As filed with the Securities and Exchange Commission on September 26, 2016

Registration No. 333-213551

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

AMENDMENT NO. 1
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Obalon Therapeutics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	3841	26-1828101
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

5421 Avenida Encinas, Suite F
Carlsbad, California 92008
(760) 795-6558
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Andrew Rasdal
President and Chief Executive Officer
Obalon Therapeutics, Inc.
5421 Avenida Encinas, Suite F
Carlsbad, California 92008
(760) 795-6558
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, or Securities Act, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)	Amount of registration fee(2)(3)
Common Stock, $0.001 par value per share	$92,000,000	$9,265

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act. Includes the offering price of additional shares that the underwriters have the option to purchase.
(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.
(3) The Registrant previously paid $7,553 of this amount in connection with the initial filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information contained in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS | Subject to Completion | September 26, 2016

5,000,000 Shares

Obalon Therapeutics, Inc.

Common Stock

This is the initial public offering of our common stock. No public market currently exists for our common stock. We are offering all of the 5,000,000 shares of common stock offered by this prospectus. We expect the initial public offering price to be between $14.00 and $16.00 per share.

We have applied to list our common stock on The NASDAQ Global Market under the symbol "OBLN."

We are an "emerging growth company" as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our common stock in "Risk factors" beginning on page 12 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per share	Total
Public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to us	$	$

(1) We refer you to "Underwriting" for additional information regarding total underwriting compensation.

Certain of our stockholders and their affiliates, some of which are affiliated with our directors, have indicated an interest in purchasing shares of common stock in this offering with an aggregate value of approximately $20.0 million at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering. The underwriters will receive the same underwriting discount on any shares purchased by these parties as they will on any other shares sold to the public in this offering.

The underwriters may also purchase up to an additional 750,000 shares of our common stock at the public offering price, less the underwriting discounts and commissions payable by us, to cover over-allotments, if any, within 30 days from the date of this prospectus.

The underwriters expect to deliver the shares of common stock to investors on or about , 2016.

UBS Investment Bank **Canaccord Genuity** **Stifel**

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We have not, and the underwriters have not, authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus or in any applicable free writing prospectus is current only as of its date, regardless of its time of delivery or any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: We have not, and the underwriters have not, done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside the United States.

Prospectus summary

This summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes thereto and the information set forth under the sections "Risk factors" and "Management's discussion and analysis of financial condition and results of operations." Unless the context otherwise requires, we use the terms "Obalon," "company," "we," "us" and "our" in this prospectus to refer to Obalon Therapeutics, Inc. and our consolidated subsidiary.

OUR BUSINESS

We are a commercial-stage medical device company focused on developing and commercializing innovative medical devices to treat obese and overweight people by facilitating weight loss. Our initial product offering is the Obalon balloon system, the first swallowable, gas-filled intragastric balloon designed to provide progressive and sustained weight loss in obese patients. We recently received premarket approval, or PMA, from the U.S. Food and Drug Administration, or FDA, to market our balloon system for temporary use to facilitate weight loss in obese adults with a body mass index, or BMI, of 30 to 40, who have failed to lose weight through diet and exercise. The Obalon balloon system is intended to be used as an adjunct to a moderate intensity diet and behavior modification program. All balloons must be removed six months after the first balloon is placed. The Obalon balloon system has the potential to provide patients and physicians with a cost-effective, reversible and repeatable weight loss solution in an outpatient setting, without altering patient anatomy or requiring surgery. We anticipate commencing the U.S. commercial launch of our Obalon balloon system in early 2017.

We received PMA approval for our Obalon balloon system based on the results of our U.S. pivotal clinical trial, referred to as the SMART trial. The SMART trial was a prospective, double-blinded, multi-center, randomized (1:1), parallel-group, active sham-controlled trial involving 387 patients, which demonstrated that patients in the Obalon treatment group lost, on average, approximately twice as much body weight as patients in the sham-control group, while at the same time maintaining a low rate of serious adverse device events, or SADEs. In the SMART trial, the Obalon balloon system also demonstrated a strong safety profile, showed statistically significant differences in metabolic profiles and demonstrated that patients were able to maintain most of their weight loss for at least six months following the removal of the balloons.

Having received PMA approval for the Obalon balloon system, we are currently focused on commencing U.S. commercialization using a direct sales force, which we anticipate will occur in early 2017. We initially plan to sell the Obalon balloon system on a self-pay basis to bariatric surgeons and gastroenterologists with existing weight loss practices. We believe the design features of the Obalon balloon system will enable us to penetrate these existing physician specialties and later expand into new specialties, such as plastic surgery.

In 2012, we began selling an earlier generation of our Obalon balloon system in a limited number of countries outside of the United States through a combination of direct sales efforts and distributors. In 2015, we refocused our efforts toward developing and seeking regulatory approval for our balloon system in the United States and discontinued most of our international sales efforts other than our sales to Bader Sultan & Bros. Co. W.L.L., our distributor in the Middle East and one of our significant stockholders. As of June 30, 2016, we had sold over 23,000 of our earlier generation Obalon balloon systems for commercial use outside the United States.

THE OBESITY EPIDEMIC

Obesity is one of the largest, most debilitating, costly and underserved disease states globally. In adults, the disease is linked to several co-morbidities, including hypertension, type 2 diabetes, high blood pressure, certain cancers and other chronic conditions, as well as psychological disorders such as anxiety, depression and insomnia. The national medical care costs of obesity-related illness in adults, including out of pocket expenses, third-party payer expenses and Medicaid, were estimated to be approximately $210 billion in 2008.

Current treatment alternatives for obese patients begin with lifestyle modification, such as diet and exercise. If this alternative fails to produce the desired results, physicians may prescribe pharmaceutical therapies, typically to obese or overweight patients with a lower BMI. Although pharmaceutical therapies have been effective in assisting with weight loss, they are often associated with safety risks and negative side effects that may limit patient compliance. In obese patients with a higher BMI, physicians may pursue aggressive surgical treatments, such as gastric bypass and gastric banding. These procedures promote weight loss by surgically restricting the stomach's capacity and outlet size; however, they present substantial side effects and carry short- and long-term safety risks that have limited adoption. Importantly, bariatric surgical procedures can result in permanent changes to the patient's anatomy, are often associated with significant reoperation rates, typically involve extended hospitalization and can result in patient intolerance to common foods.

Recently, new medical procedures have been introduced in an attempt to address the gap in care between pharmaceutical treatment and invasive surgical procedures. These new procedures have included neuroblocking therapy, aspiration therapy and traditional intragastric balloons. The traditional intragastric balloons currently available in the U.S. market were approved for use in 2015. These balloons are large, saline-filled silicone devices that must be both placed in the stomach and later removed with an endoscopic procedure performed under anesthesia. While in the stomach, the balloons fill space, creating a sense of fullness in the patient. Traditional intragastric balloons have been associated with successful weight loss. However, we believe traditional intragastric balloons suffer limitations that are impeding their adoption, including their rate of SADEs, a lack of comfort and tolerability, a limited ability to provide progressive and sustained weight loss and an inconvenient placement procedure.

OUR SOLUTION

We designed the Obalon balloon system to address many of the limitations of traditional intragastric balloons. We believe the Obalon balloon system offers patients and physicians the following benefits:

- **Favorable safety profile.** In our pivotal SMART trial, only one of 336 (0.3%) patients that received our Obalon balloon experienced a SADE. As of June 2016, we had sold over 23,000 units of our earlier generation Obalon balloon systems in international markets and had only nine SADEs reported to us, none of which were required to be reported to the applicable foreign regulatory authorities. Our investigations determined that all of the international SADEs occurred in patients where the device was not used in accordance with approved labeling.
- **Improved patient tolerability and comfort.** Our Obalon balloon is filled with a proprietary mix of gas, as opposed to heavier saline solutions used in traditional intragastric balloons. Our system is designed to use three Obalon balloons over the course of treatment, allowing the volume in the stomach to be gradually increased. We believe these design elements have the potential to improve patient comfort and tolerability of our Obalon balloon.
- **Progressive weight loss with durable results.** In our SMART trial, patients in the Obalon treatment group lost, on average, approximately twice as much body weight as patients in the sham-control

group. In addition, patients in the Obalon treatment group showed, on average, progressive weight loss over the entire six-month balloon treatment period, and maintained, on average, 89.5% of the weight loss six months after balloon removal.

- **Simple and convenient placement.** The Obalon balloon is placed without anesthesia or an endoscopy through a swallowable capsule that dissolves in the stomach and releases the Obalon balloon. A microcatheter is attached to the balloon to enable inflation and is subsequently detached and removed from the patient. Placement typically occurs in less than ten minutes and patients can return to normal activity once the placement is complete. The balloons are removed endoscopically under light, conscious sedation six months after the first balloon placement.
- **Attractive economics for patients and physicians.** By eliminating the need for an endoscopic delivery procedure, anesthesia and use of a special endoscopy suite, we believe our Obalon balloon system has the potential to reduce physician costs and allow more time to perform additional procedures. We believe patients will benefit from lower treatment costs, no post-placement recovery period and a quick return to daily activities.

OUR STRATEGY

Our objective is to be the leading provider of medical devices for the non-surgical treatment of obese and overweight individuals. The key elements of our strategy are to:

- **Drive product adoption by working with key thought leaders in bariatrics and gastroenterology.** We plan to initially focus on direct sales to the leading bariatric surgeons and gastroenterologists in the United States. We believe adoption of our technology by these thought leaders will accelerate broader adoption of the Obalon balloon system in each physician specialty area.
- **Partner with physicians to create consumer awareness and drive patients into the channel.** Our initial strategy is to establish marketing and support programs with physicians to create patient awareness and demand for the Obalon balloon system. We plan to support these physicians with best practices and tools to treat qualified patients already in the channel and through local outreach to attract new patients to the practice.
- **Expand into new physician channels.** We also plan to target additional physician specialties that have access to obese patients, including the 1,900 aesthetically focused plastic surgeons. We believe that plastic surgeons are among the physicians that have access to patients appropriate for the Obalon balloon system, have experience managing self-pay centers and have the capability to learn and perform Obalon balloon placements.
- **Continue to develop innovative products to facilitate market penetration.** We plan to leverage our proprietary product technology and research and development expertise to develop products for weight loss that improve clinical outcomes, increase ease of use and reduce cost. Our development pipeline includes an automated, easier-to-use inflation system, a navigation system that would reduce the need for imaging at every placement, a balloon with a treatment period of longer than six months and a self-deflating and self-passing balloon that could eliminate the need for endoscopic balloon removal.
- **Optimize manufacturing to drive operating leverage.** We have built a highly leverageable manufacturing facility that allows us to control the manufacturing and assembly of our products quickly and cost-efficiently and produce higher quality products than if we outsourced manufacturing. We believe we have the ability to increase our manufacturing scale within our current facility in a cost-effective manner.

- **Protect and expand our strong intellectual property portfolio.** We have developed a strong portfolio of issued patents and pending applications that protect our products and technology. We believe we have also developed know-how critical to creating current and future products that we hold and protect as trade secrets. We intend to aggressively protect and enforce our intellectual property, both for existing and new products.

THE OBALON BALLOON SYSTEM

The main components of the Obalon balloon system are: a swallowable capsule that contains the balloon attached to a microcatheter, a hand-held inflation system and a pre-filled can of our proprietary mix of gas.

Placement of the Obalon balloon typically occurs in less than ten minutes and can be accomplished in an outpatient setting. To place the Obalon balloon, the patient swallows the capsule, which has the Obalon balloon folded inside, with a glass of water. No sedation or anesthesia is required. Once swallowed, placement of the capsule is confirmed in the stomach with digital imaging. The microcatheter, which is attached to the Obalon balloon, is then connected to our EzFill inflation system. The EzFill inflation system provides real-time pressure measurements to confirm that the Obalon balloon is both properly placed and able to be correctly inflated in the stomach. A pre-filled can of gas is inserted into the EzFill inflation system and then the gas is discharged to fill the balloon to a volume of 250cc. Once the inflation of the Obalon balloon is confirmed, the microcatheter is detached from the balloon via hydrostatic pressure and is removed through the patient's mouth. The patient returns two more times over the following eight to 12 weeks to receive a second and third Obalon balloon, expanding total balloon volume within the stomach to 750cc.

All of the balloons are removed in a single procedure six months after the placement of the initial balloon. Removal of the Obalon balloon typically requires approximately 15 minutes. The balloons are removed endoscopically under light conscious sedation, using standard commercially-available endoscopy tools.

PRODUCT PIPELINE

We are leveraging our proprietary product technology and research and development expertise to develop additional products and product enhancements that improve clinical outcomes, increase ease of

use and reduce cost. These include a vegetable-derived balloon capsule, our EzPz inflation system, which is being designed to be automated and simpler to operate, a navigation system that could reduce the need for digital imaging at each balloon placement, a longer-term balloon that could be used to provide treatment for up to one year and a deflateable-passable balloon that could potentially eliminate the need for an endoscopic procedure to remove the balloons.

RISK FACTORS

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk factors" immediately following this prospectus summary. Some of these risks are:

- we have limited operating experience and a history of net losses, and we may not be able to achieve or sustain profitability;
- we are currently a single product company with limited commercial sales experience, which makes it difficult to evaluate our current business, predict our future prospects and forecast our financial performance and growth;
- physicians and patients may be slow to adopt and use intragastric balloons, and adverse events or other negative developments involving other companies' intragastric balloons or other obesity treatments may further slow physician and patient adoption;
- we may be unable to convince physicians to adopt our Obalon balloon system and recommend it to their patients;
- the effectiveness and safety of our Obalon balloon system depends critically on our ability to educate physicians on its safe and proper use;
- patients may experience SADEs as the result of the misuse or malfunction of, or design flaws in, our products;
- our success depends on our ability to obtain FDA approval or other regulatory approvals for our future products and product improvements; and
- we may be unable to adequately protect our proprietary technology and maintain issued patents that are sufficient to protect our Obalon balloon system.

CORPORATE INFORMATION

We were incorporated under the laws of the State of Delaware in January 2008. Our principal executive offices are located at 5421 Avenida Encinas, Suite F, Carlsbad, California 92008, and our telephone number is (760) 795-6558. Our website address is www.obalon.com. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated by reference into, this prospectus. Investors should not rely on any such information in deciding whether to purchase our common stock.

We have registered the trademarks "Obalon" in the United States and several foreign countries, "Obalon Swallowable Balloon" in the European Union and our Obalon logo in Mexico. We have trademark applications pending for "EzPz" in the United States and several foreign countries and for "OGB" and "EzFill" in the United States. Additionally, our Obalon logo and all product names are our common law trademarks. All other service marks, trademarks and trade names appearing in this prospectus are the property of their respective owners. Solely for convenience, the trademarks and tradenames referred to in this prospectus appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the right of the applicable licensor to these trademarks and tradenames.

IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. These provisions include, but are not limited to:

- being permitted to present only two years of audited financial statements and only two years of related Management's discussion and analysis of financial condition and results of operations in this prospectus;
- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We may take advantage of these provisions until the last day of the fiscal year following the fifth anniversary of the closing of this offering. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenues equal or exceed $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

We have elected to take advantage of certain of the reduced disclosure obligations in the registration statement of which this prospectus is a part and may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests.

The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

The offering

Common stock offered by us	5,000,000 shares (or 5,750,000 shares if the underwriters exercise their option to purchase additional shares in full).
Common stock to be outstanding after this offering	15,953,471 shares (or 16,703,471 shares if the underwriters exercise their option to purchase additional shares in full).
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $67.4 million, or approximately $77.8 million if the underwriters exercise their option to purchase additional shares in full, based on an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for the commercialization of our Obalon balloon system, continued research and development efforts and working capital and other general corporate purposes. See “Use of proceeds.”
Potential insider participation	Certain of our stockholders and their affiliates, some of which are affiliated with our directors, have indicated an interest in purchasing shares of common stock in this offering with an aggregate value of approximately $20.0 million at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering. The underwriters will receive the same underwriting discount on any shares purchased by these parties as they will on any other shares sold to the public in this offering.
Directed share program	At our request, the underwriters have reserved up to 5% of the common stock being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us and members of their families. The sales will be made by UBS Financial Services Inc., a selected dealer affiliated

	with UBS Securities LLC, an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of common stock. Participants in the directed share program who purchase $1,000,000 or more of shares of our common stock will be subject to a 25-day lock-up with respect to any shares sold to them pursuant to the program. Any shares sold in the directed share program to our directors or executive officers will be subject to a 180-day lock-up. All of these lock-up agreements will have similar restrictions to the lock-up agreements described herein. See "Underwriting—Directed share program."
Risk factors	See "Risk factors" for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Proposed NASDAQ Global Market symbol	"OBLN"

The number of shares of our common stock to be outstanding after this offering is based on 10,953,471 shares of our common stock outstanding as of June 30, 2016, which assumes the automatic conversion of all outstanding shares of our convertible preferred stock as of June 30, 2016 into an aggregate of 10,360,419 shares of common stock immediately prior to the closing of this offering, and 12,217 shares that we expect to issue upon the automatic net exercise of warrants immediately prior to the closing of this offering, based on an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and excludes:

- 1,767,690 shares of common stock issuable upon the exercise of stock options outstanding as of June 30, 2016, with a weighted-average exercise price of $1.41 per share;
- 229,528 shares of common stock issuable upon the exercise of stock options granted after June 30, 2016, with an exercise price of $2.82 per share;
- 60,786 shares of common stock issuable upon the exercise of warrants to purchase shares of preferred stock outstanding as of June 30, 2016, with a weighted-average exercise price of $7.40 per share, which will become warrants to purchase 60,786 shares of common stock upon the closing of this offering; and
- 3,436,415 shares of common stock reserved for future issuance under our stock-based compensation plans as of June 30, 2016, consisting of (i) 1,056,415 shares of common stock reserved for future issuance under our 2008 Equity Incentive Plan as of June 30, 2016, which was reduced to 447,719 shares on July 17, 2016, (ii) 2,200,000 shares of common stock reserved for future issuance under our 2016 Equity Incentive Plan, which will become effective on the date immediately prior to

the effective date of the registration statement of which this prospectus is a part, and (iii) 180,000 shares of common stock reserved for future issuance under our 2016 Employee Stock Purchase Plan, which will become effective on the effective date of the registration statement of which this prospectus is a part. Upon the effective date of the 2016 Equity Incentive Plan, any remaining shares available for issuance under our 2008 Equity Incentive Plan will be added to the shares reserved for future issuance under our 2016 Equity Incentive Plan and we will cease granting awards under our 2008 Equity Incentive Plan. Our 2016 Equity Incentive Plan and 2016 Employee Stock Purchase Plan will also provide for automatic annual increases in the number of shares reserved under the plans each year, as more fully described in the section entitled "Executive compensation—Employee benefit and stock compensation plans."

Unless otherwise noted, all information contained in this prospectus reflects and assumes the following:

- the automatic conversion of all outstanding shares of our convertible preferred stock as of June 30, 2016 into an aggregate of 10,360,419 shares of common stock immediately prior to the closing of this offering, which our stockholders approved on September 20, 2016;
- pursuant to their terms, the automatic net exercise of outstanding warrants to purchase 24,550 shares of preferred stock immediately prior to the closing of this offering, which will result in the issuance of 12,217 shares of common stock, based on an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- pursuant to their terms, the automatic conversion of outstanding warrants to purchase 60,786 shares of preferred stock into warrants to purchase 60,786 shares of common stock upon the closing of this offering;
- no exercise of a warrant, issued to Pacific Western Bank in September 2016, to purchase that number of shares of our Series E convertible preferred stock, at a purchase price of $8.2932 per share, equal to 3.0% of the total additional amount of debt drawn under our loan and security agreement (up to $5.0 million) divided by the purchase price, which will only be exercisable in the event that we borrow such additional amount and which will automatically convert to a warrant to purchase the same number of shares of common stock immediately prior to the closing of this offering pursuant to its terms;
- no exercise of the outstanding options or warrants other than as described above;
- a 2.9-to-1 reverse stock split, which became effective on September 23, 2016;
- the filing and effectiveness of our restated certificate of incorporation in Delaware and the adoption of our restated bylaws, both of which will occur immediately prior to the closing of this offering;
- no exercise by the underwriters of their option to purchase additional shares of our common stock; and
- no purchases by existing stockholders or their affiliates pursuant to the directed share program.

SUMMARY CONSOLIDATED FINANCIAL DATA

The summary consolidated statements of operations data presented below for the years ended December 31, 2014 and 2015 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated statements of operations data for the six months ended June 30, 2015 and 2016 and our consolidated balance sheet data as of June 30, 2016 are derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The unaudited interim condensed consolidated financial statements were prepared on a basis consistent with our audited financial statements and reflect, in the opinion of management, all adjustments of a normal recurring nature that are necessary for the fair presentation of the financial statements. Our historical results are not necessarily indicative of the results that may be expected in any future period, and the results for the six months ended June 30, 2016 are not necessarily indicative of results to be expected for the full year ending December 31, 2016, or any other period.

The following summary consolidated financial data should be read with "Selected consolidated financial data," "Management's discussion and analysis of financial condition and results of operations" and our consolidated financial statements and related notes included elsewhere in this prospectus. The summary consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this prospectus.

	Year ended December 31,		Six months ended June 30,	
	2014	2015	2015	2016
			(unaudited)	
	(in thousands, except shares and per share data)			
Consolidated statements of operations data:				
Revenue:				
Revenue	$ 1,683	$ 216	$ 224	$ —
Revenue, related party	1,856	3,823	1,739	1,848
Total revenue	3,539	4,039	1,963	1,848
Cost of revenue	2,912	2,503	1,205	1,294
Gross profit	627	1,536	758	554
Operating expenses:				
Research and development	5,767	12,978	5,968	5,098
Selling, general and administrative	4,700	3,491	1,679	2,975
Total operating expenses	10,467	16,469	7,647	8,073
Loss from operations	(9,840)	(14,933)	(6,889)	(7,519)
Interest expense, net	(220)	(549)	(263)	(290)
Gain (loss) from change in fair value of warrant liability	167	(34)	11	119
Other income (expense), net	3	(41)	(16)	(22)
Net loss	(9,890)	(15,557)	(7,157)	(7,712)
Other comprehensive income	9	5	10	4
Net loss and comprehensive loss	$ (9,881)	$ (15,552)	$ (7,147)	$ (7,708)
Net loss per share, basic and diluted(1)	$ (18.61)	$ (27.14)	$ (12.51)	$ (13.37)
Weighted-average common shares outstanding, basic and diluted(1)	531,430	573,181	572,195	576,757
Pro forma net loss per share, basic and diluted (unaudited)(1)		$ (1.72)		$ (0.81)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited)(1)		9,026,927		9,691,211

(footnotes on following page)

(1) See Notes 2 and 4 to our audited consolidated financial statements and Notes 2 and 4 to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per share, basic and diluted pro forma net loss per share and the shares used in computing basic and diluted net loss per share and basic and diluted pro forma net loss per share.

	As of June 30, 2016		
	Actual	Pro forma(1)	Pro forma as adjusted(2)
		(unaudited) (in thousands)	
Consolidated balance sheet data:			
Cash and cash equivalents and short-term investments	$ 18,282	$ 18,282	$ 85,632
Working capital	13,924	13,924	81,274
Total assets	20,071	20,071	87,421
Term loan	9,883	9,883	9,883
Warrant liability	213	—	—
Convertible preferred stock	70,498	—	—
Accumulated deficit	(63,854)	(63,973)	(63,973)
Total stockholders' (deficit) equity	(62,690)	8,021	75,371

(1) The pro forma consolidated balance sheet data give effect to: (i) the automatic conversion of all outstanding shares of our convertible preferred stock as of June 30, 2016 into an aggregate of 10,360,419 shares of common stock immediately prior to the closing of this offering; (ii) the automatic net exercise of outstanding warrants to purchase 24,550 shares of preferred stock immediately prior to the closing of this offering, which will result in the issuance of 12,217 shares of common stock, based on an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and the related reclassification of the warrant liability to stockholders' equity; and (iii) the automatic conversion of outstanding warrants to purchase 60,786 shares of preferred stock into warrants to purchase 60,786 shares of common stock upon the closing of this offering and the related reclassification of the warrant liability to additional paid-in capital.

(2) The pro forma as adjusted balance sheet data give effect to: (i) the pro forma adjustments set forth above and (ii) the sale and issuance of 5,000,000 shares of common stock in this offering, at an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each $1.00 increase (decrease) in the assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of our pro forma as adjusted cash and cash equivalents and short-term investments, working capital, total assets and total stockholders' equity by approximately $4.7 million, assuming the number of shares offered, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of one million shares in the number of shares offered would increase (decrease) each of our pro forma as adjusted cash and cash equivalents and short-term investments, working capital, total assets and total stockholders' equity by approximately $14.0 million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions payable by us. The pro forma information discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of our initial public offering determined at pricing.

Risk factors

Investing in our common stock involves a high degree of risk. Before making your decision to invest in shares of our common stock, you should carefully consider the risks described below, together with the other information contained in this prospectus, including our financial statements and the related notes appearing at the end of this prospectus. We cannot assure you that any of the events discussed below will not occur. These events could have a material and adverse impact on our business, results of operations, financial condition and cash flows. If that were to happen, the trading price of our common stock could decline, and you could lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

We have limited operating experience and a history of net losses, and we may not be able to achieve or sustain profitability.

We have a limited operating history and have focused primarily on research and development, clinical trials, product engineering and building our manufacturing capabilities. We have also conducted a commercial launch of a previous generation of the Obalon balloon system in certain international markets, but our commercial sales experience in these international markets has been limited and our total revenue to date is approximately $10.6 million. We have incurred significant losses in each period since our inception in 2008, with net losses of $9.9 million, $15.6 million and $7.7 million for the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016, respectively. As of June 30, 2016, we had an accumulated deficit of approximately $63.9 million. These losses and our accumulated deficit reflect the substantial investments we have made to develop and seek regulatory approval for our Obalon balloon system and sell our Obalon balloon system internationally.

We expect our costs and expenses to increase in the future as we prepare for and commence U.S. commercialization of our product, including the development of a direct sales force and the expansion of our manufacturing facilities, and as we continue to expend substantial amounts on research and development, including for conducting clinical trials, of our products in development. As a result, we expect our losses to continue for the foreseeable future. In addition, as a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. Accordingly, we cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will sustain profitability. Our failure to achieve and sustain profitability would negatively impact the market price of our common stock.

We are currently a single product company with limited commercial sales experience, which makes it difficult to evaluate our current business, predict our future prospects and forecast our financial performance and growth.

We were incorporated in 2008, and to date our business activities have been focused primarily on the development and regulatory approval of our Obalon balloon system. All of our revenue to date is, and we expect for the foreseeable future will be, attributable to sales of our Obalon balloon system and its component parts. Our commercial sales experience to date has been limited to sales to distributors in a limited number of countries outside the United States. We recently obtained premarket approval, or PMA, from the U.S. Food and Drug Administration, or FDA, to market the current generation of our balloon system in the United States, and we expect that sales in the United States will account for a majority of our revenue for the foreseeable future. Our limited operating experience and lack of

commercialization experience in what we expect will be our primary market make it difficult to evaluate our current business and predict our future prospects. A number of factors that are outside our control may contribute to fluctuations in our financial results, including:

- patient and physician demand for our Obalon balloon system, including the rate at which physicians recommend our Obalon balloon system to their patients;
- positive or negative media coverage, or public, patient and/or physician perception, of our Obalon balloon system, the procedures or products of our competitors, or our industry;
- any safety or efficacy concerns that arise through patient experience with our Obalon balloon system;
- unanticipated delays in product development or product launches;
- our ability to maintain our current or obtain further regulatory clearances or approvals;
- delays in, or failure of, product and component deliveries by our third-party suppliers;
- introduction of new procedures or products for treating obese or overweight patients that compete with our product;
- adverse changes in the economy that reduce patient demand for elective procedures; and
- performance of our international distributors.

It is therefore difficult to predict our future financial performance and growth, and such forecasts are inherently limited and subject to a number of uncertainties. If our assumptions regarding the risks and uncertainties we face, which we use to plan our business, are incorrect or change due to circumstances in our business or our markets, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

Because we devote substantially all of our resources to our Obalon balloon system and rely on our Obalon balloon system as our sole source of revenue, any factors that negatively impact our product, or result in decreasing product sales, would materially and adversely affect our business, financial condition and results of operations.

Physicians and patients may be slow to adopt and use intragastric balloons, and adverse events or other negative developments involving other companies' intragastric balloons or other obesity treatments may further slow physician and patient adoption. If any of these events were to occur, our business and prospects would be negatively affected.

Intragastric balloons are a new treatment option for obese and overweight patients. Currently, we are aware of only two other intragastric balloons available for sale in the United States, neither of which was available prior to 2015. As a result, physician and patient awareness of intragastric balloons as a treatment option for obesity and weight management, and experience with intragastric balloons, is minimal. Our success depends in large part on our ability to educate physicians and patients, and successfully demonstrate the safety, tolerability, ease of use, efficacy, cost effectiveness and other merits of our Obalon balloon system. Since we received PMA approval for the Obalon balloon system in September 2016, we expect to begin engaging in an active marketing campaign to raise awareness of our Obalon balloon system and its benefits among physicians, but we cannot assure you that these efforts will be successful or that they will not prove to be cost-prohibitive.

Physicians play a significant role in determining the course of a patient's weight management or obesity treatments and as a result, the type of treatment that will be recommended or provided to a patient. We

intend to target our sales efforts at bariatric surgeons and gastroenterologists, and, over time, to plastic surgeons, because they are either the physicians treating obese and overweight patients and/or have experience with endoscopic procedures. However, the initial point of contact for many obese and overweight patients may be general practitioners, bariatricians, endocrinologists, obstetricians and gynecologists, each of whom commonly manage and regularly see patients that are obese or overweight. If these physicians are not made aware of our Obalon balloon system, they may not refer patients to bariatric surgeons, gastroenterologists or plastic surgeons for treatment using our product, and those patients may instead not seek treatment at all or be treated with pharmaceuticals or an alternative device or surgical procedure.

Additionally, because the market for intragastric balloons is new and developing and contains a limited number of market participants, our products could be negatively impacted by unfavorable market reactions to these other devices. If the use of these or future intragastric balloons results in serious adverse device events, or SADEs, or such products are subject to malfunctions or misuse, patients and physicians may attribute such negative events to intragastric balloons generally, which may adversely affect market adoption of our Obalon balloon system. Additionally, if patients undergoing treatment with our Obalon balloon perceive the weight loss inadequate or adverse events too numerous or severe as compared with the retreatment rates of alternative balloons or procedures, it will be difficult to demonstrate the value of our Obalon balloon system to patients and physicians. As a result, demand for our Obalon balloon system may decline or may not increase at the pace or to the levels we expect.

If we are unable to convince physicians to adopt our Obalon balloon system and recommend it to their patients, we may be unable to sell our products, grow our business or achieve profitability.

Our ability to sell our Obalon balloon system depends heavily on the willingness of physicians to adopt our system and recommend it to their patients. Physicians may not adopt our Obalon balloon system unless they are able to determine, based on experience, long-term clinical data, recommendations from other physicians and published peer-reviewed journal articles, that it provides a safe and effective treatment alternative for obesity. Even if we are able to raise awareness among physicians, physicians tend to be slow in changing their medical treatment practices and may be hesitant to select our Obalon balloon system for recommendation to patients for a variety of reasons, including:

- long-standing relationships with competitors and distributors that sell other products and their competitive response and negative selling efforts;
- lack of experience with our products and concerns that we are relatively new to the obesity market, or concerns that our competitors offer greater support or have larger amounts of resources than our company;
- perceived liability risk generally associated with the use of new products and procedures;
- lack or perceived lack of sufficient clinical evidence supporting clinical benefits;
- reluctance to change to or use new products;
- perceptions that our products are unproven or experimental; and
- time and skill commitment that may be required to gain familiarity with a new system.

We are also aware of certain characteristics and features of our Obalon balloon system that may prevent widespread market adoption. For example, our Obalon balloon system is approved as an adjunct to a moderate intensity diet and behavior modification program. As a result, physicians will need to develop the appropriate practice management programs, which include treatment protocols, nutritional

counseling and patient management, to treat patients in a manner consistent with our treatment protocol. If physicians are unable or unwilling to implement the appropriate practice management programs to successfully treat patients with the Obalon balloon, they may not adopt our balloon system. Our current EzFill inflation system requires certain pre-programming that is dependent upon the altitude of the physician's practice, which may hinder or make it more difficult for us to market and commercialize our products.

The effectiveness and safety of our Obalon balloon system depends critically on our ability to educate physicians on its safe and proper use. If we are unable to do so, we may not achieve our expected growth and may be subject to risks and liabilities.

In addition to educating physicians on the clinical benefits of our Obalon balloon system, we must also train physicians on its safe and appropriate use. In particular, our FDA approved labeling requires physicians to complete an Obalon training program before they can place the device and for us to provide clinical support as needed. If we are unable to provide an adequate training program, product misuse may occur that could lead to SADEs. Many physicians may be unfamiliar with such treatments or find it more complex than competitive products or alternative treatments. As such, there is a learning process involved for physicians to become proficient in the use of our products and it may take several procedures for a physician to be able to use our Obalon balloon system comfortably. In addition, it is also critical for physicians to be educated and trained on best practices in order to achieve optimal results, including patient selection and eligibility criteria as well as complementary methods of use such as diet or behavioral modification programs. Convincing physicians to dedicate the time and energy necessary for adequate training is challenging, and we cannot assure you that we will be successful in these efforts. This training process may also take longer than we expect. In the event that physicians are not properly trained in the use of our Obalon balloon system, they may misuse or ineffectively use our products for the treatment of patients. As a result, patients may experience adverse events or not be able to enjoy the benefits of our system or achieve the weight loss outcomes they expect, leading to dissatisfaction and market rejection of our products. In addition, misuse of our products in any stage of the treatment may result in, among other things, patient injury, adverse side effects, negative publicity or lawsuits against us. Any of these events could have an adverse effect on our business and reputation.

If patients are unable to successfully swallow the capsule, our device malfunctions during delivery or physicians cannot deploy the Obalon balloon, physicians may be unwilling to continue to recommend our products.

Patients may be unable to successfully swallow the capsule that contains the Obalon balloon, potentially creating an economic disincentive for physicians in adopting our technology. In our SMART trial, 7.6% of the combined treatment and control group patients failed to swallow a capsule with the microcatheter attached despite success swallowing a placebo that did not have a catheter attached. There were also instances where balloon deployment was negatively impacted due to a leak in the microcatheter, which was caused by the patient biting the catheter during placement. There may be other reasons for unsuccessful placements that we are not yet aware. If the balloon is not successfully placed for any reason, the patient may attempt to seek a refund or monetary damages for the treatment. Alternatively, physicians that have paid us for a balloon, but have not been paid by their patient because of a treatment failure, may seek a refund or monetary damages from us. Either scenario could cause a negative financial impact for us and could also create ill will with patients and physicians.

Patients may experience SADEs as the result of the misuse or malfunction of, or design flaws in, our products, which could expose us to expensive litigation, divert management's attention and harm our reputation and business.

Our business is subject to significant risks associated with manufacture, distribution and use of medical devices that are placed inside the human body, including the risk that patients may be severely injured by or even die from the misuse or malfunction of, or design flaws in, our products. In addition, our business may suffer adverse consequences even in circumstances where a patient injury is caused by the actions of others, such as where a patient is injured due to the improper or negligent use of our products by a physician.

For instance, if the Obalon capsule does not reach a patient's stomach and is inflated in another portion of the body, such as the esophagus or the small intestines, the patient could be severely injured. A patient who experiences an esophageal inflation of the balloon would most likely require surgical intervention, and could die as a result of an esophageal inflation or as a result of complications from subsequent surgery. While we have designed our products, and established instructions and protocols for physicians, to attempt to mitigate such risks, we cannot guarantee that adverse events will not occur. For example, physicians may fail to follow our instructions and protocols, and the safety systems we design into our products may not prevent all possible adverse events and injuries and/or our products may fail to function properly.

In connection with the sale of over 23,000 units of our earlier generation Obalon balloon systems in international markets through June 30, 2016, nine SADEs have been reported to us, of which six were related to balloon deflations resulting in migration requiring surgical removal and three were related to an esophageal laceration or rupture. We investigated each of these events and determined that all nine of these events occurred in patients where the device was not used in accordance with approved labeling. In one instance, a balloon was inflated inside a patient's esophagus, and following a subsequent surgical procedure intended to address esophageal injury, the patient died of sepsis. While we have evidence that the inflation occurred due to the physician's failure to follow our instructions and protocols for proper device placement, we have been unable to obtain sufficient information from the physician to verify the exact cause of injury, and we cannot guarantee that other similar improper inflations will not occur in the future.

Our quality assurance testing programs may not be adequate to detect all defects, which may result in patient adverse events, interfere with customer satisfaction, reduce sales opportunities, harm our marketplace reputation, increase warranty repairs or reduce gross margins. Our inability to remedy a product defect could result in the financial failure of products, a product recall, temporary or permanent withdrawal of a product from a market, product liability suits, damage to our reputation or our brand, inventory costs or product reengineering expenses, any of which could have a material impact on our business, results of operations and financial condition.

If we fail to grow our sales and marketing capabilities and develop widespread brand awareness cost effectively, our growth will be impeded and our business may suffer.

We have very limited experience as a company in the sales and marketing of our products, and no experience with sales and marketing in the United States. The majority of our product sales to date have been through a single international distributor in the Middle East, with a lesser percentage sold through distributors or directly to physicians in Europe and Mexico. We recently obtained FDA approval to market our Obalon balloon system in the United States, and we plan to launch the product with a direct sales force that we are currently in the process of building. Identifying and recruiting qualified sales

personnel and training them in the use of our Obalon balloon system to achieve the level of clinical competency expected by physicians, and compliance with applicable federal and state laws and regulations and our internal policies and procedures, requires significant time, expense and attention. It can take several months before our sales representatives are fully trained and productive. Our business may be harmed if our efforts to expand and train our sales force do not generate a corresponding increase in revenues. In particular, there is significant competition for qualified and experienced sales personnel. If we are unable to hire, develop and retain talented sales personnel or if new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenues.

In addition, factors that may inhibit our efforts to commercialize our Obalon balloon system and any other products that may receive FDA approval include:

- the inability of our sales and marketing personnel to perform their duties and conduct business in a manner that is compliant with our internal policies and procedures and FDA law and regulations;
- the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to recommend any current and future products;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines;
- unforeseen costs and expenses associated with creating an independent sales and marketing organization; and
- efforts by our competitors to commercialize products at or about the time when our product would be coming to market.

Our ability to increase our customer base and achieve broader market acceptance of our Obalon balloon system will depend to a significant extent on our ability to expand our marketing operations. We plan to dedicate significant financial and other resources to our marketing programs. Our business will be harmed if our marketing efforts and expenditures do not generate an increase in revenue.

In addition, we believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our product and attracting new customers. Brand promotion activities may not generate customer awareness or increase revenue, and even if they do, any increase in revenue may not offset the costs and expenses we incur in building our brand. If we fail to successfully promote, maintain and protect our brand, we may fail to attract or retain the customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our Obalon balloon system.

We do not expect that physicians or patients will receive third-party reimbursement for treatment with our products. As a result, we expect that our success will depend on the ability and willingness of physicians to adopt self-pay practice management infrastructure and of patients to pay out-of-pocket for treatment with our products.

Certain elective treatments, such as an intragastric balloon, are typically not covered by insurance. Accordingly, we do not expect that any third-party payors will cover or reimburse physicians or patients for the Obalon balloon system. As a result, we expect that our success will depend on the ability and willingness of physicians that may not have historically operated a self-pay practice to adopt the policies and procedures needed to successfully operate such a practice. Our initial sales and marketing efforts in the United States will be targeted at bariatric surgeons and gastroenterologists. These physicians are

accustomed to providing services that are reimbursed by third-party payors. As a result, these physicians may need to augment their administrative staff and billing procedures to address the logistics of a self-pay practice. If physicians are unable or unwilling to make such changes, adoption of our products may be slower than anticipated.

Our success will also depend on the ability and willingness of patients to pay out-of-pocket for treatment with our products. Adverse changes in the economy may cause consumers to reassess their spending choices and reduce the demand for elective treatments and could have an adverse effect on consumer spending. This shift could have an adverse effect on our net sales. Furthermore, consumer preferences and trends may shift due to a variety of factors, including changes in demographic and social trends, public health initiatives and product innovations, which may reduce consumer demand for our products. The decision by a patient to elect to undergo treatment with the Obalon balloon system may be influenced by a number of additional factors, such as:

- the success of any sales and marketing programs, including direct-to-consumer marketing efforts, that we, or any third parties we engage, undertake, and as to which we have limited experience;
- the extent to which physicians offer the Obalon balloon system to their patients;
- the extent to which the Obalon balloon system satisfies patient expectations;
- the cost, safety, comfort, tolerability, ease of use, and effectiveness of the Obalon balloon system as compared to other treatments; and
- general consumer confidence, which may be impacted by economic and political conditions.

Our financial performance will be materially harmed if we cannot generate significant physician or patient demand for the Obalon balloon system.

We have limited experience manufacturing our Obalon balloon system in commercial quantities.

All of our product sales to date have occurred internationally using an earlier generation of the Obalon balloon system. We expect to transition our international sales to the current generation of the Obalon balloon system in 2017. As a result, we have no experience in manufacturing our current Obalon balloon system in commercial quantities, and we will need to increase our manufacturing capabilities in order to satisfy expected demand for our Obalon balloon system. We may encounter production delays or shortfalls caused by many factors, including the following:

- the timing and process needed to assimilate the changes necessary to enable our production processes to accommodate anticipated demand;
- shortages that we may experience in any of the key components or sub-assemblies that we obtain from third-party suppliers;
- delays that we may experience in completing validation and verification testing for new controlled-environment rooms at our manufacturing facilities;
- delays that we may experience in seeking FDA review and approval of PMA supplements required for certain changes in manufacturing facilities, methods or quality control procedures;
- our limited experience in complying with the FDA's Quality System Regulation, or the QSR, which sets forth good manufacturing practice requirements for medical devices and applies to the manufacture of the components of our Obalon balloon system; and

- our ability to attract and retain qualified employees, who are in short supply, in order to increase our manufacturing output.

If we are unable to keep up with demand for our Obalon balloon system, our revenue could be impaired, market acceptance for our product could be harmed and our customers might instead purchase our competitors' products. Our inability to successfully manufacture components of our Obalon balloon system in quantities sufficient to meet expected demand would materially harm our business.

We depend on third-party suppliers, including single source suppliers, to manufacture some of our components and sub-assemblies, which could make us vulnerable to supply shortages, interruptions in production and price fluctuations that could harm our business.

We currently manufacture our Obalon balloon system and some of its components and sub-assemblies at our Carlsbad facility and we rely on third-party suppliers for other components and sub-assemblies used in production. In some cases, these suppliers are single source suppliers. For example, we rely on single suppliers for the extruded film, swallowable capsule, molded silicone valve used to manufacture our Obalon balloons and the hydrophilic coating for our catheters. These components are critical to our products and there are relatively few alternative sources of supply. We do not carry a significant inventory of these components. Identifying and qualifying additional or replacement suppliers for any of the components or sub-assemblies used in our products could involve significant time and cost and could delay production and adversely affect our ability to fill product orders. For example, given that we have received PMA approval for our Obalon balloon system, any replacement supplier will have to be assessed by us through audits and other verification and assessment tools and found capable of producing quality components that meet our approved specifications, and we may be required to notify or obtain approval from the FDA for a change in a supplier prior to our ability to use the components it provides. If we were unable to find a replacement supplier, it could result in significant delays as we would be unable to produce additional product until such replacement supplier had been identified and qualified. If an existing or replacement supplier proposes to change any component specifications or quality requirements, the change may require FDA approval of a PMA supplement. If a supplier changes a component without notifying us, that change could result in an undetected change being incorporated into the finished product. Once detected and investigated, if the change is found to potentially affect the safety or effectiveness of the product, we would have to take corrective and preventive action, including possibly recalling the product, which could be time-consuming and expensive, and could impair our ability to meet the demand of our customers and harm our business and reputation.

In addition, our reliance on third-party suppliers subjects us to a number of risks that could impact our ability to manufacture our products and harm our business, including:

- interruption of supply resulting from modifications to, or discontinuation of, a supplier's operations;
- delays in product shipments resulting from uncorrected defects, reliability issues or a supplier's failure to consistently produce quality components that meet our specifications;
- price fluctuations due to a lack of long-term supply arrangements with our suppliers for key components;
- inability to obtain adequate supply in a timely manner or on commercially reasonable terms;
- difficulty identifying and qualifying alternative suppliers for components in a timely manner;
- inability of suppliers to comply with applicable provisions of the QSR or other applicable laws or regulations enforced by the FDA and state regulatory authorities;
- inability to ensure the quality of products manufactured by third parties;

- production delays related to the evaluation and testing of products from alternative suppliers and corresponding regulatory qualifications; and
- delays in delivery by our suppliers due to changes in demand from us or their other customers.

Although we require our third-party suppliers to supply us with components that meet our specifications and comply with applicable provisions of the QSR and other applicable legal and regulatory requirements in our agreements and contracts, and we perform incoming inspection, testing or other acceptance activities to assure the components meet our requirements, there is a risk that our suppliers will not always act consistent with our best interests, and may not always supply components that meet our requirements. Any significant delay or interruption in the supply of components or sub-assemblies, or our inability to obtain substitute components, sub-assemblies or materials from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers and harm our business.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs and our failure to obtain additional financing when needed could force us to delay, reduce or eliminate our commercialization efforts and product development programs.

Our operations have consumed substantial amounts of cash since inception. We believe that our cash and cash equivalents and short-term investments as of June 30, 2016 are not sufficient to fund our operations for the next 12 months. However, we believe that the net proceeds from this offering, together with our existing cash and cash equivalents and short-term investments and expected revenue, will be sufficient to meet our capital requirements and fund our operations for at least two years following this offering. We expect our costs and expenses to increase in the future as we prepare for and commence U.S. commercialization of our Obalon balloon system, including the development of a direct sales force and the expansion of our manufacturing facilities, and as we continue to expend substantial amounts on research and development, including for conducting clinical trials, of our products in development. We also may need additional funds to complete the development and commercialization of advancements to our existing Obalon balloon system as well as our additional products under development. Additionally, we expect to incur additional costs as a result of operating as a public company. Our future capital requirements will depend on many factors, including:

- the costs and expenses of establishing our U.S. sales and marketing infrastructure and our manufacturing operations;
- the degree of success we experience in commercializing our Obalon balloon system;
- the revenue generated by sales of our Obalon balloon system and any other products that may be approved in the United States;
- the costs, timing and outcomes of clinical trials and regulatory reviews associated with our products under development;
- the costs and timing of developing enhancements of our Obalon balloon system and obtaining FDA clearance or approval of such enhancements;
- the emergence of competing or complementary technological developments;
- the extent to which our Obalon balloon system is adopted by the physician community and patients;
- the number and types of future products we develop and commercialize;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims;

- costs of operating as a public company and compliance with existing and future regulations; and
- the extent and scope of our general and administrative expenses.

Additional financing may not be available on a timely basis on terms acceptable to us, or at all. We may raise funds in equity or debt financings following our initial public offering or enter into additional credit facilities in order to access funds for our capital needs. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. Any debt financing obtained by us in the future would cause us to incur additional debt service expenses and could include restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and pursue business opportunities. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, we may terminate or delay the development of one or more of our products, delay clinical trials necessary to market our products, or delay establishment of sales and marketing capabilities or other activities necessary to commercialize our products. If this were to occur, our ability to continue to grow and support our business and to respond to business challenges could be significantly limited.

A majority of our historical revenue and all of our current revenue is derived from a single distributor that is also one of our principal stockholders.

Bader Sultan & Bros. Co. W.L.L., or Bader, is currently the sole distributor of our Obalon balloon system in the Middle East. Revenue received from Bader's distribution of our Obalon balloon system in the Middle East represented 100% of our total revenue for the first six months ended June 30, 2016 and a majority of our total revenue for the year ended December 31, 2015. Although we intend to commence sales in the United States through a directed sales force, we expect Bader will continue to be a significant source of our revenue for the near term. While we have a contract with Bader that provides for certain minimum purchase requirements over the term of the agreement, restricts Bader's ability to sell competing products and limits Bader's ability to terminate the agreement, Bader may still devote insufficient resources to our products, sell competitive products or terminate its relationship with us. We also have limited control over Bader's sales and marketing efforts for our product. If Bader fails to effectively market and sell our products in full compliance with applicable laws, or if we are unable to maintain our existing relationship with Bader, we may not be able to find a distributor with the scale and resources of Bader, maintain existing levels of international revenue or realize expected long-term international revenue growth. In addition, since the Obalon balloon system is our sole source of revenue, a delay or failure by Bader to successfully market our Obalon balloon system or the loss of Bader as a distributor could have a significant impact on our revenues and financial health.

We do not currently intend to devote significant additional resources in the near-term to market our Obalon balloon system internationally, which will limit our potential revenue from our product.

Marketing our Obalon balloon system outside of the United States would require substantial additional sales and marketing, regulatory and personnel expenses. As part of our product development and regulatory strategy, we plan to expand into other select international markets, but we do not currently intend to devote significant additional resources to market our Obalon balloon system internationally. Our decision to market our product primarily in the United States in the near-term will limit our ability to reach all of our potential markets and will limit our potential sources of revenue. In addition, our competitors will have an opportunity to further penetrate and achieve market share outside of the United States until such time, if ever, that we devote significant additional resources to market our product internationally.

The medical device industry, and the market for weight loss and obesity in particular, is highly competitive. If our competitors are able to develop and market products that are safer, more effective, easier to use or more readily adopted by patients and physicians, our commercial opportunities will be reduced or eliminated.

The medical device industry is highly competitive, subject to rapid change and significantly affected by new product introductions, results of clinical research, corporate combinations, actions by regulatory bodies, changes by public and private payers and other factors relating to our industry. Because of the market opportunity and the high growth potential of the non-surgical device market for weight loss and obesity, competitors and potential competitors have historically dedicated, and will continue to dedicate, significant resources to aggressively develop and commercialize their products.

In the United States, our product competes with a variety of pharmaceuticals, surgical procedures and devices for the treatment of obese and overweight people. There are several competitors in the pharmaceutical segment including those recently approved by the FDA, including Vivus, Inc., Arena Pharmaceuticals, Inc., Orexigen Therapeutics, Inc., and those with older brands or generics including Takeda Pharmaceutical Company Ltd, AstraZeneca plc, and Actavis plc. Large competitors in the surgical segment for weight loss and obesity include Ethicon Inc. (subsidiary of Johnson & Johnson), Medtronic plc (formerly Covidien Ltd.) and Apollo EndoSurgery, Inc., which acquired the Lap-Band from Allergan plc and currently sells that device worldwide. After approximately a decade, four new devices were approved by the FDA in 2015 and 2016. Enteromedics Inc. received FDA approval for the Maestro, which is intended to create weight loss by vagal nerve stimulation. ReShape Medical Inc. and Apollo EndoSurgery, Inc. received FDA approval for the ReShape Duo Balloon and the ORBERA Balloon, respectively, each a traditional intragastric balloon filled with saline. Aspire Bariatrics received FDA approval for the Aspire Assist, a device that allows a patient to aspirate food after a meal. Allurion Technologies, Inc. has also developed a swallowable, passable saline-filled intragastric balloon that has been approved for sale in Europe. Additionally, there are many more companies around the world working to develop less invasive and less costly alternatives for the treatment of obesity, which could compete with us in the future.

At any time, these or other competitors may introduce new or alternative products that compete directly or indirectly with our products and services. They may also develop and patent products and processes earlier than we can or obtain regulatory clearance or approvals faster than us, which could impair our ability to develop and commercialize similar products or services. If clinical outcomes of procedures performed with our competitors' products are, or are perceived to be, superior to treatments performed with our products, sales of our products could be negatively affected and our business, results of operations and financial condition could suffer.

Many of our competitors have significantly greater financial and other resources than we do, as well as:

- well-established reputations and name recognition with key opinion leaders and physician networks;
- an established base of long-time customers with strong brand loyalty;
- products supported by long-term data;
- longer operating histories;
- significantly larger installed bases of equipment;
- greater existing market share in the obesity and weight management market;
- broader product offerings and established distribution channels;

- greater ability to cross-sell products;
- additional lines of products, and the ability to offer rebates or bundle products to offer higher discounts or incentives; and
- more experience in conducting research and development, manufacturing, performing clinical trials and obtaining regulatory approvals or clearances.

Competition with these companies could result in significant price-cutting, reduced profit margins and loss of market share, any of which would harm our business, financial condition and results of operations. In addition, competitors with greater financial resources than ours could acquire other companies to gain enhanced name recognition and market share, as well as new technologies or products that could effectively compete with our existing and future products, which may cause our revenues to decline and harm our business.

If our manufacturing facility becomes damaged or inoperable, or we are required to vacate the facility, our ability to manufacture and sell our Obalon balloon system and to pursue our research and development efforts may be jeopardized.

We currently manufacture and assemble our Obalon balloon system in our single manufacturing facility in Carlsbad, California. Our products consist of components sourced from a variety of contract manufacturers, with final assembly completed at our facility. Our facility and equipment, or those of our suppliers, could be harmed or rendered inoperable by natural or man-made disasters, including fire, earthquake, terrorism, flooding and power outages. Any of these may render it difficult or impossible for us to manufacture products for an extended period of time. If our facility is inoperable for even a short period of time, the inability to manufacture our current products, and the interruption in research and development of any future products, may result in harm to our reputation, increased costs, lower revenues and the loss of customers. Furthermore, it could be costly and time-consuming to repair or replace our facilities and the equipment we use to perform our research and development work and manufacture our products, particularly as the use of a new facility or new manufacturing, quality control, or environmental control equipment or systems would require FDA review and approval of a PMA supplement.

In addition, the lease for our principal executive offices and manufacturing facility expires in March 2017, and while we are currently discussing an extension of the lease with the landlord, there can be no assurance that the current lease will be extended, modified, or replaced by a new lease facility prior to its expiration. Failure to satisfy our facility needs could have a detrimental impact on our ability to continue day to day operations and our business and future growth prospects could be harmed.

We depend on our senior management team and the loss of one or more key employees or an inability to attract and retain highly skilled employees could harm our business.

Our success largely depends upon the continued services of our executive management team and key employees and the loss of one or more of our executive officers or key employees could harm us and directly impact our financial results. Although we have entered into employment agreements with some of our executive officers and key employees, each of them may terminate their employment with us at any time. Changes in our executive management team resulting from the hiring or departure of executives could disrupt our business. For example, we recently hired our Chief Financial Officer, Vice President of Sales and Vice President of Marketing and Vice President of Quality Assurance. We could experience disruptions as each of these individuals begins to integrate into the business and build his or her respective departments. Alternatively, our President and Chief Executive Officer, Andrew Rasdal, has

been with us since inception and has been instrumental in building operational capabilities, raising capital and guiding product development and regulatory strategy. In addition, our Vice President of Research and Development, Mark Brister, has led most of our product development activities, and our Vice President of Regulatory and Clinical Affairs, Amy VandenBerg, has been with us since inception and led our efforts to obtain FDA approval. If Andrew Rasdal was no longer working at our company, our industry credibility and operational capabilities would be harmed. Alternatively, if Mark Brister was no longer working at our company, our product development would be harmed, and if Amy VandenBerg was no longer with our company, our efforts to obtain FDA approval of future products and product improvements may be harmed. We do not currently maintain key personnel life insurance policies on any of our employees, including Andrew Rasdal, Mark Brister or Amy VandenBerg.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for skilled personnel is intense, especially for engineers with high levels of experience in designing and developing medical devices and for sales executives. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize medical devices.

Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached legal obligations, resulting in a diversion of our time and resources and, potentially, damages. In addition, job candidates and existing employees, particularly in the San Diego area, often consider the value of the stock awards they receive in connection with their employment. If the perceived value of our stock awards declines, either because we are a public company or otherwise, it may harm our ability to recruit and retain highly skilled employees. In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects would be harmed.

If we are unable to manage the anticipated growth of our business, our future revenues and results of operations may be harmed.

We have been growing rapidly in recent periods and have a relatively short operating history as a commercial company, with no history as a commercial company in the United States. We intend to continue to grow our business and may experience periods of rapid growth and expansion. Future growth will impose significant additional responsibilities on management, including the need to identify, recruit, train and integrate additional employees. In addition, rapid and significant growth will place a strain on our administrative personnel, information technology systems and other operational infrastructure. We must successfully expand our sales force to achieve broad market penetration and geographical coverage within the United States. We must also successfully increase manufacturing output to meet expected customer demand, and may experience difficulties with yields, quality control, component supply and shortages of qualified personnel, among others. Any failure to manage our expected growth effectively could have an adverse effect on our ability to achieve our development and commercialization goals, which in turn could adversely impact our business and results of operations.

Changes in coverage and reimbursement for obesity treatments and procedures could affect the adoption of our Obalon balloon system and our future revenues.

Currently, intragastric balloon products are not reimbursed by third-party payors. We do not plan on submitting any requests to any third-party payor for coverage or billing codes specific to our products. However, payors may change their coverage and reimbursement policies for intragastric balloon products as a category and/or for other obesity treatments and procedures, and these changes could negatively impact our business. For example, healthcare reform legislation or regulation that may be proposed or enacted in the future that results in a favorable change in coverage and reimbursement for competitive products and procedures in weight loss and obesity could also negatively impact adoption of our products and our future revenues, and our business could be harmed as we would be at an economic disadvantage when competing for customers.

From time to time, we engage outside parties to perform services related to certain of our clinical studies and trials, and any failure of those parties to fulfill their obligations could increase costs and cause delays.

From time to time, we engage consultants to help design, monitor and analyze the results of certain of our clinical studies and trials. The consultants we engage interact with clinical investigators to enroll patients in our clinical trials. We depend on these consultants and clinical investigators to help facilitate the clinical studies and trials and monitor and analyze data from these studies and trials under the investigational plan and protocol for the study or trial and to comply with applicable regulations and standards, commonly referred to as good clinical practices, or GCP, requirements for conducting, monitoring, recording and reporting the results of clinical trials, in order to ensure that the data and results are scientifically credible and accurate and that the trial subjects are adequately informed of the potential risks of participating in clinical trials. We rely on medical institutions, clinical investigators, contract laboratories and other third parties, such as CROs, to conduct GLP-compliant preclinical studies and GCP-compliant clinical trials on our product properly and on time. While we will have agreements governing their activities, we control only certain aspects of their activities and have limited influence over their actual performance. We may face delays in our regulatory approval process if these parties do not perform their obligations in a timely, compliant or competent manner. If these third parties do not successfully carry out their duties or meet expected deadlines, or if the quality, completeness or accuracy of the data they obtain is compromised due to the failure to adhere to our clinical trial protocols or for other reasons, our clinical studies or trials may be extended, delayed or terminated or may otherwise prove to be unsuccessful to support product approval of a commercially viable product, or at all, and we may have to conduct additional studies, which would significantly increase our costs, in order to obtain the regulatory clearances or approvals that we need to commercialize our products and delay commercialization.

Our Obalon balloon system may in the future be subject to product recalls that could harm our reputation.

