares of Stock with respect to Participant’s Vested PRSUs shall be made by the Company in the form of whole shares. In lieu of any fractional share of Stock, the Company shall make a cash payment to Participant equal to the Fair Market Value of such fractional share on the date the PRSUs are settled as provided herein. The Company shall not be required to issue fractional shares of Stock upon the settlement of Vested PRSUs.

(c) Shares of Stock issued in settlement of Vested PRSUs shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 5.3 of this Agreement or the Company's Insider Trading Policy.

5.2 **Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares of Stock acquired by the Participant pursuant to the settlement of Vested PRSUs with the Company's transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares of Stock acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the name of the Participant's estate.

5.3 **Restrictions on Grant of the Award and Issuance of Shares.** The grant of the Award and issuance of shares of Stock upon settlement of Vested PRSUs shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares of Stock subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of Vested PRSUs, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6. **Tax Withholding.**

6.1 **In General.** By electronically accepting the Award (as provided in the Grant Notice), the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, including withholding of shares of Stock otherwise issuable to the Participant in settlement of Vested PRSUs, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, the vesting of PRSUs or the issuance of shares of Stock in settlement of Vested PRSUs. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company have been satisfied by the Participant.

6.2 **Withholding in Shares.** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of Vested PRSUs a number of whole shares of Stock having a Fair Market Value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates (and subsequently making a payment of Company cash equal to the amount of any such tax obligation to the respective tax authorities).

Assignment of Sale Proceeds. Subject to compliance with applicable law and the Company's Insider Trading Policy, if permitted by the Company, the Participant may satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares of Stock being acquired upon settlement of Vested PRSUs. If the Settlement Date would occur on a date on which a sale of the shares of Stock by the Participant would violate the Insider Trading Policy of the Company, the Settlement Date for such Vested PRSUs shall be deferred until the earlier of (a) the next day on which the sale of shares by the Participant would not violate the Insider Trading Policy, or (b) the 15th day of the third calendar month following calendar year of the Settlement Date.

7. **RIGHTS AS A STOCKHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT.**

The Participant shall have no rights as a stockholder with respect to any shares of Stock which may be issued in settlement of Vested PRSUs until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares of Stock are issued, except as provided in Section 3.6 of this Agreement and [Section 4.4 of the Plan (Adjustments for Changes in Capital Structure)] [Article VIII (Adjustments for Changes in Common Stock and Certain Other Events) of the Plan]. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

8. **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of Stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares of Stock acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

9. **COMPLIANCE WITH SECTION 409A.**

It is intended that the settlement of Vested PRSUs as set forth in this Agreement qualify for exemption from, or comply with, the requirements of Section 409A, and any ambiguities herein will be interpreted to so qualify or comply. Notwithstanding the foregoing, if it is determined that the PRSUs fail to satisfy the requirements of the "short-term deferral" exemption and are otherwise Section 409A Deferred Compensation, it is intended that any payment or benefit which is made or provided pursuant to or in connection with this Award shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

9.1 **Separation from Service; Required Delay in Payment to Specified Employee.** Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

9.2 **Other Changes in Time of Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

9.3 **Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

9.4 **Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

10. **MISCELLANEOUS PROVISIONS.**

10.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

10.2 **Nontransferability of the Award.** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any PRSUs subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

Repayment/Forfeiture. By accepting this Award, the Participant specifically agrees that any and all payments or benefits the Participant or any other person may be entitled to receive under or as a result of this Award shall be immediately forfeited, and that the aggregate amount of any payments or benefits the Participant or any other person has received under or as a result of this Award (determined without regard to any taxes or other amounts withheld from such payments or benefits), shall be repaid to the Company within 30 days following written notice from the Company (or such shorter period as may be required by applicable law), (1) as the Company in its discretion determines may be required to comply with any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder or similar rules under the laws of any other jurisdiction, (2) to the extent provided pursuant to the Company's Incentive Compensation Recoupment Policy, and (3) in the event the Committee or its delegate determines that the Participant has engaged in Prohibited Conduct (as defined below) at any time during the Recoupment Period (as defined below). For purposes of this Section 10.3,

(a) **"Prohibited Conduct"** means (1) violation of the Company's Code of Ethical Business Conduct, Insider Trading Policy, or any Proprietary Information, Inventions Agreement, Non-Compete Agreement (or similar agreement) signed by the Participant; (2) unethical behavior (such as, without limitation, fraud, dishonesty, or misrepresentation of product benefits); (3) engaging in Competition; (4) disclosing or using in any capacity other than as necessary in the performance of duties assigned by the Company or its Affiliates any confidential information, trade secrets or other business sensitive information or material concerning the Company or its Affiliates, customers, suppliers or partners; (5) directly or indirectly employing, contacting concerning employment, or participating in any way in the recruitment for employment of (whether as an employee, officer, director, agent, consultant or independent contractor), any person who was or is an employee, representative, officer or director of the Company or any of its Affiliates at any time within the 12 months prior to termination of Participant's employment; (6) any action or statement by Participant and/or his or her representatives that either does or could reasonably be expected to disparage the Company, its Affiliates, or their officers, employees, or directors, or undermines, diminishes or otherwise damages the relationship between the Company or any of its Affiliates and any of their respective customers, potential customers, vendors and/or suppliers that were known to Participant; or (7) breach of any provision of any employment or severance agreement with the Company or any Affiliate. Any determination of Prohibited Conduct shall be made by the Committee or its delegate in its sole discretion and shall be binding on all parties. Notwithstanding anything contained herein to the contrary, Prohibited Conduct shall not include communication by Participant with any government agency, commission or regulator or participation by Participant in any investigation or proceeding that may be conducted by any government agency, commission or regulator, but only to the extent that such communication is required or permitted by law.

(b) **"Competition"** means, either during Participant's employment with the Company or any of its Affiliates, or within 12 months following termination of such employment, accepting employment with, or serving as a consultant or advisor or in any other capacity to a competitor of the Company, including but not limited to the DePuy Synthes division of Johnson & Johnson, Stryker Corporation, Globus Medical, Inc., Medtronic, Inc., K2M Holdings, Inc., Zimmer Biomet Holdings, Inc., Alphatec Holdings, Inc., Titan Spine, LLC. or any subsidiary or Affiliate of the foregoing (a **"Competitor"**), including, but not limited to, employment or another business relationship with any Competitor if Participant has been introduced to trade secrets, confidential information or business sensitive information during Participant's employment with the Company or any of its Affiliates and such information would aid the Competitor because the threat of disclosure of such information is so great that it must be assumed that such disclosure would occur.

(c) **“Recoupment Period”** means the period beginning on the Date of Grant and ending on the date that is 12 months after the date on which the Participant or any other person received any payment or benefit pursuant to this Award, provided, however, that if the Prohibited Conduct resulted in the Participant or any other person receiving any payment or benefit pursuant to this Award in excess of the payment or benefit that would have been received absent such Prohibited Conduct, the Recoupment Period shall end on the date that is 36 months after the date on which such payment or benefit was received.

10.4 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

10.5 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant’s heirs, executors, administrators, successors and assigns. If all or any part of any section or clause of this Agreement is determined to be invalid or unenforceable in any respect or to any degree, that section or clause shall be interpreted and enforced to the maximum extent allowed by law and shall not invalidate or impact any other sections and/or clauses that remain.

10.6 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company’s stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 10.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 10.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 10.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 10.6(a) but has nevertheless knowingly and voluntarily chosen to do so by electronically accepting the Award (as provided in the Grant Notice).

10.7 **Integrated Agreement.** This Agreement and the Plan shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of this Agreement and the Plan shall survive any settlement of Vested PRSUs and shall remain in full force and effect.

10.8 **Applicable Law.** This Agreement shall be governed by the laws of the State of Delaware as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within the State of Delaware.

10.9 **Terms and Conditions Subject to Change in the Event the Participant Transfers Outside of the United States.** Should the Participant transfer his or her residence and/or employment with the Company to another country, the Company, in its sole discretion, shall determine whether application of certain additional and/or supplemental terms and conditions is necessary or advisable in order to comply with respective laws, rules and regulations or to facilitate the operation and administration of the Award and the Plan. In all circumstances, the Company will provide the Participant with its ordinary-course terms and conditions for such country(ies) in the form of an amendment and/or addendum, which shall thereafter be part of this Agreement.