The FDA and similar governmental authorities in other countries have the authority to require the recall of commercialized products in the event of material regulatory deficiencies or defects in design or manufacture. A government-mandated or voluntary recall by us could occur as a result of component failures, manufacturing errors or design or labeling defects. Recalls of our Obalon balloon system would divert managerial attention, be expensive, harm our reputation with customers and harm our financial condition and results of operations. A recall announcement would negatively affect our stock price.

We may face product liability claims that could result in costly litigation and significant liabilities.

Our business exposes us to the risk of product liability claims that are inherent in the testing, manufacturing and marketing of medical devices, including those which may arise from the misuse or malfunction of, or design flaws in, our products. Claims may be made by patients, healthcare providers or others selling our products. We may be subject to product liability claims if our products cause, or merely appear to have caused, an injury. In addition, we may be subject to claims against us even if the apparent injury is due to the actions of others or the pre-existing health of the patient. For example, we rely on physicians in connection with the placement of our Obalon balloon into patients. If these physicians are not properly trained or are negligent, the capabilities of our products may be diminished or the patient may suffer critical injury. We may also be subject to claims that are caused by the activities of our suppliers, such as those who provide us with components and raw materials. This risk exists even if a device or product is cleared or approved for commercial sale by the FDA or other foreign regulators and manufactured in facilities registered with and regulated by the FDA or an applicable foreign regulatory authority.

Although we have, and intend to maintain, product liability and clinical trial liability insurance that we believe is appropriate, this insurance is subject to deductibles and coverage limitations. Our current product liability insurance may not continue to be available to us on acceptable terms, or at all, and, if available, the coverages may not be adequate to protect us against any future product liability claims. In addition, we may seek additional insurance coverage; however, if we are unable to obtain insurance at an acceptable cost or on acceptable terms with adequate coverage or otherwise protect against potential product liability claims, we will be exposed to significant liabilities, which may harm our business. A product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insured liabilities could result in significant costs and significant harm to our business.

For instance, patients could be harmed by the Obalon balloon if it is improperly inflated or inflated in the body other than in the stomach or if it deflates while in the body. Additionally, we do not sell our product sterilized, and it may be contaminated with forms of microorganisms prior to use. Any failure to follow the physician's directions for use or the patient information guide, or any other defects, misuse or abuse associated with our product, could result in patient injury or death. The medical device industry has historically been subject to extensive litigation over product liability claims, and we cannot assure you that we will not face product liability suits.

In addition, regardless of merit or eventual outcome, product liability claims may result in:

- impairment of our brand and business reputation;
- costly litigation;
- distraction of management's attention from our primary business;
- loss of revenue;
- the inability to commercialize our product;
- decreased demand for our product;
- product recall or withdrawal from the market;
- withdrawal of clinical trial participants; and
- substantial monetary awards to patients or other claimants.

While we may attempt to manage our product liability exposure by proactively recalling or withdrawing from the market any defective products, any recall or market withdrawal of our products may delay the supply of those products to our customers and may impact our reputation. We cannot assure you that we will be successful in initiating appropriate recall or market withdrawal efforts that may be required in the future or that these efforts will have the intended effect of preventing product malfunctions and the accompanying product liability that may result. Any such recalls and market withdrawals may also be used by our competitors to harm our reputation for safety or be perceived by patients as a safety risk when considering the use of our products, either of which could have an adverse effect on our business, results of operations and financial condition.

If patients using our products experience adverse events or other undesirable side effects, regulatory authorities could withdraw or modify our commercial approvals, which would adversely affect our reputation and commercial prospects and/or result in other significant negative consequences.

Undesirable side effects caused by our Obalon balloon system could cause us, the FDA or other regulatory authorities to interrupt, delay or halt clinical trials, and could result in more restrictive labeling than originally required, cause the FDA or other regulatory authorities to subsequently withdraw or modify our PMA or other commercial approvals, or result in the delay or denial of regulatory approval by other notified bodies. For example, in the 1980s and early 1990s, the FDA required post-market safety and efficacy data be collected on an earlier version of an intragastric balloon after patients suffered severe side effects and complications with the device, which ultimately resulted in the withdrawal of the PMA approval.

In our SMART trial, 90.8% of patients who received the Obalon balloon system experienced an event that the FDA classifies as an adverse device event, or ADE. A substantial majority (82.3%) of the ADEs were considered mild in severity and required no medical intervention beyond homeopathic or over-the-counter medications, with the most common ADEs being abdominal pain, nausea and vomiting. Approximately 17.3% of the ADEs required prescription medications for medical management and the remaining 0.4% of ADEs were considered severe and required intervention beyond prescription medications. Only one ADE (0.08%) was considered a SADE, and involved a patient who developed peptic ulcer disease after receiving an outpatient total knee replacement that required the patient to receive NSAID and aspirin therapy during balloon treatment. NSAIDS are contraindicators during our balloon treatment.

In addition, as of June 30, 2016, we had sold over 23,000 units of our earlier generation Obalon balloon system in international markets. In our commercial experience, nine SADEs have been reported to us, of which six related to balloon deflations resulting in migration and three related to an esophageal laceration or rupture. We investigated each of these events and determined that all nine of these international SADEs occurred in patients where the device was not used in accordance with approved labeling.
If we are unable to demonstrate that any adverse events are not related to our product, the FDA or other regulatory authorities could order us to cease further development of, require more restrictive indications for use and/or additional warnings, precautions and/or contraindications in the labeling than originally required, or delay or deny approval of any of our future products. Even if we are able to do so, such event could affect patient recruitment or the ability of enrolled patients to complete the trial. Moreover, if we elect, or are required, to not initiate, delay, suspend or terminate any future clinical trial of any of our products, the commercial prospects of such product may be harmed and our ability to generate product revenues from our product may be delayed or eliminated. Any of these occurrences may harm our ability to develop other products, and may harm our business, financial condition and prospects significantly.

In addition, we or others may later identify undesirable side effects caused by the product (or any other similar product), resulting in potentially significant consequences, including:

- the FDA or European notified bodies may withdraw or limit their approval of the product;
- the FDA or European notified bodies may require the addition of labeling statements, such as a contraindication;
- we may be required to change the way the product is distributed or administered, conduct additional clinical trials or change the labeling of the product;
- we may be required to correct or remove the products from the marketplace or decide to conduct a voluntary recall;
- we may decide to alert physicians through customer notifications;
- the FDA may use publicity such as a press release to alert our customers and the public of the issue;
- physicians and patients may be dissatisfied, seek refunds and refuse to use our products;
- we could be sued and held liable for injury caused to individuals using our product; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of our Obalon balloon system and could substantially increase the costs of commercializing our product and significantly impact our ability to successfully commercialize our product and generate product sales.

Our international operations subject us to regulatory and legal risks and certain operating risks, which could adversely impact our business, results of operations and financial condition.

The sale of our Obalon balloon system across international borders and our international operations subject us to U.S. and foreign governmental trade, import and export and customs regulations and laws. Compliance with these regulations and laws is costly and exposes us to penalties for non-compliance.

Other laws and regulations that can significantly impact us include various anti-bribery laws, including the U.S. Foreign Corrupt Practices Act, as well as export control laws and economic sanctions laws. Any failure to comply with applicable legal and regulatory obligations could impact us in a variety of ways that include, but are not limited to, significant costs and disruption of business associated with an internal and/or government investigation, criminal, civil and administrative penalties, including imprisonment of individuals, fines and penalties, denial of export privileges, seizure of shipments, restrictions on certain business activities and exclusion or debarment from government contracting.

Our international operations expose us and our distributors to risks inherent in operating in foreign jurisdictions. These risks include:

- foreign currency exchange rate fluctuations;
- a shortage of high-quality sales people and distributors;
- pricing pressure that we may experience internationally;
- competitive disadvantage to competitors who have more established business and customer relationships;
- reduced or varied intellectual property rights available in some countries;

- Ø economic instability of certain countries;
- Ø the imposition of additional U.S. and foreign governmental controls, regulations and laws;
- Ø changes in duties and tariffs, license obligations and other non-tariff barriers to trade;
- Ø scrutiny of foreign tax authorities which could result in significant fines, penalties and additional taxes being imposed on us; and
- Ø laws and business practices favoring local companies.

If we experience any of these events, our business, results of operations and financial condition may be harmed.

We have a significant amount of debt, which may affect our ability to operate our business and secure additional financing in the future.

As of June 30, 2016, we had $10.0 million in principal and interest outstanding under our loan and security agreement with Pacific Western Bank (as successor in interest to Square 1 Bank). Subsequent to June 30, 2016, we amended our loan and security agreement, pursuant to which an additional $5.0 million is available to us, none of which is outstanding. We are required to make interest-only monthly payments on the outstanding debt through March 2018, followed by 30 equal monthly installments of principal and interest, which diverts a portion of our resources from other activities. Our debt with Pacific Western Bank is collateralized by substantially all of our assets and contains customary financial and operating covenants limiting our ability to, among other things, incur additional indebtedness, change the name, location, office or executive management of our business, change our business, merge with or acquire other entities, pay dividends or make other distributions to holders of our capital stock, make certain investments, engage in transactions with our affiliates, create liens, sell assets, pay any subordinated debt and store certain inventory and equipment with third parties. These covenants may make it difficult to operate our business. We are also subject to standard event of default provisions under the credit agreement that, if triggered, would allow the debt to be accelerated, which could significantly deplete our cash resources, cause us to raise additional capital at unfavorable terms, require us to sell portions of our business or result in us becoming insolvent. The existing collateral pledged under the credit agreement, and the covenants to which we are bound may prevent us from being able to secure additional debt or equity financing on favorable terms, or at all, or to pursue business opportunities, including potential acquisitions, heighten our vulnerability to downturns in our business or our industry or the general economy, limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors who have greater capital resources.

If there are significant disruptions in our information technology systems, our business, financial condition and operating results could be adversely affected.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage sales and marketing data, accounting and financial functions, inventory, product development tasks, clinical data, and customer service and technical support functions. Our information technology systems are vulnerable to damage or interruption from earthquakes, fires, floods and other natural disasters, terrorist attacks, computer viruses or hackers, power losses, and computer system or data network failures. In addition, a variety of our software systems are cloud-based data management applications hosted by third-party service providers whose security and information technology systems are subject to similar risks.

The failure of our or our service providers' information technology could disrupt our entire operation or result in decreased sales, increased overhead costs and product shortages. For example, the loss of clinical

trial data from completed or ongoing clinical trials could result in delays in our regulatory efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could also incur liability and the further development of our product could be delayed. Any of these events could have a material adverse effect on our reputation, business, financial condition and results of operations.

Our costs could substantially increase if we experience a significant number of warranty claims.

We provide limited product warranties against manufacturing defects of our products. Our product warranty requires us to repair defects arising from product design and production processes, and, if necessary, replace defective components. The future costs associated with our warranty claims are uncertain due to our limited commercialization experience. Thus far, we have not accrued a significant liability contingency for potential warranty claims.

If we experience warranty claims in excess of our expectations, or if our repair and replacement costs associated with warranty claims increase significantly, we will incur liabilities for potential warranty claims that may be greater than we expect. An increase in the frequency of warranty claims or amount of warranty costs may harm our reputation and could have a material adverse effect on our business, results of operations and financial condition.

If our clinical trials are unsuccessful or significantly delayed, or if we do not complete our clinical trials, our business may be harmed.

Clinical development of Class III medical device systems and accessories such as the Obalon balloon system is a rigorous, lengthy, expensive and uncertain process. It is also subject to delays and the risk that products may ultimately prove unsafe or ineffective in treating the indications for which they are designed. Completion of clinical trials may take several years or more. We cannot provide any assurance that we will successfully, or in a timely manner, enroll our clinical trials, that our clinical data will be found reliable by the FDA, that our clinical trials will meet their primary endpoints or that such trials or their results will be accepted by the FDA or foreign regulatory authorities and support product approval. Successful results of pre-clinical studies are not necessarily indicative of future clinical trial results, and predecessor clinical trial results may not be replicated in subsequent clinical trials. Additionally, the FDA or foreign regulatory authorities may disagree with our analyses and interpretation of the data from our clinical trial, or may find the clinical trial design, conduct, monitoring, or results unreliable or inadequate to prove safety or efficacy, and may require us to pursue additional pre-clinical studies or clinical trials, which could further delay the clearance or approval of our products. The data we collect from our clinical trials may not be sufficient to support FDA clearance or approval, and if we are unable to demonstrate the safety and efficacy of our future products in our clinical trials, we will be unable to obtain regulatory clearance or approval to market our products.

In addition, we may estimate and publicly announce the anticipated timing of the accomplishment of various clinical, regulatory and other product development goals, which are often referred to as milestones. These milestones could include the obtainment of the right to affix the Certificat de Conformité, or CE, mark in the European Union, the submission to the FDA of an IDE application, PMA application, or PMA supplement, the enrollment of patients in clinical trials, the release of data from clinical trials; and other clinical and regulatory events. The actual timing of these milestones could vary dramatically compared to our estimates, in some cases for reasons beyond our control. We cannot assure you that we will meet our projected milestones and if we do not meet these milestones as publicly

announced, the commercialization of our products may be delayed and, as a result, our stock price may decline.

Clinical trials are necessary to support PMA applications for our device and may be necessary to support PMA supplements for modified versions of our marketed device products or to support comparative safety, effectiveness or performance claims. This could require the enrollment of large numbers of suitable subjects, which may be difficult to identify, recruit and maintain as participants in the clinical trial.

We may experience numerous unforeseen events during, or because of, the clinical trial process that could delay or prevent us from receiving regulatory clearance or approval for new products or modifications of existing products, for new or expanded indications for use for existing products, or for comparative safety, effectiveness, or performance claims for existing products, including new indications for existing products, including:

- enrollment in our clinical trials may be slower than we anticipate, or we may experience high screen failure rates in our clinical trials, resulting in significant delays;
- our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical and/or preclinical testing which may be expensive and time consuming;
- trial results may not meet the level of statistical significance required by the FDA or other regulatory authorities;
- the FDA or similar foreign regulatory authorities may find the product is not sufficiently safe for investigational use in humans;
- the FDA or similar foreign regulatory authorities may interpret data from preclinical testing and clinical trials in different ways than we do;
- there may be delays or failure in obtaining approval of our clinical trial protocols from the FDA or other regulatory authorities;
- there may be delays in obtaining institutional review board approvals or government approvals to conduct clinical trials at prospective sites;
- the FDA or similar foreign regulatory authorities may find our or our suppliers' manufacturing processes or facilities unsatisfactory;
- the FDA or similar foreign regulatory authorities may change their review policies or adopt new regulations that may negatively affect or delay our ability to bring a product to market or receive approvals or clearances to treat new indications;
- we may have trouble in managing multiple clinical sites or adding a sufficient number of clinical trial sites;
- we may have trouble addressing any patient safety concerns that arise during the course of a clinical trial;
- we may experience delays in agreeing on acceptable terms with prospective clinical research organizations, or CROs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites; and
- we, or regulators, may suspend or terminate our clinical trials because the participating patients are being exposed to unacceptable health risks.

Patient enrollment in clinical trials and completion of patient follow-up depend on many factors, including the size of the trial patient population, the nature of the trial protocol, the proximity of patients to clinical sites, the eligibility criteria for the clinical trial, patient compliance, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new treatments that may be approved for the indications we are investigating. For example, patients may be discouraged from enrolling in our clinical trials if the trial protocol requires them to undergo extensive post-treatment procedures or follow-up to assess the safety and efficacy of a product, or they may be persuaded to participate in contemporaneous clinical trials of a competitor's product. In addition, patients participating in our clinical trials may drop out before completion of the trial or suffer adverse medical events unrelated to our products. Delays in patient enrollment or failure of patients to continue to participate in a clinical trial may delay commencement or completion of the clinical trial, cause an increase in the costs of the clinical trial and delay, or result in the failure of the clinical trial.

We could also encounter delays if the FDA or foreign regulatory authority concluded that our financial relationships with our principal investigators resulted in a perceived or actual conflict of interest that may have affected the interpretation of a study, the integrity of the data generated at the applicable clinical trial site or the utility of the clinical trial itself. Principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive cash compensation and/or stock options in connection with such services. If these relationships and any related compensation to or ownership interest by the clinical investigator carrying out the study result in perceived or actual conflicts of interest, or the FDA or foreign regulatory authority concludes that the financial relationship may have affected interpretation of the study, the integrity of the data generated at the applicable clinical trial site may be questioned and the utility of the clinical trial itself may be jeopardized, which could result in the delay or rejection of our application by the FDA. Any such delay or rejection could prevent us from commercializing any of our products currently in development.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decrease.

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires that we evaluate and determine the effectiveness of our internal control over financial reporting and, beginning with our annual report for the year ending December 31, 2017, provide a management report on our internal control over financial reporting, However, while we remain an emerging growth company we will not be required to include the attestation report issued by our independent registered public accounting firm.

We are in the process of designing and implementing our internal control over financial reporting, which will be time consuming, costly and complicated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal control over financial reporting is effective or, once required, if our independent registered public accounting firm is unable to attest that our internal control over financial reporting is effective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could decrease. We could also become subject to stockholder or other third-party litigation as well as investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources and could result in fines, trading suspensions or other remedies.

We may acquire other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our results of operations.

We may in the future seek to acquire or invest in businesses, applications or technologies that we believe could complement or expand our Obalon balloon system, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various costs and expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. We may not be able to identify desirable acquisition targets or be successful in entering into an agreement with any particular target or obtain the expected benefits of any acquisition or investment.

To date, the growth in our business has been organic, and we have no experience in acquiring other businesses. In any acquisition, we may not be able to realize the benefits of acquiring such businesses if we are unable to successfully integrate the acquired business with our existing operations, technologies and company culture. We cannot assure you that following any such acquisition we would achieve the expected synergies to justify the transaction.

Our ability to utilize our net operating loss carryovers may be limited.

At December 31, 2015, we had federal, state and foreign tax net operating loss carryforwards, or NOLs, of approximately $31.5 million, $13.9 million and $1.3 million, respectively. Each of the federal and state NOLs will begin expiring in 2028, unless previously utilized. The foreign NOLs will begin expiring in 2023, unless previously utilized. We also had federal and California research and development tax credit carryforwards totaling $1.3 million and $1.1 million, respectively. The federal research and development tax credit carryforward will begin to expire in 2028 unless previously utilized. The California research tax credits do not expire.

In general, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or IRC, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change NOLs and certain other tax assets to offset future taxable income, and an ownership change is generally defined as a cumulative change of 50% or more in the ownership positions of certain stockholders during a rolling three-year period. We have not completed a formal study to determine if any ownership changes within the meaning of IRC Section 382 have occurred.

If ownership changes within the meaning of IRC Section 382 have occurred, it could restrict our ability to use NOL carryforwards and research and development tax credits generated since inception. Limitations on our ability to use NOL carryforwards and research and development tax credits to offset future taxable income could require us to pay U.S. federal income taxes earlier than would be required if such limitations were not in effect. Similar rules and limitations may apply for state income tax purposes.

RISKS RELATED TO REGULATORY APPROVAL

Our success depends on our ability to obtain FDA approval or other regulatory approvals for our future products and product improvements.

The successful commercialization of our Obalon balloon system is dependent on the successful development and commercialization of future devices such as the EzPz inflation system, our next generation inflation system that is expected to replace the EzFill inflation system to inflate the balloon

with gas. Additionally, we are evaluating our vegetable-based HydroxyPropylMethylCellulose, or HPMC, capsule, which is expected to replace the current animal-based gelatin capsule. The primary information to support the EzPz inflation system and HPMC capsule is anticipated to be in vitro testing including but not limited to software validation, human factors assessment, and biocompatibility evaluation of the capsule. It is not anticipated that human clinical data will be required to support these regulatory submissions; however, it is possible that the FDA may require this information, which could delay potential approval. To support this potential request we are also evaluating these products in our current SMARTCAR study. While we expect to successfully complete the in vitro testing required to submit a PMA supplement for both the EzPz inflation system and the HPMC capsule, there can be no guarantee that these product enhancements will be completed or that we will receive regulatory approval for the sale and marketing of the EzPz inflation system or the HPMC capsule in the United States. Although we have collected preliminary data on these two products from our SMARTCAR trial, this preliminary data may not be predictive of its final results and failure of the trial can occur at any time. A number of companies in the medical device field have suffered significant setbacks during clinical trials due to lack of efficacy or unacceptable safety issues, notwithstanding promising preliminary results. Because we are depending on EzPz inflation system and HPMC capsule to achieve our revenue goals in future years, failure to successfully complete the study and receive FDA approval, in a timely manner or at all, will harm our financial results and ability to become profitable. Even if we obtain such regulatory approval, our ability to successfully market the Obalon balloon system may be limited. If we cannot sell our Obalon balloon system with EzPz inflation system and the HPMC capsule as planned, our financial results could be harmed.

Failure to successfully complete our SMARTCAR clinical study if required by the FDA could impair our financial results. Such a failure could delay or prevent EzPz inflation system and/or HPMC capsule from obtaining regulatory approval, could require us to perform another clinical trial, which would be expensive, may not be successful and will significantly delay our ability to commercialize the EzPz inflation system and/or HPMC capsule, and could impair our ability to convince physicians of the benefits of our Obalon balloon system.

The FDA and other regulatory agencies actively enforce the laws and regulations governing the development, approval and commercialization of medical devices. If we are found to have failed to comply with these laws and regulations, we may become subject to significant liability.

The Obalon balloon system is classified by the FDA as a Class III medical device. As a result, we are subject to extensive government regulation in the United States by the FDA and state regulatory authorities. We are also subject to foreign regulatory authorities in the countries in which we currently and intend to conduct business. These regulations relate to, among other things, research and development, design, pre-clinical testing, clinical trials, manufacturing, packaging, storage, premarket approval, environmental controls, safety and efficacy, labeling, advertising, promotion, pricing, recordkeeping, reporting, import and export, post-approval studies and the sale and distribution of the Obalon balloon system.

In the United States, before we can market a new medical device, or label and market a previously cleared or approved device for a new intended use or new indication for use, or make a significant modification to a previously cleared or approved device, we must first receive either FDA clearance under Section 510(k) of the Federal Food, Drug and Cosmetic Act or approval of a PMA application from the FDA, unless an exemption applies. The process of obtaining PMA approval, which was required for the Obalon balloon system, is much more rigorous, costly, lengthy and uncertain than the 510(k) clearance process. In the 510(k) clearance process, the FDA must determine that a proposed device is “substantially

equivalent" to a device legally on the market, known as a "predicate" device, in order to clear the proposed device for marketing. To be "substantially equivalent," the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics and not raise different questions of safety or effectiveness than the predicate device. Clinical data is sometimes required to support substantial equivalence. In the PMA approval process, the FDA must determine that a proposed device is safe and effective for its intended use based, in part, on extensive data, including, but not limited to, technical, pre-clinical, clinical trial, manufacturing and labeling data. The PMA process is typically required for devices for which the 510(k) process cannot be used and that are deemed to pose the greatest risk.

Modifications to products that are approved through a PMA application generally need FDA approval of a PMA supplement. Similarly, some modifications made to products cleared through a 510(k) may require a new 510(k). The FDA's 510(k) clearance process usually takes from three to 12 months, but may last longer. The process of obtaining a PMA generally takes from one to three years, or even longer, from the time the PMA is submitted to the FDA until an approval is obtained. Any delay or failure to obtain necessary regulatory approvals would have a material adverse effect on our business, financial condition and prospects.

The FDA can delay, limit or deny clearance or approval of a device for many reasons, including:

- our inability to demonstrate to the satisfaction of the FDA or the applicable regulatory entity or notified body that our products are safe or effective for their intended uses;
- the disagreement of the FDA or the applicable foreign regulatory body with the design, conduct or implementation of our clinical trials or the analyses or interpretation of data from pre-clinical studies or clinical trials;
- serious and unexpected adverse device effects experienced by participants in our clinical trials;
- the data from our pre-clinical studies and clinical trials may be insufficient to support clearance or approval, where required;
- our inability to demonstrate that the clinical and other benefits of the device outweigh the risks;
- an advisory committee, if convened by the applicable regulatory authority, may recommend against approval of our application or may recommend that the applicable regulatory authority require, as a condition of approval, additional preclinical studies or clinical trials, limitations on approved labeling or distribution and use restrictions, or even if an advisory committee, if convened, makes a favorable recommendation, the respective regulatory authority may still not approve the product;
- the applicable regulatory authority may identify deficiencies in the chemistry, manufacturing and control sections of our application, our manufacturing processes, facilities or analytical methods or those of our third party contract manufacturers;
- the potential for approval policies or regulations of the FDA or applicable foreign regulatory bodies to change significantly in a manner rendering our clinical data or regulatory filings insufficient for clearance or approval; and
- the FDA or foreign regulatory authorities may audit our clinical trial data and conclude that the data is not sufficiently reliable to support a PMA application.

Further, the FDA and European regulatory authorities strictly regulate the indications for use and associated promotional safety and effectiveness claims, including comparative and superiority claims vis a vis competitors' products, that may be made about products, such as the Obalon balloon system. In

particular, a medical device may not be promoted for uses or indications that are not approved by the FDA or other regulatory agencies as reflected in the product's approved labeling. For example, we will not be able to promote or make claims for the Obalon balloon system for the treatment of patients outside of the BMI ranges specifically approved by the FDA or other regulatory authorities. In the United States, we received FDA approval of the Obalon balloon system for temporary use to facilitate weight loss in adults with obesity (BMI of 30 to 40) who have failed to lose weight through diet and exercise. The Obalon balloon system is intended to be used as an adjunct to a moderate intensity diet and behavior modification program. All balloons must be removed six months after the first balloon is placed. Our pivotal trial inclusion and exclusion criteria included patients with a BMI of 30 to 40; thus, our approved labeling is limited to the same BMI range. We also will not be able to make comparative or superiority claims for the Obalon balloon system versus other products without scientific data supporting or establishing those claims, including possibly data from head-to-head clinical trials if appropriate. Our CE mark label includes patients with a BMI of 27 or greater. As a part of our PMA approval, we agreed with the FDA to conduct a post-approval study at 10 to 15 sites in the United States to evaluate the safety and efficacy of our Obalon balloon system in 200 subjects over a twelve-month period, consisting of six months of treatment with the Obalon balloon system followed by six months of observation after balloon removal. We will be required to update our product labeling in a PMA supplement as results, including any adverse event data, from the post-approval study become available.

Physicians may choose to prescribe such products to their patients in a manner that is inconsistent with the approved label, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. However, if the FDA determines that our promotional materials or physician training, including our paid consultants' educational materials, constitutes promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to enforcement action, including warning letters, untitled letters, fines, penalties, or seizures. If we are found to have promoted such off-label uses, we may become subject to significant liability. The federal government has levied large civil and criminal fines and/or other penalties against companies for alleged improper promotion and has investigated, prosecuted, and/or enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees of permanent injunctions under which specified promotional conduct is changed, curtailed or prohibited. If we cannot successfully manage the promotion of and training for our Obalon balloon system, we could become subject to significant liability, which would materially adversely affect our business and financial condition.

Material modifications to our Obalon balloon system may require new premarket approvals and may require us to recall or cease marketing our Obalon balloon system until approvals are obtained.

Once a medical device is approved, a manufacturer must notify the FDA of any modifications to the device. Any modification to a device that has received FDA clearance or approval that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design or manufacture, requires premarket clearance or approval from the FDA pursuant to a new 510(k) clearance or approval of a PMA supplement. The FDA requires device manufacturers to initially make and document a determination of whether or not a modification requires a new approval, supplement, notice in an annual report or clearance; however, the FDA can review a manufacturer's decision. Any modification to an FDA-cleared device that would significantly affect its safety or efficacy or that would constitute a major change in its intended use would require a new 510(k) clearance or possibly a premarket approval. Any modification to a PMA approved device requires a PMA supplement, notification to the FDA in a PMA annual report, or possibly a new PMA. We may not be able to obtain additional 510(k) clearances or premarket approvals for new products or obtain approval of PMA

supplements or new PMAs for modifications to, or additional indications for, our Obalon balloon system in a timely fashion, or at all. Delays in obtaining required future clearances would harm our ability to
introduce new or enhanced products in a timely manner, which in turn would harm our future growth. If we make additional modifications in the future that we believe do not or will not require additional clearances or approvals and the FDA disagrees and requires new clearances or approvals for the modifications, we may be required to recall and to stop selling or marketing our Obalon balloon system as modified, which could harm our operating results and require us to redesign our Obalon balloon system. In these circumstances, we may be subject to significant enforcement actions.

Even though we have received FDA approval of our PMA application to commercially market the Obalon balloon system in the United States, we will continue to be subject to extensive FDA regulatory oversight.

Our Obalon balloon system is a medical device that is subject to extensive regulation by the FDA in the United States and by regulatory agencies in other countries where we do business. We will be required to timely file various reports with the FDA, including reports required by the medical device reporting regulations, or MDRs, that require that we report to the regulatory authorities if our devices may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction were to recur. If these reports are not filed timely, regulators may impose sanctions and sales of our products may suffer, and we may be subject to product liability or regulatory enforcement actions, all of which could harm our business.

In addition, as a condition of approving a PMA application, the FDA may also require some form of post-approval study or post-market surveillance, whereby the applicant conducts a follow-up study or follows certain patient groups for a number of years and makes periodic reports to the FDA on the clinical status of those patients when necessary to protect the public health or to provide additional safety and effectiveness data for the device. As a part of our PMA approval, we agreed with the FDA to conduct a post-approval study at 10 to 15 sites in the United States to evaluate the safety and efficacy of our Obalon balloon system in 200 subjects over a twelve-month period, consisting of six months of treatment with the Obalon balloon system followed by six months of observation after balloon removal. The product labeling must be updated and submitted in a PMA supplement as results, including any adverse event data, from the post-approval study become available. Failure to conduct the post-approval study in compliance with applicable regulations or to timely complete required post-approval studies or comply with other post-approval requirements could result in withdrawal of approval of the PMA, which would harm our business.

If we initiate a correction or removal for one of our devices, issue a safety alert, or undertake a field action or recall to reduce a risk to health posed by the device, we would be required to submit a publically available Correction and Removal report to the FDA and in many cases, similar reports to other regulatory agencies. This report could be classified by the FDA as a device recall, which could lead to increased scrutiny by the FDA, other international regulatory agencies and our customers regarding the quality and safety of our devices and to negative publicity, including FDA alerts, press releases, or administrative or judicial enforcement actions. Furthermore, the submission of these reports has been and could be used by competitors against us in competitive situations and cause customers to delay purchase decisions or cancel orders and would harm our reputation.

The FDA and the Federal Trade Commission, or FTC, also regulate the advertising and promotion of our products to ensure that the claims we make are consistent with our regulatory clearances, that there are adequate and reasonable data to substantiate the claims and that our promotional labeling and

advertising is neither false nor misleading in any respect. If the FDA or FTC determines that any of our advertising or promotional claims are false, misleading, not substantiated or not permissible, we may be subject to enforcement actions, including Warning Letters, and we may be required to revise our promotional claims and make other corrections or restitutions.

Additionally, the medical device industry's relationship with physicians is under increasing scrutiny by the Health and Human Services Office of Inspector General, or OIG, the Department of Justice, or DOJ, state attorneys general, and other foreign and domestic government agencies. Our failure to comply with laws, rules and regulations governing our relationships with physicians, or an investigation into our compliance by the OIG, DOJ, state attorneys general and other government agencies, could significantly harm our business.

The FDA and state authorities have broad enforcement powers. Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA or state agencies, which may include any of the following sanctions:

- adverse publicity, warning letters, untitled letters, fines, injunctions, consent decrees and civil penalties;
- repair, replacement, refunds, recalls, termination of distribution, administrative detention or seizures of our products;
- operating restrictions, partial suspension or total shutdown of production;
- customer notifications or repair, replacement or refunds;
- refusing our requests for 510(k) clearance or PMA approvals or foreign regulatory approvals of new products, new intended uses or modifications to existing products;
- withdrawals of current 510(k) clearances or PMAs or foreign regulatory approvals, resulting in prohibitions on sales of our products;
- FDA refusal to issue certificates to foreign governments needed to export products for sale in other countries; and
- criminal prosecution.

Any of these sanctions could also result in higher than anticipated costs or lower than anticipated sales and have a material adverse effect on our reputation, business, results of operations and financial condition.

If we fail to obtain and maintain regulatory approval in foreign jurisdictions, our market opportunities will be limited.

In order to market our products in the European Union, the Middle East or other foreign jurisdictions, we must obtain and maintain separate regulatory approvals and comply with numerous and varying regulatory requirements. The approval procedure varies from country to country and can involve additional testing. The time required to obtain approval abroad may be longer than the time required to obtain FDA clearance or approval. Foreign regulatory approval processes include many of the risks associated with obtaining FDA clearance or approval and we may not obtain foreign regulatory approvals on a timely basis, if at all. FDA clearance or approval does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries. However, the failure to obtain clearance or approval in one jurisdiction may have a negative impact on our ability to obtain clearance or approval elsewhere. If we do not obtain or maintain necessary approvals to commercialize our products in markets outside the United States, it would negatively affect our overall market penetration.

If we or our suppliers fail to comply with the FDA's QSR, our manufacturing operations could be delayed or shut down and sales of our Obalon balloon system could suffer.

Our manufacturing processes and those of our third-party suppliers are required to comply with the FDA's QSR, which covers the procedures and documentation of the design, testing, production, control, quality assurance, inspection, complaint handling, recordkeeping, management review, labeling, packaging, sterilization, storage and shipping of our Obalon balloon system. We are also subject to similar state requirements and licenses. In addition, we must engage in extensive recordkeeping and reporting and must make available our manufacturing facilities and records for periodic unannounced inspections by governmental agencies, including the FDA, state authorities and comparable agencies in other countries. If we are found to not be in compliance at the conclusion of an FDA QSR inspection, our operations could be disrupted and our manufacturing interrupted. Failure to take adequate corrective action in response to an adverse QSR inspection could result in, among other things, issuance of a Warning Letter, a shut-down of our manufacturing operations, significant fines, suspension of marketing clearances and approvals, seizures or recalls of our device, operating restrictions and criminal prosecutions, any of which would cause our business to suffer. Furthermore, our key component suppliers may not currently be or may not continue to be in compliance with applicable regulatory requirements, which may result in manufacturing delays for our product and cause our revenues to decline.

We have registered with the FDA as a medical device manufacturer and have obtained a manufacturing license from the California Department of Public Health, or CDPH. The FDA has broad post-market and regulatory enforcement powers. We are subject to unannounced inspections by the FDA and the Food and Drug Branch of CDPH to determine our compliance with the QSR and other regulations, and these inspections may include the manufacturing facilities of our suppliers. Our current facility has been inspected by the FDA in 2014 and 2016, with four and zero inspectional observations, respectively, noted during those inspections. Although we believe our manufacturing facilities and those of our critical component suppliers are in compliance with the QSR requirements, we can provide no assurance that we will continue to remain in compliance with the QSR. If our manufacturing facilities or those of any of our component suppliers are found to be in violation of applicable laws and regulations, or we or our suppliers have significant noncompliance issues or fail to timely and adequately respond to any adverse inspectional observations or product safety issues, or if any corrective action plan that we or our suppliers propose in response to observed deficiencies is not sufficient, the FDA could take enforcement action, including any of the following sanctions:

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

Taking corrective action may be expensive, time consuming and a distraction for management and if we experience a shutdown or delay at our manufacturing facility we may be unable to produce our Obalon balloon system, which would harm our business.

Outside the United States, our products and operations are also often required to comply with standards set by industrial standards bodies, such as the International Organization for Standardization. Foreign regulatory bodies may evaluate our products or the testing that our products undergo against these standards. The specific standards, types of evaluation and scope of review differ among foreign regulatory bodies. If we fail to adequately comply with any of these standards, a foreign regulatory body may take adverse actions similar to those within the power of the FDA. Any such action may harm our reputation and could have an adverse effect on our business, results of operations and financial condition.

We also have an ISO 13485:2003 Quality System Certificate through British Standards Institution, or BSI, that is required to support our CE mark. We have been audited at least annually and are subject to unannounced audits by BSI which could result in major nonconformances. Major nonconformances could result in the suspension or revocation of our ISO Certificate, which would disrupt distribution in the European Union and other countries that require certificated Quality Systems.

If we fail to comply with healthcare regulations, we could face substantial penalties and our business, operations and financial condition could be adversely affected.

Healthcare providers, physicians and others will play a primary role in the recommendation and ordering of, and treatment using, our Obalon balloon system. Although intragastric balloon products similar to our Obalon balloon system are not currently reimbursed by United States federal healthcare programs (such as Medicare or Medicaid) or other third-party payors, any future reimbursement by third-party payors could expose our business to broadly applicable fraud and abuse and other healthcare laws and regulations that would regulate the business, including laws that would regulate financial arrangements and relationships through which we market, sell and distribute the Obalon balloon system. Additionally, as a device manufacturer, we are still subject to certain healthcare fraud and abuse regulation, including those laws that apply to self-pay products, and enforcement by the federal government and the states in which we conduct our business.

Applicable and potentially applicable United States federal and state healthcare laws and regulations include, but are not limited to, the following:

- ***Anti-Kickback Laws.*** The federal healthcare program Anti-Kickback Statute, which prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs, such as Medicare and Medicaid, unless the arrangement fits within one of several statutory exceptions or regulatory "safe harbors." Courts have interpreted the term "remuneration" broadly under the Anti-Kickback Statute to include anything of value, such as, for example, gifts, discounts, payments of cash and waivers of payments. Violations can result in significant penalties, imprisonment and exclusion from Medicare, Medicaid and other federal healthcare programs. Exclusion of a manufacturer would preclude any federal healthcare program from paying for the manufacturer's products. A person does not need to have actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it in order to have committed a violation. In addition, kickback arrangements can provide the basis for an action under the False Claims Act, which is discussed in more detail below.

  Government officials have recently increased enforcement efforts with respect to sales and marketing activities of pharmaceutical, medical device, and other healthcare companies, and they have brought cases against individuals and entities that allegedly offered unlawful inducements to potential or existing customers in an attempt to procure business. Settlements of these government cases have involved significant fines and penalties and, in some instances, criminal pleas.

In addition to the federal Anti-Kickback Statute, many states have their own anti-kickback laws. Often, these laws closely follow the language of the federal law, although they do not always have the same exceptions or safe harbors. In some states, the restrictions imposed by anti-kickback laws are not limited to items and services paid for by government programs but, instead, apply with respect to all payors for healthcare items and services, including commercial health insurance companies.

- ***False Claims Laws.*** The federal False Claims Act prohibits any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, or causing to be made, a false statement to get a false claim paid. A manufacturer can be held liable under false claims laws, even if it does not submit claims to the government, if it is found to have caused submission of false claims. For example, these laws may apply to a manufacturer that provides information regarding coverage, coding or reimbursement of its products to persons who bill third-party payers. In addition, under the Patient Protection and Affordable Care Act, as amended, or PPACA, a violation of the federal Anti-Kickback Statute is deemed to be a violation of the federal False Claims Act.

  The federal False Claims Act also includes whistleblower provisions that allow private citizens to bring suit against an entity or individual on behalf of the United States and to recover a portion of any monetary recovery. Many of the recent, highly publicized settlements in the healthcare industry relating to sales and marketing practices have related to cases brought under the federal False Claims Act.

  The majority of states also have adopted statutes or regulations similar to the federal laws, which apply to items and services reimbursed under Medicaid and other state programs. Sanctions under these federal and state laws may include civil monetary penalties, exclusion of a manufacturer's products from reimbursement under government programs, criminal fines and imprisonment.

- ***Privacy and Security Laws.*** The Health Insurance Portability and Accountability Act of 1996, the Health Information Technology for Economic and Clinical Health Act, or HITECH Act, and accompanying regulations, which we collectively refer to as HIPAA, require certain entities, referred to as "covered entities" (including most healthcare providers and health plans), to comply with established standards, including standards regarding the privacy and security of protected health information, or PHI. HIPAA further requires that covered entities enter into agreements meeting certain regulatory requirements with their "Business Associates," as such term is defined by HIPAA, which, among other things, obligate the Business Associates to safeguard the covered entity's PHI against improper use and disclosure. In addition, a Business Associate may face significant statutory and contractual liability if the Business Associate breaches the agreement or causes the covered entity to fail to comply with HIPAA. We believe that we generally do not conduct our business in a manner that would cause us to be a Business Associate under HIPAA, but we are nevertheless committed to maintaining the security and privacy of patients' health information. Although we believe the business is not currently subject to HIPAA, there is no guarantee that government enforcement agencies will agree. Violation of HIPAA could result in the imposition of civil or criminal penalties.

  In addition, many state laws regulate the use and disclosure of health information and require notification in the event the confidentiality of such information is breached. Those state laws that are more protective of individually identifiable health information are not preempted by HIPAA. Violation of applicable state privacy laws also may result in significant fines and other penalties.

- ***Transparency Laws.*** There has been a recent trend of increased federal and state regulation of payments and transfers of value provided to healthcare professionals and entities. For example, the Physician Payment Sunshine Act, which was enacted as part of PPACA, imposes annual reporting requirements on certain manufacturers of drugs, medical devices, biologics and medical supplies with respect to payments and other transfers of value provided by them, directly or indirectly, to physicians and teaching hospitals, as well as with respect to certain ownership and investment interests held by

physicians and their family members. A manufacturer's failure to submit timely, accurately and completely the required information regarding all payments, transfers of value or ownership or investment interests may result in civil monetary penalties. Certain states also mandate implementation of commercial compliance programs, impose restrictions on medical device manufacturers' marketing practices, and require the tracking and reporting of gifts, compensation and other remuneration to healthcare professionals and entities under certain circumstances.

Efforts to ensure that our business arrangements will comply with applicable healthcare laws may involve substantial costs. In addition, the dynamic healthcare regulatory compliance environment and the need to build and maintain robust systems to comply with different reporting and other legal requirements in multiple jurisdictions, increase the possibility that a healthcare company may fail to comply fully with one or more of these laws or regulations. It is possible that governmental and enforcement authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law interpreting applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. If our operations are found to be in violation of any of the healthcare regulatory laws to which the business is subject, or any other laws that apply to the business, we may be subject to penalties, including potentially significant criminal and civil and administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from participation in government healthcare programs, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

In addition, the clearance or approval and commercialization of any of our products outside the United States will also likely subject us to foreign equivalents of the healthcare laws mentioned above, among other foreign laws.

Compliance with environmental laws and regulations could be expensive. Failure to comply with environmental laws and regulations could subject us to significant liability.

Our research and development and manufacturing operations involve the use of hazardous substances and a greenhouse gas, and are subject to a variety of federal, state, local and foreign environmental laws and regulations relating to the storage, use, discharge, disposal, remediation of, and human exposure to, hazardous substances and the sale, labeling, collection, recycling, treatment and disposal of products containing hazardous substances as well as the control and reduction of greenhouse gas emissions. In addition, our research and development and manufacturing operations produce biological waste materials, such as human and animal tissue, and waste solvents, such as isopropyl alcohol. These operations are permitted by regulatory authorities, and the resultant waste materials are disposed of in material compliance with environmental laws and regulations. Liability under environmental laws and regulations can be joint and several and without regard to fault or negligence. Compliance with environmental laws and regulations may be expensive and non-compliance could result in substantial liabilities, fines and penalties, personal injury and third part property damage claims and substantial investigation and remediation costs. Environmental laws and regulations could become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violations. We cannot assure you that violations of these laws and regulations will not occur in the future or have not occurred in the past as a result of human error, accidents, equipment failure or other causes. The expense associated with environmental regulation and remediation could harm our financial condition and results of operations.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

If we are unable to adequately protect our proprietary technology or maintain issued patents that are sufficient to protect our Obalon balloon system or our other products, others could compete against us more directly, which would have a material adverse impact on our business, results of operations, financial condition and prospects.

Our commercial success will depend in part on our ability to protect our proprietary rights to the technologies and inventions used in, or embodied by, our products. We rely on a combination of patents, trademarks, trade secret laws and confidentiality and invention assignment agreements to protect our intellectual property rights. If we do not adequately protect our intellectual property rights and proprietary technology, competitors may be able to use our technologies and erode or negate any competitive advantage that we may have, which could harm our business and ability to achieve profitability.

As of June 30, 2016, we held 13 issued U.S. patents and had 18 pending U.S. patent applications, as well as 17 international patents issued in Europe, Mexico, Australia, Canada, Asia, China and Israel and 37 pending international patent applications in Australia, Canada, Europe, Asia, the Middle East and South America. Our issued patents expire between the years 2023 and 2032.

Although an issued patent is presumed valid and enforceable, its issuance is not conclusive as to its validity or its enforceability, and it may not provide us with adequate proprietary protection or competitive advantages against competitors with similar products. Competitors may also be able to design around our patents. Other parties may develop and obtain patent protection for more effective technologies, designs or methods.

The degree of future protection for our proprietary rights is uncertain, and we cannot ensure that:

- any of our patents, or any of our pending patent applications, if issued, will include claims having a scope sufficient to protect the Obalon balloon system or any other products;
- any of our pending patent applications will issue as patents;
- we will be able to successfully commercialize our Obalon balloon system before our relevant patents expire;
- we were the first to make the inventions covered by each of our patents and pending patent applications;
- we were the first to file patent applications for these inventions;
- others will not develop similar or alternative technologies that do not infringe our patents;
- any of our patents will be found to ultimately be valid and enforceable;
- any patents issued to us will provide a basis for an exclusive market for our commercially viable products, will provide us with any competitive advantages or will not be challenged by third parties;
- we will develop additional proprietary technologies or products that are separately patentable; or
- that our commercial activities or products will not infringe upon the patents of others.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected.

In addition to patent protection, we also rely on other proprietary rights, including protection of unpatented trade secrets, unpatented know-how and confidential and proprietary information, which we

seek to protect, in part, by confidentiality agreements with our employees and our collaborators and consultants. We also have agreements with our employees and selected consultants that obligate them to assign their inventions to us and have non-compete agreements with some, but not all, of our consultants. It is possible that technology relevant to our business will become known or be independently developed by a person that is not a party to such an agreement, including our competitors. We may not be able to prevent the unauthorized disclosure or use of our technical knowledge or trade secrets by consultants, vendors, former employees and current employees. If the employees and consultants who are parties to these agreements breach or violate the terms of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets through such breaches or violations.

We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property.

We may also be subject to claims that former employees, collaborators or other third parties have an ownership interest in our patents or other intellectual property. For example, each of our patents and patent applications names one or more inventors having past or present affiliations with other institutions, and any of these institutions may assert an ownership claim. Litigation may be necessary to defend against these and other claims challenging inventorship or ownership. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

We may infringe or be alleged to infringe the intellectual property rights of others, which may result in costly and time-consuming litigation, delay our product development efforts or prevent us from commercializing the Obalon balloon system.

Our success will depend in part on our ability to operate without infringing the intellectual property and proprietary rights of third parties. The medical device industry is characterized by rapid technological change and extensive litigation regarding patent and other intellectual property rights. Our competitors and other industry participants, many of which have substantially greater resources and have made substantial investments in patent portfolios and competing technologies, may have applied for or obtained, or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to make, use and sell our products. In addition, numerous third-party patents exist in the fields relating to our products. We cannot assure you that our business, products and methods do not or will not infringe the patents or other intellectual property rights of third parties.

From time to time, third parties, including our competitors as well as other industry participants and/or non-practicing entities, may allege that the Obalon balloon system or the use of our technologies infringes patent claims or other intellectual property rights held by them or that we are employing their proprietary technology without authorization. For example, we recently received and may from time to time in the ordinary course of business continue to receive, letters from third parties advising us of third-party patents that may relate to our business. The letters do not explicitly seek any particular action or relief from us. Although these letters do not threaten legal action, these letters may be deemed to put us on notice that continued operation of our business might infringe the patent rights of such third parties. If we decide not to seek a license or do not otherwise obtain a license to such third-party patents, there can be no assurance that we will not become subject to infringement claims or will not be forced to initiate legal proceedings in order to dispose of such actual or potential infringement claims or to seek to invalidate the claims of such third-party patents.

Patent and other types of intellectual property litigation can involve complex factual and legal questions, and can have an uncertain outcome. Any claim relating to intellectual property infringement that is successfully asserted against us may require us to pay substantial damages, including treble damages and attorney's fees if we are found to be willfully infringing another party's patents, for past use of the asserted intellectual property and royalties and other consideration going forward if we determine it necessary or are required to take a license. In addition, if any such claim were successfully asserted against us and we could not obtain such a license, an injunction may force us to stop or delay developing, manufacturing, selling or otherwise commercializing the Obalon balloon system or our other products.

Intellectual property claims or litigation, regardless of merit, may be expensive and time-consuming to resolve, result in negative publicity, and divert our management's attention from our core business. In addition, if we are subject to intellectual property claims or litigation, we may:

- be subject to a protected period of uncertainty while the claims or litigation remain unresolved, which could adversely affect our ability to raise additional capital and otherwise adversely affect our business;
- lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property rights against others; and
- be required to redesign those products that contain the allegedly infringing intellectual property, which could be costly, disruptive and/or infeasible.

Furthermore, we also rely on our trademarks as one means to distinguish our products from the products of our competitors, and have registered or applied to register many of these trademarks. However, our trademark applications may not be approved. Third parties may oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition and could require us to devote resources to advertising and marketing new brands. Our competitors may infringe our trademarks and we may not have adequate resources to enforce our trademarks.

If any of the risks described above come to fruition, our business, results of operations, financial condition and prospects could be harmed.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The U.S. Patent and Trademark Office, or U.S. PTO, and various international, foreign governmental and foreign regional patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent application process. In addition, periodic maintenance fees on issued patents often must be paid to the U.S. PTO and foreign patent agencies over the lifetime of the patent. There are situations in which noncompliance with these requirements can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.

We may be involved in legal proceedings to protect or enforce our intellectual property, which could be expensive, time-consuming, and unsuccessful.

Competitors may infringe our patents, trademarks or other intellectual property rights. Our ability to enforce our intellectual property rights depends on our ability to detect infringement. It may be difficult

to detect infringers who do not advertise the components of their products. Moreover, it may be difficult or impossible to obtain evidence of infringement in a competitor's or potential competitor's product.

To counter infringement of our intellectual property rights, we have in the past been, and may in the future be, required to file infringement claims, which can be expensive and time-consuming. Even if successful, litigation to enforce our intellectual property rights could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations. Moreover, we may not have sufficient resources to bring these actions to a successful conclusion. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded if we were to prevail may not be commercially meaningful. In addition, in an infringement proceeding, a court may decide that a patent of ours is not infringed and may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question.

Interference proceedings instituted by third parties or brought by us may be necessary to determine the priority of inventions with respect to our patents or patent applications. An unfavorable outcome could require us to cease using the related technology or to attempt to obtain a license under such rights from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms or offer us a license at all. Our defense of interference proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees.

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

Issued patents covering our products could be found invalid or unenforceable if challenged in court or before administrative bodies.

If we initiated legal proceedings against a third party to enforce one of our patents, the defendant could counterclaim that the patent is invalid and/or unenforceable. Even if legal proceedings were not initiated, if we threatened a third party with a patent infringement lawsuit, the third party may preemptively sue us in a declaratory judgment action and seek to have our patent declared invalid or not infringed. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge include alleged failures to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Grounds for unenforceability assertions include allegations that someone connected with prosecution of the patent withheld relevant information from the U.S. PTO, or made a misleading statement during prosecution. Third parties may also raise similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include re-examination, post grant review and equivalent proceedings in foreign jurisdictions, e.g., opposition proceedings. Such proceedings could result in revocation or amendment of our patents in such a way that they no longer cover our products or competitive products. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to validity, for example, we cannot be certain that there is no invalidating prior art of which we and the patent examiner were unaware during prosecution. If a third party were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our products. Such a loss of patent protection would have a material adverse impact on our business. An adverse result in any legal proceeding could put one or more of our

patents at risk of being invalidated, found unenforceable or interpreted narrowly and could put our patent applications at risk of not issuing.

We do not seek to protect our intellectual property rights in all jurisdictions throughout the world and we may not be able to adequately enforce our intellectual property rights even in the jurisdictions where we seek protection.

Filing, prosecuting and defending intellectual property rights related to our products in all countries and jurisdictions throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States could be less extensive than those in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems in protecting our proprietary rights in these countries. If these problems were to occur, they could have a material adverse effect on our sales. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to medical devices, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may not adequately protect our rights or permit us to gain or keep any competitive advantage.

Changes in U.S. patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.

The United States has recently enacted and is currently implementing the America Invents Act of 2011, a wide-ranging patent reform legislation. Further, the U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain future patents, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts and the U.S. PTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents or future patents.

We may be subject to damages resulting from claims that we, our employees, consultants or third parties we engage to manufacture our products have wrongfully used, or disclosed, alleged trade secrets of our competitors or are in breach of non-competition or non-solicitation agreements with our competitors.

Many of our employees were previously employed at pharmaceutical companies and other medical device companies, including our potential competitors, in some cases until recently. We may be subject to claims that we, our employees, consultants or third parties have inadvertently or otherwise used or disclosed alleged trade secrets or proprietary information of these former employers or competitors. In addition, we may be subject to claims that we caused an employee to breach the terms of his or her non-competition or non-solicitation agreement. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and could be a distraction for our management. If our defense to those claims fails, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Any litigation or the threat thereof may adversely affect our ability to hire employees or contract with third parties. A loss of key personnel or their work product could have an adverse effect on our business, results of operations and financial condition.

RISKS RELATED TO THIS OFFERING AND OWNERSHIP OF OUR COMMON STOCK

Our common stock has never been publicly traded, and an active trading market may not develop or be sustained following this offering.

There is currently no public market for our common stock. Although we have applied to list our common stock on The NASDAQ Global Market, or NASDAQ, an active public trading market may not develop after completion of this offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

Our stock price may be volatile, and you may not be able to resell shares of our common stock at or above the price you paid.

The initial public offering price for our common stock will be determined through negotiations between the underwriters and us and may vary substantially from the market price of our common stock following this offering. The public trading price for our common stock after this offering will be affected by a number of factors, including:

- a slowdown in the medical device industry, the aesthetics industry or the general economy;
- quarterly variations in our or our competitors' results of operations;
- the results of our clinical trials, including our SMARTCAR trial;
- unanticipated or serious safety concerns related to the use of any of our products;
- adverse regulatory decisions, including failure to receive regulatory approval for any of our products;
- regulatory or legal developments in the United States and other countries;
- changes in analysts' estimates, investors' perceptions, recommendations by securities analysts or our failure to achieve analysts' estimates;

- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- changes in operating performance and stock market valuations of other technology companies generally, or those in the medical device industry in particular;
- performance of third parties on whom we rely, including for the manufacture of the components for our product, including their ability to comply with regulatory requirements;
- inability to obtain adequate supply of the components for any of our products, or inability to do so at acceptable prices;
- the loss of key personnel, including changes in our board of directors and management;
- legislation or regulation of our business;
- changes in the structure of healthcare payment systems;
- our commencement of, or involvement in, litigation;
- the announcement of new products or product enhancements by us or our competitors;
- competition from existing technologies and products or new technologies and products that may emerge;
- developments, announcements or disputes related to patents or other proprietary rights issued to us or our competitors and to litigation; and
- developments in our industry.

In recent years, the stock markets generally and the stock prices of many companies in the medical device industry have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may significantly affect the market price of our common stock, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our common stock shortly following this offering. If the market price of shares of our common stock after this offering does not ever exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment.

Our management team may invest or spend the proceeds of this offering in ways with which you may not agree or in ways which may not yield a return.

Our management will have considerable discretion in the application of the net proceeds that we receive from this offering, including for any of the purposes described in the section entitled “Use of proceeds,” and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. Our management might not apply our net proceeds in ways that ultimately increase the value of your investment. We expect to use the net proceeds from this offering for the commercialization of our Obalon balloon system, continued research and development efforts and working capital and other general corporate purposes. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

New investors purchasing our common stock in this offering will experience immediate and substantial dilution in the net tangible book value of their investment.

Our initial public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock immediately prior to this offering. Therefore, if you purchase common stock in this offering, you will incur immediate dilution of approximately $10.28 in pro forma as adjusted net tangible book value per share as of June 30, 2016 from the price you paid, based on the assumed initial public offering price of $15.00 per share, the mid-point of the range set forth on the cover page of this prospectus. In the past, we have also issued options and warrants to acquire common stock at prices below the initial public offering price. To the extent outstanding options and warrants are ultimately exercised, there will be further dilution to investors who purchase shares in this offering. In addition, if the underwriters exercise their option to purchase additional shares or if we issue additional equity securities, investors purchasing shares in this offering will experience additional dilution. As a result of the dilution to investors purchasing shares in this offering, investors may receive significantly less than the purchase price paid in this offering, if anything, in the event of our liquidation. For a further description of the dilution that you will experience immediately after this offering, see “Dilution.”

A sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

Based on shares outstanding as of June 30, 2016, upon completion of this offering, we will have outstanding a total of 15,953,471 shares of common stock. Of these shares, only the 5,000,000 shares of common stock sold in this offering by us, or 5,750,000 shares if the underwriters exercise their option to purchase additional shares in full, will be freely tradable, without restriction, in the public market immediately after this offering (excluding any shares purchased by our directors and executive officers pursuant to the directed share program or participants in our directed share program who purchase $1,000,000 or more of shares of our common stock that will be subject to lock-up agreements and shares purchased by certain significant stockholders that will be subject to Rule 144 resale restrictions). Each of our officers and directors and the holders of more than 95% of our capital stock have entered into lock-up agreements with the underwriters that restrict their ability to sell or transfer their shares. The lock-up agreements pertaining to this offering will expire 180 days from the date of this prospectus. However, our underwriters may, in their sole discretion, permit our officers, directors and other current stockholders who are subject to the contractual lock-up to sell shares prior to the expiration of the lock-up agreements. After the lock-up agreements expire, based on shares outstanding as of June 30, 2016, up to an additional 10,953,471 shares of common stock will be eligible for sale in the public market, approximately 7,473,472 of which are held by our officers, directors and their affiliated entities, and will be subject to volume limitations under Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, and various vesting agreements. In addition, 1,767,690 shares of our common stock that are subject to outstanding options as of June 30, 2016 and 229,528 shares of our common stock that are

subject to options granted after June 30, 2016 will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act.

After this offering, the holders of an aggregate of 10,849,593 shares of our outstanding common stock as of June 30, 2016 will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. We also intend to register shares of common stock that we may issue under our equity incentive plans. Once we register these shares, they will be able to be sold freely in the public market upon issuance, subject to the 180-day lock-up period under the lock-up agreements described above and in the section entitled "Underwriting."

We cannot predict what effect, if any, sales of our shares in the public market or the availability of shares for sale will have on the market price of our common stock. However, future sales of substantial amounts of our common stock in the public market, including shares issued upon exercise of outstanding options, or the perception that such sales may occur, could adversely affect the market price of our common stock.

We also expect that significant additional capital may be needed in the future to continue our planned operations. To raise capital, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock.

We are an emerging growth company, and intend to take advantage of reduced disclosure requirements applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenue of $1 billion or more; (ii) the last day of the fiscal year following the fifth anniversary of the date of the completion of this offering; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- being permitted to present only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced "Management's discussion and analysis of financial condition and results of operations" disclosure in this prospectus;
- reduced disclosure obligations regarding executive compensation; and

- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We may choose to take advantage of some, but not all, of the available exemptions described above. We have taken advantage of reduced reporting burdens in this prospectus. In particular, we have provided only two years of audited financial statements and have not included all of the executive compensation information that would be required if we were not an emerging growth company. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We will incur increased costs as a result of operating as a public company and our management will be required to devote substantial time to new compliance initiatives.

As a public company, particularly after we are no longer an emerging growth company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002 and rules subsequently implemented by the SEC and NASDAQ, have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Pursuant to Section 404, we will be required to furnish a report by our management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated financial statements.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to

varying interpretations, in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company and compliance with applicable rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantially higher costs to obtain and maintain the same or similar coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors.

Our executive officers, directors, principal stockholders and their affiliates will continue to exercise significant influence over our company after this offering, which will limit your ability to influence corporate matters and could delay or prevent a change in corporate control.

As of August 31, 2016, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially owned approximately 79.1% of our capital stock and, upon the closing of this offering, that same group will hold approximately 55.4% of our outstanding capital stock (assuming no exercise of the underwriters' option to purchase additional shares, no exercise of outstanding options and no purchases of shares in this offering by any members of this group), in each case assuming the conversion of all outstanding shares of our convertible preferred stock into shares of our common stock immediately prior to the closing of this offering.

As a result, this group of stockholders will have the ability to control us through this ownership position even if they do not purchase any additional shares in this offering. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents or approval of any merger, sale of assets or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders. The interests of this group of stockholders may not always coincide with your interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of other stockholders, including seeking a premium value for their common stock, and might affect the prevailing market price for our common stock.

We could be subject to securities class action litigation.

In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and harm our business, results of operations, financial condition, reputation and cash flows. These factors may materially and adversely affect the market price of our common stock.

Provisions in our corporate charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our certificate of incorporation and our bylaws that will become effective immediately prior to the closing of this offering may discourage, delay or prevent a merger, acquisition or other change in control of our company that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;
- provide that directors may only be removed "for cause" and only with the approval of two-thirds of our stockholders;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our board could use to implement a stockholder rights plan, also known as a "poison pill";
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- prohibit cumulative voting; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, or the DGCL, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Any of these provisions of our charter documents or Delaware law could, under certain circumstances, depress the market price of our common stock. See the section entitled "Description of capital stock."

Our restated certificate of incorporation will designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our restated certificate of incorporation that will become effective immediately prior to the closing of this offering will provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any derivative action or

proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, any action asserting a claim arising pursuant to any provision of the DGCL, our restated certificate of incorporation or our restated bylaws or any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein and the claim not being one which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or for which the Court of Chancery does not have subject matter jurisdiction. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our restated certificate of incorporation. This choice of forum provision may limit our stockholders' ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents even though an action, if successful, might benefit our stockholders. Stockholders who do bring a claim in the Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Delaware. The Court of Chancery may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find this provision of our restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could have a material adverse effect on our business, financial condition or results of operations.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.

We have never declared or paid any cash dividends on our common stock and do not currently intend to do so for the foreseeable future. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business. In addition, our credit agreement with Pacific Western Bank prohibits us from, among other things, paying any dividends or making any other distribution or payment on account of our common stock. Any return to stockholders will be limited to the appreciation of stock. Therefore, the success of an investment in shares of our common stock will depend upon any future appreciation in the value of the stock. We cannot guarantee you that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

Special note regarding forward-looking statements

This prospectus, including the sections entitled “Prospectus summary,” “Risk factors,” “Use of proceeds,” “Management’s discussion and analysis of financial condition and results of operations” and “Business,” contains forward-looking statements. The words “believe,” “may,” “will,” “should,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan” “expect,” and similar expressions that convey uncertainty of future events or outcomes, are intended to identify forward-looking statements.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Risk factors” and elsewhere in this prospectus. Moreover, we operate in a competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations, except as required by law.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

Market and industry data

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate is based on information from various sources, including independent industry publications. In presenting this information, we have also made assumptions based on such data and other similar sources, and on our knowledge of, and our experience to date in, the potential markets for our product. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled “Risk factors.” These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

Use of proceeds

We estimate that the net proceeds from our sale of 5,000,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $67.4 million, or $77.8 million if the underwriters exercise their option to purchase additional shares in full.

A $1.00 increase (decrease) in the assumed initial public offering price would increase (decrease) the net proceeds to us from this offering by approximately $4.7 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of one million shares in the number of shares offered would increase (decrease) the net proceeds to us from this offering by approximately $14.0 million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions payable by us.

We currently intend to use the net proceeds we receive from this offering as follows:

- approximately $33.0 million to $40.0 million for the commercialization of our Obalon balloon system, including $30.0 million to $35.0 million for the development of our sales and marketing infrastructure and $3.0 million to $5.0 million for the expansion of our manufacturing facilities;
- approximately $13.0 million to $15.0 million for continued research and development efforts; and
- the remaining for working capital and other general corporate purposes.

We estimate that the net proceeds from this offering, together with our existing cash and cash equivalents and short-term investments and expected revenue, will be sufficient to meet our capital requirements and fund our operations for at least two years following this offering. In the future, we may need additional funds to complete the development and commercialization of advancements to our existing Obalon balloon system as well as our additional products under development.

This expected use of net proceeds of this offering represents our current intentions based upon our present plans and business conditions. The amounts we actually expend in these areas, and the timing thereof, may vary significantly from our current intentions and will depend upon a number of factors, including future sales growth, success of research and product development efforts, cash generated from future operations and actual expenses to operate our business. We may use a portion of the net proceeds to acquire complementary products, technologies or businesses; however, we currently have no agreements or commitments to complete any such transactions and are not involved in negotiations to do so.

As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to be received upon the closing of this offering. Accordingly, our management will have broad discretion in the application of the net proceeds, and investors will be relying on the judgment of our management regarding the application of the net proceeds of this offering.

Pending their use as described above, we intend to invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government.

Dividend policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. We do not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors and will depend on, among other factors, our results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors our board of directors may deem relevant. Investors should not purchase our common stock with the expectation of receiving cash dividends. In addition, under our loan and security agreement with Pacific Western Bank (as successor in interest to Square 1 Bank), we are restricted from paying any dividends or making any distributions on account of our capital stock. See “Management’s discussion and analysis of financial condition and results of operations—Liquidity and capital resources” for a description of the restrictions on our ability to pay dividends.

Capitalization

The following table sets forth our cash and cash equivalents and short-term investments and total capitalization as of June 30, 2016:

- on an actual basis;
- on a pro forma basis to give effect to: (i) the automatic conversion of all outstanding shares of our convertible preferred stock as of June 30, 2016 into an aggregate of 10,360,419 shares of common stock immediately prior to the closing of this offering; (ii) the automatic net exercise of outstanding warrants to purchase 24,550 shares of preferred stock immediately prior to the closing of this offering, which will result in the issuance of 12,217 shares of common stock, based on an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and the related reclassification of the warrant liability to stockholders' equity; (iii) the automatic conversion of outstanding warrants to purchase 60,786 shares of preferred stock into warrants to purchase 60,786 shares of common stock upon the closing of this offering and the related reclassification of the warrant liability to additional paid-in capital; and (iv) the effectiveness of our restated certificate of incorporation immediately prior to the closing of this offering; and
- on a pro forma as adjusted basis to give effect to: (i) the pro forma adjustments set forth above and (ii) the sale and issuance of 5,000,000 shares of common stock in this offering, at an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

Capitalization

You should read this table together with "Use of proceeds," "Selected consolidated financial data," "Management's discussion and analysis of financial condition and results of operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of June 30, 2016		
	Actual	Pro forma	Pro forma as adjusted(1)
	(unaudited) (in thousands, except shares and per share data)		
Cash and cash equivalents and short-term investments	$ 18,282	$ 18,282	$ 85,632
Term loan	9,883	9,883	9,883
Warrant liability	213	—	—
Convertible preferred stock, $0.001 par value; 34,460,759 shares authorized, 10,096,639 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	70,498	—	—
Stockholders' (deficit) equity:			
Preferred stock, par value $0.001; no shares authorized, issued and outstanding, actual and pro forma; 10,000,000 shares authorized and no shares issued and outstanding, pro forma as adjusted	—	—	—
Common stock, $0.001 par value; 45,000,000 shares authorized, 580,835 shares issued and outstanding, actual; 300,000,000 shares authorized, 10,953,471 shares issued and outstanding, pro forma; 15,953,471 shares issued and outstanding, pro forma as adjusted	1	11	16
Additional paid-in capital	1,159	71,979	139,324
Other comprehensive income	4	4	4
Accumulated deficit	(63,854)	(63,973)	(63,973)
Total stockholders' (deficit) equity	(62,690)	8,021	75,371
Total capitalization	$ 17,904	$ 17,904	$ 85,254

(1) Each $1.00 increase (decrease) in the assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of cash and cash equivalents and short-term investments, additional paid-in capital, total stockholders' equity and total capitalization by approximately $4.7 million, assuming the number of shares offered, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of one million shares in the number of shares offered would increase (decrease) each of cash and cash equivalents and short-term investments, additional paid-in capital, total stockholders' equity and total capitalization by approximately $14.0 million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions payable by us.

The table above excludes the following shares:

- 1,767,690 shares of common stock issuable upon the exercise of stock options outstanding as of June 30, 2016, with a weighted-average exercise price of $1.41 per share;
- 229,528 shares of common stock issuable upon the exercise of stock options granted after June 30, 2016, with an exercise price of $2.82 per share;

- 60,786 shares of common stock issuable upon the exercise of warrants to purchase shares of preferred stock outstanding as of June 30, 2016, with a weighted-average exercise price of $7.40 per share, which will become warrants to purchase 60,786 shares of common stock upon the closing of this offering; and
- 3,436,415 shares of common stock reserved for future issuance under our stock-based compensation plans as of June 30, 2016, consisting of (i) 1,056,415 shares of common stock reserved for future issuance under our 2008 Equity Incentive Plan as of June 30, 2016, which was reduced to 447,719 shares on July 17, 2016, (ii) 2,200,000 shares of common stock reserved for future issuance under our 2016 Equity Incentive Plan, which will become effective on the date immediately prior to the effective date of the registration statement of which this prospectus is a part, and (iii) 180,000 shares of common stock reserved for future issuance under our 2016 Employee Stock Purchase Plan, which will become effective on the effective date of the registration statement of which this prospectus is a part.

Dilution

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering.

As of June 30, 2016, our historical net tangible book value (deficit) was $(62.7) million, or $(107.93) per share of our common stock. Net tangible book value (deficit) per share represents our total tangible assets (total assets less intangible assets) less total liabilities and preferred stock, divided by the total number of our outstanding shares of common stock.

Our pro forma net tangible book value as of June 30, 2016 was approximately $8.1 million, or $0.73 per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets (total assets less intangible assets) less total liabilities, divided by the total number of outstanding shares of our common stock, after giving effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock as of June 30, 2016 into an aggregate of 10,360,419 shares of common stock immediately prior to the closing of this offering; (ii) the automatic net exercise of outstanding warrants to purchase 24,550 shares of preferred stock immediately prior to the closing of this offering, which will result in the issuance of 12,217 shares of common stock, based on an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus.

After giving effect to (i) the pro forma adjustments set forth above and (ii) the sale and issuance of 5,000,000 shares of common stock in this offering, at an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of June 30, 2016 would have been approximately $75.4 million, or $4.72 per share of our common stock. This represents an immediate increase in pro forma net tangible book value of approximately $3.99 per share to our existing stockholders and an immediate dilution of $10.28 per share to investors purchasing shares in this offering, as follows:

Assumed initial public offering price per share		$ 15.00
Pro forma net tangible book value per share as of June 30, 2016 before giving effect to this offering	$ 0.73	
Increase in pro forma net tangible book value per share attributable to this offering	3.99	
Pro forma as adjusted net tangible book value per share after this offering		4.72
Dilution in pro forma as adjusted net tangible book value per share to new investors participating in this offering		$ 10.28

A $1.00 increase (decrease) in the assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by approximately $0.29 and the dilution per share to new investors participating in this offering would increase (decrease) by approximately $0.71, assuming the number of shares offered, as set forth on the cover page of this

prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions payable by us. We may also increase or decrease the number of shares we are offering. A one million share increase in the number of shares offered by us would increase our pro forma as adjusted net tangible book value per share after this offering by approximately $0.54 and the dilution per share to new investors participating in this offering would decrease by approximately $0.54, assuming the assumed initial public offering price remains the same and after deducting the estimated underwriting discounts and commissions payable by us. Similarly, a one million share decrease in the number of shares offered by us would decrease our pro forma as adjusted net tangible book value per share after this offering by approximately $0.62 and the dilution per share to new investors participating in this offering would increase by approximately $0.62, assuming the assumed initial public offering price remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

If the underwriters exercise their option to purchase additional shares in full, our pro forma as adjusted net tangible book value per share after this offering would be approximately $5.14 per share, and the dilution in pro forma as adjusted net tangible book value per share to new investors participating in this offering would be $9.86 per share.

The following table summarizes, on a pro forma as adjusted basis as of June 30, 2016, the differences between the number of shares of common stock purchased from us, the total cash consideration and the average price per share paid to us by existing stockholders and by new investors purchasing shares in this offering, at an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares purchased		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Existing stockholders	10,953,471	68.7%	$ 71,963,417	49.0%	$ 6.57
New investors participating in this offering	5,000,000	31.3	75,000,000	51.0	$ 15.00
Total	15,953,471	100%	$146,963,417	100%	

A $1.00 increase (decrease) in the assumed initial public offering price of $15.00 per share of our common stock, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors participating in this offering by approximately $5.0 million, assuming the number of shares offered, as set forth on the cover page of this prospectus, remains the same, and before deducting the estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of one million shares in the number of shares offered would increase (decrease) the total consideration paid by new investors participating in this offering by approximately $15.0 million, assuming the assumed initial public offering price remains the same and before deducting the estimated underwriting discounts and commissions payable by us.

If the underwriters exercise their option to purchase additional shares in full, the number of shares of common stock held by existing stockholders will be reduced to 65.6% of the total number of shares of common stock to be outstanding after this offering, and the number of shares of common stock held by investors participating in this offering will be further increased to 34.4% of the total number of shares of common stock to be outstanding after this offering.

To the extent that any outstanding options and warrants described below are exercised, investors will experience further dilution. Assuming the exercise of all of our outstanding options and warrants as of June 30, 2016, the number of shares of common stock held by existing stockholders would be increased

to 71.9% of the total number of shares of common stock to be outstanding after this offering, and the number of shares of common stock held by investors participating in this offering would be reduced to 28.1% of the total number of shares of common stock to be outstanding after this offering. Additionally, the cash consideration paid to us by existing stockholders would be $74.9 million, or approximately 50.0%, of the total cash consideration, and the cash consideration paid to us by new investors purchasing shares in this offering would remain $75.0 million, or approximately 50.0%, of the total cash consideration. The average price per share paid to us by existing stockholders would be $5.86 and the average price per share paid to us by new investors would remain unchanged.

Certain of our stockholders and their affiliates, some of which are affiliated with our directors, have indicated an interest in purchasing shares of common stock in this offering with an aggregate value of approximately $20.0 million at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering. The underwriters will receive the same underwriting discount on any shares purchased by these parties as they will on any other shares sold to the public in this offering. The information set forth above does not reflect any potential purchase of any shares in this offering by such parties.

The number of shares of our common stock to be outstanding after this offering excludes:

- 1,767,690 shares of common stock issuable upon the exercise of stock options outstanding as of June 30, 2016, with a weighted-average exercise price of $1.41 per share;
- 229,528 shares of common stock issuable upon the exercise of stock options granted after June 30, 2016, with an exercise price of $2.82 per share;
- 60,786 shares of common stock issuable upon the exercise of warrants to purchase shares of preferred stock outstanding as of June 30, 2016, with a weighted-average exercise price of $7.40 per share, which will become warrants to purchase 60,786 shares of common stock upon the closing of this offering; and
- 3,436,415 shares of common stock reserved for future issuance under our stock-based compensation plans as of June 30, 2016, consisting of (i) 1,056,415 shares of common stock reserved for future issuance under our 2008 Equity Incentive Plan as of June 30, 2016, which was reduced to 447,719 shares on July 17, 2016, (ii) 2,200,000 shares of common stock reserved for future issuance under our 2016 Equity Incentive Plan, which will become effective on the date immediately prior to the effective date of the registration statement of which this prospectus is a part, and (iii) 180,000 shares of common stock reserved for future issuance under our 2016 Employee Stock Purchase Plan, which will become effective on the effective date of the registration statement of which this prospectus is a part.

Selected consolidated financial data

The selected consolidated statements of operations data for the years ended December 31, 2014 and 2015 and the consolidated balance sheet data as of December 31, 2014 and 2015 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated statement of operations data for the six months ended June 30, 2015 and 2016 and the consolidated balance sheet data as of June 30, 2016 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The unaudited interim condensed consolidated financial statements were prepared on a basis consistent with our audited financial statements and reflect, in the opinion of management, all adjustments of a normal recurring nature that are necessary for the fair presentation of the financial statements. Our historical results are not necessarily indicative of the results that may be expected in any future period, and the results for the six months ended June 30, 2016 are not necessarily indicative of results to be expected for the full year ending December 31, 2016, or any other period.

The following selected consolidated financial data should be read with “Management’s discussion and analysis of financial condition and results of operations” and our consolidated financial statements and related notes included elsewhere in this prospectus. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this prospectus.

Selected consolidated financial data

	Year ended December 31,		Six months ended June 30,	
	2014	2015	2015	2016
			(unaudited)	
	(in thousands, except shares and per share data)			
Consolidated statements of operations data:				
Revenue:				
Revenue	$ 1,683	$ 216	$ 224	$ —
Revenue, related party	1,856	3,823	1,739	1,848
Total revenue	3,539	4,039	1,963	1,848
Cost of revenue	2,912	2,503	1,205	1,294
Gross profit	627	1,536	758	554
Operating expenses:				
Research and development	5,767	12,978	5,968	5,098
Selling, general and administrative	4,700	3,491	1,679	2,975
Total operating expenses	10,467	16,469	7,647	8,073
Loss from operations	(9,840)	(14,933)	(6,889)	(7,519)
Interest expense, net	(220)	(549)	(263)	(290)
Gain (loss) from change in fair value of warrant liability	167	(34)	11	119
Other income (expense), net	3	(41)	(16)	(22)
Net loss	(9,890)	(15,557)	(7,157)	(7,712)
Other comprehensive income	9	5	10	4
Net loss and comprehensive loss	$ (9,881)	$ (15,552)	$ (7,147)	$ (7,708)
Net loss per share, basic and diluted(1)	$ (18.61)	$ (27.14)	$ (12.51)	$ (13.37)
Weighted-average common shares outstanding, basic and diluted(1)	531,430	573,181	572,195	576,757
Pro forma net loss per share, basic and diluted (unaudited)(1)		$ (1.72)		$ (0.81)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited)(1)		9,026,927		9,691,211

(1) See Notes 2 and 4 to our consolidated financial statements and Notes 2 and 4 to our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per share, basic and diluted pro forma net loss per share and the shares used in computing basic and diluted net loss per share and basic and diluted pro forma net loss per share.

Selected consolidated financial data

	As of December 31,		As of June 30,
	2014	2015	2016
		(in thousands)	(unaudited)
Consolidated balance sheet data:			
Cash and cash equivalents and short-term investments	$ 19,244	$ 12,531	$ 18,282
Working capital	19,364	8,236	13,924
Total assets	20,719	14,221	20,071
Term loan	4,877	9,841	9,883
Warrant liability	56	332	213
Convertible preferred stock	54,826	54,699	70,498
Accumulated deficit	(40,585)	(56,142)	(63,854)
Total stockholders' deficit	(39,856)	(55,139)	(62,690)

Management's discussion and analysis of financial condition and results of operations

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing at the end of this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks, uncertainties and assumptions. You should read the "Special note regarding forward-looking statements" and "Risk factors" sections of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

OVERVIEW

We are a commercial-stage medical device company focused on developing and commercializing innovative medical devices to treat obese and overweight people by facilitating weight loss. Our initial product offering is the Obalon balloon system, the first swallowable, gas-filled intragastric balloon designed to provide progressive and sustained weight loss in obese patients. We recently received premarket approval from the U.S. Food and Drug Administration, or FDA, to market our balloon system for temporary use to facilitate weight loss in obese adults with a body mass index, or BMI, of 30 to 40, who have failed to lose weight through diet and exercise. The Obalon balloon system is intended to be used as an adjunct to a moderate intensity diet and behavior modification program. All balloons must be removed six months after the first balloon is placed. The Obalon balloon system has the potential to provide patients and physicians with a cost-effective, reversible and repeatable weight loss solution in an outpatient setting, without altering patient anatomy or requiring surgery. We anticipate commencing the U.S. commercial launch of our Obalon balloon system in early 2017. As of June 30, 2016, we had sold over 23,000 of our earlier generation Obalon balloon systems for commercial use outside the United States.

We began selling an earlier version of our Obalon balloon system in Europe in the third quarter of 2012, and we expanded sales into Mexico and the Middle East in the third quarter of 2013. Our Obalon balloon system was sold in Europe through distributors, in Mexico directly to physicians and in the Middle East through a single distributor. In 2015, we discontinued sales in Europe and Mexico to conserve financial resources while we focused on developing our current Obalon balloon system and subsequently obtaining regulatory approval to market it in the United States, which we believe to be our largest single market opportunity. In 2017, we intend to discontinue international distribution of our earlier generation product and begin selling our current Obalon balloon system.

In June 2013, we entered into a distribution agreement with Bader Sultan & Bros. Co W.L.L., or Bader, a healthcare products distributor based in Sufat, Kuwait, which subsequently became one of our significant stockholders. Pursuant to the distribution agreement, in November 2013, we began selling our earlier generation Obalon balloon system to Bader, our sole distributor in the Middle East. Sales to Bader for the years ended December 31, 2014 and 2015 totaled $1.9 million and $3.8 million, which represent 52.4% and 94.7% of total revenue, respectively. As of June 30, 2016, all of our total revenue consisted of sales of our earlier generation Obalon balloon system to Bader. We expect Bader to account for a significantly lower percentage of our total revenue as we commence commercial sales in the United States in 2017.

We intend to focus our sales and marketing efforts primarily on selling our product in the United States through a direct sales force, as well as selling our products through Bader in the Middle East and other distributors in select international markets. We are building a direct sales organization consisting of regional sales directors, executive account managers and product specialists. We initially plan to sell the Obalon balloon system on a self-pay basis into existing physician specialty areas with weight loss practices, such as bariatric surgeons and gastroenterologists. Given the initial focus of our sales and marketing efforts, we believe we can begin targeting the U.S. market with a sales organization of approximately 15 to 20 individuals.

We generated total revenue, including revenue recognized from related parties, of $3.5 million, $4.0 million and $1.8 million for the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016, respectively. For the years ended December 31, 2014 and 2015, our net loss was $9.9 million and $15.6 million, respectively, and for the six months ended June 30, 2016, our net loss was $7.7 million. We have not been profitable since inception, and as of June 30, 2016, our accumulated deficit was $63.9 million. Since inception, we have financed our operations primarily through private placements of our preferred securities and, to a lesser extent, debt financing arrangements. We expect to continue to incur net losses for the foreseeable future as we commercialize our product in the United States, including building our sales and marketing organization and expanding our manufacturing facilities, continue research and development efforts, and seek regulatory approval for new products and product enhancements. We will need additional funding to pay expenses relating to our operating activities, including selling, general and administrative expenses and research and development expenses. Adequate funding may not be available to us on acceptable terms, or at all. Our failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on our business, results of operations or financial condition.

COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Total revenue consists of international sales of an earlier generation of our Obalon balloon system. Revenue consists of sales of our Obalon balloon system to distributors or directly to physicians in Europe and Mexico, and revenue, related party reflects sales of our Obalon balloon system to Bader in the Middle East. During the third quarter of 2015, we discontinued sales in Europe and Mexico, and as of June 30, 2016, total revenue consisted of sales of our Obalon balloon system to Bader in the Middle East.

We plan to focus on selling our Obalon balloon system in the United States, which we anticipate will be our primary market. We expect that, as a result, total revenue will increase as we implement our U.S. sales strategy and our revenue from international sales will constitute a smaller percentage of total revenue. However, the degree to which our revenue increases depends on many factors, including acceptance of our Obalon balloon system by doctors and patients, the emergence of competing products and general economic trends.

Cost of revenue and gross margin

Cost of revenue consists primarily of costs related to the direct materials and direct labor that are used to produce our products and the manufacturing overhead that directly support production. Currently, a significant portion of our cost of revenue consists of manufacturing overhead, which is mostly fixed in nature. These overhead costs include the cost of compensation for operations supervision and management,

material procurement, inventory control, facilities and depreciation on production equipment. We expect cost of revenue to increase in absolute dollars to the extent our total revenue grows.

We calculate gross margin as gross profit divided by total revenue. Our gross margin has been and will continue to be affected by a variety of factors, primarily production volumes, manufacturing costs, product yields, headcount and cost-reduction strategies. We expect our gross margin to increase over the long term as our production volume increases and as we spread the fixed portion of our manufacturing overhead costs over a larger number of units produced, thereby reducing our per unit manufacturing costs. We intend to use our design, engineering and manufacturing capabilities to further advance and improve the efficiency of our manufacturing processes, which we believe will reduce costs and increase our gross margin. While we expect gross margin to increase over the long term, it will likely fluctuate from quarter to quarter as we continue to introduce new products and adopt new manufacturing processes and technologies.

Research and development expenses

Research and development, or R&D, expenses consist of the cost of engineering, clinical affairs, regulatory affairs and quality assurance associated with developing our Obalon balloon system. R&D expenses consist primarily of:

- employee-related expenses, including salaries, benefits, travel expense and stock-based compensation expense;
- cost of outside consultants who assist with technology development, regulatory affairs, clinical affairs and quality assurance;
- cost of clinical trial activities performed by third party medical partners; and
- cost of facilities, depreciation on R&D equipment and supplies used for internal research and development and clinical activities.

We expense R&D costs as incurred. In the future, we expect R&D expenses to increase in absolute dollars as we continue to develop new products and enhance existing products and technologies. However, we expect R&D expenses as a percentage of total revenue to vary over time depending on the level and timing of our new product development efforts, as well as our clinical development, clinical trial and other related activities.

Selling, general and administrative expenses

Selling, general and administrative, or SG&A, expenses consist of employee-related expenses, including salaries, benefits, travel expense and stock-based compensation expense. Other SG&A expenses include promotional activities, marketing, conferences and trade shows, professional services fees, including legal, audit and tax fees, insurance costs, general corporate expenses and allocated facilities-related expenses. We expect to grow our sales and marketing force significantly in the near future in preparation for the commercial launch of our Obalon balloon system in the United States in early 2017. As a result, we expect SG&A expenses to significantly increase in absolute dollars and as a percentage of total revenue for the foreseeable future as we expand our sales and marketing infrastructure to drive and support anticipated growth in revenue and due to the additional legal, accounting, insurance and other expenses associated with becoming a public company.

RESULTS OF OPERATIONS

	Year ended December 31,		Six months ended June 30,	
	2014	2015	2015	2016
	(in thousands)			
Consolidated statements of operations data:				
Revenue:				
Revenue	$ 1,683	$ 216	$ 224	$ —
Revenue, related party	1,856	3,823	1,739	1,848
Total revenue	3,539	4,039	1,963	1,848
Cost of revenue	2,912	2,503	1,205	1,294
Gross profit	627	1,536	758	554
Operating expenses:				
Research and development	5,767	12,978	5,968	5,098
Selling, general and administrative	4,700	3,491	1,679	2,975
Total operating expenses	10,467	16,469	7,647	8,073
Loss from operations	(9,840)	(14,933)	(6,889)	(7,519)
Interest expense, net	(220)	(549)	(263)	(290)
Gain (loss) from change in fair value of warrant liability	167	(34)	11	119
Other income (expense), net	3	(41)	(16)	(22)
Net loss	(9,890)	(15,557)	(7,157)	(7,712)
Other comprehensive income	9	5	10	4
Net loss and comprehensive loss	$ (9,881)	$ (15,552)	$ (7,147)	$ (7,708)

Comparison of six months ended June 30, 2015 and 2016

Total revenue. Total revenue decreased $0.2 million to $1.8 million during the six months ended June 30, 2016, compared to $2.0 million during the six months ended June 30, 2015. This decrease was primarily attributable to a decrease in the volume sold as we discontinued sales of the Obalon balloon system in Europe and Mexico beginning in the third quarter of 2015.

Cost of revenue. Cost of revenue increased $0.1 million to $1.3 million during the six months ended June 30, 2016, compared to $1.2 million during the six months ended June 30, 2015. This increase was primarily attributable to changes in the allocation of production cost between R&D expense and cost of revenue.

Research and development expenses. R&D expenses decreased $0.9 million to $5.1 million during the six months ended June 30, 2016, compared to $6.0 million during the six months ended June 30, 2015. This decrease was primarily attributable to a $1.3 million decrease in clinical trial expenses due to the conclusion of our SMART trial. This decrease was partially offset by a $0.3 million increase in employee-related expenses associated with additional headcount and a $0.1 million increase due to payments to outside consultants associated with projects to prepare us for FDA audits during the six months ended June 30, 2016.

Selling, general and administrative expenses. SG&A expenses increased $1.3 million to $3.0 million during the six months ended June 30, 2016, compared to $1.7 million during the six months ended June 30, 2015. This increase was primarily attributable to a $1.0 million increase in legal fees associated with increased intellectual property development and protection and a $0.3 million increase in employee-related expenses from an increase in headcount.

Interest expense, net. Interest expense, net remained relatively consistent at $0.3 million for the six months ended June 30, 2015 and 2016.

Comparison of years ended December 31, 2014 and 2015

Total revenue. Total revenue increased by $0.5 million to $4.0 million during the year ended December 31, 2015, compared to $3.5 million during the year ended December 31, 2014. This increase was attributable to a $2.0 million increase in revenue, related party due to the increased volume sold in the Middle Eastern market during the year ended December 31, 2015 as a result of our distributor selling to new territories, offset by a $1.5 million decrease in revenue, as we discontinued sales in Europe and Mexico beginning in the third quarter of 2015 and the volume sold in those regions decreased substantially.

Cost of revenue. Cost of revenue decreased by $0.4 million to $2.5 million during the year ended December 31, 2015, compared to $2.9 million during the year ended December 31, 2014. This decrease was primarily attributable to lower payroll and outside consulting expense associated with manufacturing our products. During the year ended December 31, 2015, we operated with a lower engineering and supervisory headcount in our manufacturing department compared to the year ended December 31, 2014.

Research and development expenses. R&D expenses increased $7.2 million to $13.0 million during the year ended December 31, 2015, compared to $5.8 million during the year ended December 31, 2014. This increase was primarily attributable to the initiation of our SMART trial in April 2015.

Selling, general and administrative expenses. SG&A expenses decreased $1.2 million to $3.5 million during the year ended December 31, 2015, compared to $4.7 million during the year ended December 31, 2014. This decrease was primarily attributable to decreases in selling and marketing expenses due to the discontinuation of sales in Mexico and Europe beginning in the third quarter of 2015.

Interest expense, net. Interest expense, net increased $0.3 million to $0.5 million during the year ended December 31, 2015, compared to an expense of $0.2 million during the year ended December 31, 2014. The increase in interest expense was attributable to an increase in outstanding debt to support our operations during the year ended December 31, 2015 as compared to the year ended December 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2016, we had cash and cash equivalents and short-term investments of $18.3 million and an accumulated deficit of $63.9 million. Our primary sources of capital have been private placements of preferred stock and the incurrence of debt. To date, we have raised an aggregate of $70.5 million in proceeds from convertible preferred stock financings. Additionally, in June 2013, we incurred $3.0 million of debt under a loan and security agreement with Square 1 Bank, which was amended in October 2014 to increase the outstanding debt to $5.0 million with an additional $5.0 million funded in January 2015, which resulted in aggregate outstanding indebtedness as of June 30, 2016 of $10.0 million. In September 2016, the loan and security agreement was subsequently amended to provide for an additional $5.0 million in funding, which we may borrow at any time prior to March 7, 2017.

Due to the FDA's recent approval of our Obalon balloon system, we expect to incur substantial additional expenditures in the next 12 months to support the commercial launch of our product in the Unites States beginning in early 2017. We believe that cash and cash equivalents and short-term

investments as of June 30, 2016 are not sufficient to fund these operations for the next 12 months. However, we believe that the net proceeds from this offering, together with our existing cash and cash equivalents and short-term investments and expected revenue, will be sufficient to meet our capital requirements and fund our operations for at least two years following this offering. We expect our costs and expenses to increase in the future as we prepare for and commence U.S. commercialization of our Obalon balloon system, including the development of a direct sales force and the expansion of our manufacturing facilities, and as we continue to make substantial expenditures on research and development, including for conducting clinical trials of our products in development. Additionally, we expect to incur additional costs as a result of operating as a public company. Our future capital requirements will depend on many factors, including:

- the costs and expenses of establishing our U.S. sales and marketing infrastructure and our manufacturing operations;
- the degree of success we experience in commercializing our Obalon balloon system;
- the revenue generated by sales of our Obalon balloon system and other products that may be approved in the United States;
- the costs, timing and outcomes of clinical trials and regulatory reviews associated with our products under development;
- the costs and timing of developing variations of our Obalon balloon system, and, if necessary, obtaining FDA approval of such variations;
- the emergence of competing or complementary technological developments;
- the extent to which our Obalon balloon system is adopted by the physician community;
- the number and types of future products we develop and commercialize;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims; and
- the extent and scope of our general and administrative expenses.

Additional financing may not be available on a timely basis on terms acceptable to us, or at all. We may raise funds in equity or debt financings following our initial public offering or enter into additional credit facilities in order to access funds for our capital needs. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. Any debt financing obtained by us in the future would cause us to incur additional debt service expenses and could include restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and pursue business opportunities. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, we may terminate or delay the development of one or more of our products, delay clinical trials necessary to market our products, or delay establishment of sales and marketing capabilities or other activities necessary to commercialize our products.

Loan and security agreement

In June 2013, we entered into a $3.0 million loan and security agreement with Square 1 Bank (predecessor in interest to Pacific Western Bank), which we subsequently amended in October 2014 and September 2016.

As of June 30, 2016, we could borrow up to $10.0 million in two tranches of $5.0 million each. The first $5.0 million tranche allowed for an additional $2.0 million of outstanding debt and was funded upon execution of the amendment in October 2014. The second $5.0 million was available upon our receipt of at least $20.0 million in equity proceeds. In January 2015, following our Series D preferred stock offering, the full $5.0 million of the second tranche was funded. As of June 30, 2016, we had $10.0 million outstanding under this loan and security agreement, which had a variable annual interest rate equal to the greater of the prime rate plus 1.75% or 5.0%, and matured in October 2018.

Subsequent to June 30, 2016, we amended the loan and security agreement to allow for total borrowings up to $15.0 million in two tranches as follows: a first tranche consisting of $10.0 million funded in September 2016, of which the full $10.0 million was used to repay the existing debt with Pacific Western Bank (a successor in interest to Square 1 Bank) (pursuant to its original terms); and a second tranche consisting of an additional $5.0 million which may be drawn at any time prior to March 7, 2017.

The current interest rate on the outstanding debt is a variable annual rate equal to the greater of the prime rate plus 1.50% or 5.0%. The loan and security agreement provides for an interest-only period through March 2018, followed by a 30-month principal and interest period. Pursuant to the loan and security agreement, we provided a first priority security interest in all existing and after-acquired assets, excluding intellectual property, owned by us. The debt currently matures in September 2020, at which time all amounts outstanding, including accrued interest, become immediately due and payable.

Pursuant to the loan and security agreement, we issued to Pacific Western Bank a warrant to purchase a number of our shares of Series E convertible preferred stock, at a purchase price of $8.2932 per share, equal to 3.0% of the total amount of debt drawn under the second tranche divided by the purchase price, which will only be exercisable in the event that we borrow all or part of the second tranche.

The loan and security agreement provides for restrictions on, among other things, our ability to incur additional indebtedness, change the name or location of our business, change our business, merge with or acquire other entities, pay dividends or make other distributions to holders of our capital stock, make certain investments, engage in transactions with our affiliates, create liens, sell assets, pay any subordinated debt, and store certain inventory and equipment with third parties. In addition, if our total cash is less than $15.0 million, we are required to maintain all our deposits, transaction accounts and primary investment accounts with Pacific Western Bank, and if our total cash is greater than $15.0 million, we are required to maintain 50% of our deposits, transaction accounts and primary investment accounts with Pacific Western Bank.

CASH FLOWS

	Year ended December 31,		Six months ended June 30,	
	2014	2015	2015	2016
	(in thousands)			
Net cash (used in) provided by:				
Operating activities	$ (9,907)	$ (11,392)	$ (3,452)	$ (8,663)
Investing activities	(7,918)	2,777	(6,549)	(4,892)
Financing activities	22,188	5,062	5,059	14,528
Exchange rate effect	12	7	—	—
Net increase (decrease) in cash and cash equivalents	$ 4,375	$ (3,546)	$ (4,942)	$ 973

Net cash used in operating activities

During the six months ended June 30, 2016, net cash used in operating activities was $8.7 million, consisting primarily of a net loss of $7.7 million and an increase in net operating assets of $1.2 million, primarily related to the payment of compensation accrued at December 31, 2015. These items were offset by non-cash charges of $0.2 million, consisting primarily of depreciation, stock-based compensation expense and non-cash interest expense related to amortization of investment premium and debt discount.

During the six months ended June 30, 2015, net cash used in operating activities was $3.5 million, consisting primarily of a net loss of $7.2 million, offset by a decrease in net operating assets of $3.3 million and non-cash charges of $0.4 million. The decrease in net operating assets consisted primarily of an increase in accrued expenses for our SMART trial and a customer deposit received from Bader. The non-cash charges primarily consisted of depreciation, stock-based compensation expense and non-cash interest expense related to amortization of investment premium and debt discount.

During the year ended December 31, 2015, net cash used in operating activities was $11.4 million, consisting primarily of a net loss of $15.6 million, offset by a decrease in net operating assets of $3.4 million and non-cash charges of $0.8 million. The decrease in net operating assets primarily consisted of increased accrued expenses for our SMART trial and a customer deposit received from Bader.

During the year ended December 31, 2014, net cash used in operating activities was $9.9 million, consisting primarily of a net loss of $9.9 million and an increase in net operating assets of $0.3 million, partially offset by non-cash charges of $0.3 million. The increase in net operating assets was primarily attributable to increases in inventory and other current assets and decreases in accrued clinical expenses. The non-cash charges primarily consisted of depreciation, stock-based compensation expense and non-cash interest expense related to amortization of investment premium and debt discount.

Net cash (used in) provided by investing activities

During the six months ended June 30, 2016, net cash used in investing activities was $4.9 million, consisting primarily of purchases of short-term investments, partially offset by maturities of short-term investments.

During the six months ended June 30, 2015, net cash used in investing activities was $6.5 million, consisting primarily of purchases of short-term investments, partially offset by maturities of short-term investments.

During the year ended December 31, 2015, net cash provided by investing activities was $2.8 million, consisting primarily of maturities of short-term investments.

During the year ended December 31, 2014, net cash used in investing activities was $7.9 million, consisting primarily of purchases of short-term investments, partially offset by maturities of short-term investments.

Net cash provided by financing activities

During the six months ended June 30, 2016, net cash provided by financing activities was $14.5 million, consisting primarily of net proceeds of $14.5 million from the issuance of Series E convertible preferred stock.

During the six months ended June 30, 2015, net cash provided by financing activities was $5.1 million, consisting primarily of proceeds of $5.0 million from borrowings under our loan and security agreement with Pacific Western Bank.

During the year ended December 31, 2015, net cash provided by financing activities was $5.1 million, consisting primarily of proceeds of $5.0 million from borrowings under our loan and security agreement with Pacific Western Bank.

During the year ended December 31, 2014, net cash provided by financing activities was $22.2 million, consisting primarily of net proceeds of $20.2 million from the issuance of Series D convertible preferred stock and a $2.0 million increase in borrowings under our loan and security agreement with Pacific Western Bank.

OFF-BALANCE SHEET ARRANGEMENTS

We currently have no off-balance sheet arrangements, such as structured finance, special purpose entities or variable interest entities.

CONTRACTUAL OBLIGATIONS

Our principal obligations consist of the operating lease for our facility and our loan and security agreement with Square 1 Bank. The following table sets out, as of December 31, 2015, our contractual obligations due by period:

	Payments due by period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(in thousands)				
Operating lease obligations(1).	$ 279	$ 225	$ 54	$ —	$ —
Term loan	10,000	833	9,167	—	—
Total	$ 10,279	$ 1,058	$ 9,221	$ —	$ —

(1) Consists of obligations under a multi-year, non-cancelable building lease for our facility in Carlsbad, California. The lease expires on March 31, 2017.

We enter into contracts in the normal course of business with clinical trial sites and clinical supply manufacturing organizations and with vendors for preclinical studies, research supplies and other services and products for operating purposes. These contracts generally provide for termination after a notice period, and, therefore, are cancelable contracts and not included in the table above. As of June 30, 2016, we had completed our lead clinical trial and all material expenses were accrued.

In September 2016, we amended our loan and security agreement with Pacific Western Bank. See "—Loan and security agreement."

Our contractual obligations as of June 30, 2016 have not otherwise significantly changed from December 31, 2015.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material.

While our significant accounting policies are more fully described in the notes to our financial statements appearing elsewhere in this prospectus, we believe the following discussion addresses our most critical accounting policies, which are those that are most important to our financial condition and results of operations and require our most difficult, subjective and complex judgments.

Revenue recognition

Revenue relates to sales of components of the Obalon balloon system, which includes the balloon and accessory kit, EzFill inflation system, pre-filled can of gas and placebo capsule. As of June 30, 2016, the product is sold to one customer, Bader, a related party and healthcare product distributor based in Sufat, Kuwait. We recognize revenue when the following revenue recognition criteria are met:

- ***Persuasive evidence of an arrangement exists.*** We consider this criterion satisfied when we have an agreement or contract in place with the customer.
- ***Delivery has occurred.*** Our standard terms specify that title and risk of loss transfers upon shipment to customer. We use third-party shipping documents to verify that title has transferred.
- ***The selling price is fixed or determinable.*** We assess whether the sales price is fixed or determinable at the time of the transaction. Sales prices are documented in the executed sales contract or purchase order received prior to shipment. Our standard terms do not allow for trial or evaluation periods, rights of return or refund, payments contingent upon the customer obtaining financing or other terms that could impact the customer's obligation.
- ***Collectability is reasonably assured.*** We assess whether collection is reasonably assured based on a number of factors, including the customer's past transaction history and credit worthiness.

Stock-based compensation expense

We maintain an equity incentive plan to provide long-term incentive for employees, consultants and members of our board of directors. The plan allows for the issuance of non-statutory and incentive stock options to employees and non-statutory stock options to consultants and non-employee directors.

We are required to determine the fair value of equity incentive awards and recognize compensation expense for all equity incentive awards, including employee stock options. We recognize this expense over the requisite service period. In addition, we recognize stock-based compensation expense in the statements of operations and comprehensive loss based on awards expected to vest and, therefore, the amount of expense has been reduced for estimated forfeitures. We use the straight-line method for expense attribution.

The valuation model we used for calculating the fair value of awards for stock-based compensation expense is the Black-Scholes option-pricing model, or the Black-Scholes model. The Black-Scholes model requires us to make assumptions and judgments about the variables used in the calculation, including:

- ***Expected term.*** We do not believe we are able to rely on our historical exercise and post-vesting termination activity to provide accurate data for estimating the expected term for use in determining the fair value-based measurement of our options. Therefore, we have opted to use the "simplified method" for estimating the expected term of options, which is the average of the weighted-average vesting period and contractual term of the option.

- ***Expected volatility.*** Since there has been no public market for our common stock and lack of company specific historical volatility, we have determined the share price volatility for options granted based on an analysis of the volatility of a peer group of publicly traded companies. In evaluating similarity, we consider factors such as stage of development, risk profile, enterprise value and position within the industry.

- ***Risk-free interest rate.*** The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of the grant for zero-coupon U.S. Treasury notes with remaining terms similar to the expected term of the options.

- ***Dividend rate.*** We assumed the expected dividend to be zero as we have never paid dividends and have no current plans to do so.

- ***Expected forfeiture rate.*** We are required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest. To the extent actual forfeitures differ from the estimates, we record the difference as a cumulative adjustment in the period that the estimates are revised.

- ***Service period.*** We amortize all stock-based compensation over the requisite service period of the awards, which is generally the same as the vesting period of the awards. We amortize the stock-based compensation cost on a straight-line basis over the expected service periods.

- ***Fair value of common stock.*** The fair value of the common stock underlying our stock options has historically been determined by our board of directors after considering, among other things, contemporaneous valuations of our common stock prepared by an unrelated third-party valuation firm in accordance with the guidance provided by the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. Given the absence of a public trading market for our common stock, our board of directors exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our common stock, including our stage of development; the rights, preferences and privileges of our convertible preferred stock relative to those of our common stock; our results of operations and financial condition, including our levels of available capital resources; equity market conditions affecting comparable public companies; general U.S. market conditions and the lack of marketability of our common stock; and valuations obtained from sales of our preferred stock to unrelated parties.

For stock awards after the completion of this offering, our board of directors intends to determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of grant.

The intrinsic value of all outstanding options as of June 30, 2016 was $23.8 million based on the estimated fair value of our common stock of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus.

If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. To the extent that our assumptions are incorrect, the amount of stock-based compensation recorded will change.

Research and development expenses

As part of the process of preparing our financial statements, we are required to estimate our accrued R&D expenses as of each balance sheet date. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. The significant estimates in our accrued R&D expenses include the costs incurred for services performed by our vendors in connection with R&D activities for which we have not yet been invoiced.

We base our expenses related to R&D activities on our estimates of the services received and efforts expended pursuant to quotes and contracts with vendors that conduct R&D on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the R&D expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid accordingly. Advance payments for goods and services that will be used in future R&D activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made.

Although we do not expect our estimates to be materially different from amounts actually incurred, if our estimates of the status and timing of services performed differ from the actual status and timing of services performed, it could result in us reporting amounts that are too high or too low in any particular period. To date, there has been no material differences between our estimates of such expenses and the amounts actually incurred.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. We assess the likelihood that the resulting deferred tax assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. Due to our lack of earnings history and uncertainties surrounding our ability to generate future taxable income, the net deferred tax assets have been fully offset by a valuation allowance.

Due to the uncertainty surrounding possible IRC section 382 limitations on the use of our U.S. federal and state tax net operating loss carryforwards, such tax loss carryforwards have been removed from the deferred tax assets as of December 31, 2014 and December 31, 2015.

In general, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or IRC, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, and certain other tax assets to offset future taxable income, and an ownership change is generally defined as a cumulative change of 50% or more in the ownership positions of certain stockholders during a rolling three year period. We have not completed a formal study to determine if any ownership changes within the meaning of IRC Section 382 have occurred.

If ownership changes within the meaning of IRC Section 382 have occurred, it could restrict our ability to use NOL carryforwards and research and development tax credits generated since inception. Limitations on our ability to use NOL carryforwards and research and development tax credits to offset future taxable income could require us to pay U.S. federal income taxes earlier than would be required if such limitations were not in effect. Similar rules and limitations may apply for state income tax purposes.

JOBS ACT ACCOUNTING ELECTION

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

NEW ACCOUNTING PRONOUNCEMENTS

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies that are adopted by us as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

In May 2014, the FASB issued Accounting Standard Update, or ASU, 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. ASU 2014-09 is effective for annual reporting periods, and interim periods within those periods, beginning after December 15, 2016. Entities are able to use one of three prescribed transition methods. In August 2015, the FASB issued ASU 2015-14 to defer the effective date of ASU 2014-09 by one year and allow early adoption for all entities but not before the original public entity effective date. We have not yet selected a transition method as we are currently evaluating the impact of the amended revenue recognition guidance on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 requires management to evaluate relevant conditions, events and certain management plans that are known or reasonably knowable that when, considered in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued, for both annual and interim periods. ASU

2014-15 also requires certain disclosures around management's plans and evaluation, as well as the plans, if any, that are intended to mitigate those conditions or events that will alleviate the substantial doubt. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. We do not anticipate that the adoption of ASU 2014-15 will have a material impact on our consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, *Interest – Imputation of Interest*. This simplifies the presentation of debt issuance costs by requiring them to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015. We previously presented debt issuance costs as a direct deduction from the carrying amount of its debt liabilities. As such, we have early adopted the provisions of ASU 2015-03 for the years ended December 31, 2014 and 2015.

In July 2015, FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. This update applies to companies that measure inventory on a first in, first out, or FIFO, or average cost basis. Under this update, companies are to measure their inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion. The amendments in this update are effective for fiscal years beginning after December 31, 2016 with earlier application permitted as of the beginning of an interim or annual reporting period. We do not expect that the adoption of this guidance will have a significant impact on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, an update to Accounting Standards Codification, or ASC, 740, *Income Taxes*. Current GAAP requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. To simplify the presentation of deferred income taxes, the amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this update. For nonpublic business entities, the amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The FASB also decided to permit earlier application by all entities as of the beginning of any interim or annual reporting period. The FASB further provides that this update may be applied to all deferred tax liabilities and assets prospectively. We adopted this update prospectively beginning in the year ended December 31, 2015. No prior periods were retrospectively adjusted.

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under this new guidance, at the commencement date, lessees will be required to recognize (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. This guidance is not applicable for leases with a term of 12 months or less. The new standard is effective for us on January 1, 2019, with early adoption permitted. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This new guidance will require all income tax effects of awards to be recognized as income tax expense or benefit in the income statement when the awards vest or are settled, as opposed to additional paid-in-capital where it is currently recorded. It also will allow an

employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting. All tax-related cash flows resulting from share-based payments are to be reported as operating activities on the statement of cash flows. The guidance also allows a company to make a policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. This new standard is effective for us on January 1, 2017, with early adoption permitted. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

The risk associated with fluctuating interest rates is primarily limited to our cash equivalents and short-term investments, which are carried at quoted market prices. All of our short-term investments are U.S. treasury notes with maturities of less than one year. Due to the short-term maturities and low risk profile of our cash equivalents and short-term investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair value of our cash equivalents. We do not currently use or plan to use financial derivatives in our investment portfolio.

In addition, we have outstanding debt under our loan and security agreement with Pacific Western Bank that bears interest. As of June 30, 2016, our aggregate outstanding indebtedness was $10.0 million, which bears interest at the rate equal to the greater of the prime rate plus 1.75% or 5.0%. In September 2016, we entered into an amendment to the loan and security agreement which amended the rate to the greater of the prime rate plus 1.50% or 5.0%. We do not believe an immediate 10% increase in interest rates would have a material effect on interest expense for the loan with Pacific Western Bank, and therefore we do not expect our operating results or cash flows to be materially affected to any degree by a sudden change in market interest rates.

Credit risk

As of December 31, 2015 and June 30, 2016, our cash and cash equivalents were maintained with one financial institution in the United States, and our current deposits are likely in excess of insured limits. We have reviewed the financial statements of this institution and believe it has sufficient assets and liquidity to conduct its operations in the ordinary course of business with little or no credit risk to us.

Business

OVERVIEW

We are a commercial-stage medical device company focused on developing and commercializing innovative medical devices to treat obese and overweight people by facilitating weight loss. Our initial product offering is the Obalon balloon system, the first swallowable, gas-filled intragastric balloon designed to provide progressive and sustained weight loss in obese patients. We recently received premarket approval, or PMA, from the U.S. Food and Drug Administration, or FDA, to market our balloon system for temporary use to facilitate weight loss in obese adults with a body mass index, or BMI, of 30 to 40, who have failed to lose weight through diet and exercise. The Obalon balloon system is intended to be used as an adjunct to a moderate intensity diet and behavior modification program. All balloons must be removed six months after the first balloon is placed. The Obalon balloon system has the potential to provide patients and physicians with a cost-effective, reversible and repeatable weight loss solution in an outpatient setting, without altering patient anatomy or requiring surgery. We anticipate commencing the U.S. commercial launch of our Obalon balloon system in early 2017. As of June 30, 2016, we had sold over 23,000 of our earlier generation Obalon balloon systems for commercial use outside the United States.

We received PMA approval for our Obalon balloon system based on the results of our U.S. pivotal clinical trial, referred to as the SMART trial. The SMART trial was a prospective, double-blinded, multi-center, randomized (1:1), parallel-group, active sham-controlled trial involving 387 patients, which demonstrated that patients in the Obalon treatment group lost, on average, approximately twice as much body weight as patients in the sham-control group, while at the same time maintaining a low rate of serious adverse device events, or SADEs. In the SMART trial, the Obalon balloon system also demonstrated a strong safety profile, showed statistically significant differences in metabolic profiles and demonstrated that patients were able to maintain most of their weight loss for at least six months following the removal of the balloons. Having received PMA approval for the Obalon balloon system, we are currently focused on commencing U.S. commercialization using a direct sales force, which we anticipate will occur in early 2017.

Obesity is one of the largest, most debilitating, costly and underserved disease states globally. In adults, the disease is linked to several co-morbidities, including hypertension, type 2 diabetes, high blood pressure, certain cancers and other chronic conditions, as well as psychological disorders such as anxiety, depression and insomnia. The national medical care costs of obesity-related illness in adults, including out of pocket expenses, third-party payer expenses and Medicaid, were estimated to be approximately $210 billion in 2008. Current treatment alternatives for obese patients begin with lifestyle modification, such as diet and exercise. If this alternative fails to produce the desired results, physicians may prescribe pharmaceutical therapies, typically to obese or overweight patients with a lower body mass index, or BMI. Although pharmaceutical therapies have been effective in assisting with weight loss, they are often associated with safety risks and negative side effects that may limit patient compliance. In obese patients with a higher BMI, physicians may pursue aggressive surgical treatments, such as gastric bypass and gastric banding. These procedures promote weight loss by surgically restricting the stomach’s capacity and outlet size; however, they present substantial side effects and carry short- and long-term safety risks that have limited adoption. Importantly, bariatric surgical procedures can result in permanent changes to the patient’s anatomy, are often associated with significant reoperation rates, typically involve extended hospitalization and can result in patient intolerance to common foods.

Recently, new medical procedures have been introduced in an attempt to address the gap in care between pharmaceutical treatment and invasive surgical procedures. These new procedures have included neuroblocking therapy, aspiration therapy and traditional intragastric balloons. The traditional intragastric balloons currently available in the U.S. market were approved for use in 2015. These balloons are large, saline-filled silicone devices that must be both placed in the stomach and later removed with an endoscopic procedure performed under anesthesia. While in the stomach, the balloons fill space, creating a sense of fullness in the patient. Traditional intragastric balloons have been associated with successful weight loss. However, we believe traditional intragastric balloons suffer limitations that are impeding their adoption, including their rate of SADEs, a lack of comfort and tolerability, a limited ability to provide progressive and sustained weight loss and an inconvenient placement procedure.

We designed the Obalon balloon system to address many of the limitations of traditional intragastric balloons. We believe the Obalon balloon system offers patients and physicians the following benefits:

- ***Favorable safety profile.*** In our pivotal SMART trial, only one of 336 (0.3%) patients that received our Obalon balloon experienced a SADE. As of June 2016, we had sold over 23,000 units of our earlier generation Obalon balloon systems in international markets and had only nine SADEs reported to us, none of which were required to be reported to the applicable foreign regulatory authorities. Our investigations determined that all of the international SADEs occurred in patients where the device was not used in accordance with approved labeling.
- ***Improved patient tolerability and comfort.*** Our Obalon balloon is filled with a proprietary mix of gas, as opposed to heavier saline solutions used in traditional intragastric balloons. Our system is designed to use three Obalon balloons over the course of treatment, allowing the volume in the stomach to be gradually increased. We believe these design elements have the potential to improve patient comfort and tolerability of our Obalon balloon.
- ***Progressive weight loss with durable results.*** In our SMART trial, patients in the Obalon treatment group lost, on average, approximately twice as much body weight as patients in the sham-control group. In addition, patients in the Obalon treatment group showed, on average, progressive weight loss over the entire six-month balloon treatment period, and maintained, on average, 89.5% of the weight loss six months after balloon removal.
- ***Simple and convenient placement.*** The Obalon balloon is placed without anesthesia or an endoscopy through a swallowable capsule that dissolves in the stomach and releases the Obalon balloon. The balloon is attached to a microcatheter that enables inflation and then is detached from the Obalon balloon and removed from the patient. Placement typically occurs in less than ten minutes and patients can return to normal activity once the placement is complete. The balloons are removed endoscopically under light, conscious sedation six months after the first balloon placement.
- ***Attractive economics for patients and physicians.*** By eliminating the need for an endoscopic delivery procedure, anesthesia and use of a special endoscopy suite, we believe our Obalon balloon system has the potential to reduce physician costs and allow more time to perform additional procedures. We believe patients will benefit from lower treatment costs, no post-placement recovery period and a quick return to daily activities.

Based on the results of our double-blinded, randomized, sham-controlled SMART trial, we received PMA approval from the FDA in September 2016 for temporary use of our Obalon balloon system to facilitate weight loss in obese adults with a BMI of 30 to 40 who have failed to lose weight through diet and exercise. The Obalon balloon system is intended to be used as an adjunct to a moderate intensity diet and behavior modification program. All balloons must be removed six months after the first balloon is placed. The trial results met or exceeded, and were statistically significant for, both of our co-primary endpoints.

In 2012, we began selling an earlier generation of our Obalon balloon system in a limited number of countries outside of the United States through a combination of direct sales efforts and distributors. In 2015, we refocused our efforts toward developing and seeking regulatory approval for our balloon system in the United States and discontinued most of our international sales efforts other than our sales to Bader Sultan & Bros. Co. W.L.L., or Bader, our distributor in the Middle East and one of our significant stockholders. We intend to focus our sales and marketing efforts primarily on selling our Obalon balloon system in the United States through a direct sales force. We initially plan to sell the Obalon balloon system on a self-pay basis to bariatric surgeons and gastroenterologists with existing weight loss practices. We believe the design features of the Obalon balloon system will enable us to
penetrate these existing physician specialties and later expand into new specialties, such as plastic surgery.

THE OBESITY EPIDEMIC

Obesity has been identified by the U.S. Surgeon General as an epidemic and a significant threat to the quality of life in the United States. Based on results from the 2013-2014 National Health and Nutrition Examination Survey, it is estimated that more than 86 million adults in the United States were obese, defined as a BMI of 30 or greater (calculated as weight in kilograms divided by height in meters squared), of which approximately 17.6 million were considered extremely obese with a BMI of 40 or greater, and an additional 75 million adults in the United States were overweight, defined as a BMI between 25 and 29. Research sponsored by the Centers for Disease Control and Prevention, or CDC, suggests that if current obesity rates persist, more than half of the U.S. population will be obese by 2030. Similarly, obesity is also a significant health problem outside of the United States. The number of obese adults worldwide has more than doubled since 1980, and the World Health Organization estimates that more than 600 million adults were obese and more than 1.9 billion were overweight in 2014.