[FORM OF] NUVASIVE, INC.
NOTICE OF GRANT OF RESTRICTED STOCK UNITS

NuVasive, Inc. (the “**Company**”) has granted to the participant identified below (the “**Participant**”) an award (the “**Award**”) of the number of restricted stock units specified below in this Grant Notice (each, a “**Restricted Stock Unit**” or an “**RSU**”) pursuant to the [2014 Equity Incentive Plan of NuVasive, Inc.] [Ellipse Technologies, Inc. 2015 Incentive Award Plan] (the “**Plan**”), each of which represents the right to receive - on the Settlement Date provided in the Restricted Stock Unit Agreement attached hereto (together with this Notice of Grant, the “**Agreement**”) - one (1) share of Stock as set forth in, and subject to the terms and conditions of, this Agreement. This Award is subject to all of the terms and conditions set forth in the Agreement and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Plan or the Agreement, as appropriate[, and, in the event of any inconsistency between the Plan and the Agreement, the terms of the Plan shall control].

Participant: [FIRST_NAME, LAST_NAME]
Participant ID: [EMPLOYEE_IDENTIFIER]
Date of Grant: [March 2, 2020]
Total Number of RSUs: [TOTAL_SHARES_GRANTED], subject to adjustment as provided by the Agreement.
Vesting Start Date: [March 1, 2020]
Vesting Schedule: Subject to the terms and conditions of the Agreement (including, without limitation, conditions requiring continued Service with the Company through the applicable date), the RSUs shall vest as follows:

100% of the RSUs shall vest on the third (3rd) anniversary of the Vesting Start Date (such anniversary, the “**Scheduled Vesting Date**”).

By electronically accepting the Award according to the instructions in the Participant’s E*TRADE account (pursuant to which the Participant received this Notice of Grant), the Participant agrees that the Award is governed by this Notice of Grant and by the provisions of the Plan and the Agreement, both of which are made a part of this document.

The Participant acknowledges that copies of the Plan, the Agreement, and the prospectus for the Plan are available via the Participant’s E*TRADE account.

The Participant represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of their terms and conditions.

**[FORM OF] NUVASIVE, INC.
RESTRICTED STOCK UNIT AGREEMENT**

NuVasive, Inc. has granted to the Participant named in the *Notice of Grant of Restricted Stock Units* (the “**Grant Notice**”) to which this Restricted Stock Unit Agreement is attached (together with the Grant Notice, this “**Agreement**”) an Award consisting of Restricted Stock Units (“**RSUs**”) subject to the terms and conditions set forth in this Agreement. The Award has been granted pursuant to the terms and conditions of the [2014 Equity Incentive Plan of NuVasive, Inc.] [Ellipse Technologies, Inc. 2015 Incentive Award Plan] (the “**Plan**”), as amended from time-to-time, the provisions of which are incorporated herein by reference. By electronically accepting the Award, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with, this Agreement, the Plan and the prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares of Stock issuable pursuant to the Award (the “**Plan Prospectus**”), (b) accepts the Award subject to all of the terms and conditions of this Agreement and the Plan, and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee or its delegate (to the extent delegation is permitted under the Plan) in the event any questions arise (and/or interpretation may be required) regarding this Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

(a) “**Dividend Equivalent Units**” mean additional Restricted Stock Units as may be credited pursuant to Section 3.3 of this Agreement.

(b) “**RSUs**” mean the Restricted Stock Units originally granted pursuant to the Award and any Dividend Equivalent Units credited pursuant to the Award, as each may be adjusted from time-to-time pursuant to [Section 4.4 (Adjustments for Changes in Capital Structure)] [Article VIII (Adjustments for Changes in Common Stock and Certain Other Events)] or [Section 4.5 (Assumption or Substitution of Awards)] [Section 4.4 (Substitute Awards)] of the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. **ADMINISTRATION.**

2.1 **Committee Actions.** All questions of interpretation concerning this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee or its delegate. All such determinations by the Committee or its delegate shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award.

2.2 **Express Authority Required.** Only individuals expressly designated by the Committee shall have the authority to act on behalf of the Committee with respect to certain of the matters, rights, obligations, modifications, or elections allocated to the Company herein (or in the Plan).

3. THE AWARD.

3.1 **Grant of RSUs.** On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of RSUs set forth in the Grant Notice, subject to adjustment as provided in [Section 4.4 (Adjustments for Changes in Capital Structure)] [Article VIII (Adjustments for Changes in Common Stock and Certain Other Events)] or [Section 4.5 (Assumption or Substitution of Awards)] [Section 4.4 (Substitute Awards)] of the Plan. Each RSU represents a conditional right to receive, subject and pursuant to the terms and conditions of the Plan and this Agreement, one (1) share of Stock.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the RSUs or shares of Stock issued upon settlement of Vested RSUs (as defined in Section 4.1 of this Agreement), the consideration for which shall be the Participant rendering Service as provided in this Agreement to a Participating Company or for its benefit.

3.3 **Dividend Equivalent Units.** On the date that the Company pays a cash dividend to holders of Stock generally, if any, the Participant shall be credited with a number of additional whole Dividend Equivalent Units determined by dividing (a) the product of (i) the dollar amount of the cash dividend paid per share of Stock on such date, and (ii) the number of RSUs which have not been settled as of such date, by (b) the Fair Market Value per share of Stock on such date. Any resulting fractional Dividend Equivalent Unit shall be rounded to the nearest whole number. Any such additional Dividend Equivalent Units shall be subject to the same terms and conditions, and shall be settled or forfeited in the same manner and at the same time, as the RSUs with respect to which they have been credited.

4. VESTING; FORFEITURE.

4.1 **Vesting of RSUs.** Provided that the Participant's Service has not terminated prior to the applicable date, RSUs acquired pursuant to the Award shall become vested upon the earliest to occur of the following (such RSUs, when so vested, being referred to herein as "**Vested RSUs**"):

- (a) the Scheduled Vesting Date (as provided in the Grant Notice);
- (b) the Participant's death;
- (c) termination of the Participant's Service due to Disability;
- (d) immediately before any Change in Control in which the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be, elects not to assume or substitute for this Award; and
- (e) termination of the Participant's Service by the Company (or Company's successor) without Cause (as defined below) after a Change in Control.

For purposes hereof, "**Cause**" shall mean the following: (A) the Participant's repeated failure to satisfactorily perform the Participant's job duties; (B) refusal or failure to follow the lawful directions of the Participant's direct supervisor, the Company's Chief Executive Officer or the Board, as applicable; (C) conviction of a crime involving moral turpitude; or (D) engaging in acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the Participant with respect to the Participant's obligations or otherwise relating to the business of the Company, its Affiliates or customers; except that if the Participant is a party to a Change in Control Agreement with the Company, the definition of "Cause" therein shall apply. Notwithstanding the foregoing, following a Change in Control, any determination as to whether "Cause" exists under the terms of this Agreement shall be subject to *de novo* review by a court of competent jurisdiction.

(a) Unless otherwise required by applicable law, the RSUs will cease vesting during a leave of absence. If, however, Participant takes an approved medical, FMLA (or other statutorily protected leave), or military leave (each, an “**Approved Leave**”) and returns from such leave for at least thirty calendar days, then (i) Participant shall be treated as if the period of such Approved Leave had been a period of continuous Service with the Company or Affiliate, and (ii) such number of RSUs as would have vested pursuant to the vesting schedule set forth in the Grant Notice during such Approved Leave and the foregoing thirty calendar day-period shall be considered vested as of the end of such thirty calendar day-period (which shall be considered the Scheduled Vesting Date), and such Vested RSUs shall be settled in accordance with Section 5 of this Agreement.

(b) In the event the Participant takes a leave of absence other than an Approved Leave, the vesting of RSUs will be tolled during the period of such leave. Upon return from such leave of absence, the RSUs shall again commence vesting but the period of such leave shall be respectively added to the vesting schedule set forth in the Grant Notice.

(c) In the event of Participant’s termination of Service during any leave of absence, then the RSUs shall expire in accordance with the provisions set forth in Section 4.4 below.

4.3 **Vesting of Dividend Equivalent Units.** Any Dividend Equivalent Units shall become vested (and also constitute “**Vested RSUs**”) at the same time as the RSUs with respect to which they have been credited.

4.4 **Forfeiture of RSUs That Are Not Vested RSUs Upon Termination of Service.** Except as otherwise provided in Section 4.1 above, any RSUs that are not Vested RSUs (“**Unvested RSUs**”) will terminate automatically without any further action by the Company and be forfeited without further notice and at no cost to the Company upon Participant’s termination of Service.

5. **SETTLEMENT OF VESTED RSUs.**

5.1 **Distribution of Shares in Settlement of Vested RSUs.**

(a) Subject to the terms and conditions of the Plan and this Agreement, shares of Stock shall be distributed to Participant (or Participant’s estate in the event of death) with respect to Participant’s Vested RSUs within thirty days following the Scheduled Vesting Date for such RSUs, except as otherwise provided in Section 6.3 or Section 9.1 of this Agreement (the “**Settlement Date**”).