The CDC has identified obesity as a leading cause of preventable death in the United States. Obesity-related disorders, known as comorbidities, include Type 2 diabetes, hypertension, stroke and certain cancers as well as psychological disorders such as anxiety, depression and insomnia. The national medical care costs of obesity-related illness in adults, including out of pocket expenses, third-party payer expenses and Medicaid, were estimated to be approximately $210 billion in 2008. Furthermore, the annual global economic impact of obesity is estimated to be $2 trillion.

We expect the obesity epidemic among adults to continue to grow worldwide given the excess caloric intake of highly-processed, fatty foods, increasingly sedentary lifestyles and a growing prevalence of obesity among children and adolescents. Despite the growing public interest in the obesity epidemic and the significant medical and economic repercussions associated with the disease, there remains a significant unmet need for more effective treatments.

CURRENT TREATMENTS AND LIMITATIONS

Current treatment alternatives for obese and overweight patients begin with lifestyle modification, such as diet and exercise. If this alternative fails to produce the desired results, physicians may prescribe pharmaceutical therapies, and in patients with more severe obesity, physicians may pursue aggressive surgical treatments, such as gastric bypass and gastric banding. These approaches are associated with safety concerns, lifestyle impact and ease of use, cost and compliance issues that have limited their adoption. Additionally, some patients may seek to address the symptoms of weight-gain through the use of aesthetic products, certain of which have been approved for individuals with a BMI of 30 or less. We believe such products only treat the symptoms and not the underlying disease. They are also not indicated for obese patients.

Lifestyle modification

Lifestyle modification, which includes diet, exercise and behavior modification, is usually prescribed as an initial treatment for an obese or overweight patient and is typically prescribed in all obesity management approaches. However, lifestyle modification alone has generally been ineffective in producing sustainable weight loss in obese patients due to inability to comply with the modifications over an extended period. Many studies have shown that a significant majority of dieters will regain lost weight and many will gain more than they originally lost.

Pharmaceutical therapy

Several pharmaceutical products have been approved by the FDA for obesity in the United States. Pharmaceutical therapy often represents a first option in the treatment of obese patients that have failed to achieve weight loss goals through lifestyle modifications alone. Pharmaceutical therapy can have limited effectiveness due to patient non-compliance. Additionally, pharmaceutical therapy may carry significant safety risks and negative side effects, such as adverse gastrointestinal, cardiovascular and central nervous system issues, some of which are serious or life threatening.

Bariatric surgery

Bariatric surgery is a treatment option generally reserved for cases of severe obesity, or patients with a BMI in excess of 40. The two most common forms of bariatric surgery, gastric bypass and gastric banding, promote weight loss by surgically restricting the stomach's capacity and outlet size. Gastric bypass also affects weight loss by restricting the body's ability to absorb nutrients. While largely effective, these procedures are generally invasive, expensive for the patient and irreversible. Bariatric surgery patients are generally required to make significant postoperative lifestyle changes, including strict dietary changes, vitamin supplementation and long-term medical follow-up programs. Side effects of bariatric surgery include a high rate of re-operation, nausea, vomiting, dumping syndrome, dehydration, dental problems and other issues.

Recently developed treatment alternatives

Given the shortcomings and limitations of the existing treatment alternatives, new medical procedures have been recently introduced in an attempt to address the gap in care between pharmaceutical treatment and invasive surgical procedures. These new procedures include: neuroblocking therapy, aspiration therapy and traditional intragastric balloons. Neuroblocking therapy involves a surgical procedure in which a neuromodulation device is implanted in the body and used to block electrical signals from the stomach to the brain. By blocking those signals, the device attempts to control the patient's feelings of hunger. Aspiration therapy involves a surgical procedure in which a feeding tube is implanted in the abdomen in order to remove food from the stomach before calories are absorbed into the body. We believe high costs, procedural complications and the risk of SADEs may limit their adoption.

Intragastric balloons are a type of space-occupying device placed in the stomach in order to cause a sensation of fullness. Currently marketed traditional balloons are large, saline-filled silicone devices that are placed in the stomach endoscopically, under anesthesia, for a treatment period of up to six months. Following treatment, the balloons are removed in a second endoscopic procedure. Other approved traditional intragastric balloons in the United States are the ReShape Duo Balloon and the ORBERA Balloon. While generally effective in delivering weight loss, these traditional intragastric balloons have been accompanied by a number of limitations that have impeded their adoption, including:

- ***Rate of SADEs.*** In the pivotal clinical trial for the ReShape Duo Balloon, 31 device- or procedure-related serious adverse events were reported in 20 patients, resulting in an SADE rate of approximately

7.5%. The most common SADEs were vomiting and abdominal pain. Similarly, in the pivotal clinical trial for the ORBERA Balloon, 17 serious adverse events were reported in 16 patients, resulting in an SADE rate of approximately 10%. The most significant SADE was severe and intolerable gastrointestinal upset.

- ***Lack of comfort and tolerability.*** The ReShape Duo Balloon consists of two attached balloons that are filled and sealed separately. Each balloon can hold a maximum of 450cc of saline solution. The ORBERA Balloon is a single balloon that can be filled to a range of 400cc to 700cc. Neither of these traditional balloon systems allows for the volume of its respective balloon to be adjusted after placement, nor can additional balloons be added after the initial placement. As a result, physicians cannot incrementally increase the volume of the balloons and, therefore, the patient begins treatment with the maximum volume. We believe that this, combined with the weight of the filled balloons, which tend to sink to the bottom of the stomach, contributes to a lack of patient comfort and tolerability.
- ***Limited ability to provide progressive and sustained weight loss.*** While clinical data generated from individual trials is not directly comparable due to differences of the clinical protocols of each trial, we have highlighted the differences for illustrative purposes. Patients in the pivotal trial for the ORBERA balloon lost only 31% of their total body weight loss, or approximately 6.8 lbs, in the last four months of use during the six-month treatment period, and mean weight loss for the six-month treatment period was 21.8 lbs. Additionally, six months after removal of the ORBERA Balloon, patients in ORBERA's pivotal trial regained 26% of the weight loss, or 5.6 lbs, resulting in a mean weight loss of 16.2 lbs at 12 months. For patients receiving balloon treatment in the ReShape pivotal trial, the mean weight loss at six months was 14.3 lbs. Furthermore, the average treatment subject in ReShape's pivotal trial with weight loss at six months regained 40% of the weight loss at one year, resulting in a mean weight loss of 9.9 lbs at 12 months.
- ***Inconvenient placement procedure.*** Both the ReShape Duo Balloon and the ORBERA Balloon procedures require both the device placement and device removal to be performed in an endoscopic procedure using anesthesia. The placement procedure for the ReShape Duo Balloon takes an average of approximately 20 minutes and for the ORBERA Balloon takes an average of approximately 30 minutes. The patient cannot immediately return to normal activities and must be placed under medical observation for a few hours until cleared to go home.

OUR SOLUTION

We have developed our Obalon balloon system to overcome the limitations of traditional intragastric balloons. Based on our clinical data and commercial experiences, we believe the Obalon balloon system provides the following benefits to our patients and their physicians:

- ***Favorable safety profile.*** In our pivotal SMART trial, only one of 336 (0.3%) patients that received our Obalon balloon experienced a SADE. As of June 2016, we had sold over 23,000 units of our earlier generation Obalon balloon systems in international markets and had only nine SADEs reported to us, none of which were required to be reported to the applicable foreign regulatory authorities. Our investigations determined that all of the international SADEs occurred in patients where the device was not used in accordance with approved labeling.
- ***Improved patient tolerability and comfort.*** The Obalon balloon is inflated with a proprietary mix of gas. This creates a light, buoyant balloon that floats at the top of the stomach instead of sinking to the bottom of the stomach like a traditional intragastric balloon. Further, the Obalon balloon system consists of three separate 250cc balloons placed individually over a three-month period to

progressively add volume. We believe these design elements have the potential to improve patient comfort and tolerability of our Obalon balloon.

- ***Progressive weight loss with durable results.*** In our pivotal SMART trial, patients in the Obalon treatment group lost, on average, approximately twice as much body weight as patients in the sham-control group. In addition, patients in the Obalon treatment group showed, on average, progressive weight loss over the balloon treatment period, which we believe is attributable to the individual placement of three separate Obalon balloons over the treatment period. Subsequent data analysis at 12 months also showed that, on average, 89.5% of the weight loss was maintained six months after balloon removal.
- ***Simple and convenient placement.*** The Obalon balloon is placed without anesthesia or an endoscopy through a swallowable capsule that dissolves in the stomach and releases the balloon. These unique features allow patients the flexibility to receive the Obalon balloon discreetly in an outpatient setting. Placement typically occurs in less than ten minutes and can be scheduled in the morning before work, during a lunch break or in the evening. Treated patients can return promptly to their normal daily activities. The balloons are removed endoscopically under light, conscious sedation six months after the first balloon placement.
- ***Attractive economics for patients and physicians.*** By eliminating the need for an endoscopic delivery procedure, anesthesia and use of a special endoscopy suite, we believe our Obalon balloon system has the potential to reduce physician costs and allow more time to perform additional procedures. Furthermore, the Obalon balloon's tolerability profile may reduce the need for ongoing patient management. We believe patients will benefit from lower treatment costs, no post-placement recovery period and a quick return to daily activities.

OUR STRATEGY

Our objective is to be the leading provider of medical devices for the non-surgical treatment of obese and overweight individuals. The key elements of our strategy are to:

- ***Drive product adoption by working with key thought leaders in bariatrics and gastroenterology.*** We plan to initially focus on direct sales to the leading bariatric surgeons and gastroenterologists in the United States. We estimate that there are approximately 3,500 bariatric surgery centers in the United States, and we believe the leading 700 centers provide an opportunity to effectively access obese patients using an efficiently-sized sales force. In addition, there are over 15,000 gastroenterologists, many of which are expanding their practices to include weight loss treatments. We believe adoption of our technology by these thought leaders will accelerate broader adoption of the Obalon balloon system in each physician specialty area.
- ***Partner with physicians to create consumer awareness and drive patients into the channel.*** Our initial strategy is to establish marketing and support programs with physicians to create patient awareness and demand for the Obalon balloon system. We plan to support these physicians with best practices and tools to treat qualified patients already in the channel and through local outreach to attract new patients to the practice. We also intend to provide physicians with the clinical training to utilize our Obalon balloon system, as well as the practice development support to manage their practices as self-pay centers. In addition, we believe we can address an even larger patient population by creating a recognizable brand name through a direct-to-patient campaign designed to differentiate the Obalon balloon system using targeted, cost effective digital and social media platforms, and media outreach through public relations efforts.
- ***Expand into new physician channels.*** Although our initial focus is on bariatric and gastroenterology practices where the physician has or is already developing the capability to provide weight loss treatments, we also plan to target additional physician specialties that have access to obese patients,

including the 1,900 aesthetically focused plastic surgeons. We believe that plastic surgeons are among the physicians that have access to patients appropriate for the Obalon balloon system, have experience managing self-pay centers and have the capability to learn and perform Obalon balloon placements.

- ***Continue to develop innovative products to facilitate market penetration.*** We plan to leverage our proprietary product technology and research and development expertise to develop products for weight loss that improve clinical outcomes, increase ease of use and reduce cost. For example, we plan to seek supplemental approval for improvements to our Obalon balloon system, including a new, automated, easier-to-use inflation system. Other products currently in our development pipeline include a navigation system that would reduce the need for imaging at every placement, a balloon with a treatment period of longer than six months and a self-deflating and self-passing balloon that could eliminate the need for endoscopic balloon removal.
- ***Optimize manufacturing to drive operating leverage.*** We have built a highly leverageable manufacturing facility at our headquarters in Carlsbad, California, where we design, develop and manufacture our products in-house using some components and sub-assemblies provided by third-party suppliers. We believe that controlling the manufacturing and assembly of our products allows us to innovate more quickly and cost-efficiently and produce higher quality products than if we outsourced manufacturing. We believe we have the ability to increase our manufacturing scale within our current facility in a cost-effective manner.
- ***Protect and expand our strong intellectual property portfolio.*** We have developed a strong portfolio of issued patents and pending applications that protect our products and technology. We believe we have also developed know-how critical to creating current and future products that we hold and protect as trade secrets. We have an inventive culture and expect to continue innovating to create a proprietary pathway for future product development. We intend to aggressively protect and enforce our intellectual property, both for existing and new products.

OUR PRODUCTS AND TECHNOLOGY

The Obalon balloon system was designed to overcome the historical limitations of traditional intragastric balloons and nonsurgical treatments for weight loss. We have developed the individual components of the Obalon balloon system to collectively improve clinical outcomes, increase ease of use and reduce cost.

The Obalon balloon system

The main components of the Obalon balloon system are: a swallowable capsule that contains the balloon attached to a microcatheter, a hand-held inflation system and a pre-filled can of our proprietary mix of gas.

Capsule, balloon and microcatheter technology

Dissolvable capsule

We designed the capsule to be large enough to accommodate the folded balloon, yet small enough to be swallowed. The capsule is titrated to optimize dissolution timing. If the capsule dissolves too quickly, the balloon could be prematurely released before entering the stomach, and if too slowly, the patient and physician are inconvenienced by having to wait longer to inflate the balloon.

Balloon film

Our film is a coextruded, multilayer polymer consisting primarily of nylon and polyethylene. We designed the film to be thin enough to fit into a swallowable capsule, yet stable enough to withstand the chemical and mechanical forces in the stomach. Our film is biocompatible, cost-effective to manufacture, puncture and abrasion resistant, smooth and atraumatic to the stomach's lining and able to appropriately retain gas.

Balloon valve

Our balloon valve is an innovative combination of materials, including silicone and titanium, designed to be highly reliable. The valve is small enough to fit into a swallowable capsule and radiopaqued for visibility under digital imaging. A key feature of our valve is the ability to effectively reseal after the inflation catheter is removed to prevent leaks.

Microcatheter

Our microcatheter is designed to quickly and reliably inflate the Obalon balloon. It is small, flexible and smooth in order to minimize any potential discomfort to the patient during balloon placement. The catheter utilizes a hydrophilic coating to reduce friction during swallowing.

Inflation system

Our hand-held inflation system, the EzFill inflation system, is a reusable device that delivers our proprietary mixture of gas to consistently inflate the Obalon balloon to the standardized volume and pressure. The inflation system is equipped with pre-pulse, a confirmation system that provides pressure feedback measurements to confirm that the Obalon balloon is both properly placed and able to be correctly inflated in the stomach.

Proprietary gas

The Obalon balloon is inflated with our proprietary mix of gas, which, in combination with the permeability of the balloon film and the stomach gases, enables the balloon to remain inflated for the full six-month treatment period.

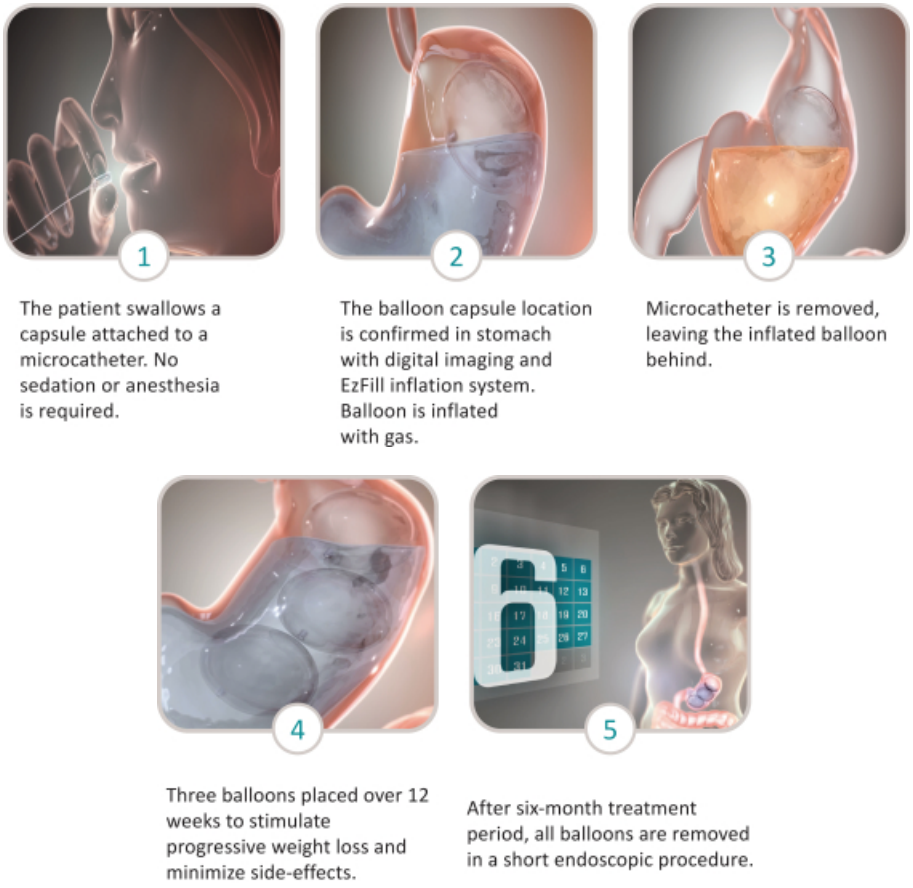
The Obalon balloon treatment

Placement of the Obalon balloon typically occurs in less than ten minutes and can be accomplished in an outpatient setting. To place the Obalon balloon, the patient swallows the capsule, which has the Obalon balloon folded inside, with a glass of water. No sedation or anesthesia is required. Once swallowed, placement of the capsule is confirmed in the stomach with digital imaging. The microcatheter, which is attached to the Obalon balloon, is then connected to our EzFill inflation system. The EzFill inflation system provides real-time pressure measurements to confirm that the Obalon balloon is both properly placed and able to be correctly inflated in the stomach. A pre-filled can of gas is inserted into the EzFill inflation system and then the gas is discharged to fill the balloon to a volume of 250cc. Once the

inflation of the Obalon balloon is confirmed, the microcatheter is detached from the balloon via hydrostatic pressure and is removed through the patient's mouth. The patient returns two more times over the following eight to 12 weeks to receive a second and third Obalon balloon, expanding total balloon volume within the stomach to 750cc.

All of the balloons are removed in a single procedure six months after the placement of the initial balloon. Removal of the Obalon balloon typically requires approximately 15 minutes. The balloons are removed endoscopically under light conscious sedation, using standard commercially-available endoscopy tools.

The following pictures depict the treatment steps of the Obalon balloon system:



Product pipeline

We have a robust pipeline of new products and product improvements for weight loss intended to improve clinical outcomes, increase ease of use and reduce cost.

Next generation balloon capsule

We have developed a next generation HydroxyPropylMethylCellulose, or HPMC, Obalon balloon capsule that is fully vegetable-derived and is intended to eliminate potential cultural or religious concerns with animal-derived gelatin capsules. We expect to submit a PMA supplement for the HPMC Obalon balloon capsule in the United States.

Next generation inflation system

Our next generation inflation system, the EzPz inflation system, is designed to be automated, simpler to operate and to provide more reliable and consistent Obalon balloon placements. The EzPz inflation system has Certificat de Conformité, or CE, mark approval and is approved in Brazil and select Middle East markets. We believe the EzPz inflation system will require a PMA supplement approval for use in the United States.

Navigation

We are developing a balloon and navigation system for balloon placements that would reduce the need for digital imaging at each placement. We believe this navigation system has the potential to reduce the cost and logistics related to confirmatory digital imaging during the Obalon balloon placement, which could enable physician practices to treat higher volumes of patients and increase the number of physicians and sites offering the Obalon balloon system. The navigation system consists of hardware, software and a display to be used in conjunction with the current Obalon balloon. We have completed two feasibility studies for proof-of-concept and intend to conduct further clinical studies with this navigation system.

Longer-term duration balloon system

We are developing a balloon intended for a longer duration of treatment, potentially up to one year. In our SMART trial, patients in the Obalon treatment group continued, on average, to lose weight throughout the six months of balloon treatment. We have completed the initial engineering testing on the proprietary materials and systems, which we believe would permit reliable balloon performance over a longer period of up to twelve months. We intend to complete more rigorous engineering testing and submit for approval to conduct human trials to understand if longer balloon treatment may address higher BMI patients desiring a longer weight loss treatment.

Deflateable-passable balloon system

We have a balloon system in development that is intended to self-deflate at the end of a specified treatment period and then pass naturally through the digestive system to be excreted as waste, thereby potentially eliminating the need for endoscopy and creating a procedureless balloon treatment. However, it is of paramount importance to patient safety that such a balloon would pass with an extremely high level of reliability and not create a blockage of the intestines, which could require surgery and cause significant patient injury or death. We have conducted initial engineering and animal testing successfully on self-deflating and self-passing balloons, and we believe we have developed novel technology with a strong intellectual property portfolio. We intend to continue development and testing, and, if the results of our studies warrant, move toward human clinical trials in support of regulatory approvals.

Research and development

As of June 30, 2016, we had ten employees focused on research and development. In addition to our internal team, we retain third-party contractors from time to time to provide us with assistance on specialized projects. We also work closely with experts in the medical community to supplement our

internal research and development resources. Research and development expenses for the years ended December 31, 2014 and 2015 and for the six months ended June 30, 2016 were $5.8 million, $13.0 million and $5.1 million, respectively.

CLINICAL TRIALS AND DATA

SMART trial

Based on our clinical data, we believe our Obalon balloon has the potential to offer a compelling combination of efficacy and safety. We have evaluated various versions of our Obalon balloon system in nine clinical trials, which included a total of 630 patients as of June 30, 2016. Based on the results of our U.S. pivotal trial, the SMART trial, we received FDA approval for our current Obalon balloon system in September 2016. The SMART trial met its primary weight loss endpoints, demonstrated a strong safety profile, showed statistically significant differences in metabolic profiles and demonstrated that patients were able to maintain most of the weight loss for at least six months following the removal of the Obalon balloons.

The SMART trial was a prospective, double-blinded, multi-center, randomized (1:1), parallel-group, active sham-controlled trial of 387 patients. The Obalon treatment group received three balloons placed individually at approximately week zero, week three and week 12. Alternatively, the sham-control group received placebo capsules with microcatheters and were led to believe in a mock placement that a balloon was placed and inflated in their stomachs at week zero, week three and week 12. The patients ranged in age from 22 to 64 years and had a BMI range of 30 to 40. The patients enrolled were required to have previously attempted to lose weight unsuccessfully through a change in diet and could not use weight loss medications or undergo gastric surgery for the duration of the trial. Patients were given minimal diet counseling of 25 minutes every three weeks in order to isolate the impact of the Obalon balloon on weight reduction. The trial was conducted by both bariatric surgeons and gastroenterologists at 15 U.S. centers. The trial evaluated a co-primary endpoint comprised of (i) a minimum difference in mean percent total body loss, or TBL, between the Obalon treatment group and sham-control group of at least 2.1% and (ii) achievement by at least 35% of the Obalon treatment group patients of at least 5% TBL at the end of six-months of treatment. Additional observational measures included metabolic metrics and weight loss maintenance after removal of balloons. The median time for each balloon placement was nine minutes, while the median balloon removal time for three balloons was 14 minutes.

Results from the SMART trial met both the co-primary endpoints. The per protocol analysis included 366 patients (185 in the Obalon treatment group and 181 in the sham-control group) and showed patients in the Obalon treatment group achieved mean TBL of 6.86%, or 15.06 lbs, vs 3.59%, or 7.77 lbs, in the sham-control group, showing a difference of 3.28%, or 7.28 lbs. The following table summarizes average percentage of TBL, percentage of excess weight loss, or EWL, and weight loss (in pounds) for the Obalon treatment group and the sham-control group in the SMART trial. All weight loss metrics below were statistically significant.

Weight Loss Metric Per Protocol Cohort	Obalon Treatment Group (N = 185)	Sham-Control Group (N = 181)	Difference	p-value
Percent TBL	-6.86	-3.59	-3.28	0.0261
Percent EWL	-25.05	-12.95	-12.09	< 0.0001
Weight Loss (lbs.)	-15.06	-7.77	-7.28	< 0.0001

In addition, 64.9% of the Obalon treatment group patients met or exceeded the 5% TBL endpoint whereas only 32.0% of the sham-control group met or exceeded 5% TBL. The following table summarizes the 5% TBL responder rates for the Obalon treatment group and the sham-control group in the SMART trial.

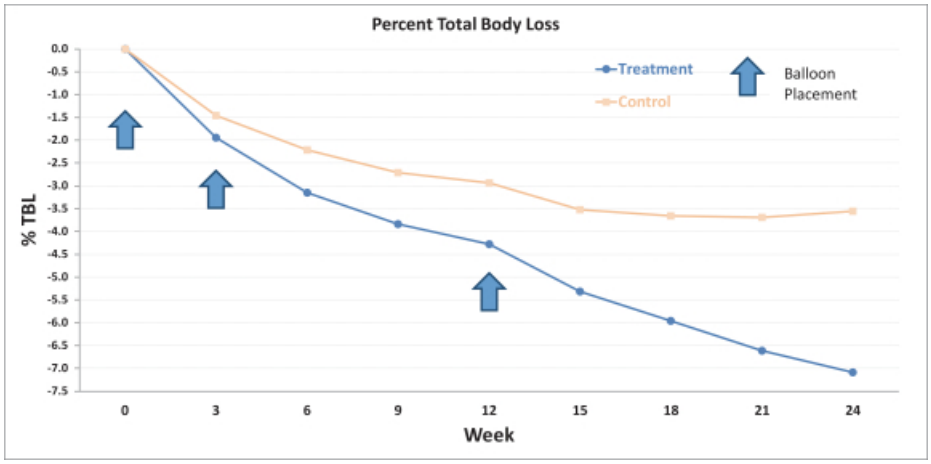
Main Analysis of -5% TBL Responder Rate	Estimate
Obalon Treatment Group—Per Protocol Cohort*	120 / 185 (64.9%)
Sham-Control Group	58 / 181 (32.0%)
Difference (Treatment less Control)	32.8%

* p-value <0.0001

The following table summarizes the various responder rate thresholds for the Obalon treatment group and the sham-control group in the SMART trial.

Responder Rate Threshold (-%TBL)	Obalon Treatment Group	Sham-Control Group
-6%	98 / 185 (53.0%)	47 / 181 (26.0%)
-7%	81 / 185 (43.8%)	38 / 181 (21.0%)
-8%	68 / 185 (36.8%)	35 / 181 (19.3%)
-9%	55 / 185 (29.7%)	29 / 181 (16.0%)
-10%	49 / 185 (26.5%)	23 / 181 (12.7%)

Notably, the Obalon treatment group demonstrated a progressive weight loss profile for the duration of the six month therapy period. The following chart shows percent TBL by week for the Obalon treatment group and sham-control group. The arrows represent the average week of each balloon placement.

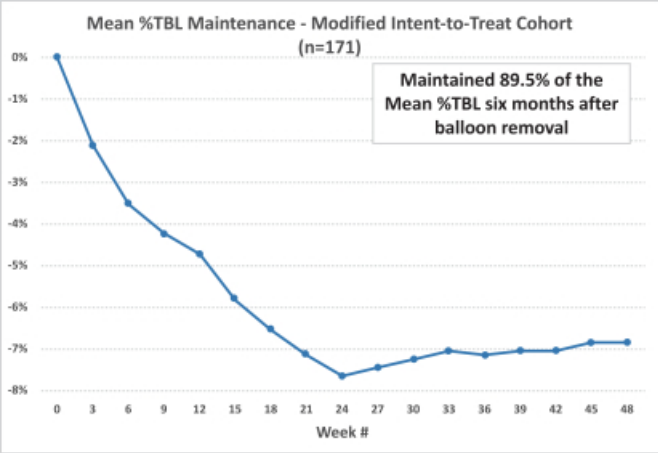


In addition, nearly all patients in the Obalon treatment group, including patients in the bottom 25% of the group, achieved TBL, EWL and weight loss and a reduction in BMI. The table below summarizes the mean, the average of the top 25% of the results, the average of the bottom 25% of the results and the single best changes in TBL, EWL, weight loss and BMI achieved by patients in the Obalon treatment group.

Weight Loss Metric	Mean	Average Top 25%	Average Worst 25%	Single Best
Percent TBL	-6.9%	-10.2%	-3.6%	-19.3%
Percent EWL	-25.1%	-36.3%	-12.3%	-80.7%
Weight Loss (lbs.)	-15.1	-21.8	-7.4	-49.7
BMI Change	-2.4	-3.6	-1.3	-7.1

In an observational analysis at six months, the Obalon treatment group also demonstrated statistically significant improvements in systolic blood pressure, fasting glucose, total cholesterol and triglycerides compared to both their own baseline measures and to the sham-control group.

At the conclusion of the six-month treatment period, the Obalon treatment group patients continued with the standardized behavior modification program for six additional months after the Obalon balloon removal. An additional observational data analysis of the subjects who lost weight in the first six months of the study and were evaluated for up to an additional six months, suggests that, on average, 89.5% of the weight loss was maintained six months after balloon removal. The following graph depicts the weight loss maintained for the one-year period in the Obalon treatment group. We did not continue to collect data from patients in the sham-control group who received the Obalon balloons subsequent to balloon removal.



Safety

As part of the SMART trial, we actively solicited patients to provide details of any adverse events, or AEs, by contacting all patients 24 hours after each Obalon balloon placement and balloon removal as well as at every office visit. All AEs were first assigned a device-relatedness and a pre-defined severity rating. Mild events did not require intervention, required homeopathic remedies (including chamomile

tea, peppermint oil tea and Altoids) or required over the counter remedies to treat and resolve the events. Moderate severity events required a prescription medication to treat and resolve the event. Severe events required medical intervention beyond a prescription medication.

In our SMART trial, only one out of 336 patients (0.3%) receiving Obalon balloons in both phases experienced a SADE. The event was described as peptic ulcer disease, or bleeding. The patient was hospitalized, and after stabilization, the patient was discharged from the hospital without sequelae. During the Obalon balloon therapy period the subject underwent an outpatient total knee replacement surgery. During the surgery and as part of post-operative recovery, the subject was prescribed both a high dose of nonsteroidal anti-inflammatory drugs, or NSAIDs, and aspirin, both of which are contraindicated for use with each other as well as for use in conjunction with the Obalon balloon system. The SADE event was determined to be "possibly," but not "probably," device-related by the investigator since concomitant high dose NSAID and aspirin use is also known to cause peptic ulcer disease. The investigator felt that the NSAID and aspirin use was the primary cause of the event but could not rule out the balloons completely. The patient previously had no ulcers per the upper gastrointestinal screen performed at time of enrollment and was not taking medications prior to surgery.

In our SMART trial, there were no surgical removals or other hospitalizations due to a SADE other than the SADE described above. The most common other adverse device events during balloon placement were abdominal pain (72.6% of patients), nausea (56.0% of patients) and vomiting (17.3% of patients), all of which were classified as mild or moderate.

Commercial safety experience

As of June 2016, we had sold over 23,000 units of our earlier generation Obalon balloon systems in international markets. In our commercial experience, nine serious adverse events have been reported to us, of which six related to balloon deflations resulting in migration and three related to an esophageal laceration or rupture. We investigated each of these events and determined that all nine of these events occurred in patients where the device was not used in accordance with approved labeling. None of these events were required to be reported to the applicable foreign regulatory authorities.

SMARTCAR trial

In April 2016, we received an Investigational Device Exemption, or IDE, approval from the FDA to conduct a single arm clinical study, which we have named SMARTCAR, to evaluate the safety and efficacy profile of our new HPMC vegetable-derived capsule and EzPz inflation system. We are currently enrolling patients for the trial at clinical sites in the United States. The data from the SMARTCAR trial are intended to be used to support our filing of a PMA supplement for our HPMC capsule for use with our Obalon balloon system.

Post-approval study

To help assure the continued safety and effectiveness of the Obalon balloon system, the FDA has required a post-approval study as a condition of approval under 21 CFR 814.82(a)(2). As part of our PMA approval, we agreed with the FDA to conduct a post-approval study that will evaluate 200 patients who will be enrolled at 10 to 15 sites in the United States. The study is a prospective, open-label, single-arm, 12-month follow-up study in which patients will be treated during the first six months with placement of up to three Obalon balloons in conjunction with a moderate intensity weight loss and behavioral modification program standardized throughout the sites, followed by observational evaluation for an additional six months after device removal. The primary endpoint is to evaluate the safety of the Obalon balloon system by assessing the rate of device- or procedure-related serious adverse events. We are required to submit an Interim Post-Approval Study Status Report every six months after the date of PMA approval for the first two years of the study and annually thereafter until 200 patients have completed the study.

SALES AND MARKETING

Our primary sales efforts are expected to be conducted in the United States, with some sales generated through distributors in select international markets. We are building a direct sales organization consisting of regional sales directors, executive account managers and product specialists. Our sales team will encompass three key disciplines that we believe are necessary to create and grow the market for our Obalon balloon system in the United States: sales conversion, practice development and clinical training and application. In select international markets, we plan to utilize distributors.

We currently have an agreement to sell to Bader as the sole distributor of our Obalon balloon system in the Middle East. Our agreement with Bader restricts Bader's ability to sell competing products and requires Bader to purchase a certain number of products from us monthly based on annual forecasts that we provide to Bader. If Bader does not resell the minimum purchase quantity specified in the contract by the applicable date, then we have the right, in our sole discretion, to sell to other distributors in the Middle East or terminate our agreement with Bader. Currently, Bader's minimum purchase obligation under the agreement for 2016 and 2017 is 7,500 and 12,000 balloon systems, respectively. The initial term of the agreement expires in December 2019, and will thereafter automatically renew for successive terms of 12 months, subject to certain exceptions. The agreement can be terminated by us immediately upon certain breaches by Bader, or by either Bader or us for uncured material breach of the agreement.

Our initial marketing efforts are focused on differentiating the benefits of our technology, leveraging the strong clinical outcome from our SMART trial, working with key thought leaders in bariatrics and gastroenterology, and partnering with physicians to create consumer awareness and drive patients into the channel. We also intend to provide physicians with the clinical training to utilize our Obalon balloon system, as well as the practice development support to manage their practices as self-pay centers.

In an effort to evaluate the potential U.S. market opportunity for our Obalon balloon system, we commissioned a survey of 3,000 individuals. Each participant was asked to complete a survey containing a series of questions relating to income level, weight and interest in various weight loss alternatives. We took the results of that survey and applied them generally to the U.S. population figures for 2015 to estimate that there are approximately 11.0 million individuals in the United States with a household income greater than $30,000 and a BMI between 30 and 40 that would be interested in receiving treatment using the Obalon balloon system. We also used this information to estimate that the percentage of potentially interested individuals that are men or women is approximately the same. We cannot assure you that the individuals selected for the survey are representative of the characteristics and interests of the broader U.S. population, or that the responses of these individuals to our survey or our estimates are reliable or accurate. To the extent our assumptions regarding these individuals and data are inaccurate, our estimated market opportunity could be significantly different.

We have very limited experience as a company in the sales and marketing of our products, and no experience with sales and marketing in the United States. Identifying and recruiting qualified sales personnel and training them in the use of our Obalon balloon system to achieve the level of clinical competency expected by physicians, and compliance with applicable federal and state laws and regulations and our internal policies and procedures, requires significant time, expense and attention. It can take several months before our sales representatives are fully trained and productive.

COMPETITION

The medical device industry is highly competitive, subject to rapid change and significantly affected by new product introductions, results of clinical research, corporate combinations, actions by regulatory

bodies, changes by public and private payers and other factors relating to our industry. Because of the market opportunity and the high growth potential of the non-surgical device market for weight loss and obesity, competitors and potential competitors have historically dedicated, and will continue to dedicate, significant resources to aggressively develop and commercialize their products.

In the United States, our product competes with a variety of pharmaceuticals, surgical procedures and devices for the treatment of obese and overweight people. There are several competitors in the pharmaceutical segment including those recently approved by the FDA, including Vivus, Inc., Arena Pharmaceuticals, Inc., Orexigen Therapeutics, Inc., and those with older brands or generics including Takeda Pharmaceutical Company Ltd, AstraZeneca plc, and Actavis plc. Large competitors in the surgical segment for weight loss and obesity include Ethicon Inc. (subsidiary of Johnson & Johnson), Medtronic plc (formerly Covidien Ltd.) and Apollo EndoSurgery, Inc., which acquired the Lap-Band from Allergan plc and currently sells that device worldwide. After approximately a decade, four new devices were approved by the FDA in 2015 and 2016. Enteromedics Inc. received FDA approval for the Maestro, which is intended to create weight loss by vagal nerve stimulation. ReShape Medical Inc. and Apollo EndoSurgery, Inc. received FDA approval for the ReShape Duo Balloon and the ORBERA Balloon, respectively, each a traditional intragastric balloon filled with saline. Aspire Bariatrics received FDA approval for the Aspire Assist, a device that allow you to aspirate food after a meal. Allurion Technologies, Inc. has also developed a swallowable, passable saline-filled intragastric balloon that has been approved for sale in Europe. Additionally, there are many more companies around the world working to develop less invasive and less costly alternatives for the treatment of obesity, which could compete with us in the future.

At any time, these or other competitors may introduce new or alternative products that compete directly or indirectly with our products and services. They may also develop and patent products and processes earlier than we can or obtain regulatory clearance or approvals faster than us, which could impair our ability to develop and commercialize similar products or services. If clinical outcomes of procedures performed with our competitors' products are, or are perceived to be, superior to treatments performed with our products, sales of our products could be negatively affected and our business, results of operations and financial condition could suffer.

Many of our competitors have significantly greater financial and other resources than we do, as well as:

- well-established reputations and name recognition with key opinion leaders and physician networks;
- an established base of long-time customers with strong brand loyalty;
- products supported by long-term data;
- longer operating histories;
- significantly larger installed bases of equipment;
- greater existing market share in the obesity and weight management market;
- broader product offerings and established distribution channels;
- greater ability to cross-sell products;
- additional lines of products, and the ability to offer rebates or bundle products to offer higher discounts or incentives; and
- more experience in conducting research and development, manufacturing, performing clinical trials and obtaining regulatory approvals or clearances.

Competition with these companies could result in significant price-cutting, reduced profit margins and loss of market share, any of which would harm our business, financial condition and results of operations. In addition, competitors with greater financial resources than ours could acquire other companies to gain enhanced name recognition and market share, as well as new technologies or products that could effectively compete with our existing and future products, which may cause our revenues to decline and harm our business.

In order to compete effectively, we plan to continue to develop new product offerings and enhancements to our existing Obalon balloon system, price our product competitively with traditional intragastric balloons and maintain adequate research and development and sales and marketing personnel and resources to meet the demands of the market.

INTELLECTUAL PROPERTY

In order to remain competitive, we must develop and maintain protection of the proprietary aspects of our technologies. We rely on a combination of patents, trademarks, trade secret laws and confidentiality and invention assignment agreements to protect our intellectual property rights.

It is our policy to require our employees, consultants, contractors, outside scientific collaborators and other advisors to execute non-disclosure and assignment of invention agreements on commencement of their employment or engagement. Agreements with our employees also forbid them from using the proprietary rights of third parties in their work for us. We also require third parties that receive our confidential data or material to enter into confidentiality or material transfer agreements.

As of June 30, 2016, we held 13 issued U.S. patents and had 18 pending U.S. patent applications, as well as 17 international patents issued in Europe, Mexico, Australia, Canada, Asia, China and Israel and 37 pending international patent applications in Australia, Canada, Europe, Asia, the Middle East and South America. Our issued patents expire between the years 2023 and 2032, and are directed to various features and combinations of features of the Obalon balloon system technology, including the apparatus for connecting the balloon to an inflation catheter, the structure and composition of the balloon wall, and the composition of the initial fill gas. As we continue to research and develop our Obalon balloon system technology, we intend to file additional U.S. and foreign patent applications related to the design, manufacture and therapeutic uses of our balloon and navigation devices.

Our patent applications may not result in issued patents and our patents may not be sufficiently broad to protect our technology. Any patents issued to us may be challenged by third parties as being invalid or unenforceable, or third parties may independently develop similar or competing technology that does not infringe our patents. The laws of certain foreign countries do not protect our intellectual property rights to the same extent as do the laws of the United States.

As of June 30, 2016, we held one registered U.S. trademark and eight registered marks in Europe, Asia and Mexico. We have three pending U.S. trademark applications and 11 pending marks outside the United States, including in Europe, the Middle East, Asia and Mexico.

MANUFACTURING

All of our products are manufactured or assembled in-house using components and sub-assemblies at our facilities in Carlsbad, California. We rely on single suppliers for the extruded film, swallowable capsule, molded silicone valve used to manufacture our Obalon balloons and the hydrophilic coating for our

catheters. Our suppliers have no contractual obligations to supply us with, and we are not contractually obligated to purchase from them, any of our supplies. Order quantities and lead times for components purchased from our suppliers are based on our forecasts derived from historical demand and anticipated future demand. Lead times for components may vary significantly depending on the size of the order, time required to fabricate and test the components, specific supplier requirements and current market demand for the components and subassemblies. To date, we have not experienced significant delays in obtaining any of our components or subassemblies. However, these components are critical to our products and there are relatively few alternative sources of supply. We do not carry a significant inventory of these components, and identifying and qualifying additional or replacement suppliers for any of the components or sub-assemblies used in our products could involve significant time and cost, and may delay our commercialization efforts.

We have registered with the FDA as a medical device manufacturer and have obtained a manufacturing license from the Center for Devices and Radiological Health. We and our component suppliers are required to manufacture our products in compliance with the FDA's Quality System Regulation, or QSR, in 21 CFR part 820 of the Federal Food, Drug and Cosmetic Act. The QSR regulates extensively the methods and documentation of the design, testing, control, manufacturing, labeling, quality assurance, packaging, storage and shipping of our products. The FDA enforces the QSR through periodic unannounced inspections that may include the manufacturing facilities of our subcontractors. Since we began manufacturing onsite, our quality system has undergone 13 external audits, the last of which occurred in May 2016 and resulted in no Form 483 observations.

Although we expect our third-party suppliers to supply us with components that meet our specifications and comply with regulatory and quality requirements, we do not control our suppliers outside of our agreements, as they operate and oversee their own businesses. There is a risk that our suppliers will not always act consistent with our best interests, and may not always supply components that meet our needs. Any significant delay or interruption in the supply of components or sub-assemblies, or our inability to obtain substitute components, sub-assemblies or materials from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers and harm our business.

Additionally, we will need to increase our manufacturing capabilities in order to satisfy expected demand for our Obalon balloon system, and we have no experience manufacturing our Obalon balloon system in such quantities. If we are unable to keep up with demand for our Obalon balloon system, our revenue could be impaired, market acceptance for our Obalon balloon system could be harmed and our customers might instead purchase our competitors' products.

GOVERNMENT REGULATION

Our products and operations are subject to extensive and rigorous regulation by the FDA and other federal, state and local authorities, as well as foreign regulatory authorities. The FDA regulates, among other things, the research, development, testing, design, manufacturing, approval, labeling, storage, recordkeeping, advertising, promotion and marketing, distribution, post approval monitoring and reporting and import and export of medical devices (such as the Obalon balloon system) in the United States to assure the safety and effectiveness of medical products for their intended use. The Federal Trade Commission also regulates the advertising of our products in the United States. Further, we are subject to laws directed at preventing fraud and abuse, which subject our sales and marketing, training and other practices to government scrutiny.

Regulatory system for medical devices in the United States

Unless an exemption applies, each new or significantly modified medical device we seek to commercially distribute in the United States will require either a premarket notification to the FDA requesting permission for commercial distribution under Section 510(k) of the Federal Food, Drug and Cosmetic Act, or FFDCA, also referred to as a 510(k) clearance, or approval from the FDA of a PMA application. Both the 510(k) clearance and PMA processes can be resource intensive, expensive, and lengthy, and require payment of significant user fees, unless an exemption is available.

Device classification

Under the FFDCA, medical devices are classified into one of three classes—Class I, Class II or Class III—depending on the degree of risk associated with each medical device and the extent of control needed to provide reasonable assurances with respect to safety and effectiveness.

Class I devices are those for which safety and effectiveness can be reasonably assured by adherence to a set of regulations, referred to as General Controls, which require compliance with the applicable portions of the FDA's Quality System Regulation, or QSR, facility registration and product listing, reporting of adverse events and malfunctions, and appropriate, truthful and non-misleading labeling and promotional materials. Some Class I devices, also called Class I reserved devices, also require premarket clearance by the FDA through the 510(k) premarket notification process described below. Most Class I products are exempt from the premarket notification requirements.

Class II devices are those that are subject to the General Controls, as well as Special Controls, which can include performance standards, guidelines and post-market surveillance. Most Class II devices are subject to premarket review and clearance by the FDA. Premarket review and clearance by the FDA for Class II devices is accomplished through the 510(k) premarket notification process. Under the 510(k) process, the manufacturer must submit to the FDA a premarket notification, demonstrating that the device is "substantially equivalent," as defined in the statute, to either:

- a device that was legally marketed prior to May 28, 1976, the date upon which the Medical Device Amendments of 1976 were enacted, or
- another commercially available, similar device that was cleared through the 510(k) process.

To be "substantially equivalent," the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics and not raise different questions of safety or effectiveness than the predicate device. Clinical data is sometimes required to support substantial equivalence.

After a 510(k) notice is submitted, the FDA determines whether to accept it for substantive review. If it lacks necessary information for substantive review, the FDA will refuse to accept the 510(k) notification. If it is accepted for filing, the FDA begins a substantive review. By statute, the FDA is required to complete its review of a 510(k) notification within 90 days of receiving the 510(k) notification. As a practical matter, clearance often takes longer, and clearance is never assured. Although many 510(k) premarket notifications are cleared without clinical data, the FDA may require further information, including clinical data, to make a determination regarding substantial equivalence, which may significantly prolong the review process. If the FDA agrees that the device is substantially equivalent, it will grant clearance to commercially market the device.

After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a new or major change in its intended use, will require a new 510(k) clearance or, depending on the modification, could require a PMA application. The FDA requires

each manufacturer to make this determination initially, but the FDA can review any such decision and can disagree with a manufacturer's determination. If the FDA disagrees with a manufacturer's determination regarding whether a new premarket submission is required for the modification of an existing device, the FDA can require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or approval of a PMA application is obtained. If the FDA requires a new 510(k) clearance or approval of a PMA application for any modifications to a previously cleared product, the applicant may be required to cease marketing or recall the modified device until clearance or approval is received. In addition, in these circumstances, the FDA can impose significant regulatory fines or penalties for failure to submit the requisite PMA application(s). In addition, the FDA is currently evaluating the 510(k) process and may make substantial changes to industry requirements.

If the FDA determines that the device is not "substantially equivalent" to a predicate device, or if the device is automatically classified into Class III, the device sponsor must then fulfill the much more rigorous premarketing requirements of the PMA approval process, or seek reclassification of the device through the *de novo* process. Pursuant to amendments to the statute in 2012, a manufacturer can also submit a petition for direct *de novo* review if the manufacturer is unable to identify an appropriate predicate device and the new device or new use of the device presents a moderate or low risk.

Class III devices include devices deemed by the FDA to pose the greatest risk such as life-supporting or life-sustaining devices, or implantable devices, in addition to those deemed novel and not substantially equivalent following the 510(k) process. The safety and effectiveness of Class III devices cannot be reasonably assured solely by the General Controls and Special Controls described above. Therefore, these devices are subject to the PMA application process, which is generally more costly and time consuming than the 510(k) process. Through the PMA application process, the applicant must submit data and information demonstrating reasonable assurance of the safety and effectiveness of the device for its intended use to the FDA's satisfaction. Accordingly, a PMA application typically includes, but is not limited to, extensive technical information regarding device design and development, pre-clinical and clinical trial data, manufacturing information, labeling and financial disclosure information for the clinical investigators in device studies. The PMA application must provide valid scientific evidence that demonstrates to the FDA's satisfaction a reasonable assurance of the safety and effectiveness of the device for its intended use.

The investigational device process

In the United States, absent certain limited exceptions, human clinical trials intended to support medical device clearance or approval require an IDE application. Some types of studies deemed to present "non-significant risk" are deemed to have an approved IDE once certain requirements are addressed and IRB approval is obtained. If the device presents a "significant risk" to human health, as defined by the FDA, the sponsor must submit an IDE application to the FDA and obtain IDE approval prior to commencing the human clinical trials. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The IDE application must be approved in advance by the FDA for a specified number of subjects. Generally, clinical trials for a significant risk device may begin once the IDE application is approved by the FDA and the study protocol and informed consent are approved by appropriate institutional review boards at the clinical trial sites. There can be no assurance that submission of an IDE will result in the ability to commence clinical trials, and although the FDA's approval of an IDE allows clinical testing to go forward for a specified number of subjects, it does not bind the FDA to accept the results of the trial as sufficient to prove the product's safety and efficacy, even if the trial meets its intended success criteria.

All clinical trials must be conducted in accordance with the FDA's IDE regulations that govern investigational device labeling, prohibit promotion and specify an array of recordkeeping, reporting and monitoring responsibilities of study sponsors and study investigators. Clinical trials must further comply with the FDA's regulations for institutional review board approval and for informed consent and other human subject protections. Required records and reports are subject to inspection by the FDA. The results of clinical testing may be unfavorable, or, even if the intended safety and efficacy success criteria are achieved, may not be considered sufficient for the FDA to grant marketing approval or clearance of a product. The commencement or completion of any clinical trial may be delayed or halted, or be inadequate to support approval of a PMA application, for numerous reasons, including, but not limited to, the following:

- the FDA or other regulatory authorities do not approve a clinical trial protocol or a clinical trial, or place a clinical trial on hold;
- patients do not enroll in clinical trials at the rate expected;
- patients do not comply with trial protocols;
- patient follow-up is not at the rate expected;
- patients experience adverse events;
- patients die during a clinical trial, even though their death may not be related to the products that are part of the trial;
- device malfunctions occur with unexpected frequency or potential adverse consequences;
- side effects or device malfunctions of similar products already in the market that change the FDA's view toward approval of new or similar PMAs or result in the imposition of new requirements or testing;
- institutional review boards and third-party clinical investigators may delay or reject the trial protocol;
- third-party clinical investigators decline to participate in a trial or do not perform a trial on the anticipated schedule or consistent with the clinical trial protocol, investigator agreement, investigational plan, good clinical practices, the IDE regulations, or other FDA or IRB requirements;
- third-party investigators are disqualified by the FDA;
- we or third-party organizations do not perform data collection, monitoring and analysis in a timely or accurate manner or consistent with the clinical trial protocol or investigational or statistical plans, or otherwise fail to comply with the IDE regulations governing responsibilities, records, and reports of sponsors of clinical investigations;
- third-party clinical investigators have significant financial interests related to us or our study such that the FDA deems the study results unreliable, or the company or investigators fail to disclose such interests;
- regulatory inspections of our clinical trials or manufacturing facilities, which may, among other things, require us to undertake corrective action or suspend or terminate our clinical trials;
- changes in government regulations or administrative actions;
- the interim or final results of the clinical trial are inconclusive or unfavorable as to safety or efficacy; or
- the FDA concludes that our trial design is unreliable or inadequate to demonstrate safety and efficacy.

The PMA approval process

Following receipt of a PMA application, the FDA conducts an administrative review to determine whether the application is sufficiently complete to permit a substantive review. If it is not, the agency will refuse to file the PMA. If it is, the FDA will accept the application for filing and begin the review. The FDA, by statute and by regulation, has 180 days to review a filed PMA application, although the review of an application more often occurs over a significantly longer period of time. During this review period, the FDA may request additional information or clarification of information already provided, and the FDA may issue a major deficiency letter to the applicant, requesting the applicant's response to deficiencies communicated by the FDA. The FDA considers a PMA or PMA supplement to have been voluntarily withdrawn if an applicant fails to respond to an FDA request for information (*e.g.*, major deficiency letter) within a total of 360 days. Before approving or denying a PMA, an FDA advisory committee may review the PMA at a public meeting and provide the FDA with the committee's recommendation on whether the FDA should approve the submission, approve it with specific conditions, or not approve it. Prior to approval of a PMA, the FDA may conduct a bioresearch monitoring inspection of the clinical trial data and clinical trial sites, and a QSR inspection of the manufacturing facility and processes. Overall, the FDA review of a PMA application generally takes between one and three years, but may take significantly longer. The FDA can delay, limit or deny approval of a PMA application for many reasons, including:

- the device may not be shown safe or effective to the FDA's satisfaction;
- the data from pre-clinical studies and/or clinical trials may be found unreliable or insufficient to support approval;
- the manufacturing process or facilities may not meet applicable requirements; and
- changes in FDA approval policies or adoption of new regulations may require additional data.

If the FDA evaluation of a PMA is favorable, the FDA will issue either an approval letter, or an approvable letter, the latter of which usually contains a number of conditions that must be met in order to secure final approval of the PMA. When and if those conditions have been fulfilled to the satisfaction of the FDA, the agency will issue a PMA approval letter authorizing commercial marketing of the device, subject to the conditions of approval and the limitations established in the approval letter. If the FDA's evaluation of a PMA application or manufacturing facilities is not favorable, the FDA will deny approval of the PMA or issue a not approvable letter. The FDA also may determine that additional tests or clinical trials are necessary, in which case the PMA approval may be delayed for several months or years while the trials are conducted and data is submitted in an amendment to the PMA, or the PMA is withdrawn and resubmitted when the data are available. The PMA process can be expensive, uncertain and lengthy and a number of devices for which the FDA approval has been sought by other companies have never been approved by the FDA for marketing.

New PMA applications or PMA supplements are required for modification to the manufacturing process, equipment or facility, quality control procedures, sterilization, packaging, expiration date, labeling, device specifications, ingredients, materials or design of a device that has been approved through the PMA process. PMA supplements often require submission of the same type of information as an initial PMA application, except that the supplement is limited to information needed to support any changes from the device covered by the approved PMA application and may or may not require as extensive technical or clinical data or the convening of an advisory panel, depending on the nature of the proposed change.

In approving a PMA application, as a condition of approval, the FDA may also require some form of post-approval study or post-market surveillance, whereby the applicant conducts a follow-up study or

follows certain patient groups for a number of years and makes periodic reports to the FDA on the clinical status of those patients when necessary to protect the public health or to provide additional or longer term safety and effectiveness data for the device. The FDA may also require post-market surveillance for certain devices cleared under a 510(k) notification, such as implants or life-supporting or life-sustaining devices used outside a device user facility. The FDA may also approve a PMA application with other post-approval conditions intended to ensure the safety and effectiveness of the device, such as, among other things, restrictions on labeling, promotion, sale, distribution and use. Intragastric balloons, including the Obalon balloon system, are considered Class III medical devices. In order to support a PMA application, the FDA required us to conduct a large, rigorous and expensive, double-blinded, randomized, sham-controlled trial. We will be required to file new PMA applications or PMA supplement applications for modifications to our PMA-approved Obalon balloon system or any of its components, including modifications to our manufacturing processes, device labeling and device design.

Pervasive and continuing FDA regulation

After the FDA permits a device to enter commercial distribution, numerous regulatory requirements continue to apply. These include:

- Ø the FDA's QSR, which requires manufacturers, including third party manufacturers, to follow stringent design, testing, production, control, supplier/contractor selection, complaint handling, documentation and other quality assurance procedures during all aspects of the manufacturing process;
- Ø labeling regulations, unique device identification requirements and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label uses;
- Ø advertising and promotion requirements;
- Ø restrictions on sale, distribution or use of a device;
- Ø PMA annual reporting requirements;
- Ø PMA approval of product modifications;
- Ø medical device reporting, or MDR, regulations, which require that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction were to recur;
- Ø medical device correction and removal reporting regulations, which require that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health;
- Ø recall requirements, including a mandatory recall if there is a reasonable probability that the device would cause serious adverse health consequences or death;
- Ø an order of repair, replacement or refund;
- Ø device tracking requirements; and
- Ø post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device.

The MDR regulations require that we report to the FDA any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury.

We have registered with the FDA as a medical device manufacturer and have obtained a manufacturing license from the California Department of Health Services, or CDHS. The FDA has broad post-market

and regulatory enforcement powers. We are subject to unannounced inspections by the FDA and the Food and Drug Branch of CDHS to determine our compliance with the QSR and other applicable regulations, and these inspections may include the manufacturing facilities of our suppliers. BSI, our European Notified Body, most recently inspected our facility in 2015 and found zero non-conformances. Our current facility has been inspected by the FDA in 2014 and 2016, and four observations were noted in the first inspection and zero observations were noted in the second inspection. Responses to the observations in the 2014 FDA audit were accepted by the FDA and no response was required by us in the 2016 inspection. We believe that we are in substantial compliance with the QSR.

Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include any of the following sanctions:

- warning letters, fines, injunctions, consent decrees and civil penalties;
- unanticipated expenditures, repair, replacement, refunds, recall or seizure of our products;
- operating restrictions, partial suspension or total shutdown of production;
- the FDA's refusal of our requests for 510(k) clearance or premarket approval of new products, new intended uses or modifications to existing products;
- the FDA's refusal to issue certificates to foreign governments needed to export products for sale in other countries;
- withdrawing 510(k) clearance or premarket approvals that have already been granted; and
- criminal prosecution.

Regulatory system for medical devices in Europe

The European Union consists of 25 member states and has a coordinated system for the authorization of medical devices. The European Union. Medical Devices Directive, or MDD, sets out the basic regulatory framework for medical devices in the European Union. This directive has been separately enacted in more detail in the national legislation of the individual member states of the European Union.

The system of regulating medical devices operates by way of a certification for each medical device. Each certificated device is marked with CE mark which shows that the device has a Certificat de Conformité. There are national bodies known as Competent Authorities in each member state which oversee the implementation of the MDD within their jurisdiction. The means for achieving the requirements for CE mark varies according to the nature of the device. Devices are classified in accordance with their perceived risks, similarly to the U.S. system. The class of a product determines the requirements to be fulfilled before CE mark can be placed on a product, known as a conformity assessment. Conformity assessments for our products are carried out as required by the MDD. Each member state can appoint Notified Bodies within its jurisdiction. If a Notified Body of one member state has issued a Certificat de Conformité, the device can be sold throughout the European Union without further conformance tests being required in other member states.

According to the MDD, the Obalon balloon system, when delivered with a porcine capsule, is considered a Class III product. The Obalon balloon system when delivered with a cellulose-based capsule is considered a Class IIb product.

Regulatory frameworks for medical devices in certain countries in the Middle East

Unlike Europe, while the Gulf Cooperation Council, or GCC, jurisdictions often work together to purchase certain medical products in a coordinated fashion for government hospitals, there is not a coordinated system for the authorization of medical devices. Most GCC jurisdictions require that the official registered distributor of a product be wholly owned by nationals of that particular GCC jurisdiction.

Kingdom of Saudi Arabia, or KSA

The most pertinent regulation is the Interim Regulation for Medical Devices, issued by the Saudi Food & Drug Authority, or SFDA, Board of Directors' Decree number 1-8-1429 dated approximately December 27, 2008 and the implementing regulations of the same. The SFDA is an independent regulatory body that is responsible for the authorization of medical devices, and current guidelines are generally based on pre-existing approval in one of the five founding member nations of the Global Harmonization Task Force, or GHTF, which are Australia, Canada, United States, European Union and Japan. There are no overt requirements for the provision of safety and effectiveness data in the form of clinical trials or other studies but these would likely come as a part of the approvals described above that are used as a basis to support approval within the KSA. The SFDA reserves its rights to require its own independent clinical trials as it deems necessary or appropriate. Regulatory authorization is required for all medical devices, regardless of device class. A potential exception to this requirement is for medical devices that were designed and constructed by local health care facility and staff for internal use. Similar to the United States, the SFDA requires post market surveillance to ensure safety and quality. This program is meant to be conducted by the Authorized Representative. With respect to the use of medical devices, it is the responsibility of the health care institution to inform the manufacturer and the SFDA of any adverse events associated with this use. We have appointed Al Sultan Saudi Medical Company as our responsible Authorized Representative for the KSA. Our Medical Device Marketing Authorisation was renewed on July 26, 2016 and expires on May 14, 2020. In KSA it is possible for a foreign party to establish a Technical & Scientific Office and register the medical device, while working with a locally licensed Authorized Representative to conduct sales of such approved medical devices.