(b) All distributions of shares of Stock with respect to Participant’s Vested RSUs shall be made by the Company in the form of whole shares. In lieu of any fractional share of Stock, the Company shall make a cash payment to Participant equal to the Fair Market Value of such fractional share on the date the RSUs are settled as provided herein. The Company shall not be required to issue fractional shares of Stock upon the settlement of Vested RSUs.

(c) Shares of Stock issued in settlement of Vested RSUs shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 5.3 of this Agreement or the Company’s Insider Trading Policy.

5.2 **Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares of Stock acquired by the Participant pursuant to the settlement of Vested RSUs with the Company’s transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares of Stock acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the name of the Participant’s estate.

Restrictions on Grant of the Award and Issuance of Shares. The grant of the Award and issuance of shares of Stock upon settlement of Vested RSUs shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares of Stock subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of Vested RSUs, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6. **TAX WITHHOLDING.**

6.1 **In General.** By electronically accepting the Award (as provided in the Grant Notice), the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, including withholding of shares of Stock otherwise issuable to the Participant in settlement of Vested RSUs, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, the vesting of RSUs or the issuance of shares of Stock in settlement of Vested RSUs. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company have been satisfied by the Participant.

6.2 **Withholding in Shares.** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of Vested RSUs a number of whole shares of Stock having a Fair Market Value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates (and subsequently making a payment of Company cash equal to the amount of any such tax obligation to the respective tax authorities).

6.3 **Assignment of Sale Proceeds.** Subject to compliance with applicable law and the Company's Insider Trading Policy, if permitted by the Company, the Participant may satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares of Stock being acquired upon settlement of Vested RSUs. If the Settlement Date would occur on a date on which a sale of the shares of Stock by the Participant would violate the Insider Trading Policy of the Company, the Settlement Date for such Vested RSUs shall be deferred until the earlier of (a) the next day on which the sale of shares by the Participant would not violate the Insider Trading Policy, or (b) the 15th day of the third calendar month following calendar year of the Settlement Date.

The Participant shall have no rights as a stockholder with respect to any shares of Stock which may be issued in settlement of Vested RSUs until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares of Stock are issued, except as provided in Section 3.3 of this Agreement and [Section 4.4 of the Plan (Adjustments for Changes in Capital Structure)] [Article VIII (Adjustments for Changes in Common Stock and Certain Other Events) of the Plan]. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

8. LEGENDS.

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of Stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares of Stock acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

9. COMPLIANCE WITH SECTION 409A.

It is intended that the settlement of Vested RSUs as set forth in this Agreement qualify for exemption from, or comply with, the requirements of Section 409A, and any ambiguities herein will be interpreted to so qualify or comply. Notwithstanding the foregoing, if it is determined that the RSUs fail to satisfy the requirements of the "short-term deferral" exemption and are otherwise Section 409A Deferred Compensation, it is intended that any payment or benefit which is made or provided pursuant to or in connection with this Award shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

9.1 **Separation from Service; Required Delay in Payment to Specified Employee.** Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

9.2 **Other Changes in Time of Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

9.3

Amendments to Comply with Section 409A; Indemnification. Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

9.4

Advice of Independent Tax Advisor. The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

10. **MISCELLANEOUS PROVISIONS.**

10.1

Termination or Amendment. The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

10.2

Nontransferability of the Award. Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any RSUs subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

10.3

Repayment/Forfeiture. By accepting this Award, the Participant specifically agrees that any and all payments or benefits the Participant or any other person may be entitled to receive under or as a result of this Award shall be immediately forfeited, and that the aggregate amount of any payments or benefits the Participant or any other person has received under or as a result of this Award (determined without regard to any taxes or other amounts withheld from such payments or benefits), shall be repaid to the Company within 30 days following written notice from the Company (or such shorter period as may be required by applicable law), (1) as the Company in its discretion determines may be required to comply with any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder or similar rules under the laws of any other jurisdiction, (2) to the extent provided pursuant to the Company's Incentive Compensation Recoupment Policy, and (3) in the event the Committee or its delegate determines that the Participant has engaged in Prohibited Conduct (as defined below) at any time during the Recoupment Period (as defined below). For purposes of this Section 10.3,

(a) **“Prohibited Conduct”** means (1) violation of the Company’s Code of Ethical Business Conduct, Insider Trading Policy, or any Proprietary Information, Inventions Agreement, Non-Compete Agreement (or similar agreement) signed by the Participant; (2) unethical behavior (such as, without limitation, fraud, dishonesty, or misrepresentation of product benefits); (3) engaging in Competition; (4) disclosing or using in any capacity other than as necessary in the performance of duties assigned by the Company or its Affiliates any confidential information, trade secrets or other business sensitive information or material concerning the Company or its Affiliates, customers, suppliers or partners; (5) directly or indirectly employing, contacting concerning employment, or participating in any way in the recruitment for employment of (whether as an employee, officer, director, agent, consultant or independent contractor), any person who was or is an employee, representative, officer or director of the Company or any of its Affiliates at any time within the 12 months prior to termination of Participant’s employment; (6) any action or statement by Participant and/or his or her representatives that either does or could reasonably be expected to disparage the Company, its Affiliates, or their officers, employees, or directors, or undermines, diminishes or otherwise damages the relationship between the Company or any of its Affiliates and any of their respective customers, potential customers, vendors and/or suppliers that were known to Participant; or (7) breach of any provision of any employment or severance agreement with the Company or any Affiliate. Any determination of Prohibited Conduct shall be made by the Committee or its delegate in its sole discretion and shall be binding on all parties. Notwithstanding anything contained herein to the contrary, Prohibited Conduct shall not include communication by Participant with any government agency, commission or regulator or participation by Participant in any investigation or proceeding that may be conducted by any government agency, commission or regulator, but only to the extent that such communication is required or permitted by law.

(b) **“Competition”** means, either during Participant’s employment with the Company or any of its Affiliates, or within 12 months following termination of such employment, accepting employment with, or serving as a consultant or advisor or in any other capacity to a competitor of the Company, including but not limited to the DePuy Synthes division of Johnson & Johnson, Stryker Corporation, Globus Medical, Inc., Medtronic, Inc., K2M Holdings, Inc., Zimmer Biomet Holdings, Inc., Alphatec Holdings, Inc. or any subsidiary or Affiliate of the foregoing (a **“Competitor”**), including, but not limited to, employment or another business relationship with any Competitor if Participant has been introduced to trade secrets, confidential information or business sensitive information during Participant’s employment with the Company or any of its Affiliates and such information would aid the Competitor because the threat of disclosure of such information is so great that it must be assumed that such disclosure would occur.

(c) **“Recoupment Period”** means the period beginning on the Date of Grant and ending on the date that is 12 months after the date on which the Participant or any other person received any payment or benefit pursuant to this Award, provided, however, that if the Prohibited Conduct resulted in the Participant or any other person receiving any payment or benefit pursuant to this Award in excess of the payment or benefit that would have been received absent such Prohibited Conduct, the Recoupment Period shall end on the date that is 36 months after the date on which such payment or benefit was received.

10.4 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

10.5 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant’s heirs, executors, administrators, successors and assigns. If all or any part of any section or clause of this Agreement is determined to be invalid or unenforceable in any respect or to any degree, that section or clause shall be interpreted and enforced to the maximum extent allowed by law and shall not invalidate or impact any other sections and/or clauses that remain.

Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 10.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 10.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 10.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 10.6(a), but has nevertheless knowingly and voluntarily chosen to do so by electronically accepting the Award (as provided in the Grant Notice).

Integrated Agreement. This Agreement and the Plan shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of this Agreement and the Plan shall survive any settlement of Vested RSUs and shall remain in full force and effect.

Applicable Law. This Agreement shall be governed by the laws of the State of Delaware as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within the State of Delaware.

Addendum. Notwithstanding any provisions of this Agreement to the contrary, the Award shall be subject to any special terms and conditions for the Participant's country of residence (and country of employment, if different) set forth in an addendum to this Agreement (an "**Addendum**"). Further, if the Participant transfers his or her residence and/or employment to another country reflected in an Addendum to this Agreement at the time of transfer, the special terms and conditions for such country will apply to the Participant to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Award and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). In all circumstances, any applicable Addendum shall constitute part of this Agreement.

[FORM OF] NUVASIVE, INC.
NOTICE OF GRANT OF PERFORMANCE CASH AWARD

NuVasive, Inc. (the “**Company**”) has granted to the participant identified below (the “**Participant**”) a performance cash award (the “**Award**”) pursuant to the NuVasive, Inc. 2014 Equity Incentive Plan (the “**Plan**”), which represents the right to receive – on the Settlement Date provided in the Performance Cash Award Agreement attached hereto (together with this Notice of Grant, the “**Agreement**”) – a cash amount as set forth in, and subject to the terms and conditions of, this Agreement. This Award is subject to all of the terms and conditions set forth in the Agreement and the Plan, each of which is incorporated herein by reference. Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Plan or the Agreement, as appropriate, and, in the event of any inconsistency between the Plan and the Agreement, the terms of the Plan shall control.