Kuwait

Medical devices in Kuwait are regulated by the Medicines and Medical Supplies, Pharmaceuticals and Herbal Medicines Registration and Control Administration Department in the Ministry of Health.

In order for any company/manufacturer to sell a medical device in Kuwait, the specific medical device must be approved for use and registered in Kuwait with the Ministry of Health. The manufacturer of the device, through its agent/distributor should submit an application to the Ministry of Health for the approval and registration of the device. The documents required to register a medical device with the Ministry of Health in summary include: (i) the original Manufacturing License and Good Manufacturing Practice certificates; (ii) the original Free Sale Certificate which should mention the trade name, scientific name, indications, and detailed composition for active and inactive ingredients and which should be issued by the health authority in the country of origin of the device; (iii) the status of registration of the product in the country of origin; (iv) the original letter of appointment of an exclusive agent/distributor for the device; (v) a list of countries where the product is registered with registration dates and numbers; (vi) a sample of the product with information about the product on the outer and inner packaging in English or Arabic (the information on the packaging should include: the name of the product, its content/composition, uses, batch number, manufacturing date, expiry date, storage conditions, and instructions on use); (vii) a certificate of analysis of the finished product; (viii) safety and efficacy studies from an approved international authority (and/or clinical studies if applicable); and (ix) any other information the Ministry of Health may require. Once all documents are in order and the Ministry of Health does not require any further information, it will register the device under the names of the manufacturer and the relevant agent/distributor.
The promotion, distribution and sale of medical devices in Kuwait can only be done by a Kuwaiti entity that is appointed by the manufacturer of the device as its exclusive agent/distributor for Kuwait. Such agent/distributor must be authorized by and registered with the Medicines and Medical Supplies,

Pharmaceuticals and Herbal Medicines Registration and Control Administration Department in the Ministry of Health and the Ministry of Commerce and Industry to do so. The device may be sold in licensed pharmacies and other places approved by the Ministry of Health.

We have appointed Bader as our exclusive agent/distributor in Kuwait.

United Arab Emirates, or UAE

The most pertinent regulation is UAE Federal Law No. 4 of 1983 for the Pharmaceutical Profession and Institutions and to Medical Device Regulations. There are many similarities between the SFDA and the Registration and Drug Control Department that is run out of the Ministry of Health & Prevention of the UAE. Applications for registration of medical devices in the UAE are done with the UAE Ministry of Health Registration & Drug Control Department and must include data on effectiveness in addition to safety (a nod to the requirements of the FDA). The UAE body has its own device classification system that is most closely related to that used by the European Union, defined as class 1, low risk; class 2, medium risk but nonimplantable; class 3, medium risk but implantable; and class 4, high risk. The Obalon balloon system is considered a Class 4 (high risk) device when delivered with a porcine-based gelatin capsule. We have appointed Sohail Faris Medical Equipment Trading as the responsible Authorized Representative for the UAE.

Privacy and security laws

The Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996, as amended, or HIPAA, directed the Secretary of the U.S. Department of Health and Human Services, or HHS, to promulgate regulations establishing protections for the privacy and security of individually identifiable health information, known as “protected health information” and prescribing standard requirements for electronic health care transactions. HIPAA generally requires certain entities, referred to as “covered entities” (including most healthcare providers, healthcare clearing houses and health plans), to comply with established standards, including standards regarding the privacy and security of protected health information, or PHI. HIPAA further requires that covered entities enter into agreements meeting certain regulatory requirements with their “business associates,” as such term is defined by HIPAA, which, among other things, obligate the business associates to safeguard the covered entity’s PHI against improper use and disclosure.

The American Recovery and Economic Reinvestment Act of 2009, or ARRA, signed into law by President Obama on February 17, 2009, contained significant changes to the privacy and security provisions of HIPAA, including major changes to the enforcement provisions. Among other things, ARRA significantly increased the amount of civil monetary penalties that can be imposed for HIPAA violations. ARRA also authorized state attorneys general to bring civil enforcement actions under HIPAA. These enhanced penalties and enforcement provisions went into effect immediately upon enactment of ARRA. ARRA also required that HHS promulgate regulations requiring that certain notifications be made to individuals, to HHS and potentially to the media in the event of certain types of breaches of the privacy of protected health information. These breach notification regulations went into effect on September 23, 2009, and HHS began to enforce violations on February 22, 2010. Violations of the breach notification provisions of HIPAA can trigger the increased civil monetary penalties described above.

The Health Information Technology for Economic and Clinical Health Act, or HITECH, was also enacted in conjunction with ARRA. On January 25, 2013, HHS issued final modifications to the HIPAA Privacy, Security, and Enforcement Rules mandated by HITECH, which had been previously issued as a proposed rule on July 14, 2010. Among other things, these modifications make business associates of

covered entities directly liable for compliance with certain HIPAA requirements, strengthen the limitations on the use and disclosure of protected health information without individual authorizations, and adopt the additional HITECH enhancements, including enforcement of noncompliance with HIPAA due to willful neglect. The changes to HIPAA enacted as part of ARRA reflect a Congressional intent that HIPAA's privacy and security provisions be more strictly enforced. It is likely that these changes will stimulate increased enforcement activity and enhance the potential that health care providers will be subject to financial penalties for violations of HIPAA.

In addition to the federal laws and regulations, there are a number of state laws regarding the privacy and security of health information and personal data. The compliance requirements of these laws, including additional breach reporting requirements, and the penalties for violation, vary widely, and new privacy and security laws in this area are evolving.

We believe we are not a covered entity for purposes of HIPAA, and we believe that we generally do not conduct our business in a manner that would cause us to be a business associate under HIPAA. Although we do not believe the business is subject to HIPAA, we nevertheless are committed to maintaining the security and privacy of patients' health information.

Anti-kickback statutes

The federal Anti-Kickback Statute prohibits persons from (among other things) knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for or to induce the referral of an individual, or the recommending, furnishing or arranging for a good or service, for which payment may be made under a federal healthcare program such as Medicare or Medicaid.

Courts have interpreted the Anti-Kickback Statute quite broadly, holding that the statute will be violated if even one purpose of a payment – though not its sole or primary purpose – is to induce an act prohibited by the statute with a willful intent to act improperly. The statute prohibits many arrangements and practices that are otherwise lawful in businesses outside of the healthcare industry. Prosecutors may infer intent from the surrounding circumstances and, because courts have interpreted the statute to be violated if even one purpose of a payment is to induce the purchase of items or services paid for by federal healthcare programs, prosecutors have broad discretion in choosing arrangements to prosecute under the statute. There are statutory exceptions and regulatory "safe harbors" available to protect certain appropriately structured arrangements that otherwise would implicate the Anti-Kickback Statute. Those who structure their business arrangements to satisfy all of the criteria of a safe harbor are protected from liability under the statute.

Penalties for violation of the Anti-Kickback Statute are severe and may include, in addition to the fines and jail time described above, penalties imposed under the Civil Monetary Penalties Law, or the CMP Law, including exclusion from participation in Federal healthcare programs, civil monetary penalties of up to $50,000 for each improper act, and damages of up to three times the amount of remuneration at issue (regardless of whether some of the remuneration was for a lawful purpose). Because we do not anticipate that the Obalon balloon system will be reimbursed by any federal healthcare program, we do not believe that we will be subject to the federal Anti-Kickback Statute.

Many states have adopted laws similar to the Anti-Kickback Statute, however, and some of these state prohibitions apply to arrangements involving healthcare items or services reimbursed by any source, and not only by Medicare, Medicaid or another federal healthcare program. These state laws do not always have the same exceptions or safe harbors of the federal Anti-Kickback Statute. The business may be subject to some of these laws.

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

False claims laws

The federal False Claims Act imposes liability on any individual or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal healthcare program. The *qui tam* or "whistleblower" provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has violated the False Claims Act and to share in any monetary recovery. In recent years, the number of lawsuits brought against healthcare industry participants by private individuals has increased dramatically.

When an entity is determined to have violated the False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties of between $5,500 and $11,000 for each separate instance of false claim. As part of any settlement, the government may ask the entity to enter into a corporate integrity agreement, which imposes certain compliance, certification and reporting obligations. There are many potential bases for liability under the False Claims Act. Liability arises, primarily, when an entity knowingly submits, or causes another to submit, a false claim for reimbursement to the federal government. The federal government has used the False Claims Act to assert liability on the basis of inadequate care, kickbacks and other improper referrals, and the provision of inaccurate reimbursement coding advice, in addition to the more predictable allegations as to misrepresentations with respect to the services rendered. In addition, companies have been sued under the False Claims Act in connection with the off-label promotion of products.

Various states have also enacted false claims laws that are analogous to the federal False Claims Act. Many of these state laws apply to claims submitted to any third-party payor and are not limited to claims submitted to a federal healthcare program.

Because we do not expect the Obalon balloon system to be reimbursed by federal healthcare programs or any other third-party payor, we do not believe that the business generally will be subject to many of these laws.

Transparency laws

The federal Physician Payment Sunshine Act, or the Sunshine Act, which was enacted as part of the Patient Protection and Affordable Care Act, or the PPACA, generally requires certain manufacturers of a drug, device, biologic or other medical supply that is covered by Medicare, Medicaid or the Children's Health Insurance Program and applicable group purchasing organizations to report on an annual basis: (i) certain payments and other transfers of value given to physicians and teaching hospitals and (ii) any ownership or investment interest that physicians, or their immediate family members, have in their company. The payments required to be reported include the cost of meals provided to a physician, travel reimbursements and other transfers of value, including those provided as part of contracted services such as speaker programs, advisory boards, consultation services and clinical trial services. Under the statute, the federal government makes reported information available to the public. Failure to comply with the reporting requirements can result in significant civil monetary penalties ranging from $1,000 to $10,000 for each payment or other transfer of value that is not reported (up to a maximum per annual report of $150,000) and from $10,000 to $100,000 for each knowing failure to report (up to a maximum per annual report of $1 million). Additionally, there are criminal penalties if an entity intentionally makes

false statements in the reports. Because we do not expect the Obalon balloon system to be covered or reimbursed by any federal healthcare program, we do not believe that our business will be subject to the federal Sunshine Act.

There has been a recent trend of separate state regulation of payments and transfers of value by manufacturers of medical devices to healthcare professionals and entities, however, and some state transparency laws apply more broadly than does the federal Sunshine Act. Our business may be subject to some of these state laws.

Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act, or FCPA, prohibits U.S. businesses and their representatives from offering to pay, paying, promising to pay or authorizing the payment of money or anything of value to a foreign official in order to influence any act or decision of the foreign official in his or her official capacity or to secure any other improper advantage in order to obtain or retain business. The FCPA also obligates companies whose securities are listed in the United States to comply with accounting provisions requiring us to maintain books and records, which in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the corporation, including international subsidiaries, if any, and to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements. The scope of the FCPA includes interactions with certain healthcare professionals in many countries.

International laws

In Europe, and throughout the world, other countries have enacted anti-bribery laws and/or regulations similar to the FCPA. Violations of any of these anti-bribery laws, or allegations of such violations, could have a negative impact on our business, results of operations and reputation.

There are also international privacy laws that impose restrictions on the access, use, and disclosure of health information. All of these laws may impact our business. Our failure to comply with these privacy laws or significant changes in the laws restricting our ability to obtain required patient information could significantly impact our business and our future business plans.

U.S. healthcare reform

Changes in healthcare policy could increase our costs and subject us to additional regulatory requirements that may interrupt commercialization of the Obalon balloon system. By way of example, PPACA substantially changed the way healthcare is financed by both governmental and private insurers, and significantly impacted the medical device industry. PPACA, among other things, imposed a 2.3% excise tax on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions. Although the excise tax has been suspended for 2016 and 2017, absent further legislative action, the tax will be reinstated starting January 1, 2018.

There will continue to be proposals by legislators at both the federal and state levels, regulators and third party payors to reduce costs while expanding individual healthcare benefits. Certain of these changes could impose additional limitations on the prices we will be able to charge and/or patients' willingness to pay for the Obalon balloon system. While in general it is too early to predict what effect, if any, PPACA and its implementation, or any future healthcare reform legislation or policies will have on our business, current and future healthcare reform legislation and policies could have a material adverse effect on our business and financial condition.

EMPLOYEES

As of June 30, 2016, we had 51 employees, including 17 in manufacturing and operations, one in sales and marketing, ten in research and development, 16 in clinical affairs, regulatory affairs and quality assurance and seven in finance, general administrative and executive administration. All 51 employees are full time employees. None of our employees are represented by a labor union or are parties to a collective bargaining agreement, and we believe that our employee relations are good.

FACILITIES

Our principal executive offices are located in a 17,500 square foot facility Carlsbad, California. The term of the lease for our facility extends through March 2017, and we are currently discussing extension with our landlord. Our facility houses our research and development, sales, marketing, manufacturing, finance and administrative activities. We believe that our current facilities are adequate for our current and anticipated future needs through 2018.

LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings in the ordinary course of business. We are currently not a party to any legal proceedings that we believe would have a material adverse effect on our business, financial condition or results of operations.

Management

EXECUTIVE OFFICERS AND DIRECTORS

The following table provides information regarding our executive officers and directors as of August 31, 2016:

Name	Age	Position
Executive Officers:		
Andrew Rasdal	58	President, Chief Executive Officer and Director
William Plovanic	47	Chief Financial Officer
Mark Brister	54	Vice President of Research and Development
Nooshin Hussainy	58	Vice President of Finance
Steve Johnson	58	Vice President of Operations
Lisa Metzner	47	Vice President of Marketing
Matthew Norwood	41	Vice President of Sales
Amy VandenBerg	41	Vice President of Regulatory and Clinical Affairs
Donald Young	58	Vice President of Quality Assurance
Non-Employee Directors:		
Kim Kamdar(1)(2)	49	Chairperson of the Board of Directors
Ray Dittamore(2)(3)	73	Director
Douglas Fisher(1)	40	Director
Les Howe(1)(3)	72	Director
Sharon Stevenson(3)	67	Director

(1) Member of the Nominating and Corporate Governance Committee
(2) Member of the Compensation Committee
(3) Member of the Audit Committee

EXECUTIVE OFFICERS

Andrew Rasdal has served as our President and Chief Executive Officer and a member of our board of directors since June 2008. Previously, Mr. Rasdal was the President and Chief Executive Officer at DexCom, Inc., a medical device company, from January 2002 until June 2007. Prior to DexCom, Mr. Rasdal served as President of Vascular and Senior Vice President for Medtronic, Inc., a medical technology development company, from 1999 to 2002. Prior to Medtronic, Mr. Rasdal served as Vice President of Marketing at Arterial Vascular Engineering, Inc., or AVE (acquired by Medtronic), a coronary stent company, from 1997 to 1999. Mr. Rasdal has also served in various senior positions at EP Technologies, Inc., SCIMED Life Systems, Inc. and Advanced Cardiovascular Systems, Inc. Mr. Rasdal holds a B.S. from San Jose State University and an M.M. from the Kellogg School of Management at Northwestern University. Our board of directors believes that Mr. Rasdal should serve as a director due to his deep understanding of our company and product and his significant experience in the medical technology industry.

William Plovanic has served as our Chief Financial Officer since March 2016. Previously, Mr. Plovanic served as Managing Director, Medical Technology Equity Research at Canaccord Genuity Inc., an investment bank, from February 2007 to March 2016. Prior to Canaccord Genuity, Mr. Plovanic served in various roles at First Albany Capital Inc. from February 2001 to February 2007, including as Managing Director, Equity Research. Mr. Plovanic holds a B.S. from Bradley University and is a CFA charterholder.

Management

Mark Brister has served as our Vice President of Research and Development since June 2008. Prior to joining us, Mr. Brister served as the Vice President of Research and Development for DexCom from 2003 to 2008. Prior to DexCom, Mr. Brister served as Vice President Vascular Research and Development for Medtronic from 1999 to 2003. Prior to Medtronic, Mr. Brister served as Vice President of Research and Development and Director of Operations for Arterial Vascular Engineering from 1993 to 1999.

Nooshin Hussainy has served as our Vice President of Finance since December 2011. Prior to joining us, Ms. Hussainy served as the Vice President of Accounting and Corporate Controller at GenMark Diagnostics, Inc., a molecular diagnostics company, from April 2010 to September 2011. Prior to GenMark Diagnostics, Ms. Hussainy served as the Vice President of Accounting and Corporate Controller at ACTIVE Network, LLC, a worldwide registration software and advertising company, from 2008 to 2010. Ms. Hussainy previously served as the Corporate Controller at DexCom from 2003 to 2008 and at Entropia, Inc. from 2001 to 2003. Ms. Hussainy has also served as the Assistant Controller at Thermolase Corporation. Ms. Hussainy holds a B.A. from National University.

Steve Johnson has served as our Vice President of Operations since January 2014. Prior to joining us, Mr. Johnson served as the consulting Vice President of Operations at Silk Road Medical, a medical device company, from June 2013 to January 2014. Prior to Silk Road Medical, Mr. Johnson served as the Chief Operating Officer and Senior Vice President of Manufacturing and Product Development at iRhythm Technologies, Inc., a privately held digital health company from January 2011 to December 2012. Prior to iRhythm Technologies, Mr. Johnson served as Senior Vice President, Operations at Aptus Endosystems, Inc., a medical device company, from September 2008 to August 2009. Mr. Johnson has also served as the Senior Vice President, Operations and Vice President of Manufacturing at Heartport, Inc., as well as the Vice President of Manufacturing at Guident (acquired by Abbott Vascular). Mr. Johnson holds a B.S. from Kettering University.

Lisa Metzner has served as our Vice President of Marketing since June 2016. Prior to joining us, Ms. Metzner served as Senior Director, North America Marketing at ZELTIQ Aesthetics Inc., a medical technology company, from March 2013 to June 2016. Prior to ZELTIQ, Ms. Metzner served as Director, Aesthetics Consumer Marketing at Medicis Pharmaceutical Corporation (a division of Valeant Pharmaceuticals International, Inc.), a medical cosmetics company, from August 2011 to March 2013. Prior to Medicis, Ms. Metzner served as the Principal/Marketing Consultant at Rosas Consulting Group, LLC, a marketing and branding firm, from March 2009 to September 2011. Ms. Metzner has also served as the Senior Marketing Manager, Global Markets with ConAgra Foods, Inc., a food and consumer products company, from June 1998 to September 2006, and as the Senior Manager, Consumer Marketing with Allergan, Plc, a global pharmaceutical company, from September 2006 to February 2009. Ms. Metzner holds a B.A. from the University of Wisconsin-Whitewater and an M.B.A. from Pepperdine University.

Matthew Norwood has served as our Vice President of Sales since July 2016. Prior to joining us, Mr. Norwood served as Area Director of Sales at Merz North America, a medical products company, from November 2014 to July 2016. Prior to Merz, Mr. Norwood held various positions at Ulthera, Inc., a medical device company, from October 2010 to November 2014, including as the Sales Director and South Texas Territory Manager. Prior to Ulthera, Mr. Norwood also held various positions at Ethicon Inc., a subsidiary of Johnson & Johnson that designs medical devices, from February 2005 to October 2010, including as the Market Development Manager and the Senior Full Line Sales Representative. Prior to Ethicon, Mr. Norwood held various positions at Merck & Co., Inc., d.b.a Merck Sharp & Dohme, including as the Osteoporosis Specialty Representative and as a Professional Representative. Mr. Norwood holds a B.A. from Saint Edward’s University.

Amy VandenBerg has served as our Vice President of Regulatory Affairs since February 2012 and assumed the position of Vice President of Clinical and Regulatory Affairs in November 2014. Ms. VandenBerg joined us in 2008 as Director of Regulatory Affairs. Prior to joining us, Ms. VandenBerg held positions of increasing leadership at other medical device companies, including DexCom and Cygnus, Inc. Ms. VandenBerg has more than 18 years of experience with a focus on medical device quality systems, clinical affairs as well as domestic and international regulatory affairs. Ms. VandenBerg holds a B.S. from St. Mary's College of California.

Donald Young has served as our Vice President of Quality Assurance since June 2016. Prior to joining us, Mr. Young served as Director of Quality Assurance and Regulatory Affairs at CareFusion Corporation (acquired by Becton Dickinson), a medical technology company that manufactures medical supplies, devices and lab equipment, from 2011 to 2016. Prior to CareFusion, Mr. Young served as Vice President of Quality Assurance and Regulatory Affairs at Flex Medical, a division of Flextronics International Ltd. (formerly Avail Medical Products, Inc. and Pacific Device Inc.) from 2000 to 2011 (and prior positions in quality assurance since 1990). Mr. Young holds a B.S. from Rutgers University (College of Engineering).

NON-EMPLOYEE DIRECTORS

Kim Kamdar, Ph.D. has served as a member of our board of directors since January 2008. Dr. Kamdar is currently a partner at Domain Associates, LLC, a venture capital firm, where she has worked since 2005. Prior to Domain, Dr. Kamdar was a Kauffman Fellow with MPM Capital, as well as a research director at Novartis International AG. Dr. Kamdar serves on the board of Epic Sciences, Inc., Neothetics, Inc., Omniome, Inc., ROX Medical, Inc., Sera Prognostics, Inc., Syndax Pharmaceuticals, Inc. and Tragara Pharmaceuticals, Inc. Dr. Kamdar also previously served on the board of directors of Ariosa Diagnostics, Inc., a molecular diagnostics company, from 2010 until it was sold to Roche in January 2015. Ms. Kamdar serves as an advisory board member of Scripps Medicine and of Evolvence India Life Sciences Fund. She is also a board member of San Diego's CONNECT Foundation. Dr. Kamdar holds a B.A. from Northwestern University and a Ph.D. from Emory University. Our board of directors believes that Dr. Kamdar's extensive experience advising medical device companies qualifies her to serve on our board of directors.

Raymond Dittamore has served as a member of our board of directors since March 2016. Mr. Dittamore retired in June 2001 as a partner of Ernst & Young LLP, an international public accounting firm, after 35 years of service. Mr. Dittamore currently serves on the board of directors of QUALCOMM Incorporated, a semiconductor and telecommunications equipment company. Mr. Dittamore previously served on the boards of directors of Life Technologies Corporation, Gen-Probe Incorporation and Digirad Corporation. Mr. Dittamore holds a B.S. degree in accounting from San Diego State University. Our board of directors believes that Mr. Dittamore's extensive auditing and accounting experience as well as his industry knowledge qualifies him to serve on our board of directors.

Douglas Fisher has served as a member of our board since May 2012. Dr. Fisher is currently an Executive in Residence at InterWest Partners LLC, a venture capital firm, where he has worked since March 2009. Dr. Fisher also serves as the Chief Business Officer at Sera Prognostics, Inc., where he has worked since January 2015. Prior to joining InterWest, Dr. Fisher served as Vice President of New Leaf Venture Partners LLC, a private equity and venture capital firm, from January 2006 to March 2009. Prior to joining New Leaf, Dr. Fisher was a project leader with The Boston Consulting Group, Inc., a global management consulting firm, from November 2003 to February 2006. Dr. Fisher currently serves on the board of of Gynesonics, Inc., Indi Molecular, Inc. and QuatRx Pharmaceuticals Company and

previously served on the board of Cardiac Dimensions, PMV Pharmaceuticals, Inc., and Sera Prognostics, Inc. Dr. Fisher holds an A.B. and a B.S. from Stanford University, an M.D. from the University of Pennsylvania School of Medicine and an M.B.A. from The Wharton School of the University of Pennsylvania. Our board of directors believes that Dr. Fisher's extensive experience in the medical device industry qualifies him to serve on our board of directors.

Les Howe has served as a member of our board of directors since January 2016. Mr. Howe served as the Chief Executive Officer of Consumer Networks LLC, an internet marketing and promotions company, from December 2001 to May 2007. From July 1967 to September 1997, Mr. Howe held several positions at KPMG Peat Marwick LLP, an international auditing and accounting firm, and served as area managing partner/managing partner of their Los Angeles office from May 1994 to September 1997. Mr. Howe currently serves as the lead director of the board of directors of NuVasive, Inc., and has previously served on the board of directors of P.F. Chang's China Bistro, Inc., dj Orthopedics, Inc. and Jamba, Inc. Mr. Howe holds a B.S. and B.A. from the University of Arkansas. Our board of directors believes that Mr. Howe's extensive auditing and accounting experience qualifies him to serve on our board of directors.

Sharon Stevenson, DVM Ph.D. has served as a member of our board since January 2008. Dr. Stevenson is currently a Co-Founder and Managing Director of Okapi Venture Capital, a venture capital company, where she has worked since 2005. Prior to founding Okapi, Dr. Stevenson was the Senior Vice President of Technology and Planning for SkinMedica, Inc. (acquired by Allergan, Inc.) from 2003 to 2004. Prior to SkinMedica, Dr. Stevenson was a Principal with Domain Associates, LLC from 2000 to 2003. While at Domain, Dr. Stevenson also served as President and Chief Financial Officer of Volcano Corporation. Dr. Stevenson currently serves on the board of WiserCare, Inc., BioTrace Medical, Inc. and Focal Therapeutics, Inc., and has previously served on the board of directors of Helixis, Inc. (acquired by Illumina), OrthAlign, Inc. and PathCentral, Inc. Dr. Stevenson holds a Master of Science in Veterinary Pathology and Doctor of Veterinary Medicine from The Ohio State University, an M.B.A from the UCLA Anderson Graduate School of Management and a Ph.D. in Comparative Pathology from the University of California, Davis. Our board of directors believes that Dr. Stevenson's extensive industry experience and experience advising medical aesthetic companies qualifies her to serve on our board of directors.

ELECTION OF OFFICERS

Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

BOARD OF DIRECTORS

Our current certificate of incorporation and voting agreement among certain investors provide that our board shall consist of seven directors, of which one director shall be elected by holders of our common stock, two directors shall be elected by holders of our preferred stock and all other directors shall be elected by the holders of our common stock and of every other class or series of voting stock (including all convertible preferred stock) voting together as a single class on an as-converted to common stock basis. Our board of directors currently consists of six members. Mr. Fisher and Dr. Kamdar are the designees of our preferred stock, Mr. Rasdal is the designee of our common stock and Dr. Stevenson, Mr. Howe and Mr. Dittamore are designees of our common stock and preferred stock voting together, with the one remaining designee of our common stock and preferred stock voting together remaining vacant.

The voting agreement and the provisions of our certificate of incorporation by which Drs. Fisher, Kamdar and Stevenson and Messrs. Rasdal, Howe and Dittamore were elected will terminate in connection with our initial public offering and there will be no contractual obligations regarding the election of our directors.

Each of our current directors will continue to serve until the election and qualification of his or her successor, or until his or her earlier death, resignation or removal.

CLASSIFIED BOARD OF DIRECTORS

Our restated certificate of incorporation and restated bylaws that will be in effect immediately prior to the closing of this offering provide for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. As a result, one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our directors will be divided among the three classes as follows.

- the Class I directors will be Dr. Fisher and Dr. Stevenson, and their terms will expire at the first annual meeting of stockholders following this offering;
- the Class II directors will be Mr. Dittamore and Mr. Howe, and their terms will expire at the second annual meeting of stockholders following this offering; and
- the Class III directors will be Dr. Kamdar and Mr. Rasdal, and their terms will expire at the third annual meeting of stockholders following this offering.

Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Our restated certificate of incorporation and restated bylaws that will be in effect immediately prior to the closing of this offering will authorize only our board of directors to fill vacancies on our board of directors. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

The classification of our board of directors may have the effect of delaying or preventing a change of our management or a change in control of our company. Our directors will only be able to be removed for cause by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock. See "Description of capital stock—Anti-takeover provisions—Restated certificate of incorporation and restated bylaws provisions."

DIRECTOR INDEPENDENCE

In connection with this offering, we have applied to list our common stock on The NASDAQ Global Market, or NASDAQ. Under NASDAQ rules, independent directors must comprise a majority of a listed company's board of directors within a specified period of the closing of this offering. In addition, NASDAQ rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Under NASDAQ rules, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not,

other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee: (i) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries; or (ii) be an affiliated person of the listed company or any of its subsidiaries.

Our board of directors has undertaken a review of the independence of each director and considered whether each director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our board of directors determined that Drs. Fisher, Kamdar and Stevenson and Messrs. Dittamore and Howe, representing five of our six directors, are "independent directors" as defined under the applicable rules and regulations of the Securities and Exchange Commission, or the SEC, and the listing requirements and rules of NASDAQ. In making these determinations, our board of directors reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities and relationships as they may relate to us and our management, including the beneficial ownership of our capital stock by each non-employee director and the transactions involving them described in the section entitled "Certain relationships and related-party transactions."

COMMITTEES OF THE BOARD OF DIRECTORS

Our board of directors has an audit committee, a compensation committee and a nominating and corporate governance committee, each of which will have the composition and responsibilities described below as of the closing of our initial public offering. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Each committee will operate under a charter approved by our board of directors. Following this offering, copies of each committee's charter will be posted on the investor relations section of our website at www.obalon.com. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated by reference into, this prospectus.

Audit committee

Our audit committee is comprised of Messrs. Howe and Dittamore and Ms. Stevenson. Mr. Howe is the chairperson of our audit committee. The composition of our audit committee meets the requirements for independence under the current NASDAQ listing standards and SEC rules and regulations. Each member of our audit committee meets the requirements for financial literacy under the applicable rules and regulations of the SEC and NASDAQ. In addition, our board of directors has determined that Mr. Howe is an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Securities Act of 1933, as amended, or the Securities Act. This designation does not impose any duties, obligations or liabilities that are greater than are generally imposed on members of our audit committee and our board of directors. Our audit committee is responsible for, among other things:

- our accounting and financial reporting processes, including our financial statement audits and the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- reviewing and approving related-person transactions;
- selecting and hiring our independent registered public accounting firm;
- the qualifications, independence and performance of our independent auditors; and
- the preparation of the audit committee report to be included in our annual proxy statement.

Compensation committee

Our compensation committee is comprised of Mr. Dittamore and Ms. Kamdar. Mr. Dittamore is the chairperson of our compensation committee. The composition of our compensation committee meets the requirements for independence under the current NASDAQ listing standards and SEC rules and regulations. Each member of this committee is (i) an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, and (ii) a non-employee director, as defined in Rule 16b-3 promulgated under the Exchange Act. Our compensation committee is responsible for, among other things:

- evaluating, recommending, approving and reviewing executive officer compensation arrangements, plans, policies and programs;
- evaluating and recommending non-employee director compensation arrangements for determination by our board of directors;
- administering our cash-based and equity-based compensation plans; and
- overseeing our compliance with regulatory requirements associated with the compensation of directors, officers and employees.

Nominating and corporate governance committee

Our nominating and corporate governance committee is comprised of Messrs. Howe and Fisher and Ms. Kamdar. Ms. Kamdar is the chairperson of our nominating and corporate governance committee. The composition of our nominating and corporate governance committee meets the requirements for independence under the current NASDAQ listing standards and SEC rules and regulations. Our nominating and corporate governance committee is responsible for, among other things:

- identifying, considering and recommending candidates for membership on our board of directors;
- overseeing the process of evaluating the performance of our board of directors; and
- advising our board of directors on other corporate governance matters.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the members of our compensation committee has at any time been one of our officers or employees, and none of our executive officers has served as a member of the board of directors, or as a member of the compensation or similar committee, of any entity that has one or more executive officers who served on our board of directors or compensation committee during the year ended December 31, 2015.

CODE OF BUSINESS CONDUCT AND ETHICS

Our board of directors adopted a code of business conduct and ethics that will become effective upon the closing of this offering that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of conduct will be posted on the investor relations section of our website at www.obalon.com. The reference to our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus. We intend to disclose future amendments to certain provisions of our code of conduct, or waivers of these provisions, on our website or in public filings to the extent required by the applicable rules and exchange requirements.

LIMITATIONS ON LIABILITY AND INDEMNIFICATION MATTERS

Our restated certificate of incorporation that will become effective immediately prior to the closing of this offering contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the Delaware General Corporation Law, or DGCL. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or
- any transaction from which the director derived an improper personal benefit.

Our restated certificate of incorporation and our restated bylaws that will become effective immediately prior to the closing of this offering require us to indemnify our directors and officers to the maximum extent not prohibited by the DGCL and allow us to indemnify other employees and agents as set forth in the DGCL. Subject to certain limitations, our restated bylaws also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted.

We have entered, and intend to continue to enter, into separate indemnification agreements with our directors, officers and certain of our key employees, in addition to the indemnification provided for in our restated certificate of incorporation and restated bylaws. These agreements, among other things, require us to indemnify our directors, officers and key employees for certain expenses, including attorneys' fees, judgments, penalties, fines and settlement amounts actually incurred by these individuals in any action or proceeding arising out of their service to us or any of our subsidiaries or any other company or enterprise to which these individuals provide services at our request. Subject to certain limitations, our indemnification agreements also require us to advance expenses incurred by our directors, officers and key employees for the defense of any action for which indemnification is required or permitted.

We believe that provisions of our restated certificate of incorporation, bylaws and indemnification agreements are necessary to attract and retain qualified directors, officers and key employees. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our restated certificate of incorporation and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers or persons controlling us, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

NON-EMPLOYEE DIRECTOR COMPENSATION

We did not pay any fees to, make any equity awards or non-equity awards to or pay any other compensation to the non-employee members of our board of directors in the year ended December 31, 2015. Additionally, none of our non-employee directors held any outstanding equity awards as of December 31, 2015. Mr. Rasdal, our Chief Executive Officer, received no compensation for his service as a director in the year ended December 31, 2015.

In connection with their appointments to our board of directors, in January and March 2016, we granted to each of Mr. Howe and Mr. Dittamore, respectively, an option to purchase 25,862 shares of common stock with an exercise price of $0.93 per share. These stock options will vest with respect to one quarter of the underlying shares on the first anniversary of their respective appointment dates, with the remaining shares vesting in equal monthly installments over the following 36 months, subject to acceleration upon a "change of control" of our company, as defined in the applicable award agreement. Each of the stock options may be exercised early at the option of the holder.

In August 2016, our board of directors approved non-employee director compensation that will provide each of our non-employee directors with an annual retainer of $35,000. Additionally, the chairperson of our board of directors will receive an additional annual payment of $25,000; the chairpersons of our audit, compensation and nominating and corporate governance committees will receive an additional annual payment of $17,500, $12,500 and $7,500, respectively; and the other members of our audit, compensation and nominating and corporate governance committees will receive an additional annual payment of $7,500, $5,000 and $5,000, respectively.

Each of our non-employee directors will also receive an annual stock option grant to purchase a number of shares of common stock with a value of $100,000 (determined using the Black-Scholes option value based on the 30-day trading average stock price), which stock option will vest in full on the one-year anniversary of the grant date, subject to the director's continued service. Additionally, new non-employee directors will receive a stock option to purchase a number of shares of common stock with a value of $300,000 (determined using the Black-Scholes option value based on the 30-day trading average stock price), which stock option will vest in equal monthly installments over three years, subject to the director's continued service.

Executive compensation

The following tables and accompanying narrative disclosure set forth information about the compensation provided to certain of our executive officers during the year ended December 31, 2015. These executive officers, who include our principal executive officer and the two most highly-compensated executive officers (other than our principal executive officer) who were serving as executive officers as of December 31, 2015, the end of our last completed fiscal year, were:

- Andrew Rasdal, President, Chief Executive Officer and Director;
- Mark Brister, Vice President of Research and Development; and
- Amy VandenBerg, Vice President of Regulatory and Clinical Affairs.

We refer to these individuals in this section as our "Named Executive Officers."

SUMMARY COMPENSATION TABLE

The following table presents summary information regarding the total compensation that was awarded to, earned by or paid to our Named Executive Officers for services rendered during the year ended December 31, 2015.

Name and principal position	Salary	Option awards(1)	Non-equity incentive plan awards(2)	Total
Andrew Rasdal President and Chief Executive Officer	$400,000	$98,794	$100,000	$598,794
Mark Brister Vice President of Research and Development	$275,000	$28,147	$68,750	$371,897
Amy VandenBerg Vice President of Regulatory and Clinical Affairs	$260,000	$22,890	$65,000	$347,890

(1) The amounts shown represent the aggregate grant date fair value of stock options granted to each Named Executive Officer, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. For a discussion of valuation assumptions used in the calculations, see Notes 2 and 7 to our audited consolidated financial statements included elsewhere in this prospectus. Note that the amounts reported in this column reflect the accounting cost for these stock options, and do not correspond to the actual economic value that may be received by our Named Executive Officers from the options.

(2) For additional information regarding the non-equity incentive plan compensation, see "—Non-equity incentive plan awards."

Non-equity incentive plan awards

Annual bonuses for our executive officers are based on the achievement of corporate performance objectives. In 2015, these objectives included the completion of certain clinical development milestones related to our U.S. pivotal trial, improvements in product metrics as measured by specific reductions in failure and complaint rates, as well as the achievement of certain operational and financial targets. In January 2016, based on the achievement of these corporate performance objectives as of December 31, 2015, our board of directors determined to award bonuses equal to 25% of each executive officer's base salary. For 2015, each of Mr. Rasdal, Mr. Brister and Ms. VandenBerg were awarded the bonuses

reflected in the table above, which represented 25% of each individual's 2015 base salary of $400,000, $275,000 and $260,000, respectively.

Equity awards

In February 2015, our board of directors granted to each of Mr. Rasdal, Mr. Brister and Ms. VandenBerg options to purchase 228,674, 65,151 and 52,983 shares of common stock, respectively, each with an exercise price of $0.76 per share. One quarter of the shares underlying each of the options vested on January 1, 2016, with the remaining shares vesting in equal monthly installments over the following 36 months, subject to the respective individual's continued status as a service provider as of each vesting date. Each of the stock options may be exercised early at the option of the holder.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The following table presents, for each of the Named Executive Officers, information regarding outstanding stock options held as of December 31, 2015. All stock options are early exercisable for shares of our restricted common stock. As of December 31, 2015, no options have been early exercised.

	Option Awards					
Name	Grant date	Vesting commencement date	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option exercise price ($)	Option expiration date
Andrew Rasdal	1/27/2010	12/24/2009	26,248(1)	—	$0.87	1/27/2020
	1/26/2011	9/8/2010	37,212(1)	—	$1.31	1/26/2021
	11/16/2011	11/16/2011	63,217(1)	—	$1.31	11/16/2021
	8/14/2012	6/14/2012	229,884(2)(3)	—	$1.83	8/14/2022
	2/12/2015	1/1/2015	228,674(2)(3)	—	$0.76	2/12/2025
Mark Brister	7/7/2008	6/16/2008	27,758(1)	—	$1.74	7/17/2018
	2/3/2009	2/3/2009	6,896(1)	—	$0.87	2/3/2019
	1/27/2010	12/24/2009	9,365(1)	—	$0.87	1/27/2020
	1/26/2011	9/8/2010	13,277(1)	—	$1.31	1/26/2021
	11/16/2011	11/16/2011	14,367(1)	—	$1.31	11/16/2021
	8/14/2012	6/14/2012	62,643(2)(3)	—	$1.83	8/14/2022
	2/12/2015	1/1/2015	65,151(2)(3)	—	$0.76	2/12/2025
Amy Vandenberg	12/15/2008	12/15/2008	4,022(1)	—	$0.87	12/15/2018
	1/27/2010	12/24/2009	1,087(1)	—	$0.87	1/27/2020
	1/26/2011	9/8/2010	1,541(1)	—	$1.31	1/26/2021
	7/27/2011	7/13/2011	9,770(1)	—	$1.31	7/27/2021
	4/10/2012	2/13/2012	10,448(2)(4)	—	$1.31	4/10/2022
	8/14/2012	6/14/2012	33,907(2)(4)	—	$1.83	8/14/2022
	12/19/2014	11/17/2014	12,214(2)(4)	—	$0.76	12/19/2024
	2/12/2015	1/1/2015	52,983(2)(4)	—	$0.76	2/12/2025

(1) Option is fully vested as of December 31, 2015.

(2) One-quarter of the shares underlying such option will vest on the first anniversary of the option vesting commencement date, with the remaining shares vesting in equal monthly installments for the following 36 months.

(footnotes continued on following page)

(3) 100% of all unvested shares subject to the option will vest and become exercisable in the event that we engage in a change of control transaction (as defined in the applicable award agreement).
(4) In the event that the holder is terminated by us without cause or resigns for good reason (each, as defined in the applicable award agreement), at any time during the period beginning on the closing of an acquisition (as defined in the applicable award agreement), and ending on the first anniversary of such closing, then 100% of any unvested shares subject to the stock options will automatically vest, subject to such holder executing and not rescinding a general release of claims.

EMPLOYMENT AGREEMENTS

We have entered into offer letters with certain senior management personnel, including our Named Executive Officers. Each of these offer letters provides for at-will employment and includes each officer's base salary, a discretionary annual incentive bonus opportunity and standard employee benefit plan participation.

Additionally, prior to the closing of this offering, we will enter into new retention agreements with each of the Named Executive Officers that will provide for severance benefits upon termination of employment or a change of control of our company. The severance benefits provided in these retention agreements will supersede any severance benefits provided in the Named Executive Officers' offer letters.

Chief executive officer severance benefits

The retention agreement that we will enter into with Mr. Rasdal will provide for the following benefits upon a qualifying termination, which means a termination by us without cause or a termination by the executive for good reason, outside of a change in control in exchange for a customary release of claims: (i) a lump sum severance payment of 12 months of base salary; (ii) 100% acceleration of any then-unvested equity awards, including awards that would vest only upon satisfaction of performance criteria; and (iii) payment of premiums for continued medical benefits (or equivalent cash payment if applicable law so requires) for up to 12 months. If Mr. Rasdal is subject to a qualifying termination within the three months preceding a change in control (but after a legally binding and definitive agreement for a potential change of control has been executed) or within the 12 months following a change in control, the retention agreement provides the following benefits in exchange for a customary release of claims: (i) a lump sum severance payment of 12 months of base salary, (ii) a lump sum payment equal to the pro rata portion of Mr. Rasdal's then-current target bonus opportunity, (iii) 100% acceleration of any then-unvested equity awards that were granted after this offering, and (iv) payment of premiums for continued medical benefits (or equivalent cash payment if applicable law so requires) for up to 12 months. Further, if a successor or acquiring entity does not assume, convert, replace or substitute Mr. Rasdal's equity awards in a change of control, the vesting of those unvested awards will accelerate in full. Additionally, if Mr. Rasdal ceases to provide services to us due to his death or disability and such separation occurs within 12 months following a change in control or within three months preceding a change in control if the separation occurs after a potential change in control, Mr. Rasdal's then-outstanding and unvested equity awards, including awards that would otherwise vest only upon satisfaction of performance criteria, will accelerate and become vested and exercisable as to 100% of the then-unvested shares. Mr. Rasdal's retention agreement will be in effect for three years, with automatic three-year renewals unless notice is given by us to Mr. Rasdal three months prior to expiration.

As used in Mr. Rasdal's retention agreement, "cause" means: (i) conviction for, or guilty plea to, a felony involving moral turpitude; (ii) an uncured willful refusal to comply with our lawful and reasonable instructions, or to otherwise perform duties as we lawfully and reasonably determine; (iii) any willful act of dishonesty intended to result in material gain or personal enrichment at the expense of us or any of

our customers, partners, affiliates or employees; or (iv) any willful act of gross misconduct that is injurious to us. “Change in control” has the same meaning as “corporate transaction” under our 2016 Equity Incentive Plan, as further described below. “Disability” means total and permanent disability as defined by our long-term disability benefit plan. “Good reason” means, without consent, and subject to certain exceptions, (i) a reduction in then-current base salary (except for a reduction that is part of a proportional reduction of the base salaries of all executives), bonus opportunity or commissions opportunity; (ii) our offices being moved such that the usual commuting distance is increased by more than 10 miles; (iii) a material and adverse change to duties or responsibilities; (iv) a change to title and/or role after which Mr. Rasdal is not both the Chief Executive Officer of the top-level acquiring entity whose stock is publicly traded and a voting member of its board of directors; (v) Mr. Rasdal is not, so long as he is Chief Executive Officer, a voting member of our board of directors; or (vi) we provide notice that the retention agreement will not be renewed.

Other executive officer severance benefits

The retention agreements that we will enter into with Mr. Brister and Ms. VandenBerg will provide for the following benefits upon a qualifying termination, which means a termination by us without cause or a termination by the executive for good reason, outside of a change in control in exchange for a customary release of claims: (i) a lump sum severance payment of six months of base salary and (ii) payment of premiums for continued medical benefits (or equivalent cash payment if applicable law so requires) for up to six months. If either of Mr. Brister or Ms. VandenBerg is subject to a qualifying termination within the three months preceding a change in control (but after a legally binding and definitive agreement for a potential change of control has been executed) or within the 12 months following a change in control, the retention agreements provide the following benefits to such individual in exchange for a customary release of claims: (i) a lump sum severance payment of 12 months of base salary, (ii) a lump sum payment equal to the pro rata portion such individual’s then-current target bonus opportunity, (iii) 100% acceleration of any then-unvested equity awards that were granted after this offering, and (iv) payment of premiums for continued medical benefits (or equivalent cash payment if applicable law so requires) for up to 12 months. Further, if a successor or acquiring entity does not assume, convert, replace or substitute the executive’s equity awards in a change of control, the vesting of those unvested awards will accelerate in full. Each retention agreement is in effect for three years, with automatic three-year renewals unless notice is given by us to the Named Executive Officer three months prior to expiration.

As used in the retention agreements, “cause” means: (i) conviction for, or guilty plea to, a felony involving moral turpitude; (ii) an uncured willful refusal to comply with our lawful and reasonable instructions, or to otherwise perform duties as we lawfully and reasonably determine; (iii) any willful act of dishonesty intended to result in material gain or personal enrichment at the expense of us or any of our customers, partners, affiliates or employees; or (iv) any willful act of gross misconduct that is injurious to us. “Change in control” has the same meaning as “corporate transaction” under our 2016 Equity Incentive Plan, as further described below. “Good reason” means, without consent, and subject to certain exceptions, (i) a reduction in then-current base salary (except for a reduction that is part of a proportional reduction of the base salaries of all executives), bonus opportunity or commissions opportunity; (ii) our offices being moved such that the usual commuting distance is increased by more than 10 miles; and (iii) a material and adverse change to title, duties or responsibilities.

BONUS PLAN

Our board of directors adopted a Bonus Plan, effective on the date immediately prior to the effective date of the registration statement of which this prospectus is a part. The Bonus Plan provides for the potential

payment of cash bonuses to selected employees, including our Named Executive Officers. Each year, our compensation committee will establish a bonus pool from which awards will be paid and will, in its sole discretion, determine the performance goals applicable to any award, which may be selected from the list of performance factors identified in our 2016 Equity Incentive Plan. The performance goals and the time period over which such goals are measured may differ from participant to participant and from award to award. The performance goals may be based on GAAP or non-GAAP results and any actual results may be adjusted by the compensation committee for one-time items, unbudgeted or unexpected items, acquisition-related activities or changes in applicable accounting rules when determining whether the performance goals have been met.

Bonuses awarded under the Bonus Plan will be paid in cash as soon as practicable after we announce our financial results for the relevant fiscal year, which generally occurs in the first quarter of the succeeding year. Bonuses, if any, will be paid before March 15 of such succeeding calendar year.

EMPLOYEE BENEFIT AND STOCK COMPENSATION PLANS

2008 equity incentive plan

Our board of directors adopted our 2008 Equity Incentive Plan, or the 2008 Plan, in February 2008. The 2008 Plan provides for the grant of incentive stock options, which qualify for favorable tax treatment to their recipients under Section 422 of the Code, and nonstatutory stock options, as well as for the issuance of shares of restricted stock. We may grant incentive stock options only to our employees, including officers and directors who are also employees. We may grant nonstatutory stock options to our employees, officers, directors and consultants. We have only granted stock options under our 2008 Plan.

Our 2008 Plan is administered by our board of directors. Our board of directors has the authority to construe and interpret our 2008 Plan, grant awards, determine the terms of such awards and make all other determinations necessary or advisable for the administration of the 2008 Plan.

The exercise price of each stock option must be at least equal to the fair market value of our common stock on the date of grant. The exercise price of incentive stock options granted to 10% stockholders must be at least equal to 110% of the fair market value of our common stock on the date of grant. The maximum permitted term of options granted under our 2008 Plan is ten years from the date of grant, except that the maximum permitted term of incentive stock options granted to 10% stockholders is five years from the date of grant.

Options granted under our 2008 Plan to date generally vest over a four-year period subject to the optionee’s continued service through certain vesting dates and may not be transferred in any manner other than by will or by the laws of descent and distribution or as determined by our board of directors. Unless otherwise permitted by our board of directors, stock options may be exercised during the lifetime of the optionee only by the optionee or the optionee’s guardian or legal representative. The 2008 Plan provides that options generally may be exercised for a period of three months after the termination of the optionee’s service to us for any reason other than due to death or disability, and for a period of six months in the case of death or disability, or such longer period as our board of directors may provide. Options granted under our 2008 Plan to date generally may be may be exercised for a period of ninety days after the termination of the optionee’s service to us for any reason other than due to death or disability, and for a period of one year in the case of death or disability.

In the event of a merger or change in control (as defined in the 2008 Plan), the 2008 Plan provides that awards may be assumed or substituted by the successor or acquiring entity. If any surviving or acquiring

corporation fails to assume or substitute such awards, awards held by participants whose continuous service has not terminated will accelerate vesting in full prior to the transaction. All awards will terminate at or prior to the date of the transaction. A stock option shall be considered assumed if, following the transaction, the stock option confers the right to receive a payment, if any, equal to the consideration payable to a holder of common stock for each share underlying the stock option less the exercise price otherwise payable in connection with the stock option.

In the event there is a specified type of change in our capital structure without our receipt of consideration, such as a stock split, our board of directors may (in its sole discretion) make appropriate adjustments to the number of shares reserved under our 2008 Plan, and the number of shares and exercise price, if applicable, of all outstanding stock options under our 2008 Plan.

As of June 30, 2016, we had reserved 2,988,770 shares of our common stock for issuance under our 2008 Plan, which was reduced to 2,380,074 shares on July 17, 2016. As of June 30, 2016, options to purchase 1,767,690 of these shares were outstanding and 1,056,415 of these shares were available for grant (which was reduced to 447,719 shares on July 17, 2016). We will cease issuing awards under the 2008 Plan upon the effective date of the 2016 Equity Incentive Plan, or the 2016 Plan. The 2016 Plan will become effective on the date immediately prior to the effective date of the registration statement of which this prospectus is a part. As a result, we will not grant any additional options under the 2008 Plan following that date, and the 2008 Plan will terminate at that time. However, any outstanding options granted under the 2008 Plan will remain outstanding, subject to the terms of the 2008 Plan and stock option agreements, until such outstanding options are exercised or until they terminate or expire by their terms.

2016 equity incentive plan

Our board of directors adopted the 2016 Plan, which will become effective on the date immediately prior to the effective date of the registration statement of which this prospectus is a part and serve as the successor to the 2008 Plan. We have reserved 2,200,000 shares of our common stock to be issued under the 2016 Plan. The number of shares reserved for issuance under the 2016 Plan will increase automatically on January 1 of each of our calendar years beginning 2017 and continuing through 2026 by the number of shares equal to 4% of the total outstanding shares of our common stock and common stock equivalents as of the immediately preceding December 31. However, our board of directors may reduce the amount of the increase in any particular year. In addition, the following shares of our common stock will be available for grant and issuance under the 2016 Plan:

- shares subject to options or stock appreciation rights, or SARs, granted under the 2016 Plan that cease to be subject to the option or SAR for any reason other than exercise of the option or SAR;
- shares subject to awards granted under the 2016 Plan that are subsequently forfeited or repurchased by us at the original issue price;
- shares subject to awards granted under the 2016 Plan that otherwise terminate without shares being issued;
- shares surrendered, cancelled, or exchanged for cash or a different award (or combination thereof);
- shares subject to awards under the 2016 Plan that are used to pay the exercise price of an award or withheld to satisfy the tax withholding obligations related to any award;
- shares reserved but not issued or subject to outstanding awards under the 2008 Plan on the effective date of the 2016 Plan;

- shares issuable upon the exercise of options or subject to other awards under the 2008 Plan prior to the date of this prospectus that cease to be subject to such options or other awards by forfeiture or otherwise after the effective date of the 2016 Plan;
- shares issued under the 2008 Plan that are repurchased by us at the original issue price or are forfeited after the effective date of the 2016 Plan; and
- shares subject to awards under the 2008 Plan that are used to pay the exercise price of an option or withheld to satisfy the tax withholding obligations related to any award.

The 2016 Plan authorizes the award of stock options, restricted stock, or RSAs, SARs, restricted stock units, or RSUs, performance awards and stock bonuses. No person will be eligible to receive more than 350,000 shares in any calendar year under the 2016 Plan other than a new employee of ours, who will be eligible to receive no more than 1,000,000 shares under the plan in the calendar year in which the employee commences employment. No participant will be eligible to receive more than $10,000,000 in performance awards in any calendar year. No more than 4,400,000 shares will be issued pursuant to the exercise of incentive stock options. The aggregate number of shares of our common stock that may be subject to awards granted to any one non-employee director pursuant to the 2016 Plan in any calendar year shall not exceed 220,000.

The 2016 Plan will be administered by our compensation committee, all of the members of which are outside directors as defined under applicable federal tax laws, or by our board of directors acting in place of our compensation committee. The compensation committee will have the authority to construe and interpret the 2016 Plan, grant awards and make all other determinations necessary or advisable for the administration of the plan.

The 2016 Plan will provide for the grant of awards to our employees, directors, consultants, independent contractors and advisors, provided the consultants, independent contractors, non-employee directors and advisors render services not in connection with the offer and sale of securities in a capital-raising transaction. The exercise price of stock options must be at least equal to the fair market value of our common stock on the date of grant. The compensation committee has the authority to reprice any outstanding stock option or SAR (by reducing the exercise price of any outstanding option or SAR, canceling an option or SAR in exchange for cash or another equity award) under the 2016 Plan without the approval of our stockholders.

Options may vest based on time or achievement of performance conditions. Our compensation committee may provide for options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to our right of repurchase that lapses as the shares vest. The maximum term of options granted under the 2016 Plan is ten years.

An RSA is an offer by us to sell shares of our common stock subject to restrictions, which may vest based on time or achievement of performance conditions. The price, if any, of an RSA will be determined by the compensation committee. Unless otherwise determined by the compensation committee at the time of award, vesting will cease on the date the holder no longer provides services to us and unvested shares will be forfeited to or repurchased by us.

SARs provide for a payment, or payments, in cash or shares of our common stock, to the holder based upon the difference between the fair market value of our common stock on the date of exercise and the stated exercise price at grant up to a maximum amount of cash or number of shares. SARs may vest based on time or achievement of performance conditions.

RSUs represent the right to receive shares of our common stock at a specified date in the future, subject to forfeiture of that right because of termination of employment or failure to achieve certain performance conditions. If an RSU has not been forfeited, then on the date specified in the RSU agreement, we will deliver to the holder of the RSU shares of our common stock (which may be subject to additional restrictions), cash or a combination of our common stock and cash.

Performance awards cover a number of shares of our common stock that may be settled upon achievement of the pre-established performance conditions as provided in the 2016 Plan in cash or by issuance of the underlying shares or other property (or any combination thereof). These awards are subject to forfeiture prior to settlement due to termination of employment or failure to achieve the performance conditions.

Stock bonuses may be granted as additional compensation for past or future service or performance, and therefore, no payment will be required for any shares awarded under a stock bonus. Unless otherwise determined by the compensation committee at the time of award, vesting will cease on the date the holder no longer provides services to us and unvested shares (if any) will be forfeited to us.

The 2016 Plan permits the grant of performance-based awards that may qualify as performance-based compensation that is not subject to the $1.0 million limitation on income tax deductibility imposed by Section 162(m) of the Code. Our compensation committee may structure awards so that the cash, stock or other property will be paid or issued only following the achievement of certain pre-established performance goals during a designated performance period.

Awards granted under the 2016 Plan may not be transferred in any manner other than by will or by the laws of descent and distribution or as determined by our compensation committee. Unless otherwise permitted by our compensation committee, stock options may be exercised during the lifetime of the optionee only by the optionee or the optionee's guardian or legal representative. Options granted under the 2016 Plan generally may be exercised for a period of three months after the termination of the optionee's service to us, for a period of 12 months in the case of death or disability, or such longer period as our compensation committee may provide. Options generally terminate immediately upon termination of employment for cause.

In the event there is a specified type of change in our capital structure without our receipt of consideration, such as a stock split, appropriate adjustments will be made to the number of shares reserved under the 2016 Plan, the maximum number of shares that can be granted in a calendar year and the number of shares and exercise price, if applicable, of all outstanding awards under the 2016 Plan.

If we are party to a merger or consolidation, sale of all or substantially all assets or similar change in control transaction, outstanding awards, including any vesting provisions, may be continued, assumed or substituted by the successor company. In the alternative, outstanding awards may be replaced at their full value with cash (or cash equivalents) or securities of the successor entity (or its parent). Outstanding awards may also be cancelled in exchange for no consideration and/or vesting may be accelerated in full or in part. Outstanding awards that are not converted, assumed, substituted or replaced will be exercisable for a period of time determined by the committee, and those awards will terminate upon expiration of such period to the extent not exercised. Awards held by non-employee directors will immediately vest as to all or any portion of the shares subject to the stock award and will become exercisable at such times and on such conditions as the compensation committee determines.

The 2016 Plan will terminate ten years from the effective date of the registration statement of which this prospectus is a part, unless it is terminated earlier by our board of directors. Our board of directors may

amend or terminate the 2016 Plan at any time. If our board of directors amends the 2016 Plan, it does not need to ask for stockholder approval of the amendment unless required by applicable law.

2016 employee stock purchase plan

Our board of directors adopted a 2016 Employee Stock Purchase Plan, or the 2016 ESPP, in order to enable eligible employees to purchase shares of our common stock at a discount following the date of this offering. Purchases will be accomplished through participation in discrete offering periods. The 2016 ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Code. We have reserved 180,000 shares of our common stock for issuance under the 2016 ESPP. The number of shares reserved for issuance under the 2016 ESPP will increase automatically on January 1 of each calendar year by the number of shares equal to 1% of the total outstanding shares of our common stock and common stock equivalents as of the immediately preceding December 31. However, our board of directors or compensation committee may reduce the amount of the increase in any particular year. The aggregate number of shares issued over the term of the 2016 ESPP will not exceed 17,000,000 shares of our common stock.