Participant:[FIRST_NAME, LAST_NAME]

Participant ID: [EMPLOYEE_IDENTIFIER]

Date of Grant: [March 2, 2020]

Base Cash Amount: \$[TOTAL_AMOUNT_GRANTED], subject to adjustment as provided by the Agreement.

Payment: The actual payment made pursuant to this Award shall range from 0% - 200% of the Base Cash Amount, to be determined pursuant to Section 3 of the Performance Cash Award Agreement. The maximum payment that may be made to the Participant is equal to 200% of the Base Cash Amount.

Vesting Date: Subject to the terms and conditions of the Agreement (including, without limitation, conditions requiring continued Service with the Company through the applicable date), this Award vests on [March 1, 2023] (the “**Scheduled Vesting Date**”).

By electronically accepting the Award according to the instructions in the Participant’s E*TRADE account (pursuant to which the Participant received this Notice of Grant), the Participant agrees that the Award is governed by this Notice of Grant and by the provisions of the Plan and the Agreement, both of which are made a part of this document.

The Participant acknowledges that copies of the Plan and the Agreement are available via the Participant’s E*TRADE account.

The Participant represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of their terms and conditions.

**[FORM OF] NUVASIVE, INC.
PERFORMANCE CASH AWARD AGREEMENT**

NuVasive, Inc. has granted to the Participant named in the *Notice of Grant of Performance Cash Award* (the “**Grant Notice**”) to which this Performance Cash Award Agreement is attached (together, the Performance Cash Award Agreement and the Grant Notice being referred to collectively herein as this “**Agreement**”) an Award subject to the terms and conditions set forth in this Agreement. The Award has been granted pursuant to the terms and conditions of the NuVasive, Inc. 2014 Equity Incentive Plan (the “**Plan**”), as amended from time-to-time, the provisions of which are incorporated herein by reference. By accepting the Award, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with, this Agreement and the Plan, (b) accepts the Award subject to all of the terms and conditions of this Agreement and the Plan, and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee or its delegate (to the extent delegation is permitted under the Plan) in the event any questions arise (and/or interpretation may be required) regarding this Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

(a) “**Baseline Revenue**” means \$1,168 million.

(b) “**Revenue**” means the Company’s GAAP revenue as publicly reported by the Company in its earnings press release for a completed fiscal year, adjusted to exclude the effect of currency fluctuations.

(c) “**Revenue Growth**” means the amount of growth, measured as a percentage, in the Company’s Revenue for a completed fiscal year as compared to the prior completed fiscal year; provided, however, that when determining Revenue Growth, the Revenue impact of any acquisition and divestiture transaction (a “**Transaction**”) shall be treated as follows: (i) for the first four fiscal quarters following the closing of a Transaction, the Revenue impact of the Transaction shall be excluded from the calculation of Revenue Growth (except for any Transaction with less than \$6.0 million in annualized run rate Revenue that is deemed *de minimis* and not excluded; provided that the aggregate value of all Transactions deemed *de minimis* does not exceed \$12.0 million in annualized run rate revenue), and (ii) commencing with the fifth fiscal quarter following the closing of a Transaction and thereafter, the Revenue impact of any Transaction shall be included in all financial periods (i.e., the current year and the prior year).

(d) “**Revenue Performance Multiplier**” means the percentage calculated based on the respective Revenue Growth set forth in the table below:

Revenue Growth	Revenue Performance Multiplier
Threshold 0.00%	0.00%
1.25%	25.0%
2.50%	50.0%
3.75%	75.0%
Target 5.00%	100.0%
5.75%	125.0%
6.50%	150.0%
7.25%	175.0%
Maximum 8.00%	200.0%

If the Company achieves Revenue Growth that falls between the foregoing levels, the Revenue Performance Multiplier will be determined by linear interpolation between the applicable levels noted above and using the following guiding principles:

- a 20% decrease in funding for every 1% of Revenue Growth achieved below Target; and
- a 33 1/3% incremental increase in funding for every 1% of Revenue Growth achieved above 100%, up to a maximum funding of 200% of target.

When calculating Revenue Growth relative to two completed fiscal periods, the Committee shall have the authority to make appropriate adjustments to Revenue to account for changes in accounting standards and adopted changes in accounting principles. In each case, the Revenue Growth shall be rounded up to the nearest hundredth of a percent and the Revenue Performance Multiplier shall be rounded up to the nearest tenth of a percent.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. **ADMINISTRATION.**

2.1 **Committee Actions.** The Committee shall be responsible for determining and certifying whether the performance conditions associated with the Award have been achieved; provided, however, that in the event of a Change in Control, the Committee shall make such determination and certification no later than the date immediately preceding the date of the Change in Control. All questions of interpretation concerning this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee or its delegate. All such determinations by the Committee or its delegate shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award.

2.2 **Express Authority Required.** Only individuals expressly designated by the Committee shall have the authority to act on behalf of the Committee with respect to certain of the matters, rights, obligations, modifications, or elections allocated to the Company herein (or in the Plan).

3. **PAYMENT.**

3.1 **Amount of Payment.** Subject to satisfaction of the vesting requirements of Section 4 of this Agreement, and except as otherwise specified in Section 3.2 or Section 3.3 below, the cash amount that shall be payable in settlement of this Award on the date specified in Section 5 of this Agreement shall be equal to the Aggregate PCASH Payout, calculated as follows:

(a) **2020 Financial Performance Component.** Following the completion of the preparation of the Company’s annual financial statements for the fiscal year ended December 31, 2020, the Company will compare Revenue for the fiscal year ended December 31, 2020 (“**2020 Revenue**”) against the Baseline Revenue. To the extent the 2020 Revenue grows such that it exceeds the Baseline Revenue, the 2020 financial performance component will be equal to the Base Cash Amount set forth in the Grant Notice multiplied by the Revenue Performance Multiplier associated with such Revenue Growth, and further multiplied by a weighting of 33 1/3%, rounding up to the nearest whole dollar (the “**2020 Component**”). If such Revenue Growth is zero (or negative), the 2020 Component shall be zero.

(b) **2021 Financial Performance Component.** Following the completion of the preparation of the Company's annual financial statements for the fiscal year ended December 31, 2021, the Company will compare Revenue for the fiscal year ended December 31, 2021 ("**2021 Revenue**") against the 2020 Revenue. To the extent the 2021 Revenue grows such that it exceeds the 2020 Revenue, the 2021 financial performance component will be equal to the Base Cash Amount set forth in the Grant Notice multiplied by the Revenue Performance Multiplier associated with such Revenue Growth, and further multiplied by a weighting of 33 1/3%, rounding up to the nearest whole dollar (the "**2021 Component**"). If such Revenue Growth is zero (or negative), the 2021 Component shall be zero.

(c) **2022 Financial Performance Component.** Following the completion of the preparation of the Company's annual financial statements for the fiscal year ended December 31, 2022, the Company will compare Revenue for the fiscal year ended December 31, 2022 ("**2022 Revenue**") against the 2021 Revenue. To the extent the 2022 Revenue grows such that it exceeds the 2021 Revenue, the 2022 financial performance component will be equal to the Base Cash Amount set forth in the Grant Notice multiplied by the Revenue Multiplier associated with such Revenue Growth, and further multiplied by a weighting of 33 1/3%, rounding up to the nearest whole dollar (the "**2022 Component**"). If such Revenue Growth is zero (or negative), the 2022 Component shall be zero.

For purposes hereof, the "**Aggregate PCASH Payout**" shall mean the sum of the 2020 Component, the 2021 Component and the 2022 Component; provided that, in no event shall the Aggregate PCASH Payout exceed 200% of the Base Cash Amount set forth in the Grant Notice.

3.2 **Death or Disability.** Notwithstanding any other provision of this Section 3 to the contrary, upon the Participant's death or termination of Service due to Disability, the cash amount that shall be payable in settlement of this Award shall be the Base Cash Amount (as set forth in the Grant Notice), without regard to the Revenue Performance Multiplier.

3.3 **Change in Control.** Notwithstanding any other provision of this Section 3 to the contrary, upon any Change in Control, the amount of cash that shall be paid in settlement of this Award shall be the greater of (i) the Base Cash Amount (as set forth in the Grant Notice) without regard to the Revenue Performance Multiplier and (ii) the Aggregate PCASH Payout; provided, however, that in the event that one or more of the 2020 Component, the 2021 Component and the 2022 Component has not yet been determined because the associated Revenue Multiplier has not yet been calculated, the Aggregate PCASH Payout for purposes of this Section 3.3 shall be equal to the sum of all such components that have been determined plus, for any components that have not yet been determined, the amount of any such component calculated using a Revenue Multiplier of 100%. In the event of a Change in Control, this Award shall continue to vest subject to the terms and conditions of this Agreement, with respect to the amount of cash determined pursuant to this Section 3.3. If the Participant's Service by the Company (or Company's successor) is terminated without Cause (as defined in Section 4.1 below) after a Change in Control, then this Award shall become vested upon such termination.

4. **VESTING; FORFEITURE.**

4.1 **Vesting of Award.** Provided that the Participant's Service has not terminated prior to the applicable date, the Award shall become vested upon the earliest date to occur of the following (the "**Vesting Date**"):

- (a) the Scheduled Vesting Date (as provided in the Grant Notice);
- (b) the Participant's death;
- (c) termination of the Participant's Service due to Disability;
- (d) immediately before any Change in Control in which the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be, elects not to assume or substitute for this Award; and
- (e) termination of the Participant's Service by the Company (or Company's successor) without Cause (as defined below) after a Change in Control.

For purposes hereof, "**Cause**" shall mean the following: (A) the Participant's repeated failure to satisfactorily perform the Participant's job duties; (B) refusal or failure to follow the lawful directions of the Participant's direct supervisor, the Company's Chief Executive Officer or the Board, as applicable; (C) conviction of a crime involving moral turpitude; or (D) engaging in acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the Participant with respect to the Participant's obligations or otherwise relating to the business of the Company, its Affiliates or customers; except that if the Participant is a party to a Change in Control Agreement with the Company, the definition of "Cause" therein shall apply. Notwithstanding the foregoing, following a Change in Control, any determination as to whether "Cause" exists under the terms of this Agreement shall be subject to *de novo* review by a court of competent jurisdiction.

4.2 **Leaves of Absence.**

(a) If Participant takes an approved medical, FMLA (or other statutorily protected leave), or military leave (each, an "**Approved Leave**") and returns from such leave for at least thirty calendar days, then Participant shall be treated as if the period of such Approved Leave had been a period of continuous Service with the Company or Affiliate, and the Award shall be settled in accordance with Section 5 of this Agreement.

(b) In the event the Participant takes a leave of absence other than an Approved Leave, the cash amount payable as determined under Section 3 above, shall be prorated by multiplying such amount by a fraction the numerator of which is the number of whole months during the period commencing on January 1, 2020, and ending on the earlier of the date of a Change in Control or December 31, 2022 (the "**Vesting Period**"), that Participant had been in continuous Service with the Company or an Affiliate, and the denominator of which is the number of months the Vesting Period spans, rounding up to the nearest whole number.

(c) In the event of Participant's termination of Service during any leave of absence, then the Award shall expire in accordance with the provisions set forth in Section 4.3 below.

4.3 **Forfeiture of Award Upon Termination of Service.** Except as otherwise provided in Section 4.1 above, the Award will terminate automatically without any further action by the Company and be forfeited without further notice and at no cost to the Company upon Participant's termination of Service.

5. **SETTLEMENT OF AWARD.** Subject to the terms and conditions of the Plan and this Agreement, any cash amount that is determined to be payable pursuant to Section 3 above shall be distributed to Participant (or Participant's estate in the event of death) with respect to Participant's Award within 30 days following the Vesting Date for such Award, except as otherwise provided in Section 8.1 of this Agreement (the "**Settlement Date**").

6. **TAX WITHHOLDING.** By accepting the Award (as provided in the Grant Notice), the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, including withholding of a portion of the cash amount otherwise payable to the Participant in settlement of the Award, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, the vesting of the Award or the payment of cash in settlement of the Award.

7. **RIGHTS AS A DIRECTOR, EMPLOYEE OR CONSULTANT.**

If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

8. **COMPLIANCE WITH SECTION 409A.**

It is intended that the settlement of the Award as set forth in this Agreement qualify for exemption from, or comply with, the requirements of Section 409A, and any ambiguities herein will be interpreted to so qualify or comply. Notwithstanding the foregoing, if it is determined that the Award fails to satisfy the requirements of the "short-term deferral" exemption and are otherwise Section 409A Deferred Compensation, it is intended that any payment or benefit which is made or provided pursuant to or in connection with this Award shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

8.1 **Separation from Service; Required Delay in Payment to Specified Employee.** Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

8.2 **Other Changes in Time of Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

8.3 **Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

8.4 **Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

9. **MISCELLANEOUS PROVISIONS.**

9.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

9.2 **Nontransferability of the Award.** Prior to the payment of cash on the applicable Settlement Date, neither this Award nor any cash amount payable under this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

9.3 **Repayment/Forfeiture.** By accepting this Award, the Participant specifically agrees that any and all payments or benefits the Participant or any other person may be entitled to receive under or as a result of this Award shall be immediately forfeited, and that the aggregate amount of any payments or benefits the Participant or any other person has received under or as a result of this Award (determined without regard to any taxes or other amounts withheld from such payments or benefits), shall be repaid to the Company within 30 days following written notice from the Company (or such shorter period as may be required by applicable law), (1) as the Company in its discretion determines may be required to comply with any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder or similar rules under the laws of any other jurisdiction, (2) to the extent provided pursuant to the Company's Incentive Compensation Recoupment Policy, and (3) in the event the Committee or its delegate determines that the Participant has engaged in Prohibited Conduct (as defined below) at any time during the Recoupment Period (as defined below). For purposes of this Section 9.3,

(a) **“Prohibited Conduct”** means (1) violation of the Company’s Code of Ethical Business Conduct, Insider Trading Policy, or any Proprietary Information, Inventions Agreement, Non-Compete Agreement (or similar agreement) signed by the Participant; (2) unethical behavior (such as, without limitation, fraud, dishonesty, or misrepresentation of product benefits); (3) engaging in Competition; (4) disclosing or using in any capacity other than as necessary in the performance of duties assigned by the Company or its Affiliates any confidential information, trade secrets or other business sensitive information or material concerning the Company or its Affiliates, customers, suppliers or partners; (5) directly or indirectly employing, contacting concerning employment, or participating in any way in the recruitment for employment of (whether as an employee, officer, director, agent, consultant or independent contractor), any person who was or is an employee, representative, officer or director of the Company or any of its Affiliates at any time within the 12 months prior to termination of Participant’s employment; (6) any action or statement by Participant and/or his or her representatives that either does or could reasonably be expected to disparage the Company, its Affiliates, or their officers, employees, or directors, or undermines, diminishes or otherwise damages the relationship between the Company or any of its Affiliates and any of their respective customers, potential customers, vendors and/or suppliers that were known to Participant; or (7) breach of any provision of any employment or severance agreement with the Company or any Affiliate. Any determination of Prohibited Conduct shall be made by the Committee or its delegate in its sole discretion and shall be binding on all parties. Notwithstanding anything contained herein to the contrary, Prohibited Conduct shall not include communication by Participant with any government agency, commission or regulator or participation by Participant in any investigation or proceeding that may be conducted by any government agency, commission or regulator, but only to the extent that such communication is required or permitted by law.

(b) **“Competition”** means, either during Participant’s employment with the Company or any of its Affiliates, or within 12 months following termination of such employment, accepting employment with, or serving as a consultant or advisor or in any other capacity to a competitor of the Company, including but not limited to the DePuy Synthes division of Johnson & Johnson, Stryker Corporation, Globus Medical, Inc., Medtronic, Inc., K2M Holdings, Inc., Zimmer Biomet Holdings, Inc., Alphatec Holdings, Inc., Titan Spine, LLC or any subsidiary or Affiliate of the foregoing (a **“Competitor”**), including, but not limited to, employment or another business relationship with any Competitor if Participant has been introduced to trade secrets, confidential information or business sensitive information during Participant’s employment with the Company or any of its Affiliates and such information would aid the Competitor because the threat of disclosure of such information is so great that it must be assumed that such disclosure would occur.

(c) **“Recoupment Period”** means the period beginning on the Date of Grant and ending on the date that is 12 months after the date on which the Participant or any other person received any payment or benefit pursuant to this Award, provided, however, that if the Prohibited Conduct resulted in the Participant or any other person receiving any payment or benefit pursuant to this Award in excess of the payment or benefit that would have been received absent such Prohibited Conduct, the Recoupment Period shall end on the date that is 36 months after the date on which such payment or benefit was received.

9.4 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

9.5 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant’s heirs, executors, administrators, successors and assigns. If all or any part of any section or clause of this Agreement is determined to be invalid or unenforceable in any respect or to any degree, that section or clause shall be interpreted and enforced to the maximum extent allowed by law and shall not invalidate or impact any other sections and/or clauses that remain.