Our compensation committee will administer the 2016 ESPP. Our employees generally are eligible to participate in the 2016 ESPP. Employees who are 5% stockholders, or would become 5% stockholders as a result of their participation in the 2016 ESPP, are ineligible to participate in the 2016 ESPP. We may impose additional restrictions on eligibility. Under the 2016 ESPP, eligible employees will be able to acquire shares of our common stock by accumulating funds through payroll deductions. Our eligible employees will be able to select a rate of payroll deduction between 1% and 15% of their eligible cash compensation. We will also have the right to amend or terminate the 2016 ESPP at any time. The 2016 ESPP will terminate on the tenth anniversary of the effective date of the registration statement of which this prospectus is a part, unless it is terminated earlier by our board of directors.

The 2016 ESPP is implemented through a series of offering periods with durations of not more than 27 months under which our employees who meet the eligibility requirements for participation in that offering period will automatically be granted a nontransferable option to purchase shares in that offering period. For subsequent offering periods, new participants will be required to enroll in a timely manner. Once an employee is enrolled, participation will be automatic in subsequent offering periods. Except for the first offering period, each offering period will run for six months. The first offering period began upon the effective date of this offering and will end on May 1, 2017, or another date selected by our compensation committee, but no more than 27 months after the commencement of the initial offering period. Thereafter, a six-month offering period will commence on each May 1 and November 1, or another date selected by our compensation committee. An employee's participation automatically ends upon termination of employment for any reason.

No participant will have the right to purchase shares of our common stock in an amount, when aggregated with purchase rights under all our employee stock purchase plans that are also in effect in the same calendar year, that have a fair market value of more than $25,000, determined as of the first day of the applicable purchase period, for each calendar year in which that right is outstanding. In addition, no participant will be permitted to purchase more than 5,000 shares during any one purchase period or a lesser amount determined by our compensation committee. The purchase price for shares of our common stock purchased under the 2016 ESPP will be 85% of the lesser of the fair market value of our common stock on (i) the first trading day of the applicable offering period and (ii) the last trading day of each purchase period in the applicable offering period. The fair market value of our common stock for purposes of our first offering period under the 2016 ESPP will be the price at which shares are first sold to the public under this offering.

If we experience a change of control transaction, any offering period that commenced prior to the closing of the proposed change of control transaction will be shortened and terminated on a new purchase date. The new purchase date will occur prior to the closing of the proposed change of control transaction and the 2016 ESPP will then terminate on the closing of the proposed change of control.

401(k) plan

We sponsor a retirement plan intended to qualify for favorable tax treatment under Section 401(a) of the Code, containing a cash or deferred feature that is intended to meet the requirements of Section 401(k) of the Code. U.S. employees who have attained at least 21 years of age are generally eligible to participate in the plan the first day of the month that coincides with or next follows the day you become an eligible employee. The plan is subject to certain eligibility requirements. Participants may make pre-tax contributions to the plan from their eligible earnings up to the statutorily prescribed annual limit on pre-tax contributions under the Code. Participants who are 50 years of age or older may contribute additional amounts based on the statutory limits for catch-up contributions. Pre-tax contributions by participants and the income earned on those contributions are generally not taxable to participants until withdrawn. Plan participants may contribute Roth Contributions which are withheld from the paycheck with “after tax” contributions and are generally tax free when they are withdrawn from the plan. Participant contributions are held in trust as required by law. No minimum benefit is provided under the plan. An employee’s interest in his or her pre-tax deferrals is 100% vested when contributed. Although the plan provides for a discretionary employer matching contribution, to date we have not made such a contribution on behalf of employees. The plan permits all eligible plan participants to contribute between 1% and 100% of eligible compensation, on a pre-tax basis, into their accounts.

Certain relationships and related-party transactions

The following is a summary of transactions since January 1, 2013 to which we have been or will be a party in which the amount involved exceeded or will exceed $120,000 and in which any of our directors, executive officers or beneficial holders of more than 5% of any class of our capital stock, or any immediate family member of, or person sharing a household with, any of these individuals, had or will have a direct or indirect material interest, other than compensation arrangements that are described under the section of this prospectus captioned "Management—Non-employee director compensation" and "Executive compensation."

EQUITY FINANCINGS

Series D convertible preferred stock financing

In three closings in August 2014, November 2014 and December 2014, we issued and sold an aggregate of 2,732,552 shares of our Series D convertible preferred stock at a purchase price of $7.5351 per share for an aggregate purchase price of approximately $20.6 million. Each share of our Series D convertible preferred stock will convert automatically into one share of our common stock immediately prior to the closing of this offering.

The purchasers of our Series D convertible preferred stock are entitled to specified registration rights. For additional information, see "Description of capital stock—Registration rights." The following table summarizes the Series D convertible preferred stock purchased by our directors, executive officers and beneficial holders of more than 5% of our capital stock. The terms of these purchases were the same for all purchasers of our Series D convertible preferred stock.

Name of stockholder	Shares of Series D convertible preferred stock	Total purchase price
Bader Sultan & Bros. Co. W.L.L(1)	875,903	$6,599,999
Domain Partners VII, L.P.(2)	597,207	$4,500,001
InterWest Partners X, L.P.(3)	464,494	$3,500,001
Okapi Ventures II, L.P.(4)	119,441	$ 899,999

(1) Bader Sultan & Bros. Co. W.L.L. is the sole distributor of our products in the Middle East.
(2) Kim Kamdar, a member of our board of directors, is a member of One Palmer Square Associates VII, L.L.C., the general partner of Domain Partners VII, L.P.
(3) Douglas Fisher, a member of our board of directors, is an Executive in Residence at InterWest Partners LLC, an affiliate of InterWest Partners X, L.P.
(4) Sharon Stevenson, a member of our board of directors, is a managing director of Okapi Venture Partners II, LLC, which is the general partner of Okapi Ventures II, L.P.

Series E convertible preferred stock financing

In two closings in April 2016 and May 2016, we issued and sold an aggregate of 1,916,425 shares of our Series E convertible preferred stock at a purchase price of $8.2932 per share for an aggregate purchase price of approximately $15.8 million. Each share of our Series E convertible preferred stock will convert automatically into one share of our common stock immediately prior to the closing of this offering.

Certain relationships and related-party transactions

The purchasers of our Series E convertible preferred stock are entitled to specified registration rights. For additional information, see "Description of capital stock—Registration rights." The following table summarizes the Series E convertible preferred stock purchased by our directors, executive officers and beneficial holders of more than 5% of our capital stock. The terms of these purchases were the same for all purchasers of our Series E convertible preferred stock.

Name of stockholder	Shares of Series E convertible preferred stock	Total purchase price
Bader Sultan & Bros. Co. W.L.L(1)	154,585	$1,281,998
Domain Partners VII, L.P.(2)	482,326	$4,000,000
InterWest Partners X, L.P.(3)	373,803	$3,099,998
Entities affiliated with Okapi Ventures(4)	107,919	$ 894,997

(1) Bader Sultan & Bros. Co. W.L.L. is the sole distributor of our products in the Middle East.
(2) Kim Kamdar, a member of our board of directors, is a member of One Palmer Square Associates VII, L.L.C., the general partner of Domain Partners VII, L.P.
(3) Douglas Fisher, a member of our board of directors, is an Executive in Residence at InterWest Partners LLC, an affiliate of InterWest Partners X, L.P.
(4) Consists of 60,290 shares purchased by Okapi Ventures II, L.P. and 47,629 shares purchased by Okapi Ventures, L.P. Sharon Stevenson, a member of our board of directors, is a managing director of Okapi Venture Partners II, LLC and Okapi Venture Partners, LLC, which are the general partners of Okapi Ventures II, L.P. and Okapi Ventures, L.P., respectively.

TRANSACTIONS WITH BADER

In June 2013, we entered into a distribution agreement with Bader Sultan & Bros. Co. W.L.L., or Bader, a healthcare products distributor based in Sufat, Kuwait. Pursuant to the distribution agreement, we appointed Bader as the exclusive distributor of our products in the Middle East. Sales to Bader for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 totaled $0.2 million, $1.9 million, $3.8 million and $1.8 million, respectively. The distribution agreement was entered into and the transactions under it are completed on an arm's length basis in the normal course of business.

In August 2014, Bader became a stockholder. For additional information, please see "—Series D convertible preferred stock financing" and "—Series E convertible preferred stock financing" As of June 30, 2016, Bader owned approximately 9.4% of our outstanding capital stock on an as-converted to common stock basis.

POTENTIAL INSIDER PARTICIPATION

Certain of our stockholders and their affiliates, some of which are affiliated with our directors, have indicated an interest in purchasing shares of common stock in this offering with an aggregate value of approximately $20.0 million at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering.

FOURTH AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

We have entered into an investors' rights agreement with certain holders of our common stock and holders of our convertible preferred stock, including entities with which certain of our directors are affiliated. These stockholders are entitled to rights with respect to the registration of their shares

following our initial public offering under the Securities Act. For a description of these registration rights, see "Description of capital stock—Registration rights."

INDEMNIFICATION AGREEMENTS

In connection with this offering, we intend to enter into new indemnification agreements with each of our directors and executive officers. The indemnification agreements, our restated certificate of incorporation and our restated bylaws will require us to indemnify our directors to the fullest extent not prohibited by Delaware law. Subject to certain limitations, our restated bylaws also require us to advance expenses incurred by our directors and officers. For more information regarding these agreements, see "Management—Limitations on liability and indemnification matters."

REVIEW, APPROVAL OR RATIFICATION OF TRANSACTIONS WITH RELATED PARTIES

In connection with this offering, we adopted a written related-person transactions policy that provides that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of our common stock, and any members of the immediate family or affiliates of the foregoing persons, are not permitted to enter into a material related-person transaction with us without the review and approval of our audit committee, or a committee composed solely of independent directors in the event it is inappropriate for our audit committee to review such transaction due to a conflict of interest. The policy provides that any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of our common stock or with any of their immediate family members or affiliates, in which the amount involved exceeds $120,000 will be presented to our audit committee (or the committee composed solely of independent directors**,** if applicable) for review, consideration and approval. In approving or rejecting any such proposal, we expect that our audit committee (or the committee composed solely of independent directors**,** if applicable) will consider the relevant facts and circumstances available and deemed relevant to the audit committee (or the committee composed solely of independent directors**,** if applicable), including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction.

Principal stockholders

The following table and accompanying footnotes set forth certain information with respect to the beneficial ownership of our common stock at August 31, 2016, and as adjusted to reflect the shares of common stock to be issued and sold in this offering assuming no exercise of the underwriters' option to purchase additional shares, for:

- each of our directors;
- each of our Named Executive Officers;
- all of our current directors and executive officers as a group; and
- each person, or group of affiliated persons, who beneficially owned more than 5% of our outstanding common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares of common stock that they beneficially owned, subject to applicable community property laws.

Beneficial ownership prior to this offering is based on 11,707,687 shares of common stock outstanding as of August 31, 2016, assuming the automatic conversion of all outstanding shares of our convertible preferred stock into 10,360,419 shares of common stock. Beneficial ownership after this offering is based on 16,719,904 shares of common stock outstanding, assuming (i) the automatic conversion of all outstanding shares of our convertible preferred stock into 10,360,419 shares of common stock as described above, (ii) the issuance of 5,000,000 shares of common stock in this offering and (iii) 12,217 shares that we expect to issue upon the automatic net exercise of warrants immediately prior to the closing of this offering, based on an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options, warrants or other rights held by that person or entity that are currently exercisable or that will become exercisable within 60 days of August 31, 2016. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Obalon Therapeutics, Inc., 5421 Avenida Encinas, Suite F, Carlsbad, California 92008.

The table below does not reflect any shares that may be purchased by our directors, executive officers or significant stockholders pursuant to the directed share program.

Certain of our stockholders and their affiliates, some of which are affiliated with our directors, have indicated an interest in purchasing shares of common stock in this offering with an aggregate value of approximately $20.0 million at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no shares in this offering to any of these parties, or any of these parties may determine to purchase more, fewer or no shares in this offering. The information set forth below does not reflect any potential purchase of any shares in this offering by such parties.

Principal stockholders

Name of beneficial owner	Beneficial ownership prior to this offering		Beneficial ownership after this offering	
	Number	Percentage	Number	Percentage
5% or Greater Stockholders				
Entities affiliated with Domain Partners(1)	4,055,727	34.6%	4,055,727	24.2%
InterWest Partners X, L.P.(2)	2,453,338	21.0%	2,453,338	14.7%
Bader Sultan & Bros. Co. W.L.L.(3)	1,030,488	8.8%	1,030,488	6.2%
Entities affiliated with Okapi Venture Capital(4)	891,504	7.7%	891,504	5.4%
Named Executive Officers and Directors				
Andrew Rasdal(5)	828,911	6.9%	828,911	4.9%
Mark Brister(6)	240,834	2.0%	240,834	1.4%
Amy VandenBerg(7)	160,454	1.4%	160,454	1.0%
Ray Dittamore(8)	25,862	*	25,862	*
Douglas Fisher	—	—	—	—
Les Howe(8)	25,862	*	25,862	*
Kim Kamdar	—	—	—	—
Sharon Stevenson(4)	891,504	7.7%	891,504	5.4%
All executive officers and directors as a group (14 persons)(9)	2,751,001	21.6%	2,751,001	15.5%

* Represents beneficial ownership of less than one percent.

(1) Represents (a)(i) 3,985,971 shares of common stock held by Domain Partners VII, L.P., or Domain Partners, and (ii) 19,849 shares underlying warrants to purchase common stock held by Domain Partners, which are exercisable within 60 days of August 31, 2016 and (b)(i) 49,570 shares held by DP VII Associates, L.P., or DP Associates, and (ii) 338 shares underlying warrants to purchase common stock held by DP Associates, which are exercisable within 60 days of August 31, 2016. One Palmer Square Associates VII, L.L.C., or One Palmer Square, is the general partner of each of Domain Partners and DP Associates. James C. Blair, Brian H. Dovey, Jesse I. Treu, Nicole Vitullo and Brian K. Halak are the managing members of One Palmer Square, and share voting and investment power over the shares. The address of One Palmer Square is One Palmer Square, Suite 515, Princeton, New Jersey 08542.

(2) Represents shares of common stock held by InterWest Partners X, L.P., or IW10. InterWest Management Partners X, LLC, or IMP10, is the general partner of IW10. Philip T. Gianos, W. Stephen Holmes, Gilbert H. Kliman and Arnold L. Oronsky are the managing directors of IMP10, and Keval Desai and Khalad A. Nasr are venture members of IMP10, and all of these individuals share voting and investment power over the shares. The address of InterWest Partners is 2710 Sand Hill Road, Suite 200, Menlo Park, California 94025.

(3) Represents shares of common stock held by Bader Sultan & Bros. Co. W.L.L., or Bader, of which Anwar Sultan Al-Essa is a managing director and has voting and investment power over the shares. The address of Bader is P.O. Box 867, 13009 Kuwait.

(4) Represents (i)(a) 546,232 shares of common stock held by Okapi Ventures, L.P., or OV, and (b) 4,037 shares underlying warrants to purchase common stock held by OV that are exercisable within 60 days of August 31, 2016 and (ii) 341,235 shares held by Okapi Ventures II, L.P., or OVII. Okapi Venture Partners, LLC and Okapi Venture Partners II, LLC are the general partners of OV and OVII, respectively. Sharon Stevenson, a member of our board of directors, and B. Marc Averitt, are the managing directors of Okapi Venture Partners, LLC and Okapi Venture Partners II, LLC, and share voting and investment power over the shares. The address of Okapi Venture Capital is 1590 South Coast Highway, No. 10, Laguna Beach, California 92651.

(footnotes continued on following page)

(5) Represents (i) 353,369 shares of common stock held by Mr. Rasdal, (ii) 97,126 shares of common stock held by The Rasdal Family Trust dated December 10, 1996, of which Mr. Rasdal and his spouse serve as trustees, and (iii) 378,416 shares underlying options to purchase common stock held by Mr. Rasdal that are exercisable within 60 days of August 31, 2016, of which 259,915 shares are unvested but early exercisable.

(6) Represents (i) 160,460 shares of common stock and (ii) 80,374 shares underlying options to purchase common stock that are exercisable within 60 days of August 31, 2016, of which 73,716 shares are unvested but early exercisable.

(7) Represents 160,454 shares underlying options to purchase common stock that are exercisable within 60 days of August 31, 2016, of which 67,055 shares are unvested but early exercisable.

(8) Represents 25,862 shares underlying options to purchase common stock that are exercisable within 60 days of August 31, 2016, all of which shares are unvested but early exercisable.

(9) Represents (i) 1,747,037 shares of common stock, (ii) 4,037 shares underlying warrants to purchase common stock that are exercisable within 60 days of August 31, 2016 and (iii) 999,927 shares underlying options to purchase common stock that are exercisable within 60 days of August 31, 2016, of which 905,357 shares are unvested but early exercisable. Such shares are held by our executive officers, who are Andrew Rasdal, William Plovanic, Mark Brister, Nooshin Hussainy, Steve Johnson, Lisa Metzner, Matthew Norwood, Amy VandenBerg and Donald Young, and our directors, who are Kim Kamdar, Ray Dittamore, Douglas Fisher, Les Howe and Sharon Stevenson.

Description of capital stock

The following is a summary of the rights of our common and preferred stock and some of the provisions of our restated certificate of incorporation and restated bylaws, which will become effective immediately prior to the closing of this offering, and of the Delaware General Corporation Law, or DGCL. Immediately prior to the closing of this offering, and upon the filing of our restated certificate of incorporation, our authorized capital stock will consist of 300,000,000 shares of common stock, $0.001 par value per share, and 10,000,000 shares of undesignated preferred stock, $0.001 par value per share.

As of June 30, 2016, there were 580,835 shares of our common stock outstanding. Pursuant to the provisions of our current certificate of incorporation and the written consent of our stockholders, all of our outstanding convertible preferred stock will automatically convert into an aggregate of 10,360,419 shares of common stock effective immediately prior to the closing of this offering. Each series of our convertible preferred stock will convert to common stock at a ratio of 1:1, except for our Series A convertible preferred stock, which will convert at a ratio of 1:1.32784. Based on the number of shares of common stock outstanding as of June 30, 2016, and assuming the conversion of all outstanding shares of our convertible preferred stock into shares of our common stock, as of June 30, 2016, there were 10,941,254 shares of our common stock issued and outstanding, held by approximately 42 stockholders of record, and no shares of our preferred stock outstanding.

COMMON STOCK

Voting rights

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. We do not intend to provide for cumulative voting for the election of directors in our restated certificate of incorporation. Accordingly, holders of a majority of the shares of our common stock will be able to elect all of our directors. Our restated certificate of incorporation will establish a classified board of directors, to be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Subject to the supermajority votes for some matters, other matters shall be decided by the affirmative vote of our stockholders having a majority in voting power of the votes cast by the stockholders present or represented and voting on such matter. Our restated certificate of incorporation and restated bylaws will also provide that our directors may be removed only for cause and only by the affirmative vote of the holders of at least two-thirds in voting power of the outstanding shares of capital stock entitled to vote thereon. In addition, the affirmative vote of the holders of at least two-thirds in voting power of the outstanding shares of capital stock entitled to vote thereon is required to amend or repeal, or to adopt any provision inconsistent with, several of the provisions of our restated certificate of incorporation. See “—Anti-takeover provisions— Restated certificate of incorporation and restated bylaws provisions.”

Dividend rights

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. See “Dividend policy.”

No preemptive or similar rights

Our common stock is not entitled to preemptive or subscription rights, and is not subject to conversion, redemption or sinking fund provisions. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

Right to receive liquidation distributions

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

PREFERRED STOCK

Pursuant to the provisions of our current certificate of incorporation, all of our outstanding convertible preferred stock will automatically convert into common stock immediately prior to the closing of this offering. As a result, each currently outstanding share of convertible preferred stock will be converted into common stock at a ratio of 1:1, except for the Series A convertible preferred stock, which will convert at a ratio of 1:1.32784.

Pursuant to our restated certificate of incorporation that will become effective immediately prior to the closing of this offering, our board of directors will be authorized, subject to limitations prescribed by Delaware law, to issue from time to time up to 10,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of their qualifications, limitations or restrictions, in each case without further vote or action by our stockholders. Our board of directors will also be able to increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may be able to authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plan to issue any shares of preferred stock.

STOCK OPTIONS

As of June 30, 2016, we had outstanding options to purchase an aggregate of 1,767,690 shares of our common stock, with a weighted-average exercise price of approximately $1.41 per share. Subsequent to June 30, 2016, we issued options to purchase an aggregate of 229,528 shares of our common stock, with an exercise price of $2.82 per share.

WARRANTS

As of June 30, 2016, we had outstanding (i) three warrants to purchase an aggregate of 24,224 shares of our Series C convertible preferred stock at an exercise price of $6.1918 per share, which expire in

February 2019, (ii) a warrant to purchase 8,693 shares of our Series C-1 convertible preferred stock at an exercise price of $10.36 per share, which expires in June 2023, and (iii) a warrant to purchase 27,869 shares of our Series D convertible preferred stock at an exercise price of $7.5351 per share, which expires in October 2024. Subsequent to June 30, 2016, we issued a warrant to purchase that number of shares of our Series E convertible preferred stock, at a purchase price of $8.2932 per share, equal to 3.0% of the total additional amount of debt drawn under our loan and security agreement with Pacific Western Bank (up to $5.0 million) divided by the purchase price, which will only be exercisable in the event that we borrow such additional amount and expires in March 2017. Such warrant is exercisable to purchase a maximum of 18,087 shares, depending on the amount of debt drawn. Each of these warrants has a cashless exercise provision under which the holder, in lieu of paying the exercise price in cash, can surrender the warrant and receive a net number of shares based on the fair market value of such stock at the time of exercise, after deducting the aggregate exercise price. Pursuant to their terms, upon the closing of this offering, each of these warrants will convert into a warrant to purchase the same number of shares of common stock at its original exercise price.

As of June 30, 2016, we also had outstanding two warrants to purchase an aggregate of 24,550 shares of our Series D convertible preferred stock at an exercise price of $7.5351 per share. Each of these warrants has a cashless exercise provision under which the holder, in lieu of payment of the exercise price in cash, can surrender the warrant and receive a net number of shares based on the fair market value of such stock at the time of exercise, after deducting the aggregate exercise price. Pursuant to their terms, immediately prior to the closing of this offering, each of these warrants will automatically be exercised on a cashless basis based upon a market price per share of our common stock equal to the per share offering price to the public in this offering, unless earlier exercised.

REGISTRATION RIGHTS

The holders of certain outstanding shares of our common stock and the holders of shares of our common stock issuable upon conversion of our convertible preferred stock, or their permitted transferees, are entitled to rights with respect to the registration of these shares under the Securities Act. These shares are referred to as registrable securities. Upon the closing of this offering, there will be approximately 10,849,593 registrable securities outstanding. These rights are provided under the terms of an investors' rights agreement between us and the holders of these shares, which was entered into in connection with our preferred stock financings, and include demand registration rights, Form S-3 registration rights and piggyback registration rights. In any registration made pursuant to such investors' rights agreement, all fees and expenses of underwritten registrations, including reasonable fees and disbursements of one counsel to the selling stockholders, will be borne by us and all selling expenses, including estimated underwriting discounts and selling commissions, will be borne by the holders of the shares being registered.

The registration rights described below will terminate, as to each holder of registrable securities, on the date when such holder can sell all of its registrable securities in a single transaction pursuant to Rule 144 of the Securities Act.

Demand registration rights

Under the terms of the investors' rights agreement, if we receive a written request, at any time after 6 months following the effective date of this offering, from the holders of at least 35% of the then-outstanding registrable securities, that we file a registration statement under the Securities Act covering the registration of outstanding registrable securities, then we will be required to use all reasonable efforts to register, as soon as practicable, and in any event within 90 days of such written request, all of the

shares requested to be registered for public resale, if the amount of registrable securities to be registered has an aggregate value of no less than $10.0 million. We are required to effect only two registrations pursuant to this provision of the investors' rights agreement. We may postpone the filing of a registration statement no more than once during any 12-month period for up to 90 days if our board of directors determines that the filing would be detrimental to us. We are not required to effect a demand registration under certain additional circumstances specified in the investors' rights agreement.

Form S-3 registration rights

The holders of at least 20% of the then-outstanding registrable securities can request that we register all or part of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and if the aggregate price to the public of the shares offered is at least $1.0 million. We shall not be obligated to effect a registration if we have effected two registrations within the 12-month period immediately preceding the date of the request. We may postpone the filing of a registration statement no more than once during any 12-month period for up to 90 days if our board of directors determines that the filing would be detrimental to us or our stockholders. We are not required to effect a registration on Form S-3 under certain additional circumstances specified in the investors' rights agreement.

Piggyback registration rights

In connection with this offering, holders of our registrable securities were entitled to, and the necessary percentage of holders waived, their rights to notice of this offering and to include their registrable securities in this offering. If we register any of our securities for public sale in another offering, holders of registrable securities will have the right to include their shares in the registration statement. However, this right does not apply to a registration relating solely to employee benefit plans, a registration relating solely to a merger, acquisition or exchange, or a registration relating to convertible debt transactions. If the total number of securities requested by stockholders to be included in such offering exceeds the number of securities to be sold (other than by us) that the underwriters in their sole discretion determine is compatible with the success of the offering, then we will be required to include in the offering only that number of securities the underwriters determine will not jeopardize the success of the offering. In this case, the number of shares held by the selling stockholders to be registered will be allocated on a pro rata basis based on the total number of registrable securities held by each selling stockholder. However, the number of shares to be registered by these holders cannot be reduced below 30% of the total shares covered by the registration statement, other than in the initial public offering.

ANTI-TAKEOVER PROVISIONS

The provisions of Delaware law, our restated certificate of incorporation and our restated bylaws, as we expect they will be in effect immediately prior to the closing of this offering, could have the effect of delaying, deferring or discouraging another person from acquiring control of our company. These provisions, which are summarized below, may have the effect of discouraging takeover bids. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Delaware law

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

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (i) shares owned by persons who are directors and also officers and (ii) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66.67% of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale, or other transaction or series of transactions together resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation's outstanding voting stock. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that Section 203 may also discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Restated certificate of incorporation and restated bylaws provisions

Our restated certificate of incorporation and our restated bylaws, as we expect they will be in effect immediately prior to the closing of this offering, include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our company, including the following:

- *Board of Directors Vacancies*. Our restated certificate of incorporation and restated bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors will be permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This makes it more difficult to change the composition of our board of directors but promotes continuity of management.
- *Classified Board*. Our restated certificate of incorporation and restated bylaws will provide that our board of directors will be classified into three classes of directors, each with staggered three-year terms. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors. See "Management—Board of directors."

- *Stockholder Action; Special Meetings of Stockholders*. Our restated certificate of incorporation will provide that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, a holder controlling a majority of our capital stock would not be able to amend our restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our restated bylaws. Further, our restated bylaws and restated certificate of incorporation will provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairman of our board of directors, our Chief Executive Officer or our President, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.
- *Advance Notice Requirements for Stockholder Proposals and Director Nominations*. Our restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our restated bylaws also will specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions might also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.
- *No Cumulative Voting*. The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our restated certificate of incorporation will not provide for cumulative voting.
- *Directors Removed Only for Cause*. Our restated certificate of incorporation will provide that stockholders may remove directors only for cause and only by the affirmative vote of the holders of at least two-thirds of our outstanding common stock.
- *Amendment of Charter Provisions*. Any amendment of the above expected provisions in our restated certificate of incorporation would require approval by holders of at least two-thirds of our outstanding common stock, unless such amendment is approved by at least two-thirds of our directors, in which case the amendment may be approved by the holders of a majority of our outstanding common stock.
- *Issuance of Undesignated Preferred Stock*. Our board of directors has the authority, without further action by the stockholders, to issue up to 10,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means.
- *Choice of Forum*. Our restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for: any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our restated certificate of incorporation or our restated bylaws; any action to interpret, apply, enforce or determine the validity of our restated certificate of incorporation or our restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable.

EXCHANGE LISTING

We have applied to list our common stock on The NASDAQ Global Market under the symbol “OBLN.”

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC. The transfer agent’s address is 6201 15th Avenue, Brooklyn, New York 11219, and its telephone number is (800) 937-5449.

Shares eligible for future sale

Prior to this offering, there has not been a public market for shares of our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding options, in the public market following this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities.

Upon the completion of this offering, we will have a total of 15,953,471 shares of our common stock outstanding, based on 10,953,471 shares outstanding as of June 30, 2016, which assumes (i) the automatic conversion of shares of our convertible preferred stock outstanding as of June 30, 2016 into an aggregate of 10,360,419 shares of our common stock immediately prior to the closing of this offering, (ii) the issuance of 12,217 shares of common stock that we expect to issue upon the automatic net exercise of warrants immediately prior to the closing of this offering, based on an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and (iii) the sale and issuance of 5,000,000 shares of our common stock in this offering. Of these outstanding shares, all of the shares of common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, would only be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding shares of our common stock will be deemed “restricted securities” as defined in Rule 144. Restricted securities may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 promulgated under the Securities Act, which rules are summarized below. In addition, substantially all of our security holders have entered into lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our stock for at least 180 days following the date of this prospectus, as described below. As a result of these agreements and the provisions of our investors’ rights agreement described above under “Description of capital stock—Registration rights,” subject to the provisions of Rule 144 or Rule 701, shares will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all of the shares sold in this offering will be immediately available for sale in the public market; and
- beginning 181 days after the date of this prospectus, 10,953,471 additional shares will become eligible for sale in the public market, of which 7,473,472 shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below.

The amounts above do not reflect any shares purchased by our directors and executive officers pursuant to the directed share program that will be subject to lock-up agreements or the potential purchase of any shares by certain of our stockholders and their affiliates, some of which are affiliated with our directors, pursuant to their indications of interest to purchase shares of common stock in this offering with an aggregate value of approximately $20.0 million at the initial public offering price. Additionally, the amount above does not reflect any shares purchased by participants in our directed share program who purchase $1,000,000 or more of shares of our common stock that will be subject to a 25-day lock-up period.

LOCK-UP AGREEMENTS

All of our directors and officers and the holders of more than 95% of our capital stock are subject to lock-up agreements that prohibit them from offering for sale, selling, contracting to sell, granting any option for the sale of, transferring or otherwise disposing of any shares of our common stock, options or warrants to acquire shares of our common stock or any security or instrument related to our common stock, or entering into any swap, hedge or other arrangement that transfers any of the economic consequences of ownership of our common stock, for a period of 180 days following the date of this prospectus without the prior written consent of the underwriters, subject to certain exceptions. See “Underwriting.”

Participants in the directed share program who purchase $1,000,000 or more of shares of our common stock will be subject to a 25-day lock-up with respect to any shares sold to them pursuant to that program. This lock-up will have similar restrictions to the lock-up agreements described in this section. Any shares sold in the directed share program to our directors or executive officers will be subject to the lock-up agreements described in this section.

RULE 144

In general, under Rule 144 as currently in effect, once we have been subject to public company reporting requirements for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described above, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately 159,534 shares immediately after this offering; or
- the average reported weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

RULE 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are

required by that rule to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701 and are subject to the lock-up agreements described above.

STOCK OPTIONS

In connection with this offering, we intend to file a registration statement on Form S-8 under the Securities Act covering all of the shares of our common stock subject to outstanding options and the shares of our common stock reserved for issuance under our stock plans. We expect to file this registration statement as soon as permitted under the Securities Act. However, the shares registered on Form S-8 may be subject to the volume limitations and the manner of sale, notice and public information requirements of Rule 144 and will not be eligible for resale until expiration of the lock-up agreements to which they are subject.

REGISTRATION RIGHTS

We have granted demand, piggyback and Form S-3 registration rights to certain of our stockholders to sell our common stock. Registration of the sale of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. For a further description of these rights, see “Description of capital stock—Registration rights.”

Material U.S. federal income tax consequences to non-U.S. holders of common stock

This section summarizes the material U.S. federal income tax considerations relating to the acquisition, ownership and disposition of our common stock by "non-U.S. holders" (as defined below) pursuant to this offering. This summary does not provide a complete analysis of all potential U.S. federal income tax considerations relating thereto. The information provided below is based upon provisions of the Internal Revenue Code of 1986, as amended, or Code, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions currently in effect. These authorities may change at any time, possibly retroactively, or the Internal Revenue Service, or IRS, might interpret the existing authorities differently. In either case, the tax considerations of owning or disposing of our common stock could differ from those described below. As a result, we cannot assure you that the tax consequences described in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS.

This summary does not address the tax considerations arising under the laws of any non-U.S., state or local jurisdiction, or under U.S. federal gift and estate tax laws, except to the limited extent provided below. In addition, this discussion does not address tax considerations applicable to an investor's particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions;
- partnerships, or entities or arrangements treated as partnerships or other pass-through entities for U.S. federal tax purposes (or investors in such entities);
- corporations that accumulate earnings to avoid U.S. federal income tax;
- persons subject to the alternative minimum tax or the Medicare contribution tax on net investment income;
- tax-exempt organizations or tax-qualified retirement plans;
- controlled foreign corporations or passive foreign investment companies;
- persons who acquired our common stock as compensation for services;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than 5% of our capital stock (except to the extent specifically set forth below);
- U.S. expatriates and former citizens or long-term residents of the United States;
- persons who hold our common stock as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction;
- persons who do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, for investment purposes); or
- persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership or entity classified as a partnership for U.S. federal income tax purposes is a beneficial owner of our common stock, the tax treatment of a partner in the partnership or an owner of

the entity will depend upon the status of the partner or other owner and the activities of the partnership or other entity. Accordingly, this summary does not address tax considerations applicable to partnerships that hold our common stock, and partners in such partnerships should consult their tax advisors.

INVESTORS CONSIDERING THE PURCHASE OF OUR COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME AND ESTATE TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE CONSEQUENCES OF FOREIGN, STATE OR LOCAL LAWS, AND TAX TREATIES

NON-U.S. HOLDER DEFINED

For purposes of this summary, a "non-U.S. holder" is any holder of our common stock, other than a partnership, that is not:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state therein or the District of Columbia;
- a trust if it (1) is subject to the primary supervision of a U.S. court and one of more U.S. persons have authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate whose income is subject to U.S. income tax regardless of source.

If you are a non-U.S. citizen who is an individual, you may, in many cases, be deemed to be a resident alien, as opposed to a nonresident alien, by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three- year period ending in the current calendar year. For these purposes, all the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Resident aliens are subject to U.S. federal income tax as if they were U.S. citizens. Such an individual is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of the ownership or disposition of our common stock.

DIVIDENDS

We do not expect to declare or make any distributions on our common stock in the foreseeable future and the terms of our credit facility currently restrict our ability to pay dividends. If we do pay dividends on shares of our common stock, however, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a non-U.S. holder's adjusted tax basis in shares of our common stock. Any remaining excess will be treated as gain realized on the sale or other disposition of our common stock. See "—Sale of Common Stock."

Any dividend paid to a non-U.S. holder on our common stock that is not effectively connected with a non-U.S. holder's conduct of a trade or business in the United States will generally be subject to U.S. withholding tax at a 30% rate. The withholding tax might apply at a reduced rate under the terms of an applicable income tax treaty between the United States and the non-U.S. holder's country of residence subject to the discussion below regarding the Foreign Account Tax Compliance Act. You should consult your tax advisors regarding your entitlement to benefits under a relevant income tax treaty. Generally, in

order for us or our paying agent to withhold tax at a lower treaty rate, a non-U.S. holder must certify its entitlement to treaty benefits. A non-U.S. holder generally can meet this certification requirement by providing a Form W-8BEN or Form W-8BEN-E (or any successor form) or appropriate substitute form to us or our paying agent. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to the agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty, you may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS in a timely manner.

Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder, and if required by an applicable income tax treaty between the United States and the non-U.S. holder's country of residence, are attributable to a permanent establishment maintained by the non-U.S. holder in the United States, are not subject to U.S. withholding tax. To obtain this exemption, a non-U.S. holder must provide us or our paying agent with an IRS Form W-8ECI properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. In addition to being taxed at graduated tax rates, dividends received by corporate non-U.S. holders that are effectively connected with a U.S. trade or business of the corporate non-U.S. holder may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable tax treaty.

SALE OF COMMON STOCK

Subject to the discussion below regarding Backup Withholding and the Foreign Account Tax Compliance Act, non-U.S. holders will generally not be subject to U.S. federal income tax on any gains realized on the sale, exchange or other disposition of our common stock unless:

- the gain (i) is effectively connected with the conduct by the non-U.S. holder of a U.S. trade or business and (ii) if required by an applicable income tax treaty between the United States and the non-U.S. holder's country of residence, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States (in which case the special rules described below apply);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition of our common stock, and certain other requirements are met (in which case the gain would be subject to a flat 30% tax, or such reduced rate as may be specified by an applicable income tax treaty, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States); or
- the rules of the Foreign Investment in Real Property Tax Act, or FIRPTA, treat the gain as effectively connected with a U.S. trade or business.

The FIRPTA rules may apply to a sale, exchange or other disposition of our common stock if we are, or were within the shorter of the five-year period preceding the disposition and the non-U.S. holder's holding period, a "U.S. real property holding corporation," or USRPHC. In general, we would be a USRPHC if interests in U.S. real estate comprised at least half of the value of our business assets. We do not believe that we are a USRPHC and we do not anticipate becoming one in the future. Even if we become a USRPHC, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as U.S. real property interests only if beneficially owned by a non-U.S. holder that actually or constructively owned more than 5% of our outstanding common stock at some time within the five-year period preceding the disposition.

If any gain from the sale, exchange or other disposition of our common stock, (i) is effectively connected with a U.S. trade or business conducted by a non-U.S. holder and (ii) if required by an applicable income tax treaty between the United States and the non-U.S. holder's country of residence, is attributable to a permanent establishment maintained by such non-U.S. holder in the United States, then the gain generally will be subject to U.S. federal income tax at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. If the non-U.S. holder is a corporation, under certain circumstances, that portion of its earnings and profits that is effectively connected with its U.S. trade or business, subject to certain adjustments, generally would be subject also to a "branch profits tax." The branch profits tax rate is 30%, although an applicable income tax treaty between the United States and the non-U.S. holder's country of residence might provide for a lower rate.

U.S. FEDERAL ESTATE TAX

The estates of nonresident alien individuals generally are subject to U.S. federal estate tax on property with a U.S. situs. Because we are a U.S. corporation, our common stock will be U.S. situs property and therefore will be included in the taxable estate of a nonresident alien decedent, unless an applicable estate tax treaty between the United States and the decedent's country of residence provides otherwise.

BACKUP WITHHOLDING AND INFORMATION REPORTING

The Code and the Treasury regulations require those who make specified payments to report the payments to the IRS. Among the specified payments are dividends and proceeds paid by brokers to their customers. The required information returns enable the IRS to determine whether the recipient properly included the payments in income. This reporting regime is reinforced by "backup withholding" rules. These rules require the payors to withhold tax from payments subject to information reporting if the recipient fails to cooperate with the reporting regime by failing to provide his taxpayer identification number to the payor, furnishing an incorrect identification number, or failing to report interest or dividends on his returns. The backup withholding tax rate is currently 28%. The backup withholding rules do not apply to payments to corporations, whether domestic or foreign, provided they establish such exemption.

Payments to non-U.S. holders of dividends on common stock generally will not be subject to backup withholding, and payments of proceeds made to non-U.S. holders by a broker upon a sale of common stock will not be subject to information reporting or backup withholding, in each case so long as the non-U.S. holder certifies its nonresident status (and we or our paying agent do not have actual knowledge or reason to know the holder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied) or otherwise establishes an exemption. The certification procedures to claim treaty benefits described under "—Dividends" will generally satisfy the certification requirements necessary to avoid the backup withholding tax. We must report annually to the IRS any dividends paid to each non-U.S. holder and the tax withheld, if any, with respect to these dividends. Copies of these reports may be made available to tax authorities in the country where the non-U.S. holder resides.

Under the Treasury regulations, the payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a U.S. office of a broker generally will be subject to information reporting and backup withholding unless the beneficial owner certifies, under penalties of perjury, among other things, its status as a non-U.S. holder (and the broker does not have actual knowledge or reason to know the holder is a U.S. person) or otherwise establishes an exemption. The payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a non-U.S. office of a broker generally will not be subject to backup withholding and information reporting, except as noted below. Information reporting, but not backup withholding, will

apply to a payment of proceeds, even if that payment is made outside of the United States, if you sell our common stock through a non-U.S. office of a broker that is:

- a U.S. person (including a foreign branch or office of such person);
- a "controlled foreign corporation" for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income from certain periods is effectively connected with a U.S. trade or business; or
- a foreign partnership if at any time during its tax year (i) one or more of its partners are U.S. persons who, in the aggregate, hold more than 50% of the income or capital interests of the partnership or (ii) the foreign partnership is engaged in a U.S. trade or business;

unless the broker has documentary evidence that the beneficial owner is a non-U.S. holder and certain other conditions are satisfied, or the beneficial owner otherwise establishes an exemption (and the broker has no actual knowledge or reason to know to the contrary).

Backup withholding is not an additional tax. Any amounts withheld from a payment to a holder of common stock under the backup withholding rules can be credited against any U.S. federal income tax liability of the holder and may entitle the holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

A U.S. federal withholding tax of 30% may apply to dividends and the gross proceeds of a disposition of our common stock paid to a foreign financial institution (as specifically defined by the applicable rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). This U.S. federal withholding tax of 30% will also apply to dividends and the gross proceeds of a disposition of our common stock paid to a non-financial foreign entity unless such entity provides the withholding agent with either a certification that it does not have any substantial direct or indirect U.S. owners or provides information regarding direct and indirect U.S. owners of the entity. The 30% federal withholding tax described in this paragraph cannot be reduced under an income tax treaty with the United States or by providing an IRS Form W-8BEN or similar documentation. The withholding tax described above will not apply if the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from the rules. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. Holders should consult with their own tax advisors regarding the possible implications of the withholding described herein.

The withholding provisions described above generally apply to proceeds from a sale or other disposition of common stock if such sale or other disposition occurs on or after January 1, 2019 and to payments of dividends on our common stock.

THE PRECEDING DISCUSSION OF U.S. FEDERAL TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE TO ANY NON-U.S. HOLDER IN ITS PARTICULAR CIRCUMSTANCES. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

Underwriting

We are offering the shares of our common stock described in this prospectus through the underwriters named below. UBS Securities LLC, Canaccord Genuity Inc. and Stifel, Nicolaus & Company, Incorporated are acting as joint book-running managers of this offering and as representatives of the underwriters. We have entered into an underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, each of the underwriters has severally agreed to purchase, and we have agreed to sell to the underwriters, the number of shares of common stock listed next to its name in the following table.

Underwriters	Number of shares
UBS Securities LLC	
Canaccord Genuity Inc.	
Stifel, Nicolaus & Company, Incorporated	
BTIG, LLC	
Total	5,000,000

The underwriting agreement provides that the underwriters must buy all of the shares of common stock if they buy any of them. However, the underwriters are not required to pay for the shares covered by the underwriters' option to purchase additional shares as described below.

Our common stock is offered subject to a number of conditions, including:

- receipt and acceptance of our common stock by the underwriters; and
- the underwriters' right to reject orders in whole or in part.

We have been advised by the representatives that the underwriters intend to make a market in our common stock but that they are not obligated to do so and may discontinue making a market at any time without notice.

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses electronically.

OPTION TO PURCHASE ADDITIONAL SHARES

We have granted the underwriters an option to buy up to an aggregate of 750,000 additional shares of our common stock. The underwriters have 30 days from the date of this prospectus to exercise this option. If the underwriters exercise this option, they will each purchase additional shares of common stock approximately in proportion to the amounts specified in the table above.

UNDERWRITING DISCOUNT

Shares sold by the underwriters to the public will initially be offered at the initial offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Sales of shares made outside of the United States may be made by affiliates of the underwriters. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling

terms. Upon execution of the underwriting agreement, the underwriters will be obligated to purchase the shares at the prices and upon the terms stated therein.

The following table shows the per share and total underwriting discount we will pay to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase up to 750,000 additional shares.

	No exercise	Full exercise
Per share	$	$
Total	$	$

We estimate that the total expenses of the offering payable by us, not including the underwriting discount, will be approximately $2.4 million. We have also agreed to reimburse the underwriters for certain of their expenses, including in connection with the clearance of this offering with the Financial Industry Regulatory Authority, Inc., in an amount up to $40,000.

DIRECTED SHARE PROGRAM

At our request, the underwriters have reserved up to 5% of the common stock being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us and members of their families. The sales will be made by UBS Financial Services Inc., a selected dealer affiliated with UBS Securities LLC, an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of common stock. Participants in the directed share program who purchase $1,000,000 or more of shares of our common stock will be subject to a 25-day lock-up with respect to any shares sold to them pursuant to the program. This lockup will have similar restrictions to the lock-up agreements described below. Any shares sold in the directed share program to our directors or executive officers will be subject to the lock-up agreements described in "— No sales of similar securities" below.

NO SALES OF SIMILAR SECURITIES

We, our executive officers and directors, and the holders of more than 95% of our capital stock have entered into lock-up agreements with the underwriters. Under the lock-up agreements, subject to certain exceptions, we and each of these persons may not, without the prior written approval of UBS Securities LLC, Canaccord Genuity Inc. and Stifel, Nicolaus & Company, Incorporated, offer, sell, contract to sell, pledge, or otherwise dispose of, directly or indirectly, or hedge our common stock or securities convertible into or exchangeable or exercisable for our common stock. These restrictions will be in effect for a period ending on and including the date that is 180 days after the date of this prospectus.

UBS Securities LLC, Canaccord Genuity Inc. and Stifel, Nicolaus & Company, Incorporated may, at any time and in their sole discretion, release some or all the securities from these lock-up agreements. If the restrictions under the lock-up agreements are waived, shares of our common stock may become available for resale into the market, subject to applicable law, which could reduce the market price of our common stock.

INDEMNIFICATION

We have agreed to indemnify the several underwriters against certain liabilities, including certain liabilities under the Securities Act. If we are unable to provide this indemnification, we have agreed to contribute to payments the underwriters may be required to make in respect of those liabilities.

EXCHANGE LISTING

We have applied to list our common stock on The NASDAQ Global Market under the symbol "OBLN."

PRICE STABILIZATION, SHORT POSITIONS

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock during and after this offering, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. Stabilization transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. These transactions may also include making short sales of our common stock, which involve the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering and purchasing shares of common stock on the open market to cover short positions created by short sales. Short sales may be "covered short sales," which are short positions in an amount not greater than the underwriters' option to purchase additional shares referred to above, or may be "naked short sales," which are short positions in excess of that amount.

The underwriters may close out any covered short position by either exercising their option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Naked short sales are short sales made in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

These stabilizing transactions, short sales, purchases to cover positions created by short sales, the imposition of penalty bids and syndicate covering transactions may have the effect of raising or

maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. The underwriters may carry out these transactions on The NASDAQ Global Market, in the over-the-counter market or otherwise. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of the shares. Neither we, nor any of the underwriters make any representation that the underwriters will engage in these stabilization transactions or that any transaction, once commenced, will not be discontinued without notice.

DETERMINATION OF OFFERING PRICE

Prior to this offering, there was no public market for our common stock. The initial public offering price will be determined by negotiation among us and the representatives of the underwriters. The principal factors to be considered in determining the initial public offering price include:

- the information set forth in this prospectus and otherwise available to the representatives;
- our history and prospects and the history and prospects for the industry in which we compete;
- our past and present financial performance;
- our prospects for future earnings and the present state of our development;
- the general condition of the securities market at the time of this offering;
- the recent market prices of, and demand for, publicly traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

The estimated public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors. Neither we nor the underwriters can assure investors that an active trading market will develop for our common stock or that the common stock will trade in the public market at or above the initial public offering price.

AFFILIATIONS

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and their affiliates may from time to time in the future engage with us and perform services for us or in the ordinary course of their business for which they will receive customary fees and expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of us. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of these securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in these securities and instruments.

ELECTRONIC DISTRIBUTION

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters participating in this offering, or by their

affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on any underwriter's website and any information contained in any other website maintained by an underwriter is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter in its capacity as underwriter and should not be relied upon by investors.

NOTICE TO PROSPECTIVE INVESTORS

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares of common stock which are the subject of the offering contemplated by this prospectus, or Shares, may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) by the underwriters to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives of the underwriters for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Shares shall result in a requirement us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

The EEA selling restriction is in addition to any other selling restrictions set out in this prospectus.

United Kingdom

This prospectus is only being distributed to and is only directed at: (1) persons who are outside the United Kingdom; (2) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order; or (3) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, or all such persons falling within (1)-(3) together being referred to as relevant persons. The shares

are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents.

Canada

This document constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the shares. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or on the merits of the shares and any representation to the contrary is an offence.

Canadian investors are advised that this document has been prepared in reliance on section 3A.3 of National Instrument 33-105 *Underwriting Conflicts*, or NI 33-105. Pursuant to section 3A.3 of NI 33-105, we and the underwriters are not required to provide investors with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships that may exist between the company and the underwriters as would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

Resale restrictions

The offer and sale of the shares in Canada is being made on a private placement basis only and is exempt from the requirement that we prepare and file a prospectus under applicable Canadian securities laws. Any resale of shares acquired by a Canadian investor in this offering must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the shares outside of Canada.

Representations of purchasers

Each Canadian investor who purchases the shares will be deemed to have represented to us, the underwriters and to each dealer from whom a purchase confirmation is received, as applicable, that the investor (i) is purchasing as principal, or is deemed to be purchasing as principal in accordance with applicable Canadian securities laws; (ii) is an "accredited investor" as such term is defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions*, or NI 45-106, or, in Ontario, as such term is defined in section 73.3(1) of the *Securities Act* (Ontario); and (iii) is a "permitted client" as such term is defined in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Taxation and eligibility for investment

Any discussion of taxation and related matters contained in this document does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian investor when deciding to purchase the shares and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the shares or with respect to the eligibility of the shares for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

Rights of action for damages or rescission

Securities legislation in certain of the Canadian jurisdictions provides certain purchasers of securities pursuant to an offering memorandum, including where the distribution involves an "eligible foreign security" as such term is defined in Ontario Securities Commission Rule 45-501 *Ontario Prospectus and Registration Exemptions* and in Multilateral Instrument 45-107 *Listing Representation and Statutory Rights of Action Disclosure Exemptions*, as applicable, with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum, or other offering document that constitutes an offering memorandum, and any amendment thereto, contains a "misrepresentation" as defined under applicable Canadian securities laws. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed under, and are subject to limitations and defences under, applicable Canadian securities legislation. In addition, these remedies are in addition to and without derogation from any other right or remedy available at law to the investor.

Language of documents

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Australia

This prospectus is not a formal disclosure document and has not been, nor will be, lodged with the Australian Securities and Investments Commission. It does not purport to contain all information that an investor or their professional advisers would expect to find in a prospectus or other disclosure document (as defined in the Corporations Act 2001 (Australia)) for the purposes of Part 6D.2 of the Corporations Act 2001 (Australia) or in a product disclosure statement for the purposes of Part 7.9 of the Corporations Act 2001 (Australia), in either case, in relation to the securities.

The securities are not being offered in Australia to "retail clients" as defined in sections 761G and 761GA of the Corporations Act 2001 (Australia). This offering is being made in Australia solely to "wholesale clients" for the purposes of section 761G of the Corporations Act 2001 (Australia) and, as such, no prospectus, product disclosure statement or other disclosure document in relation to the securities has been, or will be, prepared.

This prospectus does not constitute an offer in Australia other than to persons who do not require disclosure under Part 6D.2 of the Corporations Act 2001 (Australia) and who are wholesale clients for the purposes of section 761G of the Corporations Act 2001 (Australia). By submitting an application for our securities, you represent and warrant to us that you are a person who does not require disclosure under Part 6D.2 and who is a wholesale client for the purposes of section 761G of the Corporations Act 2001 (Australia). If any recipient of this prospectus is not a wholesale client, no offer of, or invitation to apply for, our securities shall be deemed to be made to such recipient and no applications for our securities will be accepted from such recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of such offer, is personal and may only be accepted by the recipient. In addition, by applying for our securities you undertake to us that, for a period of 12 months from the date of issue

of the securities, you will not transfer any interest in the securities to any person in Australia other than to a person who does not require disclosure under Part 6D.2 and who is a wholesale client.

Hong Kong

The contents of this prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice. Please note that (i) our securities may not be offered or sold in Hong Kong, by means of this prospectus or any document other than to "professional investors" within the meaning of Part I of Schedule 1 of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) (SFO) and any rules made thereunder, or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong) (CO) or which do not constitute an offer or invitation to the public for the purpose of the CO or the SFO, and (ii) no advertisement, invitation or document relating to our securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Japan

Our securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and our securities will not be offered or sold, directly or indirectly, in Japan, or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan, or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our securities may not be circulated or distributed, nor may our securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where our securities are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired our securities pursuant to an offer made under Section 275 except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

Switzerland

This Prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations (CO) and the shares will not be listed on the SIX Swiss Exchange. Therefore, the Prospectus may not comply with the disclosure standards of the CO and/or the listing rules (including any prospectus schemes) of the SIX Swiss Exchange. Accordingly, the shares may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the shares with a view to distribution.

Greece

The securities have not been approved by the Hellenic Capital Markets Commission for distribution and marketing in Greece. This document and the information contained therein do not and shall not be deemed to constitute an invitation to the public in Greece to purchase the securities. The securities may not be advertised, distributed, offered or in any way sold in Greece except as permitted by Greek law.

Dubai International Finance Centre

This prospectus relates to an Exempt Offer in accordance with the Markets Rules of the Dubai Financial Services Authority. This prospectus is intended for distribution only to Professional Clients who are not natural persons. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The securities to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorized financial adviser.

Kuwait

Unless all necessary approvals from the Kuwait Ministry of Commerce and Industry required by Law No. 31/1990 "Regulating the Negotiation of Securities and Establishment of Investment Funds," its Executive Regulations and the various Ministerial Orders issued pursuant thereto or in connection therewith, have been given in relation to the marketing and sale of the shares of common stock, the shares may not be marketed, offered for sale, nor sold in the State of Kuwait. Neither this prospectus (including any related document) nor any of the information contained herein or therein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

Legal matters

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Fenwick & West LLP, San Francisco, California. Certain legal matters relating to the offering will be passed upon for the underwriters by Latham & Watkins LLP, Costa Mesa, California.

Experts

The consolidated financial statements of Obalon Therapeutics, Inc. as of December 31, 2014 and 2015, and for each of the years in the two-year period ended December 31, 2015, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, an independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

Change in accountants

In October 2015, we retained KPMG LLP as our independent registered public accounting firm. Our independent auditing firm was previously Ernst & Young LLP. The decision to dismiss Ernst & Young LLP and appoint KPMG LLP was approved by our board of directors, effective as of August 4, 2015. Subsequent to KPMG LLP's appointment, we engaged KPMG LLP to reaudit our consolidated financial statements as of and for the year ended December 31, 2014, which had previously been audited by Ernst & Young LLP.

The reports of Ernst & Young LLP on our consolidated financial statements did not contain any adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles. We had no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to its satisfaction, would have caused Ernst & Young LLP to make reference in connection with its opinion to the subject matter of the disagreement during its audit of the two years ended December 31, 2014. During the two most recent fiscal years preceding our discharge of Ernst & Young LLP, and the subsequent interim period through August 4, 2015, there were no "reportable events" as such term is defined in Item 304(a)(1)(v) of Regulation S-K.

During the two years ended December 31, 2014 and through the period ended August 4, 2015, we did not consult with KPMG LLP on matters that involved the application of accounting principles to a specified transaction, either completed or proposed, the type of audit opinion that might be rendered on our financial statements or any other matter that was the subject of a disagreement as that term is used in Item 304 (a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K or a reportable event as that term is used in Item 304(a)(1)(v) and the related instructions to Item 304 of Regulation S-K.

We have provided Ernst & Young LLP with a copy of the foregoing disclosure and have requested that Ernst & Young LLP furnish us with a letter addressed to the SEC stating whether or not Ernst & Young LLP agrees with the above statements and, if not, stating the respects in which it does not agree. A copy of the letter dated August 4, 2016, furnished by Ernst & Young LLP in response to that request, is filed as an exhibit to the registration statement of which this prospectus is a part.

Additional information

We have filed with the Securities and Exchange Commission, or the SEC, a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith. For further information about us and the common stock offered hereby, reference is made to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and in each instance we refer you to the copy of such contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, NE, Washington, DC 20549, and copies of all or any part of the registration statement may be obtained from that office. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

We currently do not file periodic reports with the SEC. Upon the closing of our initial public offering, we will be required to file periodic reports, proxy statements and other information with the SEC pursuant to the Exchange Act. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference facilities and the website of the SEC referred to above.

We also maintain a website at www.obalon.com. Upon completion of this offering, you may access these materials at our website free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

Index to consolidated financial statements

Report of Independent Registered Public Accounting Firm

The Board of Directors
Obalon Therapeutics, Inc.:

We have audited the accompanying consolidated balance sheets of Obalon Therapeutics, Inc. and subsidiaries as of December 31, 2014 and 2015, and the related consolidated statements of operations and comprehensive loss, convertible preferred stock and stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Obalon Therapeutics, Inc. and subsidiaries as of December 31, 2014 and 2015, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

San Diego, California
May 4, 2016, except for the seventh paragraph of Note 1, as to which the date is September 23, 2016

OBALON THERAPEUTICS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except shares and par value data)

	December 31, 2014	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 6,902	$ 3,356
Short-term investments	12,342	9,175
Accounts receivable, net	99	—
Accounts receivable, related party	155	636
Inventory	445	363
Other current assets	293	273
Total current assets	20,236	13,803
Property and equipment, net	483	418
Total assets	$ 20,719	$ 14,221
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 181	$ 549
Accrued compensation	239	1,250
Accrued clinical expenses	15	913
Other current liabilities	381	493
Customer deposit from related party	—	1,283
Current portion of long-term loan	—	747
Warrant liability	56	332
Total current liabilities	872	5,567
Long-term loan, excluding current portion	4,877	9,094
Total liabilities	5,749	14,661
Commitments and contingencies (See Note 10)		
Convertible preferred stock		
Series A convertible preferred stock, $0.001 par value; 2,333,332 shares authorized, 804,595 shares issued and outstanding at December 31, 2014 and 2015, respectively; liquidation preference of $7,000	6,773	6,773
Series B convertible preferred stock, $0.001 par value; 4,333,332 shares authorized, 1,494,248 shares issued and outstanding at December 31, 2014 and 2015, respectively; liquidation preference of $6,500	6,454	6,454
Series C convertible preferred stock, $0.001 par value; 7,809,939 shares authorized, 2,668,533 shares issued and outstanding at December 31, 2014 and 2015, respectively; liquidation preference of $16,523	16,393	16,393
Series C-1 convertible preferred stock, $0.001 par value; 2,783,334 shares authorized, 480,286 shares issued and outstanding at December 31, 2014 and 2015, respectively; liquidation preference of $5,000	4,984	4,984
Series D convertible preferred stock, $0.001 par value; 11,546,013 shares authorized, 2,732,552 shares issued and outstanding at December 31, 2014 and 2015, respectively; liquidation preference of $41,180	20,222	20,095
	54,826	54,699

OBALON THERAPEUTICS, INC.