9.6 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, this Agreement, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 9.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 9.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 9.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 9.6(a), but has nevertheless knowingly and voluntarily chosen to do so by accepting the Award (as provided in the Grant Notice).

9.7 **Integrated Agreement.** This Agreement and the Plan shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

9.8 **Applicable Law.** This Agreement shall be governed by the laws of the State of Delaware as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within the State of Delaware.

9.9 **Terms and Conditions Subject to Change in the Event the Participant Transfers Outside of the United States.** Should the Participant transfer his or her residence and/or employment with the Company to another country, the Company, in its sole discretion, shall determine whether application of certain additional and/or supplemental terms and conditions is necessary or advisable in order to comply with respective laws, rules and regulations or to facilitate the operation and administration of the Award and the Plan. In all circumstances, the Company will provide the Participant with its ordinary-course terms and conditions for such country(ies) in the form of an amendment and/or addendum, which shall thereafter be part of this Agreement.

April 13, 2020

[NAME]
NuVasive, Inc.

Re: NuVasive, Inc. – Temporary Reduction of Compensation

Dear [NAME]:

In light of the COVID-19 pandemic and its potential impact on the Company's business and industry, and the economy in general, NuVasive is taking a number of actions to support the health and well-being of our Shareowners, address the financial impacts of COVID-19 and the disruptions to our business, and best position the Company for long-term success. I thank you for your continued support of these efforts.

[As you know, in order to control costs, the Board of Directors recently approved a temporary reduction of a portion of the 2020 cash compensation payable to the Board and our executive officers. This letter is to confirm your voluntary agreement to forego all amounts that would otherwise be payable as a cash retainer for service on the Board, including service on any Committee of the Board, for the quarter ending June 30, 2020.]

[As we discussed, one action that we are taking to control costs is to implement a temporary reduction of a portion of the 2020 cash compensation payable to our Board of Directors and our executive officers. This letter is to confirm your voluntary agreement to forego [PERCENT]% of the cash compensation that would otherwise be payable to you as regular salary during the period commencing with the May 4, 2020 pay period and continuing through December 31, 2020. Your agreement to forego a portion of your regular salary shall not be treated as a reduction in base annual salary rate for purposes of the NuVasive, Inc. Life and Accidental Death and Disability Insurance Plan or the NuVasive, Inc. Amended and Restated Executive Severance Plan, or any other benefits plans in which you are currently enrolled or eligible to participate. Accordingly, benefits under these plans, to the extent they are determined by reference to your base annual salary rate (or any similar measure), shall be determined without regard to your voluntary compensation reduction. Notwithstanding the foregoing, any withholdings or deferral elections that are based on a percentage of regular salary shall be determined based on your reduced regular salary, taking into account your temporary compensation reduction.]

By signing below, you acknowledge and agree that you are consenting to this temporary compensation reduction and waive, with respect thereto, any restrictions or limitations that the Company may have to reduce your compensation under any [employment or other] agreement between you and the Company or under any applicable law. Further, you acknowledge and agree that such temporary reduction in cash compensation is not a breach of, and does not impact or trigger any benefits under, any agreement with the Company or any Company benefits plan. Other than as specifically set forth herein, this letter shall in no way modify, amend or supersede any rights and obligations set forth in any [employment or other] agreement between you and the Company, which shall continue in effect in accordance with its terms.

I appreciate your partnership during this difficult time and your continued commitment to NuVasive.

Best Regards,

Acknowledged and Agreed as of April __, 2020

[NAME]

**SEPARATION AGREEMENT
AND GENERAL RELEASE**

THIS SEPARATION AGREEMENT AND GENERAL RELEASE (“Agreement”) is made and entered into by and between Rajesh J. Asarpota (“Employee”) and NuVasive, Inc. (the “Company”).

WHEREAS the parties acknowledge and agree that Employee was employed by the Company as an at-will employee, and is an executive eligible for severance pay and benefits under the NuVasive, Inc. Amended and Restated Executive Severance Plan (the “Severance Plan”);

WHEREAS Employee’s employment has terminated on the separation date set forth on Appendix 1 attached hereto (“Separation Date”) and such termination has been classified by the Company as “involuntary” as defined in the Severance Plan, but not the result of a “Change in Control” as set forth in the Severance Plan; and

WHEREAS in accordance with the terms of the Severance Plan, Employee and the Company desire to enter into this Separation Agreement to provide for payment or certain severance pay and benefits conditioned on Employee providing a general release of claims and complying with the restrictive covenants and other conditions set out in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, agreements and valuable consideration contained herein, the sufficiency of which is hereby acknowledged, it is agreed as follows:

1. **Severance Pay and Benefits.** In exchange for execution and non-revocation of this Agreement by Employee, including the general release of claims herein, and only if Employee does not breach any of the provisions of this Agreement, including but not limited to Paragraph 3 (Return of Company Property), Paragraph 4 (Prohibited Conduct) and Paragraph 5 (Nondisclosure of Confidential Information):

(a) **Severance Pay.** The Company will pay Employee severance pay in the aggregate amount set forth on Appendix 1 attached hereto (“Severance Pay”) which shall be paid as follows: commencing with the first payroll pay date following July 1, 2020, the Severance Pay shall be paid in substantially equal installments over a period of one (1) year in accordance with the Company’s regular payroll practices. Employee acknowledges that this Severance Pay is fully taxable compensation subject to tax withholding and other required deductions.

(b) Annual Bonus Eligibility. Employee will be eligible for a pro-rated annual discretionary bonus for the year in which the termination of employment occurs and determined based on the lesser of target or actual performance for performance period and subject to the terms of the Severance Plan, and which amount shall be paid in a lump sum cash payment no later than the fifteenth (15th) day of the third (3rd) calendar month following the end of the performance period.

(c) Outplacement Services. The Company will provide outplacement assistance (up to a total cost of \$15,000) from a provider of the Company's choosing. Information about the outplacement service provider will be provided to Employee concurrent with the Effective Date. Employee may not receive cash or other severance benefits in lieu of outplacement service.

(d) Employee acknowledges that the right to receive some or all of the Severance Pay and benefits provided by the Severance Plan and described herein is good and valuable consideration for the general release Employee is making in this Agreement and is in addition to any consideration to which Employee may already be entitled. Employee also acknowledges and agrees that neither the Company nor its attorneys have made any representations regarding the tax consequences, if any, of the Severance Pay and benefits provided in Paragraph 1. Employee understands that to the extent additional taxes are found to be due and owing, the Employee will be solely responsible for payment of same.

(e) Employee and the Company agree that Employee has certain equity awards outstanding which are and shall remain subject to certain vesting conditions as of the Effective Date, and that Employee's rights and interests under such equity awards will be determined pursuant to the terms of the relevant award agreements based on the terms and conditions thereof.

2. Release of Claims.

(a) General Release. As a material inducement for the Company to enter this Agreement and as a condition to the right to receive Severance Pay and benefits under the Severance Plan, Employee does hereby agree to release and forever discharge the Company, and all of its respective current and former parent corporations, subsidiaries, affiliates, predecessors, successors, divisions, other related entities, assigns, agents, attorneys, officers, directors, employees, benefit plans and fiduciaries thereof, and all of their respective current and former parent corporations, subsidiaries, affiliates, predecessors, successors, divisions, other related entities, assigns, agents, attorneys, officers, directors, employees, and heirs (referred to herein as "Releasees") from any and all claims, complaints, liabilities or obligations of any kind whatsoever, whether known or unknown, arising in tort or contract, which Employee may have, now has, or has ever had arising from Employee's employment with the Company or the termination thereof, or any other matter or event that may have occurred as of the Effective Date of this Agreement, including, but not limited to, unpaid wages, salary, overtime compensation, bonuses, commissions or other compensation of any sort or any benefits arising out of Employee's employment (including but not limited to claims relating to stock and/or stock options); any other claims arising under any federal, state, or local laws and regulations relating to employment or employment discrimination; or for costs, fees or other expenses, including attorneys' fees, incurred regarding these matters ("Released Claims"). Employee understands and agrees that the Released Claims include, but are not limited to, any and all claims, complaints, liabilities or obligations under applicable federal, state or local statute, ordinance or common law, including, but not limited to, Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, 42 U.S.C. Section 1981, the Americans With Disabilities Act, Sections 503 and 504 of the Rehabilitation Act, the Age Discrimination in Employment Act ("ADEA"), the Older Workers' Benefits Protection Act ("OWBPA"), the Employee Retirement Income Security Act, the Family and Medical Leave Act ("FMLA"), the Worker Adjustment and Retraining Notification Act ("WARN"), the Equal Pay Act, the Uniform Services Employment and Reemployment Act of 1994, the Employee Retirement Income Security Act, the National Labor Relations Act ("NLRA"), the California Fair Employment and Housing Act (FEHA), the California Labor Code and the California Labor Code Private Attorneys General Act (PAGA). This release excludes claims for unemployment benefits, claims for worker's compensation benefits, and any other claims, the release of which is prohibited by applicable state and/or federal law.

(b) No current claims, charges or unpaid wages. Employee represents that as of the Effective Date of this Agreement, Employee has been paid all wages and/or salary earned and all accrued and unpaid vacation, and that Employee has accurately reported all hours worked, and is unaware of any pending lawsuit, claim, charge or complaint filed by Employee or on Employee's behalf against the Releasees, or any of them. Employee further represents that Employee (i) has reported to the Company any and all work-related injuries incurred during employment; (ii) the Company properly provided any leave of absence because of Employee or a family member's health condition and Employee has not been subjected to any improper treatment, conduct or actions due to a request for or taking such leave; and (iii) Employee has provided the Company with written notice of any and all concerns regarding suspected bank fraud, wire fraud, mail fraud, securities fraud, any violation of a rule or regulation of the Securities and Exchange Commission ("SEC"), any violation of federal law, or any violation of the Company's Code of Business Conduct, or any other ethical and compliance issues or violations on the part of the Company or any released person or entity.

(c) Release Includes Unknown Claims and Later Discovered Facts. Employee understands that there is a risk that, subsequent to the execution of this Agreement, Employee may incur loss, damage or injury that Employee attributes to claims released herein. Employee expressly assumes this risk.

(d) California General Release. Employee acknowledges that Employee may discover facts different from or in addition to those which Employee now knows or believes to be true and that this Agreement shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery thereof. Employee hereby expressly waives any and all rights and benefits conferred upon Employee by the provisions of Section 1542 of the Civil Code of the State of California, and/or any analogous law of any other state. Section 1542 states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR [EMPLOYEE] DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR [COMPANY].

Employee expressly agrees and understands that the release given by Employee pursuant to this Agreement applies to all unknown, unsuspected and unanticipated claims, liabilities and causes of action which Employee may have against the Company.

(e) Waiver of Right to Bring Released Claims. Employee agrees not to bring or prosecute any Released Claims against the Releasees, either individually or collectively, whether acting on Employee's own behalf or as part of a class or other group. Nothing in this Paragraph shall interfere with Employee's right to file a charge with, or cooperate or participate in an investigation or proceeding conducted by, the Equal Employment Opportunity Commission ("EEOC"), or other state or federal agency, however, the consideration provided to Employee in this Agreement shall be the sole relief provided for the Released Claims and Employee will not be entitled to recover and Employee agrees to waive any monetary benefits or recovery, including any personal entitlement to reinstatement, back pay, or any other types of damages or injunctive relief in connection with any civil action brought on Employee's behalf after Employee's filing of any administrative charge against the Releasees in connection with any such charge or proceeding without regard to who has brought such charge or proceeding.

(f) Agreement as a Defense/Costs of Enforcement. Employee agrees that if Employee asserts any claim, action, charge or suit against the Releasees, the Releasees, or any of them, may plead this Agreement as an absolute defense. Employee further agrees that if Employee breaches this Agreement and brings a Released Claim against any of the Releasees or otherwise breaches this Agreement, Employee shall be liable for any and all expenses incurred by the person or entity who has to defend the action, including reasonable attorney's fees; provided however, that this Paragraph 2(f) shall not apply to charges filed by Employee with the EEOC or other federal or state regulatory or law enforcement agency or to claims initiated by Employee to challenge the validity of the release of ADEA claims under this Agreement, including the knowing and voluntary nature of the ADEA release under the OWBPA.

3. Return of Company Property. Employee acknowledges that documents created during Employee's affiliation with the Company are Company property, and that all such documents created or obtained by, or furnished to, Employee during the course of or in connection with Employee's employment with the Company are the Company's exclusive property. Accordingly, Employee agrees that Employee will leave with the Company (or return to the Company) all originals and copies (whether paper or electronic) of such material in Employee's possession by the close of business on the Separation Date, as well as any access keys, security codes, laptop, Company credit card(s), telephone card(s), and other Company property in Employee's possession. Employee promises that Employee has not and will not retain, distribute, or cause to be distributed, any original or duplicates of any Company property. Employee further agrees that all personal charges to any corporate credit cards are the responsibility of Employee and will be paid by Employee to the credit card company in a timely manner.

4. Prohibited Conduct. In the event that the Company, in its capacity as Plan Administrator of the Severance Plan, determines in its sole discretion that Employee has engaged in Prohibited Conduct, Employee shall (1) be disqualified from and cease to be eligible to participate in the Severance Plan, (2) forfeit all rights to any Severance Pay or benefits paid or payable pursuant to the Severance Plan and/or this Agreement, and (3) within thirty (30) days following written notice from the Company, pay to the Company an amount equal to the aggregate amount of Severance Pay or benefits Employee received in cash pursuant to the Plan Severance Plan and/or this Agreement. For purposes of this Agreement:

(a) "Prohibited Conduct" means (1) violation of the Company's Code of Ethical Business Conduct, Insider Trading Policy, or any Proprietary Information, Inventions Assignment and Restrictive Covenants Agreement (or similar agreement) signed by the Employee; (2) unethical behavior (such as, without limitation, fraud, dishonesty, misrepresentation of product benefits); (3) engaging in Competition; (4) violation of the provisions of Paragraph 5 of this Agreement or disclosing or using in any capacity other than as was necessary in the performance of duties assigned by the Company or its affiliates any Confidential Information, trade secrets or other business sensitive information or material concerning the Company or its affiliates, customers, suppliers or partners; (5) directly or indirectly employing, contacting concerning employment, or participating in any way in the recruitment for employment of (whether as an employee, officer, director, agent, consultant or independent contractor), any person who was or is an employee, representative, officer or director of the Company or any of its affiliates at any time within the twelve (12) months prior to Employee's termination of employment; or (6) breaching any provision of the Severance Plan, this Agreement, or any employment or severance agreement with the Company or any affiliate. Any determination of Prohibited Conduct shall be made a Plan Administrator in its sole discretion and shall be binding on all parties. Notwithstanding anything contained herein to the contrary, Prohibited Conduct shall not include communication by Employee with any government agency, commission or regulator or participation by Employee in any investigation or proceeding that may be conducted by any government agency, commission or regulator, but only to the extent that such communication is required or permitted by law; and

(b) "Competition" shall include, either during Employee's employment with the Company or any of its affiliates within the period in which Employee is receiving Severance Pay, accepting employment with, or serving as a consultant or advisor or in any other capacity to a competitor of the Company in the spine or orthopedic limb lengthening markets including but not limited to the spinal or orthopedic limb lengthening departments of Johnson & Johnson, Stryker Corporation, Globus Medical, Inc., Medtronic, Inc., K2M Holdings, Inc., Zimmer Biomet Holdings, Inc., Spinal Elements, Inc., Seaspine, Inc., Alphatec Spine, Inc. or any subsidiary or affiliate of the foregoing ("Competitor"), including, but not limited to, employment or another business relationship with any Competitor if Employee has been introduced to trade secrets, Confidential Information or business sensitive information during Employee's employment with the Company or any of its affiliates and such information would aid the Competitor because the threat of disclosure of such information is so great that it must be assumed that such disclosure would occur.

5. Non-Disclosure of Confidential Information. Employee agrees to keep confidential all proprietary and Confidential Information regarding the Company or its parent corporation(s), subsidiaries, affiliates, or any Releasee, including, but not limited to, technical, research, business, development, and financial information, confidential information about employees, confidential information and material relating to any customer, vendor, licensee, or other party transacting business with the Company, and all other information disclosed to Employee, or to which Employee had access during the period of Employee's employment with the Company, for which there is any reasonable basis to believe is, or which appears to be treated by the Company or relevant Releasee, as confidential information ("Confidential Information"). Employee further agrees not to release, use, or disclose Confidential Information except with the prior written permission of the Company. The obligations in this paragraph supplement, and are in addition to any obligations Employee has under either a separate agreement concerning confidentiality and/or applicable law concerning the treatment of confidential information and/or trade secrets. Notwithstanding the obligations concerning confidentiality contained in this Agreement, the Company and Employee understand and agree that, pursuant to 18 USC § 1833(b), Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Employee files a lawsuit for retaliation for reporting a suspected violation of law, Employee may disclose the trade secret to the Employee's attorney and use the trade secret information in the court proceeding, provided that Employee files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to a court order.