	December 31, 2014	December 31, 2015
Stockholders' deficit:		
Common stock, par value $0.001; 35,000,000 shares authorized, 533,484 and 575,126 shares issued and outstanding at December 31, 2014 and 2015, respectively	1	1
Additional paid-in capital	733	1,002
Other comprehensive (loss) income	(5)	—
Accumulated deficit	(40,585)	(56,142)
Total stockholders' deficit	(39,856)	(55,139)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 20,719	$ 14,221

See accompanying notes to consolidated financial statements.

OBALON THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except shares and per share data)

	Year ended December 31, 2014	2015
Revenue:		
Revenue	$ 1,683	$ 216
Revenue, related party	1,856	3,823
Total revenue	3,539	4,039
Cost of revenue	2,912	2,503
Gross profit	627	1,536
Operating expenses:		
Research and development	5,767	12,978
Selling, general and administrative	4,700	3,491
Total operating expenses	10,467	16,469
Loss from operations	(9,840)	(14,933)
Interest expense, net	(220)	(549)
Gain (loss) from change in fair value of warrant liability	167	(34)
Other income (expense), net	3	(41)
Net loss	(9,890)	(15,557)
Other comprehensive income	9	5
Net loss and comprehensive loss	$ (9,881)	$ (15,552)
Net loss per share, basic and diluted	$ (18.61)	$ (27.14)
Weighted-average common shares outstanding, basic and diluted	531,430	573,181
Pro forma net loss per share, basic and diluted (unaudited)		$ (1.72)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited)		9,026,927

See accompanying notes to consolidated financial statements.

OBALON THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
Years ended December 31, 2014 and 2015
(in thousands, except shares and per share data)

	Series A convertible preferred stock		Series B convertible preferred stock		Series C convertible preferred stock		Series C-1 convertible preferred stock		Series D convertible preferred stock		Common stock		Additional paid-in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total stockholders' deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2013	804,595	$ 6,773	1,494,248	$ 6,454	2,668,533	$ 16,393	480,286	$ 4,984	—	$ —	529,199	$ 1	$ 540	$ (14)	$ (30,695)	$ (30,168)
Issuance of common stock for cash	—	—	—	—	—	—	—	—	—	—	4,285	—	8	—	—	8
Issuance of preferred stock at $7.5351 per share, net of issuance costs of $368	—	—	—	—	—	—	—	—	2,732,552	20,222	—	—		—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	185	—	—	185
Foreign currency translation adjustment and other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	—	9	—	9
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—		(9,890)	(9,890)
Balance at December 31, 2014	804,595	$ 6,773	1,494,248	$ 6,454	2,668,533	$ 16,393	480,286	$ 4,984	2,732,552	$ 20,222	533,484	$ 1	$ 733	$ (5)	$ (40,585)	$ (39,856)
Issuance of common stock for cash	—	—	—	—	—	—	—	—	—	—	41,642	—	62	—	—	62
Issuance of warrants in connection with preferred stock financing	—	—	—	—	—	—	—	—	—	(127)	—	—		—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	207	—	—	207
Foreign currency translation adjustment and other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	—	5	—	5
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—		(15,557)	(15,557)
Balance at December 31, 2015	804,595	$ 6,773	1,494,248	$ 6,454	2,668,533	$ 16,393	480,286	$ 4,984	2,732,552	$ 20,095	575,126	$ 1	$ 1,002	$ —	$ (56,142)	$ (55,139)

See accompanying notes to consolidated financial statements.

OBALON THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended December 31,	
	2014	2015
Operating activities:		
Net loss	$ (9,890)	$ (15,557)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	166	167
Stock-based compensation	185	207
Loss on disposal of fixed assets	5	19
Change in fair value of warrant liability	(167)	34
Amortization (accretion) of investment premium (discount), net	64	260
Amortization of debt discount	41	79
Change in operating assets and liabilities:		
Accounts receivable, net	83	96
Accounts receivable from related party	4	(481)
Inventory	(166)	77
Other current assets	(109)	27
Accounts payable and accrued expenses	(33)	370
Accrued compensation	33	1,018
Accrued clinical expenses	(129)	898
Other current liabilities	6	111
Customer deposit from related party	—	1,283
Net cash used in operating activities	(9,907)	(11,392)
Investing activities:		
Purchases of short-term investments	(12,400)	(18,590)
Maturities of short-term investments	4,250	21,500
Sales of short-term investments	500	—
Purchase of property and equipment	(268)	(139)
Proceeds from disposal of property and equipment	—	6
Net cash (used in) provided by investing activities	(7,918)	2,777
Financing activities:		
Issuance of preferred stock for cash, net of offering costs	13,622	—
Issuance of preferred stock to related party for cash	6,600	—
Proceeds from long-term loan, net of issuance costs	4,958	5,000
Repayments on long-term loan	(3,000)	—
Sale of common stock	8	62
Net cash provided by financing activities	22,188	5,062
Effect of exchange rate changes on cash and cash equivalents	12	7
Net increase (decrease) in cash and cash equivalents	4,375	(3,546)
Cash and cash equivalents at beginning of period	2,527	6,902
Cash and cash equivalents at end of period	$ 6,902	$ 3,356
Supplemental cash flow information:		
Interest paid	$ 164	$ 475
Income taxes paid	$ 1	$ 2

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Obalon Therapeutics, Inc., or the Company, was incorporated in the state of Delaware on January 2, 2008. The Company is a commercial-stage medical device company focused on developing and commercializing innovative medical devices to treat obese and overweight people by facilitating weight loss. Using its patented technology, the Company has developed the Obalon balloon system, the first swallowable, gas-filled intragastric balloon designed to provide progressive and sustained weight loss in obese and overweight patients.

The consolidated financial statements include the accounts of Obalon Therapeutics, Inc., and its wholly owned subsidiaries, Obalon Italy SRL and Obalon Therapeutics, LLC. Obalon Therapeutics, LLC is a shell Company, which owns 99% of Obalon Mexico DE RL CV. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The Company's principal operations are located in Carlsbad, California and it operates in one business segment. The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern.

As of December 31, 2015, the Company has devoted a substantial portion of its efforts to product development, raising capital, and building infrastructure. The Company has incurred operating losses and has experienced negative cash flows from operations since its inception. In July 2012, the Company realized initial revenue from its planned principal operations. The Company recognized revenue, including revenue from related parties, of $3.5 million and $4.0 million for the years ended December 31, 2014 and 2015, respectively. Prior to 2014, the Company was considered to be in the development stage. However, the Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and has funded its activities to date almost exclusively from debt and equity financings. As of December 31, 2015, the Company had not yet obtained U.S. Food and Drug Administration, or FDA, approval to sell its products in the United States. All sales are to customers outside of the United States, mainly in the Middle East.

As reflected in the accompanying consolidated financial statements, the Company has a limited operating history and the sales and income potential of the Company's business are unproven. The Company has experienced net losses since its inception and, as of December 31, 2015, had an accumulated deficit of $56.1 million. Based on the Company's current plan of expenditures for its research and development, clinical trial, and other operating costs, the Company expects to continue to incur net losses for the foreseeable future. Over that period, the Company may need to raise additional debt or equity financing to fund its operations. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, suspend or curtail planned programs, and/or cease operations. Any of these actions could materially harm the Company's business, results of operations, financial condition, and future prospects. The Company believes that cash and short-term investments, including the additional amounts raised as described in note 12 are sufficient to satisfy the Company's operations for at least the next twelve months.

February 2014 Reverse Stock Split

In February 2014, the board of directors of the Company approved a 3-for-1 reverse stock split of the Company's common and preferred stock. All share and per share information included in the

accompanying consolidated financial statements and notes to consolidated financial statements give retroactive effect to this reverse stock split for the Company's common and preferred stock.

September 2016 Reverse Stock Split

In September 2016, the Company's board of directors approved an amendment to the Company's amended and restated certificate of incorporation to effect a reverse stock split of the Company's issued and outstanding common stock and convertible preferred stock at a 2.9-to-1 ratio, which was effected on September 23, 2016. All share and per share information included in the accompanying consolidated financial statements and notes to the consolidated financial statements have been retroactively adjusted to reflect the reverse stock split for the Company's common and preferred stock for all periods presented.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant items subject to such estimates and assumptions include the warrant liability, stock-based compensation, and income tax uncertainties.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents include cash in readily available checking and money market accounts.

Foreign Currency

The functional currency of a foreign operation is considered to be the local country's currency. Consequently, assets and liabilities of operations outside the United States are translated into U.S. dollars, and the effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive loss.

Short-Term Investments

The Company classifies its investments as available-for-sale and records such assets at estimated fair value on the balance sheet, with unrealized gains and losses, if any, reported as a component of other comprehensive loss within the consolidated statements of operations and comprehensive loss. All of the Company's short-term investments are U.S. Treasury notes with maturities of less than one year. For the years ended December 31, 2014 and 2015, unrealized losses were immaterial amounts, respectively. Realized gains and losses would be calculated on the specific-identification method and recorded as interest income. There have been no material realized gains and losses for the years ended December 31, 2014 and 2015. The Company periodically reviews available-for-sale securities for other-than-temporary declines in fair value below the cost basis whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair Value Measurements

The carrying values of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts receivable from related party, accounts payable, and accrued expenses approximate their fair values due to the short maturity of these instruments. The carrying value of the term loan approximates its fair value as the interest rate and other terms are that which is currently available to the Company.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels in accordance with authoritative accounting guidance:

- Level 1 inputs: Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

Accounts Receivable

Receivables are unsecured and are carried at net realizable value including an allowance for estimated uncollectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest, although a finance charge may be applied to such receivables that are more than 30 days past due. The allowance for doubtful accounts is based on the Company's assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical expense, credit quality, the age of the account receivable balances, and current economic conditions that may affect a customer's ability to pay. Amounts determined to be uncollectible are charged or written off against the reserve. The Company's allowance for doubtful accounts was $0.1 million and $0 at December 31, 2014 and 2015, respectively.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and trade accounts receivable, which are generally not collateralized. The Company limits its exposure to credit loss by placing its cash equivalents with high credit quality financial institutions and investing in high quality short-term debt instruments. The Company's customers consist of distributors. The Company establishes customer credit policies related to its accounts receivable based on historical collection experiences within the various markets in which the Company operates, historical past-due amounts, and any specific information that the Company becomes aware of such as bankruptcy or liquidity issues of customers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes certain financial data for the customers who accounted for 10.0% or more of sales and accounts receivable.

	Year ended December 31,	
	2014	2015
Single largest customer:		
Revenue, related party	52.4%	94.7%
Accounts receivable, related party	61.0%	100.0%
Second largest customer:		
Revenue	10.0%	N/A
Accounts receivable	2.6%	N/A

Inventory

Inventory is stated at the lower of cost (which approximates actual cost on a first-in, first-out basis) or net realizable value, computed on a standard cost basis. Inventory that is obsolete or is in excess of forecasted usage is written down to its estimated net realizable value based on assumptions about future demand. Inventory write-downs are charged to cost of revenue and establish a new cost basis for the inventory.

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. Assets not yet placed in use are not depreciated.

The useful lives of the property and equipment are as follows:

Computer hardware	3 years
Computer software	Shorter of 3 years or life of software
Furniture and fixtures	5 years
Scientific equipment	5 years
Leasehold improvements	Shorter of lease term or useful life

Impairment of Long-Lived Assets

The Company evaluates property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to the future undiscounted net cash flows, which the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the difference between the carrying amount and the fair value of the impaired asset. The Company did not recognize any material impairment losses for the respective years ended December 31, 2014 and 2015.

Research and Development Costs

All research and development costs are charged to expense as incurred. Research and development expenses primarily include (i) payroll and related costs associated with research and development

performed, (ii) costs related to clinical and preclinical testing of our technologies under development, and (iii) other research and development expenses.

Clinical Trial Expenses

The Company enters into contracts with third party hospitals and doctors to perform clinical trial activities. The Company accrues expenses for clinical trial activities performed by third parties based on estimates of work performed by each third party as of the balance sheet date. The Company's clinical trial expense is primarily driven by patient visits to the third party hospitals and doctors. As such, the Company uses the estimated patient visits based on third-party reporting and the contractually agreed upon cost for each visit to calculate its clinical accrual.

Stock-Based Compensation

Stock-based awards issued to employees and directors, including stock options, are recorded at fair value as of the grant date using the Black-Scholes option pricing model and recognized as expense on a straight-line basis over the employee's or director's requisite service period (generally the vesting period). Because non-cash stock compensation expense is based on awards ultimately expected to vest, it is reduced by an estimate for future forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from estimates.

Stock-based awards and stock options issued to nonemployee consultants are recorded at fair value and remeasured at the end of each period as they vest using the Black-Scholes option pricing model. Expense is recognized over the vesting period, which is generally the same as the service period.

Income Taxes

Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company accounts for interest and penalties related to income tax matters, if any, as a component of income tax expense or benefit.

Revenue Recognition

Revenue relates to sales of components of the Obalon balloon system, which includes the balloon and accessory kit, EzFill inflation system, pre-filled can of gas and placebo capsule.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the selling price is fixed or determinable and (iv) collectability is reasonably assured. Determination of criteria (iii) and (iv) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. The Company does not provide for rights of return to customers on product sales, with the exception of products that fail to conform to the Company's specifications. As these non-conforming returns have historically been immaterial, the Company does not record a provision for returns. The Company does not have any post shipment obligations or acceptance provisions within its customer contracts. The Company occasionally offers discounts off its standard prices to non-distributor customers, which are agreed upon and known at the time of sale. In these cases, revenue is recognized net of these discounts. Shipping charges billed to customers are included in product revenue and the related shipping costs are included in cost of revenue.

Product Warranty

The Company warranties its products to be of good quality and free from defects in design, materials, or workmanship for approximately one year from the date of purchase. The Company accrues for the estimated future costs of repair or replacement upon shipment. The warranty accrual is recorded to cost of revenue and is based on historical and forecasted trends in the volume of product failures during the warranty period and the cost to repair or replace the equipment.

It is possible that the Company's underlying assumptions will not reflect the actual experience and in that case, future adjustments will be made to the recorded warranty obligation. The warranty accrual as of December 31, 2014 and 2015 was immaterial and was included in other current liabilities.

Advertising Costs

Advertising costs are expensed as incurred and included in selling, general and administrative expense. Advertising costs for the years ended December 31, 2014 and 2015 were approximately $0.3 million for both periods.

Preferred Stock Warrants

The fair value of preferred stock warrants issued in conjunction with debt issuances is initially recorded as a warrant liability and debt discount. The fair value of preferred stock warrants issued in conjunction with equity financing is initially recorded as a warrant liability and reduction of the proceeds received. The fair value of the warrants is estimated using the Black-Scholes option pricing model based on the estimated fair value of the preferred stock at the valuation date, the remaining contractual term of the warrant, risk-free interest rates, and expected dividends and expected volatility of the price of the underlying preferred stock. The warrant liability is remeasured each reporting period with changes in fair value being recognized in the consolidated statements of operations and comprehensive loss. The debt discount associated with the initial warrant fair value is being amortized to interest expense using the effective-interest method in the Company's consolidated statements of operations and comprehensive loss over the term of the debt.

Net Loss per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period without consideration for common stock equivalents. Diluted net loss per share is the same as basic net loss per common share, since the effects of potentially dilutive securities are anti-dilutive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Dilutive common stock equivalents are comprised of convertible preferred stock, warrants and unexercised stock options outstanding under the Company's equity plan.

(Unaudited) Pro Forma Net Loss per Share

Pro forma basic and diluted net loss per share has been computed to give effect to: (i) the assumed conversion of the shares of convertible preferred stock into common stock; (ii) the automatic net exercise of certain outstanding warrants to purchase shares of preferred stock; and (iii) the automatic conversion of certain outstanding warrants to purchase shares of preferred stock into warrants to purchase shares of common stock as if such conversions had occurred at the beginning of the period. The pro forma net loss does not include the shares expected to be sold and related proceeds to be received from an initial public offering, or IPO.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In May 2014, the FASB issued Accounting Standard Update, or ASU, 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. ASU 2014-09 is effective for annual reporting periods, and interim periods within those periods, beginning after December 15, 2016. Entities are able to use one of three prescribed transition methods. In August 2015, the FASB issued ASU 2015-14 to defer the effective date of ASU 2014-09 by one year and allow early adoption for all entities but not before the original public entity effective date. The Company has not yet selected a transition method as the Company is currently evaluating the impact of the amended revenue recognition guidance on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 requires management to evaluate relevant conditions, events and certain management plans that are known or reasonably knowable that when, considered in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued, for both annual and interim periods. ASU 2014-15 also requires certain disclosures around management's plans and evaluation, as well as the plans, if any, that are intended to mitigate those conditions or events that will alleviate the substantial doubt. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The Company does not anticipate that the adoption of ASU 2014-15 will have a material impact on its consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, *Interest—Imputation of Interest*. This simplifies the presentation of debt issuance costs by requiring them to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015. The Company had previously presented debt issuance costs as a direct deduction from the carrying amount of its debt liabilities. As such, the Company has early adopted the provisions of ASU 2015-03 for the years ended December 31, 2014 and 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In July 2015, FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. This update applies to companies that measure inventory on a first in, first out (FIFO) or average cost basis. Under this update, companies are to measure their inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion. The amendments in this update are effective for fiscal years beginning after December 31, 2016 with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not expect that the adoption of this guidance will have a significant impact on the Company's financial statements.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, an update to Accounting Standards Codification (ASC) 740, *Income Taxes*. Current GAAP requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. To simplify the presentation of deferred income taxes, the amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this update.

For nonpublic business entities, the amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The FASB also decided to permit earlier application by all entities as of the beginning of any interim or annual reporting period. The FASB further provides that this update may be applied to all deferred tax liabilities and assets prospectively. The Company adopted this update prospectively beginning in the year ended December 31, 2015. No prior periods were retrospectively adjusted.

3. Fair Value Measurements

Instruments Recorded at Fair Value on a Recurring Basis

The Company has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2015 are as follows (in thousands):

		Fair value measurements at reporting date using		
	Balance as of December 31, 2014	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Money market funds(1)	$ 6,588	$ 6,588	$ —	$ —
U.S. Treasury bonds(2)	12,342	12,342	—	—
Total assets	$ 18,930	$ 18,930	$ —	$ —
Liabilities:				
Warrant liability	$ 56	$ —	$ —	$ 56
Total liabilities	$ 56	$ —	$ —	$ 56

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Balance as of December 31, 2015	Fair value measurements at reporting date using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Money market funds(1)	$ 3,593	$ 3,593	$ —	$ —
U.S. Treasury bonds(2)	9,175	9,175	—	—
Total assets	$ 12,768	$ 12,768	$ —	$ —
Liabilities:				
Warrant liability	$ 332	$ —	$ —	$ 332
Total liabilities	$ 332	$ —	$ —	$ 332

(1) Classified as cash and cash equivalents on the consolidated balance sheets.
(2) Classified as short-term investments on the consolidated balance sheets.

The Company's investments in Level 1 assets are valued based on publicly available quoted market prices for identical securities as of December 31, 2014 and 2015.

The warrant liability is recorded at fair value using the Black-Scholes option pricing model based on the following assumptions as of December 31, 2014 and 2015:

	December 31, 2014	December 31, 2015
Assumed risk-free interest rate	1.38% - 2.17%	1.28% - 2.06%
Assumed volatility	54.48% - 72.90%	66.76% - 70.66%
Expected life	4.15 - 9.75 yrs	3.15 - 8.75 yrs
Expected dividend yield	—%	—%
Preferred stock fair value:		
Series D	$ 7.54	$ 8.41
Series C-1	$ 1.80	$ 2.24
Series C	$ 1.40	$ 1.72

The assumptions were determined as follows:

Assumed risk-free interest rate — Based on the average yield of U.S. Treasury bills as of the valuation date for the expected term of the award.

Assumed volatility — Based on the historical volatility of a number of publicly traded companies comparable in size, business model, industry and business description.

Expected life — Based on the remaining contractual term of warrant as of the valuation date.

Expected dividend yield — Based upon the Company's historic dividends and dividend expectations for the foreseeable future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Preferred stock fair value — Given the absence of a public trading market, the Company considered numerous objective and subjective factors to determine the fair value of preferred stock at each valuation date. These factors included, but were not limited to, (i) contemporaneous valuations of preferred stock performed by unrelated third-party specialists; (ii) the prices for preferred stock sold to outside investors; (iii) the rights, preferences and privileges of preferred stock relative to common stock; (iv) developments in the business; and (v) the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of the Company, given prevailing market conditions.

As of December 31, 2014 and 2015, reasonable changes in the unobservable inputs would not be expected to have a significant impact on the consolidated financial statements. The Company's policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, 2, or 3 for the years ended December 31, 2014 and 2015.

The following table provides reconciliation for all liabilities measured at fair value using significant unobservable inputs (Level 3) for the years ended December 31, 2014 and 2015 (in thousands):

	Fair value measurements at reporting date using significant unobservable inputs (Level 3)
Balance at December 31, 2013	$ 177
Issuance of warrants for the purchase of convertible preferred stock	46
Change in fair value of warrant liability	(167)
Balance at December 31, 2014	56
Issuance of warrants for the purchase of convertible preferred stock	242
Change in fair value of warrant liability	34
Balance at December 31, 2015	$ 332

Instruments Not Recorded at Fair Value on a Recurring Basis

The estimated fair value of long-term debt is determined by Level 2 inputs and is based primarily on quoted market prices for the same or similar issues. The recorded value of long-term debt approximates the current fair value because of its relatively short maturity date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. Net Loss per Share and (Unaudited) Pro Forma Net Loss per Share

The following table sets forth the computation of basic and diluted net loss per share of common stock (in thousands, except shares and per share data):

	Year ended December 31,	
	2014	2015
Net loss	$ (9,890)	$ (15,557)
Weighted-average shares used in computing net loss per share	531,430	573,181
Net loss per share, basic and diluted	$ (18.61)	$ (27.14)

The following table sets forth the outstanding potentially dilutive securities determined using the treasury stock and if-converted methods that have been excluded in the calculation of diluted net loss per share because to do so would be anti-dilutive (in common stock equivalent shares):

	Year ended December 31,	
	2014	2015
Convertible preferred stock, on an as-converted basis	6,654,734	8,443,994
Stock options to purchase common stock	59,438	—
Total	6,714,172	8,443,994

The following table summarizes our pro forma net loss per share (in thousands, except shares and per share data):

	Year ended December 31, 2015
Numerator:	
Net loss	$ (15,557)
Change in fair value of convertible preferred stock warrants	34
Pro forma net loss (unaudited)	$ (15,523)
Denominator:	
Weighted-average shares used in computing net loss per share, basic and diluted	573,181
Pro forma adjustments to reflect assumed conversion of convertible preferred stock	8,443,994
Pro forma adjustments to reflect assumed conversion of convertible preferred stock warrants	9,752
Weighted-average shares used in computing pro forma net loss per share, basic and diluted	9,026,927
Pro forma net loss per share, basic and diluted (unaudited)	$ (1.72)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Balance Sheet Details

Short-term investments consist of the following at December 31, 2014 and 2015 (in thousands):

	Maturity (in years)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
At December 31, 2014:					
U.S. Treasury	1 year or less	$ 12,348	$ —	$ (6)	$ 12,342

	Maturity (in years)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
At December 31, 2015:					
U.S. Treasury	1 year or less	$ 9,178	$ —	$ (3)	$ 9,175

Inventory consist of the following (in thousands):

	December 31,	
	2014	2015
Raw materials	$ 207	$ 235
Work in process	204	121
Finished goods	34	7
Total	$ 445	$ 363

Other current assets consist of the following (in thousands):

	December 31,	
	2014	2015
Prepaid assets	$ 234	$ 234
Interest receivable	59	25
Other assets	—	14
Total	$ 293	$ 273

Property and equipment, net consist of the following (in thousands):

	December 31,	
	2014	2015
Computer equipment	$ 247	$ 255
Leasehold improvements	172	181
Furniture and fixtures	76	82
Scientific equipment	636	770
Construction in progress, or CIP	79	24
	1,210	1,312
Less: accumulated depreciation and amortization	(727)	(894)
Total	$ 483	$ 418

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Depreciation and amortization expense for the years ended December 31, 2014 and 2015 was $0.2 million for both periods, respectively.

Other current liabilities consist of the following (in thousands):

	December 31,	
	2014	2015
Accrued legal	$ 49	$162
Accrued professional fees	156	195
Accrued interest	21	44
Other accrued expenses	155	92
Total	$381	$493

6. Term Loan

In June 2013, the Company entered into a loan and security agreement, or 2013 Loan Agreement, with Square 1 Bank allowing for borrowings up to $3.0 million. In addition to the interest payments, Square 1 Bank received warrants for the purchase of up to 8,693 shares of the Company's Series C-1 convertible preferred stock. In October 2014, the Company amended the 2013 Loan Agreement and executed a $10.0 million credit facility with Square 1 Bank, or 2014 Loan Agreement. The 2014 Loan Agreement was separated into two tranches, Term Loan A and Term Loan B. Term Loan A was $5.0 million, which included the existing $3.0 million of outstanding debt and the additional $2.0 million that was funded upon closing of the 2014 Loan Agreement. Term Loan B was $5.0 million and was available upon receipt of at least $20.0 million in proceeds from the issuance and sale of the Company's equity securities to investors. Term Loan B was funded after the close of the Company's Series D financing in January 2015. As part of the 2014 Loan Agreement, the Company issued Square 1 Bank additional warrants to purchase up to 27,869 shares of its Series D convertible preferred stock at $7.5351 per share.

The present value of the future cash flows under the 2014 Loan Agreement terms described below did not exceed the present value of the future cash flows under the 2013 Loan Agreement terms by more than 10%. As such, the Company treated this amendment as a modification and recorded the associated immaterial facility fee and the associated immaterial fair value of the warrants as a discount to the 2014 Loan Agreement. This discount and the remaining balance of debt issuance costs and debt discount of the 2013 Loan Agreement are amortized to interest expense over the remaining term of the 2014 Loan Agreement using the effective-interest method.

The interest rate under the 2014 Loan Agreement is at a variable annual rate equal to the greater of the prime rate plus 1.75% or 5.0%, and there is an interest-only period until October 31, 2016, followed by a 24-month principal and interest period. Pursuant to the 2014 Loan Agreement, the Company provided a first priority security interest in all existing and after-acquired assets, excluding intellectual property owned by the Company. As of December 31, 2015, unpaid borrowings under the 2014 Loan Agreement totaled $10.0 million. For the year ended December 31, 2014, the Company recorded an immaterial amount related to the amortization of debt discount and $0.1 million for the year ended December 31, 2015.

The 2014 Loan Agreement includes restrictions on, among other things, the Company's ability to incur additional indebtedness, change the name or location of the Company's business, merge with or acquire

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

other entities, pay dividends or make other distributions to holders of its capital stock, make certain investments, engage in transactions with its affiliates, create liens, sell assets, pay subordinated debt, and store certain inventory and equipment with third parties. The 2014 Loan Agreement also requires that, if the Company's total cash is less than $5.0 million, the Company is required to maintain all its deposits, transaction accounts and primary investment accounts with Square 1 Bank, and if the Company's total cash is greater than $5.0 million, it is required to maintain 50% of its deposits, transaction accounts and primary investment accounts with Square 1 Bank.

As of December 31, 2015, future principal payments due under the 2014 Loan Agreement are as follows (in thousands):

Year ended:	
December 31, 2016	$ 833
December 31, 2017	5,000
December 31, 2018	4,167
Total future principal payments due under the 2014 Loan Agreement	$ 10,000

7. Stock-Based Compensation

The Company adopted an Equity Incentive Plan, or the Plan, in 2008, under which 1,552,487 shares of common stock are reserved for issuance to employees, nonemployee directors, and consultants of the Company. The Plan provides for the grant of incentive stock options, nonstatutory stock options, rights to purchase restricted stock, stock appreciation rights, dividend equivalents, stock payments, and restricted stock units to eligible recipients.

Recipients of incentive stock options shall be eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The maximum term of options granted under the Plan is ten years. The options generally vest 25% on the first anniversary of the original vesting date, with the balance vesting monthly over the remaining three years. As of December 31, 2015, 94,663 options remained available for future grant under the Plan.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model using the assumptions noted in the following table. Given the absence of a public trading market, the Board of Directors considered numerous objective and subjective factors to determine the fair value of common stock at each grant date. These factors included, but were not limited to, (i) contemporaneous valuations of common stock performed by unrelated third-party specialists; (ii) the prices for preferred stock sold to outside investors; (iii) the rights, preferences and privileges of preferred stock relative to common stock; (iv) the lack of marketability of common stock; (v) developments in the business; and (vi) the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of the Company, given prevailing market conditions. The expected life of options is based on the simplified method, which is an average of the contractual term of the options and its ordinary vesting period. The expected volatility of stock options is based upon the historical volatility of a number of publicly traded companies in similar stages of commercial development. The risk-free interest rate is based on the average yield of U.S. Treasury bills as of the valuation date for the expected

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

term of the award. The expense recognized for the portion of the award that is expected to vest has been reduced by an estimated forfeiture rate. The forfeiture rate is determined at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

	Year ended December 31,	
	2014	2015
Assumed risk-free interest rate	1.82% - 2.09%	1.57%
Assumed volatility	71.09%	61.53%
Expected option life	6.1 years	6.1 years
Expected dividend yield	—%	—%

The Company recognized stock-based compensation straight-line over the vesting term of the options. The Company recorded non-cash compensation, including non-cash compensation to employees and nonemployees in the consolidated statements of operations and comprehensive loss as follows (in thousands):

	Year ended December 31,	
	2014	2015
Cost of revenue	$ 30	$ 31
Research and development	45	47
Selling, general and administrative	110	129
Total	$185	$207

Unrecognized compensation expense at December 31, 2015 was approximately $0.3 million, which is expected to be recognized over a weighted-average term of 2.3 years.

Equity instruments issued to nonemployees are initially recorded at their grant-date fair value and are periodically revalued using the Black-Scholes option pricing model as the equity instruments vest and are recognized as expense over the related service period. Stock-based compensation expense to nonemployees was immaterial for the years ended December 31, 2014 and 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes stock option transactions for the Plan for the years ended December 31, 2014 and 2015 (in thousands, except shares and per share data):

	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2013	926,437	$ 1.75		
Options granted	116,545	2.12		
Options exercised	(4,285)	1.96		
Options canceled	(108,019)	1.89		
Outstanding at December 31, 2014	930,678	1.78		
Options granted	448,809	0.76		
Options exercised	(41,642)	1.52		
Options canceled	(38,977)	1.77		
Outstanding at December 31, 2015	1,298,868	$ 1.44	7.0	$ (747)
Vested and expected to vest, December 31, 2015	1,216,907	$ 1.51	7.0	$ (733)
Vested and exercisable, December 31, 2015	700,578	$ 1.74	6.0	$ (585)

The weighted-average fair value of options granted during the years ended December 31, 2015 was $0.44. All options outstanding at year-end are exercisable under the early exercise provisions of the Plan. The intrinsic value of options exercised for the years ended December 31, 2014 and 2015 was immaterial.

Options granted under the Plan that are exercised prior to vesting are subject to repurchase by the Company at the original issue price and will vest according to the respective option agreement. For the years ended December 31, 2014 and 2015, no options were early exercised.

8. Convertible Preferred Stock and Stockholders' Deficit

Convertible Preferred Stock

During 2008, the Company entered into agreements with several investors who collectively purchased 804,595 shares of Series A convertible preferred stock at $8.70 per share for cash proceeds of $7.0 million, gross of $0.2 million in issuance costs.

During 2009, the Company entered into agreements with several investors who collectively purchased 689,651 shares of Series B convertible preferred stock at $4.35 per share for cash proceeds of $3.0 million, gross of immaterial issuance costs. During 2011, the Company entered into agreements with several investors who collectively purchased 804,597 shares of Series B preferred stock at $4.35 per share for cash proceeds of $3.5 million, gross of immaterial issuance costs.

During 2012, the Company entered into agreements with several investors who collectively purchased 2,668,533 shares of Series C convertible preferred stock at $6.1918 per share for cash proceeds of $15.0 million, gross of $0.1 million in issuance costs, and converted approximately $2.0 million in convertible debt into shares of Series C preferred stock. In conjunction, warrants were issued for 24,224 shares of Series C preferred stock. All the warrants remain outstanding as of December 31, 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During 2012, the Company entered into agreements with several investors for the purchase of 480,286 shares of Series C-1 convertible preferred stock at $10.4105 per share for cash proceeds of $5.0 million, gross of immaterial issuance costs.

During 2013, the Company entered into a loan and security agreement with Square 1 Bank, issuing a warrant for 8,693 shares of Series C-1 preferred stock. The warrant remains outstanding as of December 31, 2015.

During 2014, the Company entered into agreements with several investors for the purchase of 2,732,552 shares of Series D convertible preferred stock at $7.5351 per share for cash proceeds of $20.6 million, gross of $0.5 million in issuance costs, of which $0.1 million is for the value of warrants. In conjunction, a warrant was issued to Square 1 Bank for 27,869 shares of Series D convertible preferred stock. During 2015, warrants were issued to investors for 24,550 shares of Series D preferred stock. All the warrants remain outstanding as of December 31, 2015.

Preferred stock is separated into two classes, Series D convertible preferred stock and Junior preferred stock. Junior preferred stock is comprised of Series A, Series B, Series C, and Series C-1 convertible preferred stock. Holders of Series D and Junior preferred stock are entitled to receive dividends, if declared by the board of directors, at rate of $0.6960 per annum for Series A shares, $0.3480 per annum for Series B shares, $0.4350 per annum for Series C shares, $0.8326 per annum for Series C-1 shares, and $0.6029 per annum for Series D shares. Dividends are paid in preference and priority to holders of Series D convertible preferred stock, then to holders of Junior preferred stock and lastly to holders of common stock. As of December 31, 2015, the Company's board of directors has not declared any dividends.

In the event of liquidation, the holders of preferred stock are entitled to receive liquidation preferences at the rate of $8.70 per share for Series A shares, $4.35 per share for Series B shares, $6.1918 per share for Series C shares, $10.4105 per share for series C-1 shares, and $15.0701 per share for Series D shares. The holders of Series D convertible preferred stock are entitled to receive first preference on any liquidation distributions. Liquidation distributions to holders of Junior preferred stock are made pari passu and are made in preference to any payments to the holders of common stock. Preferred stock holders participate without limit with the holders of common stock for up to two times such preferred stock's original issue price.

The shares of preferred stock are convertible into shares of common stock, at the option of the holder, subject to certain anti-dilution adjustments. Each share of Series A convertible preferred stock is convertible to 1.32784 shares of common stock and each share of Series B, Series C, Series C-1 and Series D convertible preferred stock is convertible to one share of common stock. Each share of preferred stock is automatically converted into common stock immediately upon the Company's sale of its common stock in a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended, in which per share price is at least $11.3025 (as adjusted). Each share of Series D convertible preferred stock is automatically converted into common stock immediately upon the affirmative vote of more than 67% of the holders of the then-outstanding Series D stock. Each share of Junior preferred stock is automatically converted into common stock immediately upon the affirmative vote of more than 67% of the holders of the then-outstanding Junior preferred stock voting together as a single class.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The convertible preferred stock has been classified as temporary equity in the accompanying balance sheets as the shares include provisions allowing the holder to cause redemption of the shares upon certain changes in control events that are outside of the Company's control.

The holders of Preferred Stock are entitled to one vote for each share of common stock into which such Preferred Stock could then be converted; and with respect to such vote, such holders shall have full voting rights and powers equal to the voting rights and powers of the holders of common stock.

Outstanding Warrants

At December 31, 2015, the following warrants were outstanding:

	Shares	Weighted-average exercise price	Issuance date	Expiration date
Series C	24,224	$ 6.1918	Feb 24, 2012	Feb 24, 2019
Series C-1	8,693	10.36	Jun 14, 2013	Jun 14, 2023
Series D	27,869	7.5351	Oct 01, 2014	Oct 01, 2024
Series D	7,962	7.5351	Mar 15, 2015	Mar 15, 2023
Series D	16,588	7.5351	Mar 16, 2015	Mar 16, 2023
Total shares	85,336	$ 7.4408		

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance consists of the following at December 31, 2015:

Conversion of preferred stock	8,443,994
Stock options issued and outstanding	1,298,868
Authorized for future option grants	94,663
Warrants outstanding	85,336
Total	9,922,861

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. Income Taxes

The income tax provision (benefit) consists of the following (in thousands):

	Year ended December 31,	
	2014	2015
Current:		
Federal	$ —	$ —
State	2	2
Foreign	14	(15)
Total current provision	16	(13)
Deferred:		
Federal	—	—
State	—	—
Foreign	—	—
Total deferred provision	—	—
Income tax provision (benefit)	$ 16	$ (13)

The difference between income tax benefits and income taxes computed using the U.S. federal income tax rate as of December 31, 2014 and 2015 are as follows (in thousands):

	Year ended December 31,	
	2014	2015
Federal provision (benefit)		
At statutory rates	$(3,363)	$(5,290)
State taxes, net of federal	1	1
Change in valuation allowance	3,364	5,291
Foreign operations	14	(15)
Income tax provision (benefit)	$ 16	$ (13)

Pursuant to Internal Revenue Code, or IRC, Sections 382 and 383, annual use of the Company's net operating loss and research and development credit carryforwards may be limited in the event a cumulative change in ownership of more than 50% occurs within a three-year period. The Company has not completed an IRC Section 382/383 analysis regarding the limitation of net operating loss and research and development credit carryforwards. Until this analysis has been completed, the Company has removed deferred tax assets for Federal and California net operating losses of approximately $11.5 million and research and experimental credits of approximately $2.1 million generated through 2015 from its deferred tax schedule, and has recorded a corresponding decrease to its valuation allowance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Significant components of the Company's deferred tax assets as are shown below:

	Year ended December 31,	
	2014	2015
Deferred tax assets:		
Foreign net operating losses	$ 390	$ 388
Capitalized research and development	3,160	7,420
Other	114	111
Total gross deferred tax assets	3,664	7,919
Less valuation allowance	(3,664)	(7,919)
Total deferred tax assets	$ —	$ —

A valuation allowance of $3.7 million and $7.9 million as of December 31, 2014 and 2015, respectively, has been established to offset the deferred tax assets as realization of such assets are uncertain.

At December 31, 2015, the Company had federal, state, and foreign tax net operating loss carryforwards of approximately $31.5 million, $13.9 million, and $1.3 million, respectively. Each of the federal and state tax loss carryforwards will begin expiring in 2028, unless previously utilized. The foreign net operating losses, or NOLs, will begin expiring in 2023, unless previously utilized. The Company also has federal and California research and development tax credit carryforwards totaling $1.3 million and $1.1 million, respectively. The federal research and development tax credit carryforward will begin to expire in 2028 unless previously utilized. The California research tax credits do not expire.

Commencing with the 2013 year, the Company computed its California net operating losses, or California NOLs, under the Multistate Tax Compact apportionment rules as provided for in the California Court of Appeal's decision in Gillette v. FTB. That decision was overturned by the California Supreme Court on December 31, 2015. As such, it is the Company's intent to compute its California apportionment factor, and resulting California NOLs, under California's Single Sales Factor Market rules. The Company has currently adjusted its California NOLs and deferred tax assets to the Single Sales Factor state rate. The impact to the California NOLs is approximately $10.2 million.

The Company has not provided U.S. income taxes and foreign withholding taxes on the undistributed earnings of foreign subsidiaries as of December 31, 2014 and 2015, because it intends to permanently reinvest such earnings outside the United States. If these foreign earnings on these were to be repatriated in the future, the related U.S. tax liability may be reduced by any foreign income taxes previously paid on these earnings. Due to historical losses, as of December 31, 2014 and 2015, the foreign subsidiaries do not have cumulative earnings. As of December 31, 2015, one of these entities had been dissolved and another was in the process of being dissolved.

In accordance with authoritative guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon an audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. As of December 31, 2014 and 2015, we continued to have no unrecognized tax benefits. There are no unrecognized tax benefits included on the consolidated balance sheet sheets that would, if recognized, impact the effective tax rate. We do not anticipate there will be a significant change in unrecognized tax benefits within the next 12 months.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

10. Commitments and Contingencies

The Company's building lease will expire on March 31, 2017. Future minimum payments due under the noncancelable operating lease are as follows (in thousands):

Year ended:	
December 31, 2016	$225
December 31, 2017	54
Total future payments due under building lease	$279

Rent expense totaled $0.2 million for both years ended December 31, 2014 and 2015.

11. Related Party Transactions

In June 2013, the Company and Bader Sultan & Bros. Co W.L.L., or Bader, a healthcare products distributor based in Sufat, Kuwait, entered into a distribution agreement, whereby the Company appointed Bader as an exclusive distributor of its products in the Middle East. Sales to Bader began in November 2013. The Company's agreement with Bader restricts Bader's ability to sell competing products and requires Bader to purchase a certain number of products from the Company monthly based on annual forecasts that the Company provides to Bader. If Bader does not resell the minimum purchase quantity specified in the contract by the applicable date, then the Company has the right, in its sole discretion, to sell to other distributors in the Middle East or terminate its agreement with Bader. The initial term of the agreement expires in December 2019, and will thereafter automatically renew for successive terms of 12 months, subject to certain exceptions. The agreement can be terminated by the Company immediately upon certain breaches by Bader, or by either Bader or the Company for uncured material breach of the agreement.

As part of the 2014 Series D convertible preferred stock financing, Bader purchased 875,903 shares of the Company's Series D convertible preferred stock. All terms of the purchase of preferred stock were the same for Bader as the other investors. Sales to Bader for the years ended December 31, 2014 and 2015 totaled $1.9 million and $3.8 million, respectively, which represent 52.4% and 94.7% of total revenue for the respective years. As of December 31, 2015, the Company had accounts receivable from Bader of $0.6 million.

In December 2014, the Company and Bader amended the distribution agreement. In accordance with the amendment, Bader provided the Company with a deposit of $1.3 million, and committed to minimum product purchases for calendar year 2015. Under the terms of the amendment, the Company reserved the right to keep the deposit as liquidated damages if Bader did not meet the minimum product purchases. The Company classified the deposit as a current liability at December 31, 2015 on the consolidated balance sheets as the minimum product purchase levels were met.

As discussed in note 12, in April 2016, the Company and Bader entered into a payment direction letter, resulting in the exchange of the distribution agreement deposit for Series E convertible preferred stock.

12. Subsequent Events

The Company has evaluated subsequent events through May 4, 2016, which is the date on which the financial statements were available to be issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On April 29, 2016, the Company completed the initial closing of its Series E convertible preferred stock financing and issued 1,910,379 shares of Series E convertible preferred stock for total proceeds of $15.8 million. Included in these proceeds was the exchange of Bader's $1.3 million deposit for the preferred stock.

OBALON THERAPEUTICS, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except shares and par value data)

	December 31, 2015	June 30, 2016 (unaudited)	Pro Forma Stockholders' Equity June 30, 2016 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 3,356	$ 4,329	
Short-term investments	9,175	13,953	
Accounts receivable, related party	636	585	
Inventory	363	477	
Other current assets	273	215	
Total current assets	13,803	19,559	
Property and equipment, net	418	512	
Total assets	$ 14,221	$ 20,071	
Liabilities, Convertible Preferred Stock and Stockholders' (Deficit) Equity			
Current liabilities:			
Accounts payable and accrued expenses	$ 549	$ 733	
Accrued compensation	1,250	236	
Accrued clinical expenses	913	612	
Other current liabilities	493	586	
Customer deposit from related party	1,283	—	
Current portion of long-term loan	747	3,255	
Warrant liability	332	213	
Total current liabilities	5,567	5,635	
Long-term loan, excluding current portion	9,094	6,628	
Total liabilities	14,661	12,263	
Commitments and contingencies (See Note 10)			
Convertible preferred stock			
Series A convertible preferred stock, $0.001 par value; 2,333,332 shares authorized, 804,595 shares issued and outstanding at December 31, 2015 and June 30, 2016, respectively; liquidation preference of $7,000 at December 31, 2015 and June 30, 2016, actual; no shares issued and outstanding at June 30, 2016, pro forma	6,773	6,773	—
Series B convertible preferred stock, $0.001 par value; 4,333,332 shares authorized, 1,494,248 shares issued and outstanding at December 31, 2015 and June 30, 2016, respectively; liquidation preference of $6,500 at December 31, 2015 and June 30, 2016, actual; no shares issued and outstanding at June 30, 2016, pro forma	6,454	6,454	—

OBALON THERAPEUTICS, INC.

	December 31, 2015	June 30, 2016 (unaudited)	Pro Forma Stockholders' Equity June 30, 2016 (unaudited)
Series C convertible preferred stock, $0.001 par value; 7,809,939 and 7,809,006 shares authorized at December 31, 2015 and June 30, 2016, respectively; 2,668,533 shares issued and outstanding at December 31, 2015 and June 30, 2016, respectively; liquidation preference of $16,523 at December 31, 2015 and June 30, 2016, actual; no shares issued and outstanding at June 30, 2016, pro forma	16,393	16,393	—
Series C-1 convertible preferred stock, $0.001 par value; 2,783,334 and 1,418,042 shares authorized at December 31, 2015 and June 30, 2016, respectively 480,286 shares issued and outstanding at December 31, 2015 and June 30, 2016; liquidation preference of $5,000 at December 31, 2015 and June 30, 2016, actual; no shares issued and outstanding at June 30, 2016, pro forma	4,984	4,984	—
Series D convertible preferred stock, $0.001 par value; 11,546,013 and 8,076,436 shares authorized at December 31, 2015 and June 30, 2016, respectively, 2,732,552 shares issued and outstanding at December 31, 2015 and June 30, 2016; liquidation preference of $41,180 and $20,590 at December 31, 2015 and June 30, 2016, respectively, actual; no shares issued and outstanding at June 30, 2016, pro forma	20,095	20,095	—
Series E convertible preferred stock, $0.001 par value; 0 and 10,490,611 shares authorized at December 31, 2015 and June 30, 2016, respectively; 0 and 1,916,425 shares issued and outstanding at December 31, 2015 and June 30, 2016, respectively; liquidation preference of $0 and $15,893 at December 31, 2015 and June 30, 2016, respectively, actual, no shares issued and outstanding at June 30, 2016, pro forma	—	15,799	—
	54,699	70,498	
Stockholders' (deficit) equity:			
Common stock, par value $0.001; 35,000,000 and 45,000,000 shares authorized at December 31, 2015 and June 30, 2016, respectively; 575,126 and 580,835 shares issued and outstanding at December 31, 2015 and June 30, 2016, respectively; 10,953,471 shares issued and outstanding at June 30, 2016, pro forma	1	1	11
Additional paid-in capital	1,002	1,159	71,979
Other comprehensive income	—	4	4
Accumulated deficit	(56,142)	(63,854)	(63,973)
Total stockholders' (deficit) equity	(55,139)	(62,690)	8,021
Total liabilities and stockholders' (deficit) equity	$ 14,221	$ 20,071	$ 20,071

See accompanying notes to condensed consolidated financial statements.

OBALON THERAPEUTICS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except shares and per share data)

	Six months ended June 30,	
	2015	2016
Revenue:		
Revenue	$ 224	$ —
Revenue, related party	1,739	1,848
Total revenue	1,963	1,848
Cost of revenue	1,205	1,294
Gross profit	758	554
Operating expenses:		
Research and development	5,968	5,098
Selling, general and administrative	1,679	2,975
Total operating expenses	7,647	8,073
Loss from operations	(6,889)	(7,519)
Interest expense, net	(263)	(290)
Gain from change in fair value of warrant liability	11	119
Other expense, net	(16)	(22)
Net loss	(7,157)	(7,712)
Other comprehensive income	10	4
Net loss and comprehensive loss	$ (7,147)	$ (7,708)
Net loss per share, basic and diluted	$ (12.51)	$ (13.37)
Weighted-average common shares outstanding, basic and diluted	572,195	576,757
Pro forma net loss per share, basic and diluted		$ (0.81)
Pro forma weighted-average common shares outstanding, basic and diluted		9,691,211

See accompanying notes to condensed consolidated financial statements.

OBALON THERAPEUTICS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six months ended June 30,	
	2015	2016
Operating activities:		
Net loss	$ (7,157)	$ (7,712)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	81	90
Stock-based compensation	100	145
Loss on disposal of fixed assets	2	13
Change in fair value of warrant liability	(11)	(119)
Amortization (accretion) of investment premium (discount), net	152	55
Amortization of debt discount	36	43
Change in operating assets and liabilities:		
Accounts receivable, net	96	—
Accounts receivable from related party	(619)	51
Inventory	168	(114)
Other current assets	54	46
Accounts payable and accrued expenses	97	60
Accrued compensation	53	(1,014)
Accrued clinical expenses	2,053	(301)
Other current liabilities	160	94
Customer deposit from related party	1,283	—
Net cash used in operating activities	(3,452)	(8,663)
Investing activities:		
Purchases of short-term investments	(10,691)	(14,979)
Maturities of short-term investments	4,200	10,150
Purchase of property and equipment	(58)	(63)
Net cash used in investing activities	(6,549)	(4,892)
Financing activities:		
Issuance of preferred stock for cash, net of offering costs	—	14,517
Proceeds from long-term loan, net of issuance costs	5,000	—
Sale of common stock	59	11
Net cash provided by financing activities	5,059	14,528
Net (decrease) increase in cash and cash equivalents	(4,942)	973
Cash and cash equivalents at beginning of period	6,902	3,356
Cash and cash equivalents at end of period	$ 1,960	$ 4,329
Supplemental cash flow information:		
Interest paid	$ 241	$ 266
Non-cash investing and financing activities:		
Conversion of customer deposit from related party to preferred stock	$ —	$ 1,283
Property and equipment in accounts payable	$ —	$ 121

See accompanying notes to condensed consolidated financial statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Obalon Therapeutics, Inc., or the Company, was incorporated in the state of Delaware on January 2, 2008. The Company is a commercial-stage medical device company focused on developing and commercializing innovative medical devices to treat obese and overweight people by facilitating weight loss. Using its patented technology, the Company has developed the Obalon balloon system, the first swallowable, gas-filled intragastric balloon designed to provide progressive and sustained weight loss in obese and overweight patients.

The consolidated financial statements include the accounts of Obalon Therapeutics, Inc., and its wholly owned subsidiaries, Obalon Italy SRL and Obalon Therapeutics, LLC. Obalon Therapeutics, LLC is a shell Company, which owns 99% of Obalon Mexico DE RL CV. All intercompany balances and transactions have been eliminated in consolidation.

The Company's principal operations are located in Carlsbad, California and it operates in one business segment.

As of June 30, 2016, the Company has devoted a substantial portion of its efforts to product development, raising capital, and building infrastructure. The Company has incurred operating losses and has experienced negative cash flows from operations since its inception. In July 2012, the Company realized initial revenue from its planned principal operations. The Company recognized revenue, including revenue from related parties, of $1.8 million for the six months ended June 30, 2016, respectively. Prior to 2014, the Company was considered to be in the development stage. However, the Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and has funded its activities to date almost exclusively from debt and equity financings. As of June 30, 2016, the Company had not yet obtained FDA approval to sell its products in the United States. All sales are to customers outside of the United States, mainly in the Middle East.

As reflected in the accompanying condensed consolidated financial statements, the Company has a limited operating history and the sales and income potential of the Company's business are unproven. The Company has not been profitable since inception, and as of June 30, 2016, its accumulated deficit was $63.9 million. Since inception, the Company has financed its operations primarily through private placements of preferred securities and, to a lesser extent, debt financing arrangements. The Company expects to continue to incur net losses for the foreseeable future as it builds its sales and marketing organization, seeks regulatory approval, prepares for and, if approved, proceeds to, commercialization of its product in the United States and continues research and development efforts. The Company will need additional funding to pay expenses relating to its operating activities, including selling, general and administrative expenses and research and development expenses. Adequate funding may not be available to the Company on acceptable terms, or at all. The failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the Company's business, results of operations or financial condition.

September 2016 Reverse Stock Split

In September 2016, the Company's board of directors approved an amendment to the Company's amended and restated certificate of incorporation to effect a reverse stock split of the Company's issued and outstanding common stock and convertible preferred stock at a 2.9-to-1 ratio, which was effected on September 23, 2016. All share and per share information included in the accompanying consolidated financial statements and notes to the consolidated financial statements have been retroactively adjusted to reflect the reverse stock split for the Company's common and preferred stock for all periods presented.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant items subject to such estimates and assumptions include the warrant liability, stock-based compensation, and income tax uncertainties.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ materially from those estimates. All revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Unaudited Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements as of June 30, 2016 and for the six months ended June 30, 2015 and 2016 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect, in the opinion of management, all adjustments of a normal and recurring nature that are necessary for the fair presentation of the Company's condensed consolidated financial position as of June 30, 2016 and its consolidated results of operations and cash flows for the six months ended June 30, 2015 and 2016. The financial data and other information disclosed in these notes to consolidated financial statements related to the six-month periods are also unaudited. The results of operations for the six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016 or for any other future annual or interim period. The balance sheet as of December 31, 2015 included herein was derived from the audited financial statements as of that date. These financial statements should be read in conjunction with the Company's audited financial statements included elsewhere in this prospectus.

Unaudited Pro Forma Stockholders' Equity

The unaudited pro forma stockholders' equity as of June 30, 2016 assumes: (i) the automatic conversion of all outstanding shares of our convertible preferred stock as of June 30, 2016 into shares of common stock immediately prior to the closing of this offering; (ii) the automatic net exercise of certain outstanding warrants to purchase shares of preferred stock immediately prior to the closing of this offering, which will result in the issuance of 12,217 shares of common stock, based on an assumed initial public offering price of $15.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and the related reclassification of the warrant liability to stockholders' equity; (iii) the automatic conversion of certain outstanding warrants to purchase shares of preferred stock into warrants to purchase shares of common stock upon the closing of this offering and the related reclassification of the warrant liability to additional paid-in capital. The pro forma balance sheet was prepared as though the completion of the IPO contemplated by this prospectus had occurred on June 30, 2016. Shares of common stock issued in the IPO and any related net proceeds are excluded from the pro forma information.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

Short-Term Investments

The Company classifies its investments as available-for-sale and records such assets at estimated fair value in the balance sheet, with unrealized gains and losses, if any, reported as a component of other comprehensive loss within the consolidated statements of operations and comprehensive loss. All of the Company's short-term investments are U.S. Treasury notes with maturities of less than one year. For the
six months ended June 30, 2015 and 2016, unrealized losses were immaterial. Realized gains and losses would be calculated on the specific-identification method and recorded as interest income. There have been no material realized gains and losses for the six months ended June 30, 2015 or 2016. The Company periodically reviews available-for-sale securities for other-than-temporary declines in fair value below the cost basis whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

Fair Value Measurements

The carrying values of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts receivable from related party, accounts payable, and accrued expenses approximate their fair values due to the short maturity of these instruments. The carrying value of the term loan approximates its fair value as the interest rate and other terms are that which are currently available to the Company.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels in accordance with authoritative accounting guidance:

- Level 1 inputs: Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

Deferred Initial Public Offering Costs

Deferred offering costs, which primarily consist of direct incremental legal and accounting fees relating to the IPO, are capitalized. The deferred offering costs will be offset against IPO proceeds upon the consummation of the offering. In the event the offering is terminated, deferred offering costs will be expensed. As of June 30, 2016, an immaterial amount of deferred offering costs have been incurred. No deferred offering costs were capitalized as of December 31, 2015.

Net Loss per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period without consideration for common stock equivalents.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

Diluted net loss per share is the same as basic net loss per common share, since the effects of potentially dilutive securities are anti-dilutive.

Dilutive common stock equivalents are comprised of convertible preferred stock, warrants and unexercised stock options outstanding under the Company's equity plan.

Unaudited Pro Forma Net Loss per Share

Pro forma basic and diluted net loss per share has been computed to give effect to: (i) the assumed conversion of the shares of convertible preferred stock into common stock; (ii) the automatic net exercise of certain outstanding warrants to purchase shares of preferred stock; and (iii) the automatic conversion of certain outstanding warrants to purchase shares of preferred stock into warrants to purchase shares of common stock as if such conversions had occurred at the beginning of the period. The pro forma net loss does not include the shares expected to be sold and related proceeds to be received from an initial public offering, or IPO.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standard Update, or ASU, 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. ASU 2014-09 is effective for annual reporting periods, and interim periods within those periods, beginning after December 15, 2016. Entities are able to use one of three prescribed transition methods. In August 2015, the FASB issued ASU 2015-14 to defer the effective date of ASU 2014-09 by one year and allow early adoption for all entities but not before the original public entity effective date. The Company has not yet selected a transition method as the Company is currently evaluating the impact of the amended revenue recognition guidance on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 requires management to evaluate relevant conditions, events and certain management plans that are known or reasonably knowable that when, considered in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued, for both annual and interim periods. ASU 2014-15 also requires certain disclosures around management's plans and evaluation, as well as the plans, if any, that are intended to mitigate those conditions or events that will alleviate the substantial doubt. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The Company does not anticipate that the adoption of ASU 2014-15 will have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under this new guidance, at the commencement date, lessees will be required to recognize (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. This guidance is not applicable for leases with a term of 12 months or less. The new standard is effective for the Company on January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which involves several aspects of the accounting for stock-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This new guidance will require all income tax effects of awards to be recognized as income tax expense or benefit in the income statement when the awards vest or are settled, as opposed to additional paid-in-capital where it is currently recorded. It also will allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting. All tax-related cash flows resulting from stock-based payments are to be reported as operating activities on the statement of cash flows. The guidance also allows a Company to make a policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. This new standard is effective for the Company on January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements.

3. Fair Value Measurements

Instruments Recorded at Fair Value on a Recurring Basis

The Company has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and June 30, 2016 are as follows (in thousands):

		Fair value measurements at reporting date using		
	Balance as of December 31, 2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Money market funds(1)	$ 3,593	$ 3,593	$ —	$ —
U.S. Treasury bonds(2)	9,175	9,175	—	—
Total assets	$ 12,768	$ 12,768	$ —	$ —
Liabilities:				
Warrant liability	$ 332	$ —	$ —	$ 332
Total liabilities	$ 332	$ —	$ —	$ 332

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

	Balance as of June 30, 2016	Fair value measurements at reporting date using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents:				
Money market funds(1)	$ 2,935	$ 2,935	$ —	$ —
U.S. Treasury bonds(1)	1,500	1,500	—	—
Short-term investments:				
U.S. Treasury bonds(2)	13,953	13,953	—	—
Total assets	$ 18,388	$ 18,388	$ —	$ —
Liabilities:				
Warrant liability	$ 213	$ —	$ —	$ 213
Total liabilities	$ 213	$ —	$ —	$ 213

(1) Classified as cash and cash equivalents on the condensed consolidated balance sheets.
(2) Classified as cash and cash equivalents and short-term investments on the condensed consolidated balance sheets.

The Company's investments in Level 1 assets are valued based on publicly available quoted market prices for identical securities as of December 31, 2015 and June 30, 2016.