6. Confidentiality of Terms of Agreement. As an additional material inducement for the Company to enter this Agreement, Employee agrees to keep confidential the existence and terms of this Agreement, as well as any discussions with the Company concerning this Agreement, and will not disclose the provisions hereof to anyone except Employee's spouse, attorney(s) and tax advisor(s) or except as required by law. Employee agrees that in the event of disclosure to any of the above-referenced persons, Employee will advise such person(s) to whom the disclosure is made, in advance, of the obligation to preserve and maintain the confidentiality of the terms and conditions set forth herein. Any further disclosure, other than as authorized above, shall constitute a breach of this Agreement. If Employee breaches this provision, it would be impracticable or difficult to affix the actual damages to the Company, therefore Employee agrees that in the event of each and any such breach, Employee shall pay the Company as liquidated damages, and not as a penalty, the total sum of \$5,000, which represents reasonable compensation for the loss incurred because of such breach, plus any attorneys' fees and costs associated with the enforcement of this provision.

7. Whistleblower Activities Protected. Notwithstanding any of the above, nothing in this Agreement shall interfere with Employee's right to file a charge with, or cooperate or participate in an investigation or proceeding conducted by, the Department of Justice, Securities Exchange Commission, U.S. Congress, and any federal agency Inspector General, or any other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. Employee need not seek prior authorization from Company to make any such reports or disclosures, nor notify the Company that such reports or disclosures have been made.

8. Knowing and Voluntary Execution. Employee understands and agrees that Employee:

(a) May, but is not required to, take up to twenty-one (21) calendar days from the date Employee is presented this Agreement to consider whether or not Employee desires to execute this Agreement (with the understanding that to the extent, if any, changes are made to this Agreement at Employee's request, such revisions do not re-start the twenty-one (21)-day consideration period);

(b) Knowingly and voluntarily agrees to all of the terms set forth in this Agreement and to be bound by this Agreement;

(c) Is hereby advised in writing to consult with an attorney and tax advisor of Employee's choice prior to executing this Agreement and has had the opportunity and sufficient time to seek such advice;

(d) Agrees that some or all of the Severance Pay and benefits provided pursuant to this Agreement and the Severance Plan are in addition to any consideration to which Employee may already be entitled absent execution of this Agreement;

(e) Will not be entitled to a re-computation of any employment benefits based on amounts paid in lieu of notice and/or Severance Pay;

(f) Understands that rights or claims under the ADEA that may arise after the date this Agreement is executed are not waived; and

(g) May revoke this Agreement at any time during the seven (7) calendar day period immediately after Employee signs and delivers this Agreement to the Company. Employee also understands that any revocation of this Agreement must be made in writing and delivered to NuVasive, Inc. at 7475 Lusk Blvd., San Diego, CA 92121, attention Nathaniel Sisitsky, General Counsel, within the seven (7) day period. Employee understands that this Agreement is not effective, and Employee is not entitled to the Severance Pay and benefits provided herein, until the expiration of this seven (7) calendar day revocation period. Employee understands that upon the expiration of such seven (7) day revocation period, this entire Agreement will be binding upon Employee and will be irrevocable. The "Effective Date" of this Agreement shall be the later of the eighth day after Employee has accepted this Agreement or the Separation Date, provided the Agreement is not timely revoked.

9. Governing Law and Consent to Venue. Except to the extent preempted by the Employee Retirement Income Security Act of 1974, as amended, or other federal laws, this Agreement is governed by and construed in accordance with the laws of the State of California, without regard to any conflict of laws rule or principle which might refer the governance or construction of this Agreement to the laws of another jurisdiction. The Parties agree that any dispute relating to or arising out of this Agreement shall be heard and decided exclusively in a state or federal court of competent jurisdiction in San Diego County, California. Employee also agrees and acknowledges that prior to filing any action to enforce any rights hereunder, Employee is required to exhaust Employee's administrative remedies provided under the Severance Plan.

10. Representations. The parties to this Agreement represent and acknowledge that in entering and executing this Agreement, they have not relied upon any representations or statements made by any other party to this Agreement, or by the agents, representatives, or attorneys of any other party, with regard to the subject matter, basis, or effect of this Agreement.

11. Entire Agreement. This Agreement sets forth the entire agreement between the parties hereto and fully supersedes any and all prior agreements or understandings, written or oral, between the parties hereto pertaining to the subject matter hereof. This Agreement cannot be amended or modified, unless such amendment or modification is in writing and signed by an authorized representative of the Company and the Employee. Notwithstanding this paragraph, nothing in this Agreement is intended to alter, amend, or reduce in any way Employee's or Company's post-termination obligations, if any, contained in any separate agreement containing post-employment obligations or restrictions, including any restrictive covenants.

12. Severability. Should any court of competent jurisdiction declare any provision of this Agreement to be wholly or partially illegal, invalid, or unenforceable, the offending provision shall be stricken and all remaining provisions shall remain in full force and effect and shall be unaffected by such declaration.

13. No Admission of Liability. This Agreement shall not in any way be construed as an admission by the Company of any improper actions or liability whatsoever as to Employee or any other person, and the Company specifically disclaims any liability to or improper actions against Employee or any other person, on the part of the Releasees.

14. Waiver of Breach. The failure by either party to insist upon the performance of any one or more terms, covenants or conditions of this Agreement shall not be construed as a waiver or relinquishment of any right granted hereunder or of any future performance of any such term, covenant or condition, and the obligation of either party with respect hereto shall continue in full force and effect, unless such waiver shall be in writing and signed by the Company and Employee.

15. Not Aware of Violations. Employee represents and agrees that Employee is not aware of any conduct by the Company or any other Releasees that may violate any federal, state or local law, rule or regulation.

16. Notice and Cooperation. Employee agrees that if Employee is solicited or contacted by any law firm or agent of any law firm regarding the Company or Employee's employment with the Company, or if Employee is ordered or subpoenaed to testify or produce information in connection with any claim against the Company, Employee will immediately notify the Company by contacting the General Counsel. Employee also agrees to make herself fully and reasonably available to assist the Company and its representatives with any investigation or with its prosecution and/or defense of any legal proceedings involving matters of which Employee may have relevant knowledge.

17. No Assignment. The Employee represents and warrants that Employee has made no assignment, and will make no assignment, of any claim, action, or right of any kind whatsoever, embodied in any of the matters referred to in this Agreement, and that no person or entity of any kind had or has any interest in any of the demands, obligations, actions, claims, debts, liabilities, rights, contracts, damages, attorneys' fees, costs, expenses, losses, or claims referred to in this Agreement. By signing this Agreement, Employee has released all claims against the Releasees on behalf of Employee's self, heirs, spouse, representatives, attorneys, advisors, family members, agents, or assigns.

18. No Rehire Rights. Employee understands that as part of the consideration provided to Company under this Agreement, and to the extent permitted by law, Employee will not be eligible for hire or rehire by any of the Releasees and agrees that if Employee should apply for employment with any such entity, that entity may use this Agreement as the basis to withdraw any offer of employment and/or terminate the employment relationship.

19. Headings. The headings in this Agreement are for convenience only and shall not be considered in interpreting the provisions hereof.

20. Assignment. Company may assign this Agreement to any successor, affiliate or third party without obtaining the consent of Employee.

PLEASE READ CAREFULLY. THIS SEPARATION AGREEMENT AND GENERAL RELEASE INCLUDES THE RELEASE OF ALL CLAIMS AGAINST THE COMPANY, KNOWN OR UNKNOWN, THAT MAY HAVE OCCURRED AS OF THE DATE OF THIS AGREEMENT, INCLUDING CLAIMS BROUGHT UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT.

[Signature page follows.]

EMPLOYEE:

/s/ Rajesh J. Asarpota

Rajesh J. Asarpota

Date: 5/1/2020

NUVASIVE, INC.

/s/ Lucas Vitale

Lucas Vitale, Chief Human Resources Officer

Date: 5.04.2020

[Signature Page to Separation Agreement and General Release]

Appendix 1

Employee:	Rajesh J. Aarapota
Separation Date:	May 1, 2020
Severance Pay:	\$482,125 (1x annual base salary) <u>\$ 25,762</u> (after-tax cost of one year of health benefits) \$507,887

[Appendix 1 to Separation Agreement and General Release]

CERTIFICATION

I, J. Christopher Barry, certify that:

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

Date: May 6, 2020

By: /s/ J. Christopher Barry
J. Christopher Barry
Chief Executive Officer

CERTIFICATION

I, Matthew K. Harbaugh, certify that:

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

Date: May 6, 2020

By: /s/ Matthew K. Harbaugh
Matthew K. Harbaugh
Executive Vice President and Chief Financial Officer

**CERTIFICATIONS 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 NuVasive, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, J. Christopher Barry, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2020

By: /s/ J. Christopher Barry
J. Christopher Barry
Chief Executive Officer

In connection with the Quarterly Report, I, Matthew K. Harbaugh, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2020

By: /s/ Matthew K. Harbaugh
Matthew K. Harbaugh
Executive Vice President and Chief Financial Officer