The warrant liability is recorded at fair value using the Black-Scholes option pricing model based on the following assumptions as of December 31, 2015 and June 30, 2016:

	December 31, 2015	June 30, 2016
Assumed risk-free interest rate	1.28% - 2.06%	0.97% - 1.72%
Assumed volatility	66.76% - 70.66%	55.53% - 63.22%
Expected life	3.15 - 8.75 yrs	2.65 - 8.25 yrs
Expected dividend yield	—%	—%
Preferred stock fair value:		
Series D	$8.41	$6.09
Series C-1	$2.24	$4.64
Series C	$1.72	$3.48

The assumptions were determined as follows:

Assumed risk-free interest rate — Based on the average yield of U.S. Treasury bills as of the valuation date for the expected term of the award.

Assumed volatility — Based on the historical volatility of a number of publicly traded companies comparable in size, business model, industry and business description.

Expected life — Based on the remaining contractual term of warrant as of the valuation date.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

Expected dividend yield — Based upon the Company's historic dividends and dividend expectations for the foreseeable future.

Preferred stock fair value — Given the absence of a public trading market, the Company considered numerous objective and subjective factors to determine the fair value of preferred stock at each valuation date. These factors included, but were not limited to, (i) contemporaneous valuations of preferred stock performed by unrelated third-party specialists; (ii) the prices for preferred stock sold to outside investors; (iii) the rights, preferences and privileges of preferred stock relative to common stock; (iv) developments in the business; and (v) the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of the Company, given prevailing market conditions.

As of December 31, 2015 and June 30, 2016, reasonable changes in the unobservable inputs would not be expected to have a significant impact on the consolidated financial statements. The Company's policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, 2, or 3 for the year ended December 31, 2015 and the six months ended June 30, 2016.

The following table provides reconciliation for all liabilities measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2015 and six months ended June 30, 2016 (in thousands):

	Fair value measurements at reporting date using significant unobservable inputs (Level 3)
Balance at December 31, 2014	$ 56
Issuance of warrants for the purchase of convertible preferred stock	242
Change in fair value of warrant liability	34
Balance at December 31, 2015	332
Change in fair value of warrant liability	(119)
Balance at June 30, 2016	$ 213

Instruments Not Recorded at Fair Value on a Recurring Basis

The estimated fair value of long-term debt is determined by Level 2 inputs and is based primarily on quoted market prices for the same or similar issues. The recorded value of long-term debt approximates the current fair value because of its relatively short maturity date.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

4. Net Loss per Share and Pro Forma Net Loss per Share

The following table sets forth the computation of basic and diluted net loss per share of common stock (in thousands, except for shares and per share data):

	Six months ended June 30,	
	2015	2016
Net loss	$ (7,157)	$ (7,712)
Weighted-average shares used in computing net loss per share	572,195	576,757
Net loss per share, basic and diluted	$ (12.51)	$ (13.37)

The following table sets forth the outstanding potentially dilutive securities determined using the treasury stock and if-converted methods that have been excluded in the calculation of diluted net loss per share because to do so would be anti-dilutive (in common stock equivalent shares):

	Six months ended June 30,	
	2015	2016
Convertible preferred stock, on an if-converted basis	8,443,994	9,102,237
Stock options to purchase common stock	—	291,690
Total	8,443,994	9,393,927

The following table summarizes our pro forma net loss per share (in thousands, except shares and per share data):

	Six months ended June 30, 2016
Numerator:	
Net loss	$ (7,712)
Change on fair value of convertible preferred stock warrants	(119)
Pro forma net loss	$ (7,831)
Denominator:	
Weighted-average shares used in computing net loss per share, basic and diluted	576,757
Pro forma adjustments to reflect assumed conversion of convertible preferred stock	9,102,237
Pro forma adjustments to reflect assumed conversion of convertible preferred stock warrants	12,217
Weighted-average shares used in computing pro forma net loss per share, basic and diluted	9,691,211
Pro forma net loss per share, basic and diluted	$ (0.81)

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

5. Balance Sheet Details

Short-term investments consist of the following at December 31, 2015 and June 30, 2016 (in thousands):

	Maturity (in years)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
At December 31, 2015:					
U.S. Treasury	1 year or less	$ 9,178	$ —	$ (3)	$ 9,175

	Maturity (in years)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
At June 30, 2016:					
U.S. Treasury	1 year or less	$ 13,954	$ —	$ (1)	$ 13,953

Inventory consist of the following (in thousands):

	December 31, 2015	June 30, 2016
Raw materials	$ 235	$ 407
Work in process	121	64
Finished goods	7	6
Total	$ 363	$ 477

Other current assets consist of the following (in thousands):

	December 31, 2015	June 30, 2016
Prepaid assets	$ 234	$ 181
Interest receivable	25	34
Other assets	14	—
Total	$ 273	$ 215

Property and equipment, net consist of the following (in thousands):

	December 31, 2015	June 30, 2016
Computer equipment	$ 255	$ 272
Leasehold improvements	181	181
Furniture and fixtures	82	82
Scientific equipment	770	827
Construction in progress, or CIP	24	134
	1,312	1,496
Less: accumulated depreciation and amortization	(894)	(984)
Total	$ 418	$ 512

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

Depreciation and amortization expense was $0.1 million for both the six months ended June 30, 2015 and 2016.

Other current liabilities consist of the following (in thousands):

	December 31, 2015	June 30, 2016
Accrued legal	$ 162	$ 248
Accrued professional fees	195	152
Accrued interest	44	44
Other accrued expenses	92	142
Total	$ 493	$ 586

6. Term Loan

In June 2013, the Company entered into a loan and security agreement, or 2013 Loan Agreement, with Square 1 Bank allowing for borrowings up to $3.0 million. In addition to the interest payments, Square 1 Bank received warrants for the purchase of up to 8,693 shares of the Company's Series C-1 convertible preferred stock. In October 2014, the Company amended the 2013 Loan Agreement and executed a $10.0 million credit facility with Square 1 Bank, or 2014 Loan Agreement. The 2014 Loan Agreement was separated into two tranches, Term Loan A and Term Loan B. Term Loan A was $5.0 million, which included the existing $3.0 million of outstanding debt and the additional $2.0 million that was funded upon closing of the 2014 Loan Agreement. Term Loan B was $5.0 million and was available upon receipt of at least $20.0 million in proceeds from the issuance and sale of the Company's equity securities to investors. Term Loan B was funded after the close of the Company's Series D financing in January 2015. As part of the 2014 Loan Agreement, the Company issued Square 1 Bank additional warrants to purchase up to 27,869 shares of its Series D convertible preferred stock at $7.5351 per share.

The present value of the future cash flows under the 2014 Loan Agreement terms described below did not exceed the present value of the future cash flows under the 2013 Loan Agreement terms by more than 10%. As such, the Company treated this amendment as a modification and recorded the associated immaterial facility fee and the associated immaterial fair value of the warrants as a discount to the 2014 Loan Agreement. This discount and the remaining balance of debt issuance costs and debt discount of the 2013 Loan Agreement are amortized to interest expense over the remaining term of the 2014 Loan Agreement using the effective-interest method.

The interest rate under the 2014 Loan Agreement is at a variable annual rate equal to the greater of the prime rate plus 1.75% or 5.0%, and there is an interest-only period until October 31, 2016, followed by a 24-month principal and interest period. Pursuant to the 2014 Loan Agreement, the Company provided a first priority security interest in all existing and after-acquired assets, excluding intellectual property owned by the Company. As of June 30, 2016, unpaid borrowings under the 2014 Loan Agreement totaled $10.0 million. For the six months ended June 30, 2015 and 2016, the Company recorded immaterial amounts related to the amortization of debt discount.

The 2014 Loan Agreement includes restrictions on, among other things, the Company's ability to incur additional indebtedness, change the name or location of the Company's business, merge with or acquire

other entities, pay dividends or make other distributions to holders of its capital stock, make certain investments, engage in transactions with its affiliates, create liens, sell assets, pay subordinated debt, and store certain inventory and equipment with third parties. The 2014 Loan Agreement also requires that, if the Company's total cash is less than $5.0 million, the Company is required to maintain all its deposits, transaction accounts and primary investment accounts with Square 1 Bank, and if the Company's total cash is greater than $5.0 million, it is required to maintain 50% of its deposits, transaction accounts and primary investment accounts with Square 1 Bank.

Total term loan and unamortized debt discount balances are as follows (in thousands):

	June 30, 2016
Face value	$ 10,000
Less: debt issuance costs	(117)
Total	$ 9,883
Less: current portion	(3,255)
Total	$ 6,628

As of June 30, 2016, future principal payments due under the 2014 Loan agreement are as follows (in thousands):

Year ended:	
December 31, 2016	$ 833
December 31, 2017	5,000
December 31, 2018	4,167
Total future principal payments due under the 2014 Loan Agreement	$ 10,000

7. Stock-Based Compensation

The Company adopted an Equity Incentive Plan, or the Plan, in 2008, under which 2,988,770 shares of common stock are reserved for issuance to employees, nonemployee directors, and consultants of the Company. The Plan provides for the grant of incentive stock options, nonstatutory stock options, rights to purchase restricted stock, stock appreciation rights, dividend equivalents, stock payments, and restricted stock units to eligible recipients.

The fair value of stock options for employees was estimated using a Black-Scholes option pricing model with the following assumptions:

	Six months ended June 30,	
	2015	2016
Assumed risk-free interest rate	1.57%	1.49%
Assumed volatility	61.53%	53.49%
Expected option life	6.1 years	6.1 years
Expected dividend yield	— %	— %

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

The Company recognized stock-based compensation straight-line over the vesting term of the options. The Company recorded non-cash compensation, including non-cash compensation to employees and nonemployees in the consolidated statements of operations and comprehensive loss as follows (in thousands):

	Six months ended June 30,	
	2015	2016
Cost of revenue	$ 15	$ 15
Research and development	23	25
Selling, general and administrative	62	105
Total	$100	$145

Unrecognized compensation expense at June 30, 2016 was approximately $0.6 million, which is expected to be recognized over a weighted-average term of 3.2 years.

Equity instruments issued to nonemployees are initially recorded at their grant-date fair value and are periodically revalued using the Black-Scholes Option Pricing model as the equity instruments vest and are recognized as expense over the related service period. Stock-based compensation expense to nonemployees was immaterial for the six months ended June 30, 2015 and 2016.

The following table summarizes stock option transactions for the Plan for the six months ended June 30, 2016 (in thousands, except shares and per share data):

	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2015	1,298,868	1.44		
Options granted	511,252	1.41		
Options exercised	(5,709)	2.03		
Options canceled	(36,721)	2.32		
Outstanding at June 30, 2016	1,767,690	$ 1.41	7.7	$ 2,467
Vested and expected to vest at June 30, 2016	1,654,113	$ 1.42	7.6	$ 2,348
Vested and exercisable at June 30, 2016	930,644	$ 1.57	6.2	$ 1,142

All options outstanding at year-end are exercisable under the early exercise provisions of the Plan. Options granted under the Plan that are exercised prior to vesting are subject to repurchase by the Company at the original issue price and will vest according to the respective option agreement. For the six months ended June 30, 2016, no options were early exercised.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

8. Convertible Preferred Stock and Stockholders' Deficit

Convertible Preferred Stock

Convertible preferred stock consisted of the following (in thousands, except for shares):

	As of June 30, 2016			
	Shares authorized	Shares issued and outstanding	Net carrying value	Aggregate liquidation preference
Series A	2,333,332	804,595	$ 6,773	$ 7,000
Series B	4,333,332	1,494,248	6,454	6,500
Series C	7,809,006	2,668,533	16,393	16,523
Series C-1	1,418,042	480,286	4,984	5,000
Series D	8,076,436	2,732,552	20,095	20,590
Series E	10,490,611	1,916,425	15,799	15,893
Total	34,460,759	10,096,639	$ 70,498	$ 71,506

Outstanding Warrants

The following warrants were outstanding as of June 30, 2016:

	Shares	Weighted-average exercise price	Issuance date	Expiration date
Series C	24,224	$ 6.1918	Feb 24, 2012	Feb 24, 2019
Series C-1	8,693	10.36	Jun 14, 2013	Jun 14, 2023
Series D	27,869	7.5351	Oct 01, 2014	Oct 01, 2024
Series D	7,962	7.5351	Mar 15, 2015	Mar 15, 2023
Series D	16,588	7.5351	Mar 16, 2015	Mar 16, 2023
Total	85,336	$ 7.4408		

Series E Preferred Stock

On April 29, 2016, the Company completed its Series E financing. The Company sold 1,916,425 shares of Series E stock at $8.2932 per share for cash proceeds of $15.8 million, gross of $0.1 million in issuance costs. The holders of Series E stock are entitled to receive dividends, if declared, at a rate of $0.6635 per annum. In the event of liquidation, the holders of Series E shares are entitled to receive liquidation preferences at the rate of $8.2932 per share. Each share of Series E stock is convertible to one share of common stock immediately upon (i) the Company's sale of its common stock in a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended, in which per share price is at least $12.44 (as adjusted) or (ii) the affirmative vote of more than 67% of the holders of the then-outstanding preferred stock voting together as a single class.

The convertible preferred stock has been classified as temporary equity in the accompanying balance sheets as the shares include provisions allowing the holder to cause redemption of the shares upon certain changes in control events that are outside of the Company's control.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

Amendments to Certificate of Incorporation

On April 29, 2016, the Company amended its amended and restated certificate of incorporation to:

- increase the total number of shares authorized from 63,805,954 to 79,460,759, of which 45,000,000 are designated as common stock and 34,460,759 are designated as preferred stock;
- reduce the liquidation preference on Series D preferred stock from $15.0701 per share to $7.5351 per share;
- create three classes of preferred stock- Series E, Series D and Junior preferred stock. Holders of Series E preferred stockholder receive payment of liquidation distributions and dividends prior and in preference to holders of Series D and Junior preferred stock. Holders of Series D preferred stock receive payment of liquidation distributions and dividends prior and in preference to holders of Junior preferred stock. Liquidation distributions to holders of Junior preferred stock are made pari passu and are made in preference to any payments to the holders of common stock;
- modify the IPO price at which each share of preferred stock is automatically converted to common from $11.3025 per share to $12.44 per share (as adjusted for Recapitalizations); and
- change the automatic conversion of the preferred stock to no longer require the affirmative vote of more than 67% of the Series D convertible preferred stock, but only requiring the affirmative vote of more than 67% of the holders of then outstanding preferred stock voting together as a single class.

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance consists of the following at June 30, 2016:

Conversion of preferred stock	10,360,419
Stock options issued and outstanding	1,767,690
Authorized for future option grants	1,056,415
Warrants outstanding	85,336
Total common stock	13,269,860

9. Income Taxes

For the six months ended June 30, 2015 and 2016, the Company did not record an income tax provision. The U.S. federal and California deferred tax assets generated from the Company's net operating losses have been fully reserved, as the Company believes it is not more likely than not the benefit will be realized.

10. Commitments and Contingencies

The Company leases facilities under a noncancelable operating lease that expires on March 31, 2017. Under the terms of the facilities lease, the Company is required to pay its proportionate share of property taxes, insurance and normal maintenance costs.

Future noncancelable minimum payment obligations under the operating lease were as follows as of June 30, 2016 (in thousands):

Year ended:	
December 31, 2016	$142
December 31, 2017	71
Total future payments due under building lease	$213

Rent expense was $0.1 million for both six months ended June 30, 2015 and 2016, respectively.

11. Related Party Transactions

In June 2013, the Company and Bader Sultan & Bros. Co W.L.L., or Bader, a healthcare products distributor based in Sufat, Kuwait, entered into a distribution agreement, whereby the Company appointed Bader as a distributor of its products. Sales to Bader began in November 2013. The Company's agreement with Bader restricts Bader's ability to sell competing products and requires Bader to purchase a certain number of products from the Company monthly based on annual forecasts that the Company provides to Bader. If Bader does not resell the minimum purchase quantity specified in the contract by the applicable date, then the Company has the right, in its sole discretion, to sell to other distributors in the Middle East or terminate its agreement with Bader. The initial term of the agreement expires in December 2019, and will thereafter automatically renew for successive terms of 12 months, subject to certain exceptions. The agreement can be terminated by the Company immediately upon certain breaches by Bader, or by either Bader or the Company for uncured material breach of the agreement.

As part of the 2014 Series D convertible preferred stock financing, Bader purchased 875,903 shares of the Company's Series D convertible preferred stock. All terms of the purchase of preferred stock were the same for Bader as the other investors. Sales to Bader for the six months ended June 30, 2016 totaled $1.8 million, which represent 100% of total revenue for the period. As of June 30, 2016, the Company had accounts receivable from Bader of $0.6 million.

In January 2015, the Company and Bader amended the distribution agreement. In accordance with the amendment, Bader provided the Company with a deposit of $1.3 million, and committed to minimum product purchases for calendar year 2015. Under the terms of the amendment, the Company reserved the right to keep the deposit as liquidated damages if Bader did not meet the minimum product purchases. The Company classified the deposit as a current liability at December 31, 2015 on the consolidated balance sheets as the minimum product purchase levels were met. In April 2016, the Company and Bader entered into a Payment Direction Letter, resulting in the exchange of the distribution agreement deposit for 154,585 shares Series E convertible preferred stock at a price of $8.2932 per share.

12. Subsequent Events

Stock option exercises

Subsequent to June 30, 2016, stock options for 792,295 shares of the Company's common stock were exercised for proceeds of $1.0 million.

Second amendment to loan and security agreement

On September 7, 2016, the Company entered into a Second Amendment to Loan and Security Agreement, or the Amendment, with Pacific Western Bank (as successor in interest to Square 1 Bank), which amends the existing outstanding debt agreement described in Note 6. The Amendment allows for total borrowings up to $15.0 million in two tranches as follows: a first tranche consisting of $10.0 million funded on September 7, 2016, of which the full $10.0 million must be used to repay the existing debt with Pacific Western Bank (pursuant to its original terms); and a second tranche consisting of an additional $5.0 million which may be drawn at any time prior to March 7, 2017. We refer to the first tranche and the second tranche collectively as the "Term Loans." The Term Loans bear interest at the greater of prime rate plus 1.50% per annum, or 5.00%. The Term Loans mature on September 7, 2020 and have an interest-only period through March 2018 followed by 30 equal monthly installments of principal and interest. The Term Loans may be prepaid in full at any time with no additional cost.

Pursuant to the Amendment, the Company issued to Pacific Western Bank a warrant to purchase a number of the Company's Series E Preferred Stock, at a purchase price of $8.2932 per share, equal to 3.0% of the total amount of up to $5.0 million of debt drawn over $10.0 million divided by the purchase price, which will only be exercisable in the event that the Company borrows all or part of the second tranche.

The Amendment also requires that, if the Company's total cash is less than $15.0 million, the Company is required to maintain all its deposits, transaction accounts and primary investment accounts with Pacific Western Bank, and if the Company's total cash is greater than $15.0 million, it is required to maintain 50% of its deposits, transaction accounts and primary investment accounts with Pacific Western Bank. In addition, should the Company draw on the second tranche and its cash balance fall below $5.0 million, the Company is required to deliver a signed term sheet to Pacific Western Bank that is reasonably acceptable to the bank for the sale of the Company's equity securities.

FDA approval

On September 8, 2016, the Company received premarket approval from the FDA to market the Obalon balloon system for temporary use to facilitate weight loss in obese adults with a BMI of 30 to 40 who have failed to lose weight through diet and exercise. The Obalon balloon system is intended to be used as an adjunct to a moderate intensity diet and behavior modification program. All balloons must be removed six months after the first balloon is placed.

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Through and including , 2016 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other expenses of issuance and distribution.

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, paid or payable by the Registrant in connection with the sale of the common stock being registered. All amounts shown are estimates except for the Securities and Exchange Commission, or SEC, registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and The NASDAQ Global Market listing fee.

Item	Amount Paid or to be Paid
SEC registration fee	$ 9,265
FINRA filing fee	14,300
NASDAQ Global Market listing fee	125,000
Printing and engraving expenses	300,000
Legal fees and expenses	1,100,000
Accounting fees and expenses	750,000
Transfer agent and registrar fees and expenses	15,000
Miscellaneous expenses	86,435
Total	$ 2,400,000

Item 14. Indemnification of directors and officers.

Section 145 of the General Corporation Law of the State of Delaware authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the General Corporation Law of the State of Delaware are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Securities Act.

As permitted by the General Corporation Law of the State of Delaware, the Registrant's restated certificate of incorporation to be effective immediately prior to the closing of this offering contains provisions that eliminate the personal liability of its directors for monetary damages for any breach of fiduciary duties as a director, except liability for the following:

- any breach of the director's duty of loyalty to the Registrant or its stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under Section 174 of the General Corporation Law of the State of Delaware (regarding unlawful dividends and stock purchases); or
- any transaction from which the director derived an improper personal benefit.

As permitted by the General Corporation Law of the State of Delaware, the Registrant's restated bylaws to be effective immediately prior to the closing of this offering, provide that:

- the Registrant is required to indemnify its directors and executive officers to the fullest extent permitted by the General Corporation Law of the State of Delaware, subject to very limited exceptions;

- the Registrant may indemnify its other employees and agents as set forth in the General Corporation Law of the State of Delaware;
- the Registrant is required to advance expenses, as incurred, to its directors and executive officers in connection with a legal proceeding to the fullest extent permitted by the General Corporation Law of the State of Delaware, subject to very limited exceptions; and
- the rights conferred in the restated bylaws are not exclusive.

Prior to the closing of this offering, the Registrant intends to enter into indemnification agreements with each of its current directors and executive officers to provide these directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in the Registrant's restated certificate of incorporation and restated bylaws and to provide additional procedural protections. There is no pending litigation or proceeding involving a director or executive officer of the Registrant for which indemnification is sought. Reference is also made to the underwriting agreement to be filed as Exhibit 1.1 to this registration statement, which provides for the indemnification of executive officers, directors and controlling persons of the Registrant against specified liabilities, including liabilities under the Securities Act with respect to information provided by the underwriters specifically for inclusion in the registration statement. The indemnification provisions in the Registrant's restated certificate of incorporation, restated bylaws and the indemnification agreements to be entered into between the Registrant and each of its directors and executive officers may be sufficiently broad to permit indemnification of the Registrant's directors and executive officers for liabilities arising under the Securities Act.

The Registrant expects to obtain and maintain insurance policies under which its directors and executive officers are insured, within the limits and subject to the limitations of those policies, against certain expenses in connection with the defense of, and certain liabilities that might be imposed as a result of, actions, suits or proceedings to which they are parties by reason of being or having been directors or officers. The coverage provided by these policies may apply whether or not the Registrant would have the power to indemnify such person against such liability under the provisions of the General Corporation Law of the State of Delaware.

Item 15. Recent sales of unregistered securities.

From September 20, 2013 and through September 20, 2016, the Registrant has issued and sold the following securities:

1. Between September 20, 2013 and September 20, 2016, the Registrant granted options to purchase 1,395,787 shares of common stock under its 2008 Equity Incentive Plan to its directors, officers, employees, consultants and other service providers with per share exercise prices ranging from $0.76 to $2.80. In this same period, the Registrant issued and sold 320,729 shares of common stock upon exercise of stock options previously issued under the 2008 Equity Incentive Plan to its directors, officers, employees, consultants and other service providers for cash consideration at prices ranging from $0.76 to $2.61 for an aggregate purchase price of $300,834.84. These transactions were exempt from the registration requirements of the Securities Act in reliance upon Rule 701 promulgated under the Securities Act.
2. From August 28, 2014 through December 31, 2014, the Registrant issued in three closings an aggregate of 2,732,552 shares of the Registrant's Series D convertible preferred stock at a purchase price of $7.5351 per share for an aggregate purchase price of approximately $20.6 million to nine purchasers that represented to the Registrant that they were each an

accredited investor. These transactions were exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated under the Securities Act.

3. On October 1, 2014, the Registrant issued a warrant to purchase up to 27,869 shares of Series D convertible preferred stock with an exercise price of $7.5351 per share to one purchaser that represented to the Registrant that it was an accredited investor. This transaction was exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated under the Securities Act.

4. On March 15, 2015 and March 16, 2015, the Registrant issued warrants to purchase up to an aggregate of 24,550 shares of Series D convertible preferred stock at an exercise price of $7.5351 per share to two purchasers that represented to the Registrant that they were each an accredited investor. These transactions were exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated under the Securities Act.

5. On April 19, 2016 and May 4, 2016, the Registrant issued in two closing an aggregate of 1,916,425 shares of Series E convertible preferred stock at a purchase price of $8.2932 per share for an aggregate purchase price of $15.8 million to 12 purchasers that represented to the Registrant that they were each an accredited investor. These transactions were exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated under the Securities Act.

6. On September 7, 2016, the Registrant issued a warrant to purchase that number of shares of its Series E convertible preferred stock, at a purchase price of $8.2932 per share, equal to 3.0% of the total additional amount of debt drawn under its loan and security agreement (up to $5.0 million) divided by the purchase price, which will only be exercisable in the event the Registrant borrows such additional amount. Such warrant is exercisable for up to a maximum of 18,087 shares of Series E convertible preferred stock. The purchaser represented to the Registrant that it was an accredited investor. This transaction was exempt from the registration requirements of the Securities Act in reliance upon Section 4(2) of the Securities Act or Regulation D promulgated under the Securities Act.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions or any public offering, and the Registrant believes each transaction was exempt from the registration requirements of the Securities Act as stated above. All recipients of the foregoing transactions either received adequate information about the Registrant or had access, through their relationships with the Registrant, to such information. Furthermore, the Registrant affixed appropriate legends to the share certificates and instruments issued in each foregoing transaction setting forth that the securities had not been registered and the applicable restrictions on transfer.

Item 16. Exhibits and financial statement schedules.

(a) Exhibits.

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

(b) Financial Statement Schedule.

No financial statement schedules are provided because the information called for is not required or is shown either in the consolidated financial statements or notes.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, or the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Carlsbad, State of California, on this 26th day of September, 2016.

OBALON THERAPEUTICS, INC.

By: /s/ Andrew Rasdal
Andrew Rasdal
President and Chief Executive Officer

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Andrew Rasdal Andrew Rasdal	President and Chief Executive Officer and Director (Principal Executive Officer)	September 26, 2016
/s/ William Plovanic William Plovanic	Chief Financial Officer (Principal Financial Officer)	September 26, 2016
/s/ Nooshin Hussainy Nooshin Hussainy	Vice President of Finance (Principal Accounting Officer)	September 26, 2016
* Kim Kamdar	Chairperson of the Board of Directors	September 26, 2016
* Ray Dittamore	Director	September 26, 2016
* Douglas Fisher	Director	September 26, 2016
* Les Howe	Director	September 26, 2016
* Sharon Stevenson	Director	September 26, 2016

* Pursuant to Power of Attorney

By: /s/ William Plovanic
William Plovanic
Attorney-in-Fact

Exhibit index

Exhibit Number	Description of Document
1.1	Form of Underwriting Agreement.
3.1	Seventh Amended and Restated Certificate of Incorporation, as currently in effect.
3.2	Form of Restated Certificate of Incorporation to be effective immediately prior to the closing of this offering.
3.3†	By-laws, as currently in effect.
3.4	Form of Restated Bylaws to be effective immediately prior to the closing of this offering.
4.1†	Form of Common Stock Certificate.
4.2†	Fourth Amended and Restated Investors' Rights Agreement dated April 29, 2016 among the Registrant and certain of its stockholders.
4.3†	Form of Warrant to Purchase Series C Preferred Stock.
4.4†	Amended and Restated Warrant to Purchase Stock issued to Square 1 Bank to purchase shares of Series C-1 Preferred Stock, issued June 14, 2013, as amended October 1, 2014.
4.5†	Second Warrant to Purchase Stock issued to Square 1 Bank to purchase shares of Series D Preferred Stock, dated October 1, 2014.
4.6†	Third Warrant to Purchase Stock issued to Pacific Western Bank to purchase shares of Series E Preferred Stock, dated September 7, 2016.
5.1	Opinion of Fenwick & West LLP.
10.1	Form of Indemnity Agreement by and between the Registrant and its directors and officers.
10.2†	2008 Stock Plan and form of Stock Option Agreement thereunder.
10.3	2016 Equity Incentive Plan and form of award agreements thereunder.
10.4	2016 Employee Stock Purchase Plan and form of enrollment agreement.
10.5	Offer Letter dated June 9, 2008 between the Registrant and Andrew Rasdal.
10.6	Offer Letter dated June 16, 2008 between the Registrant and Mark Brister.
10.7	Offer Letter dated November 24, 2008 between the Registrant and Amy VandenBerg.
10.8†	Leases dated October 3, 2011 and November 23, 2015 between the Registrant and Pleta & San Gal Trusts dba: Ocean Point Tech Centre, and related amendments.
10.9*	Distribution Agreement dated June 26, 2013 between the Registrant and Bader Sultan & Bros. Co. W.L.L., as amended.
10.10†	Loan and Security Agreement dated June 14, 2013 between the Registrant and Pacific Western Bank (as successor in interest to Square 1 Bank), as amended.
10.11	Obalon Therapeutics, Inc. Bonus Plan.
10.12	Form of Executive Retention Agreement (Non-CEO).
10.13	Form of CEO Retention Agreement.

Table of Contents

Exhibit Number	Description of Document
16.1†	Letter from Ernst & Young LLP.
21.1†	List of Subsidiaries.
23.1	Consent of KPMG LLP, independent registered public accounting firm.
23.2	Consent of Fenwick & West LLP (included in Exhibit 5.1).
24.1†	Power of Attorney.

† Previously filed.
* Registrant has omitted and filed separately with the SEC portions of the exhibit pursuant to confidential treatment request under Rule 406 promulgated under the Securities Act.

Exhibit 1.1

OBALON THERAPEUTICS, INC.

[●] Shares

Common Stock
($0.001 par value per Share)

UNDERWRITING AGREEMENT

[●], 2016

UNDERWRITING AGREEMENT

[●], 2016

UBS Securities LLC
Canaccord Genuity Inc.
Stifel, Nicolaus & Company, Incorporated
as Managing Underwriters

c/o UBS Securities LLC
1285 Avenue of the Americas
New York, New York 10019

c/o Canaccord Genuity Inc.
99 High Street, 12th Floor
Boston, Massachusetts 02110

c/o Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, Suite 3700
San Francisco, California 94104

Ladies and Gentlemen:

Obalon Therapeutics, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the underwriters named in Schedule A annexed hereto (the "Underwriters"), for whom you are acting as representatives (the "Representatives"), an aggregate of [●] shares (the "Firm Shares") of common stock, $0.001 par value per share (the "Common Stock"), of the Company. In addition, solely for the purpose of covering over-allotments, the Company proposes to grant to the Underwriters the option to purchase from the Company up to an additional [●] shares of Common Stock (the "Additional Shares"). The Firm Shares and the Additional Shares are hereinafter collectively sometimes referred to as the "Shares." The Shares are described in the Prospectus which is referred to below.

The Company hereby acknowledges that, in connection with the proposed offering of the Shares, it has requested UBS Financial Services Inc. ("UBS-FinSvc") to administer a directed share program (the "Directed Share Program") under which up to [●] Firm Shares, or 5% of the Firm Shares to be purchased by the Underwriters (the "Reserved Shares"), shall be reserved for sale by UBS-FinSvc at the initial public offering price to the Company's officers, directors, employees and consultants and other persons having a relationship with the Company as designated by the Company (the "Directed Share Participants") as part of the distribution of the Shares by the Underwriters, subject to the terms of this Agreement, the applicable rules, regulations and interpretations of the Financial Industry Regulatory Authority, Inc. ("FINRA") and all other applicable laws, rules and regulations. The number of Shares available for sale to the general public will be reduced to the extent that Directed Share Participants purchase Reserved Shares. The Underwriters may offer any Reserved Shares not purchased by Directed Share Participants to the general public on the same

basis as the other Shares being issued and sold hereunder. The Company has supplied UBS-FinSvc with the names, addresses and telephone numbers of the individuals or other entities that the Company has designated to be participants in the Directed Share Program. It is understood that any number of those so designated to participate in the Directed Share Program may decline to do so.

The Company has prepared and filed, in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the "Act"), with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (File No. 333-213551) under the Act, including a prospectus, relating to the Shares.

Except where the context otherwise requires, "Registration Statement," as used herein, means the registration statement, as amended, at the time of such registration statement's effectiveness for purposes of Section 11 of the Act, as such section applies to the respective Underwriters (the "Effective Time"), including (i) all documents filed as a part thereof, (ii) any information contained in a prospectus filed with the Commission pursuant to Rule 424(b) under the Act, to the extent such information is deemed, pursuant to Rule 430A or Rule 430C under the Act, to be part of the registration statement at the Effective Time, and (iii) any registration statement filed to register the offer and sale of Shares pursuant to Rule 462(b) under the Act.

Except where the context otherwise requires, "Prospectus," as used herein, means the prospectus, relating to the Shares, filed by the Company with the Commission pursuant to Rule 424(b) under the Act on or before the second business day after the date hereof (or such earlier time as may be required under the Act), or, if no such filing is required, the final prospectus included in the Registration Statement at the time it became effective under the Act, in each case in the form furnished by the Company to you for use by the Underwriters and by dealers in connection with the offering of the Shares.

"Preliminary Prospectus," as used herein, means, as of any time, the prospectus relating to the Shares that is included in the Registration Statement immediately prior to that time.

"Permitted Free Writing Prospectuses," as used herein, means the documents listed on Schedule B attached hereto under the heading "Permitted Free Writing Prospectuses" and each "road show" (as defined in Rule 433 under the Act), if any, related to the offering of the Shares contemplated hereby that is a "written communication" (as defined in Rule 405 under the Act) (each such road show, an "Electronic Road Show"). The Underwriters have not offered or sold and will not offer or sell, without the Company's consent, any Shares by means of any "free writing prospectus" (as defined in Rule 405 under the Act) that is required to be filed by the Underwriters with the Commission pursuant to Rule 433 under the Act, other than a Permitted Free Writing Prospectus.

"Covered Free Writing Prospectuses," as used herein, means (i) each "issuer free writing prospectus" (as defined in Rule 433(h)(1) under the Act), if any, relating to the Shares, which is not a Permitted Free Writing Prospectus and (ii) each Permitted Free Writing Prospectus.

"Exempt Written Communication," as used herein, means each written communication, if any, by the Company or any person authorized to act on behalf of the Company made to one or more qualified institutional buyers ("QIBs") as such term is defined in Rule 144A under the Act and/or one or more institutions that are accredited investors ("IAIs"), as defined in Rule 501(a) under the Act to determine whether such investors might have an interest in a contemplated securities offering.

"Exempt Oral Communication," as used herein, means each oral communication made prior to the filing of the Registration Statement by the Company or any person authorized to act on behalf of the Company made to one or more QIBs and/or one or more IAIs to determine whether such investors might have an interest in a contemplated securities offering.

"Permitted Exempt Written Communication," as used herein, means the documents listed on Schedule B attached hereto under the heading "Permitted Exempt Written Communications."

"Covered Exempt Written Communication," as used herein, means (i) each Exempt Written Communication that is not a Permitted Exempt Written Communication and (ii) each Permitted Exempt Written Communication.

"Disclosure Package," as used herein, means, collectively, the pricing information set forth on Schedule B attached hereto under the heading "Pricing Information Provided Orally by Underwriters," the Preliminary Prospectus dated [ ] and all Permitted Free Writing Prospectuses, if any, considered together.

"Applicable Time," as used herein, means [●] [A.M. / P.M.], New York City time, on [●], 2016.

As used in this Agreement, "business day" shall mean a day on which the New York Stock Exchange (the "NYSE") is open for trading. The terms "herein," "hereof," "hereto," "hereinafter" and similar terms, as used in this Agreement, shall in each case refer to this Agreement as a whole and not to any particular section, paragraph, sentence or other subdivision of this Agreement. The term "or," as used herein, is not exclusive.

The Company has prepared and filed, in accordance with Section 12 of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the "Exchange Act"), a registration statement (as amended, the "Exchange Act Registration Statement") on Form 8-A (File No. 001-[●]) under the Exchange Act to register, under Section 12(b) of the Exchange Act, the class of securities consisting of the Common Stock.

The Company and the Underwriters agree as follows:

1. Sale and Purchase. Upon the basis of the representations and warranties and subject to the terms and conditions herein set forth, the Company agrees to issue and sell to the respective Underwriters and each of the Underwriters, severally and not jointly, agrees to purchase from the Company the number of Firm Shares set forth opposite the name of such Underwriter in Schedule A attached hereto, subject to adjustment in accordance with Section 8 hereof, in each case at a purchase price of $[●] per Share. The Company is advised by you that the Underwriters intend (i) to make a public offering of their respective portions of the Firm Shares as soon after the effective date of the Registration Statement as in your judgment is advisable and (ii) initially to offer the Firm Shares upon the terms set forth in the Prospectus. You may from time to time increase or decrease the public offering price after the initial public offering to such extent as you may determine.

In addition, the Company hereby grants to the several Underwriters the option (the "Over-Allotment Option") to purchase, and upon the basis of the representations and warranties and subject to the terms and conditions herein set forth, the Underwriters shall have the right to purchase, severally and not jointly, from the Company, ratably in accordance with the number of Firm Shares to be purchased by each of them, all or a portion of the Additional Shares as may be necessary to cover over-allotments made in connection with the offering of the Firm Shares, at the same purchase price per Share to be paid by the Underwriters to the Company for the Firm Shares. The Over-Allotment Option may be exercised by the Representatives on behalf of the several Underwriters at any time and from time to time on or before the thirtieth day following the date of the Prospectus, by written notice to the Company. Such notice shall set forth the aggregate number of Additional Shares as to which the Over-Allotment Option is being exercised and the date and time when the Additional Shares are to be delivered (any such date and time being herein referred to as an "additional time of purchase"); provided, however, that no additional time of purchase shall be earlier than the "time of purchase" (as defined below) nor earlier than the second business day after the date on which the Over-Allotment Option shall have been exercised nor later than the tenth business day after the date on which the Over-Allotment Option shall have been exercised. The number of Additional Shares to be sold to each Underwriter shall be the number which bears the same proportion to the aggregate number of Additional Shares being purchased as the number of Firm Shares set forth opposite the name of such Underwriter on Schedule A hereto bears to the total number of Firm Shares (subject, in each case, to such adjustment as the Representatives may determine to eliminate fractional shares), subject to adjustment in accordance with Section 8 hereof.

2. Payment and Delivery. Payment of the purchase price for the Firm Shares shall be made to the Company by federal funds wire transfer against delivery of the Firm Shares to you through the facilities of The Depository Trust Company ("DTC") for the respective accounts of the Underwriters. Such payment and delivery shall be made at 10:00 A.M., New York City time, on [●], 2016 (unless another time shall be agreed to by you and the Company or unless postponed in accordance with the provisions of Section 8 hereof). The time at which such payment and delivery are to be made is hereinafter sometimes called the "time of purchase." Electronic transfer of the Firm Shares shall be made to you at the time of purchase in such names and in such denominations as you shall specify.

Payment of the purchase price for the Additional Shares shall be made at the additional time of purchase in the same manner and at the same office and time of day as the payment for the Firm Shares. Electronic transfer of the Additional Shares shall be made to you at the additional time of purchase in such names and in such denominations as you shall specify.

Deliveries of the documents described in Section 6 hereof with respect to the purchase of the Shares shall be made at the offices of Latham & Watkins LLP at 650 Town Center Drive, 20th Floor, Costa Mesa, CA 92626, at 9:00 A.M., New York City time, on the date of the closing of the purchase of the Firm Shares or the Additional Shares, as the case may be.

3. Representations and Warranties of the Company. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) the Registration Statement has heretofore become effective under the Act or, with respect to any registration statement to be filed to register the offer and sale of Shares pursuant to Rule 462(b) under the Act, will be filed with the Commission and become effective under the Act no later than 10:00 P.M., New York City time, on the date of determination of the public offering price for the Shares; no stop order of the Commission preventing or suspending the use of any Preliminary Prospectus or Permitted Free Writing Prospectus, or the effectiveness of the Registration Statement, has been issued, and no proceedings for such purpose have been instituted or, to the Company's knowledge, are contemplated by the Commission; and the Exchange Act Registration Statement has become effective as provided in Section 12 of the Exchange Act;

(b) as of the Effective Time, the Registration Statement complied in all material respects with the requirements of the Act and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; as of the Applicable Time, the Preliminary Prospectus complied in all material respects with the requirements of the Act (including, without limitation, Section 10(a) of the Act) and the Disclosure Package did not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; the Prospectus will comply, as of its date, the time of purchase and each additional time of purchase, if any, in all material respects, with the requirements of the Act (including, without limitation, Section 10(a) of the Act) and, as of the date the Prospectus is filed with the Commission, the time of purchase and any additional time of purchase, if any, the Prospectus will not, as then amended or supplemented, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representation or warranty in this Section 3(b) with respect to any statement contained in the Registration Statement, the Disclosure Package or the Prospectus made in reliance upon and in conformity with information concerning an Underwriter and furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in the Registration Statement, the Disclosure Package or the Prospectus;

(c) prior to the execution of this Agreement, the Company has not, directly or indirectly, offered or sold any Shares by means of any "prospectus" (within the meaning of the Act) or used any "prospectus" (within the meaning of the Act) in connection with the offer or sale of the Shares, in each case other than the Preliminary Prospectus, the Permitted Free Writing Prospectuses, if any and, the Permitted Exempt Written Communications, if any; the Company has not, directly or indirectly, prepared, used or referred to any Permitted Free Writing Prospectus except in compliance with Rules 164 and 433 under the Act; assuming that such Permitted Free Writing Prospectus is accompanied or preceded by the most recent Preliminary Prospectus that contains a price range or the Prospectus, as the case may be, and that such Permitted Free Writing Prospectus is so sent or given after the Registration Statement was filed with the Commission (and after such Permitted Free Writing Prospectus was, if required pursuant to Rule 433(d) under the Act, filed with the Commission), the sending or giving, by any Underwriter, of any Permitted Free Writing Prospectus will satisfy the provisions of Rule 164 and Rule 433 (without reliance on subsections (b), (c) and (d) of Rule 164); the Preliminary Prospectus dated September [●], 2016 is a prospectus that, other than by reason of Rule 433 or Rule 431 under the Act, satisfies the requirements of Section 10 of the Act, including a price range where required by rule; neither the Company nor the Underwriters are disqualified, by reason of subsection (f) or (g) of Rule 164 under the Act, from using, in connection with the offer and sale of the Shares, "free writing prospectuses" (as defined in Rule 405 under the Act) pursuant to Rules 164 and 433 under the Act; the Company is not an "ineligible issuer" (as defined in Rule 405 under the Act) as of the eligibility determination date for purposes of Rules 164 and 433 under the Act with respect to the offering of the Shares contemplated by the Registration Statement, without taking into account any determination by the Commission pursuant to Rule 405 under the Act that it is not necessary under the circumstances that the Company be considered an "ineligible issuer"; the parties hereto agree and understand that the content of any and all "road shows" (as defined in Rule 433 under the Act), Exempt Oral Communications and Covered Exempt Written Communications related to the offering of the Shares contemplated hereby are solely the property of the Company; and the Company has caused there to be made available at least one version of a "*bona fide* electronic road show" (as defined in Rule 433 under the Act) in a manner that, pursuant to Rule 433(d)(8)(ii) under the Act, causes the Company not to be required, pursuant to Rule 433(d) under the Act, to file, with the Commission, any Electronic Road Show;

(d) as of the date of this Agreement, the Company qualifies as an emerging growth company ("EGC"), as defined in Section 2(a)(19) of the Act;

(e) each Permitted Exempt Written Communication, if any, did not as of its date include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) the Company has, prior to the date of the Preliminary Prospectus, furnished to you a list containing the names of the recipients of all Covered Exempt Written Communications and all Exempt Oral Communications;

(g) the Company has filed publicly on the Commission's EDGAR database at least 15 calendar days prior to any "road show," (as defined in Rule 433 under the Act) any confidentially submitted registration statements and registration amendments relating to the offer and sale of the Shares;

(h) each Covered Exempt Written Communication, if any, does not as of the date hereof conflict with the information contained in the Registration Statement, the Preliminary Prospectus and the Prospectus;

(i) as of the date of this Agreement, the Company has an authorized and outstanding capitalization, or will have an authorized and outstanding capitalization immediately following the time of purchase, in each case, as set forth in the sections of the Registration Statement, the Disclosure Package and the Prospectus entitled "Capitalization" and "Description of capital stock" (and any similar sections or information, if any, contained in any Permitted Free Writing Prospectus), and, as of the time of purchase and any additional time of purchase, as the case may be, the Company shall have an authorized and outstanding capitalization, or will have an authorized and outstanding capitalization immediately following the time of purchase, in each case, as set forth in the sections of the Registration Statement, the Disclosure Package and the Prospectus entitled "Capitalization" and "Description of capital stock" (and any similar sections or information, if any, contained in any Permitted Free Writing Prospectus) (subject, in each case, to the issuance of shares of Common Stock upon exercise of stock options and warrants disclosed as outstanding in the Registration Statement, each Preliminary Prospectus and the Prospectus and the grant of options under existing stock option plans described in the Registration Statement, each Preliminary Prospectus and the Prospectus); all of the issued and outstanding shares of capital stock, including the Common Stock, of the Company have been duly authorized and validly issued and are fully paid and non-assessable, have been issued in compliance with all applicable securities laws and were not issued in violation of any preemptive right, resale right, right of first refusal or similar right; prior to the time of purchase, all outstanding shares of convertible preferred stock, $0.001 par value per share, of the Company shall convert into shares of Common Stock in the manner described in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus; prior to the date hereof, the Company has duly effected and completed a 2.9-for-1 reverse stock split of the Common Stock in the manner described in the Registration Statement (excluding the exhibits thereto), each Preliminary Prospectus and the Prospectus; the Restated Certificate of Incorporation of the Company and the Restated Bylaws of the Company, each in the form filed as an exhibit to the Registration Statement, have been heretofore duly authorized and approved in accordance with the General Corporation Law of the State of Delaware (the "General Corporation Law") and shall become effective and in full force and effect at or before the time of purchase; and the Shares are duly listed, and admitted and authorized for trading, subject to official notice of issuance and evidence of satisfactory distribution, on The NASDAQ Global Market (the "NASDAQ");

(j) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with full corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement, the Disclosure Package and the Prospectus, to execute and deliver this Agreement and to issue, sell and deliver the Shares as contemplated herein;

(k) the Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, properties, financial condition, results of operations, or prospects of the Company and the Subsidiary (as defined below) taken as a whole (a "Material Adverse Effect")";

(l) the Company has no subsidiaries (as defined under the Act) other than Obalon Therapeutics, LLC (the "Subsidiary"); the Company owns all of the issued and outstanding membership or partnership interests of the Subsidiary; other than the membership or partnership interests of the Subsidiary, the Company does not own, directly or indirectly, any shares of stock or any other equity interests or long-term debt securities of any corporation, firm, partnership, joint venture, association or other entity; complete and correct copies of the charters and the bylaws or other organizational or governing documents of the Company and the Subsidiary and all amendments thereto have been made available to you, and, except as set forth in the exhibits to the Registration Statement, no changes therein will be made on or after the date hereof through and including the time of purchase or, if later, any additional time of purchase; the Subsidiary has been duly formed and is validly existing as a limited liability company in good standing under the laws of the State of Delaware, with full limited liability company power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the Disclosure Package and the Prospectus; the Subsidiary is duly qualified to do business as a foreign limited liability company and is in good standing in each jurisdiction where the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; all of the outstanding membership or partnership interests of the Subsidiary have been duly authorized and validly issued, are fully paid and non-assessable, have been issued in compliance with all applicable securities laws, were not issued in violation of any preemptive right, resale right, right of first refusal or similar right and are owned by the Company subject to no security interest, other encumbrance or adverse claims; no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligation into shares of capital stock or ownership interests in the Subsidiary is outstanding; and the Company has no "significant subsidiary," as that term is defined in Rule 1-02(w) of Regulation S-X under the Act; the Subsidiary does not own or possess any property or assets, or have any obligations or liabilities, or possess any rights (by

contract, franchise, permit or otherwise) or engage in any operations that are material to the business, properties, financial condition, results of operations or prospects of the Company and the Subsidiary taken as a whole;

(m) the Shares have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued, fully paid and non-assessable and free of statutory and contractual preemptive rights, resale rights, rights of first refusal and similar rights, except for any such rights that have been waived; the Shares, when issued and delivered against payment therefor as provided herein, will be free of any restriction upon the voting or transfer thereof pursuant to the General Corporation Law or the Company's charter or bylaws or any agreement or other instrument to which the Company is a party;

(n) the capital stock of the Company, including the Shares, conforms in all material respects to each description thereof, if any, contained in the Registration Statement, the Disclosure Package and the Prospectus; and the certificates for the Shares are in due and proper form;

(o) this Agreement has been duly authorized, executed and delivered by the Company;

(p) neither the Company nor the Subsidiary is in breach or violation of or in default under (nor has any event occurred which, with notice, lapse of time or both, would result in any breach or violation of, constitute a default under or give the holder of any indebtedness (or a person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a part of such indebtedness under) (A) its charter or bylaws or other organizational or governing documents, or (B) any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any license, lease, contract or other agreement or instrument to which it is a party or by which it or any of its properties may be bound or affected, or (C) any applicable federal, state, local or foreign law, regulation or rule, or (D) any rule or regulation of any self-regulatory organization or other non-governmental regulatory authority having jurisdiction over the Company or the Subsidiary (including, without limitation, the rules and regulations of the NASDAQ), or (E) any decree, judgment or order applicable to it or any of its properties, except in the case of the foregoing clauses (B), (C), (D) and (E), for any such breaches, violations, defaults or events that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(q) the execution, delivery and performance of this Agreement, the issuance and sale of the Shares and the consummation of the transactions contemplated hereby will not conflict with, result in any breach or violation of or constitute a default under (nor constitute any event which, with notice, lapse of time or both, would result in any breach or violation of, constitute a default under or give the holder of any indebtedness (or a person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a part of such indebtedness under) (or result in the creation or imposition of a lien, charge or encumbrance on any property or assets of the

Company or any Subsidiary pursuant to) (A) the charter or bylaws or other organizational or governing documents of the Company or the Subsidiary, or (B) any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any license, lease, contract or other agreement or instrument to which the Company or the Subsidiary is a party or by which any of them or any of their respective properties may be bound or affected, or (C) any applicable federal, state, local or foreign law, regulation or rule, or (D) any rule or regulation of any self-regulatory organization or other non-governmental regulatory authority having jurisdiction over the Company or the Subsidiary or the Shares (including, without limitation, the rules and regulations of the NASDAQ), or (E) any decree, judgment or order applicable to the Company or the Subsidiary or any of their respective properties; except in the case of the foregoing clauses (B), (C), (D) and (E), for any such breaches, violations, defaults or events that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(r) no approval, authorization, consent or order of or filing with any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency, or of or with any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the NASDAQ), or approval of the stockholders of the Company, is required in connection with the issuance and sale of the Shares or the consummation by the Company of the transactions contemplated hereby, other than (i) registration of the Shares under the Act, which has been effected (or, with respect to any registration statement to be filed hereunder pursuant to Rule 462(b) under the Act, will be effected in accordance herewith), (ii) any necessary qualification under the securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters, (iii) under the Conduct Rules of FINRA; (iv) any listing applications and related consents or any notices required by NASDAQ in the ordinary course of the offering of the Shares, or (v) filings with the Commission pursuant to Rule 424(b) under the Act, except as have already been made, obtained or waived or where the failure to obtain any such approval, authorization, consent, order or filing would not impair the ability of the Company to issue and sell the Shares or to consummate the transactions contemplated by this Agreement;

(s) except as described in the Registration Statement, the Disclosure Package and the Prospectus or as have otherwise been waived (i) no person has the right, contractual or otherwise, to cause the Company to issue or sell to it any shares of Common Stock or shares of any other capital stock or other equity interests of the Company, (ii) no person has any preemptive rights, resale rights, rights of first refusal or other rights to purchase any shares of Common Stock or shares of any other capital stock of or other equity interests in the Company and (iii) no person has the right to act as an underwriter or as a financial advisor to the Company in connection with the offer and sale of the Shares; no person has the right, contractual or otherwise, to cause the Company to register under the Act any shares of Common Stock or shares of any other capital stock of or other equity interests in the Company or to include any such shares or interests in the Registration Statement or the offering contemplated thereby;

(t) each of the Company and the Subsidiary has all necessary licenses, authorizations, consents and approvals and has made all necessary filings required under any applicable law, regulation or rule, and has obtained all necessary licenses, authorizations, consents and approvals from other persons, in order to conduct their respective businesses, except where the failure to have, make or obtain the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; neither the Company nor the Subsidiary is in violation of, or in default under, or has received notice of any proceedings relating to the revocation or modification of, any such license, authorization, consent or approval or any federal, state, local or foreign law, regulation or rule or any decree, order or judgment applicable to the Company or the Subsidiary, except where such violation, default, revocation or modification would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(u) there are no actions, suits, claims, investigations or proceedings pending or, to the Company's knowledge, threatened or contemplated to which the Company or the Subsidiary or any of their respective directors or "officers" (within the meaning of Rule 16a-1(f) under the Exchange Act) is or would be a party or of which any of their respective properties is or would be subject at law or in equity, before or by any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency, or before or by any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the NASDAQ), except any such action, suit, claim, investigation or proceeding which, if resolved adversely to the Company or any Subsidiary, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or prevent or materially interfere with consummation of the transactions contemplated hereby;

(v) KPMG LLP, whose report on the consolidated financial statements of the Company and the Subsidiary is included in the Registration Statement, the Disclosure Package and the Prospectus, are independent registered public accountants as required by the Act and by the rules of the Public Company Accounting Oversight Board;

(w) the financial statements included in the Registration Statement, the Disclosure Package and the Prospectus, together with the related notes and schedules, present fairly the consolidated financial position of the Company and the Subsidiary as of the dates indicated and the consolidated results of operations, cash flows and changes in stockholders' deficit (equity) of the Company and the Subsidiary for the periods specified and have been prepared in compliance with the requirements of the Act and Exchange Act and in conformity with U.S. generally accepted accounting principles applied on a consistent basis during the periods involved; the other financial data or statistical data derived from financial data contained in the Registration Statement, the Disclosure Package and the Prospectus are accurately and fairly presented in all material respects and prepared on a basis consistent with the financial statements and books and records of the Company; there are no financial statements (historical or pro forma) that are required to be included in the Registration Statement, the Disclosure Package or the Prospectus that are not included as required; the Company and the Subsidiary do not have any

material liabilities or obligations, direct or contingent (including any off-balance sheet obligations), not described in the Registration Statement (excluding the exhibits thereto), the Disclosure Package and the Prospectus;

(x) except as disclosed in the Registration Statement (excluding the exhibits thereto), the Disclosure Package and the Prospectus, each stock option granted under any equity incentive plan of the Company or the Subsidiary (each, a "Stock Plan") was granted with a per share exercise price no less than the fair market value per share of Common Stock on the grant date of such option and no such grant involved any "back-dating," "forward-dating" or similar practice with respect to the effective date of such grant; except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, each such option (i) was granted in compliance with applicable law and with the applicable Stock Plan(s), (ii) was duly approved by the board of directors (or a duly authorized committee thereof or an officer of the Company duly authorized by the board of directors or authorized committee thereof to make such grants) of the Company or such Subsidiary, as applicable, and (iii) has been properly accounted for in the Company's financial statements included in the Registration Statement, the Disclosure Package and the Prospectus in accordance with U.S. generally accepted accounting principles and disclosed therein;

(y) subsequent to the respective dates as of which information is given in the Registration Statement, the Disclosure Package and the Prospectus, in each case excluding any amendments or supplements to the foregoing made after the execution of this Agreement, there has not been (i) any material adverse change, or any development involving a prospective material adverse change, in the business, properties, management, financial condition or results of operations of the Company and the Subsidiary taken as a whole, (ii) any transaction which is material to the Company and the Subsidiary taken as a whole, (iii) any obligation or liability, direct or contingent (including any off-balance sheet obligations), incurred by the Company or any Subsidiary, which is material to the Company and the Subsidiary taken as a whole, (iv) any change in the capital stock or outstanding indebtedness of the Company or the Subsidiary (other than borrowings under the Company's Loan and Security Agreement with Pacific Western Bank and the issuance of shares of Common Stock upon exercise of stock options and warrants disclosed as outstanding in the Registration Statement, each Preliminary Prospectus and the Prospectus) or (v) any dividend or distribution of any kind declared, paid or made on the capital stock of the Company or any Subsidiary;

(z) neither the Company nor the Subsidiary is and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Registration Statement, Disclosure Package and the Prospectus, neither of them will be, an "investment company" or an entity "controlled" by an "investment company, as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(aa) the Company and the Subsidiary have good and marketable title to all property (real and personal, excluding for the purposes of this Section 3(aa), Intellectual

Property (as defined below)) described in the Registration Statement, the Disclosure Package and the Prospectus as being owned by any of them, free and clear of all liens, claims, security interests or other encumbrances, except those that do not materially interfere with the use or proposed use of such property by the Company or the Subsidiary, respectively, or as would not materially or adversely affect the value of such property; all the property described in the Registration Statement, the Disclosure Package and the Prospectus as being held under lease by the Company or the Subsidiary is held thereby under valid, subsisting and enforceable leases, except where such failure to hold such property would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and except that the enforcement thereof may be subject to (i) bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance or other similar laws relating to creditor's rights generally and (ii) general principles of equity and the discretion of the court before which any proceeding therefor may be brought;

(bb) the Company and the Subsidiary own, or have obtained valid and enforceable licenses for, or other rights to use, the inventions, patent applications, patents, trademarks (both registered and unregistered), tradenames, service names, copyrights, trade secrets and other proprietary information described in the Registration Statement, the Disclosure Package and the Prospectus as being owned or licensed by them or which are necessary for the conduct of their respective businesses as currently conducted or as currently proposed to be conducted (including the commercialization of products or services described in the Registration Statement, the Disclosure Package and the Prospectus as under development), except where the failure to own, license or have such rights would not, individually or in the aggregate, have a Material Adverse Effect (collectively, "Intellectual Property"); (i) there are no third parties who have or, to the Company's knowledge, will be able to establish rights to any Intellectual Property, except for, and to the extent of, the ownership rights of the owners of the Intellectual Property which the Registration Statement (excluding the exhibits thereto), the Disclosure Package and the Prospectus disclose is licensed to the Company; (ii) there is no infringement by third parties of any Intellectual Property; (iii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the Company's rights in or to any Intellectual Property, and the Company is unaware of any facts which could form a reasonable basis for any such action, suit, proceeding or claim; (iv) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any Intellectual Property, and the Company is unaware of any facts which could form a reasonable basis for any such action, suit, proceeding or claim; (v) except as described in the Registration Statement, the Disclosure Package and the Prospectus, there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company or any Subsidiary infringes or otherwise violates, or would, upon the commercialization of any product or service described in the Registration Statement, the Disclosure Package and the Prospectus as under development, infringe or violate, any patent, trademark, tradename, service name, copyright, trade secret or other proprietary rights of others, and the Company is unaware of any facts which could form a reasonable basis for any such action, suit, proceeding or claim; (vi) the Company and the

Subsidiary have complied with the terms of each agreement pursuant to which Intellectual Property has been licensed to the Company or any Subsidiary, and all such agreements are in full force and effect; (vii) there is no patent or patent application that contains claims that interfere with the issued or pending claims of any of the Intellectual Property or that challenges the validity, enforceability or scope of any of the Intellectual Property; (viii) there is no prior art that may render any patent application within the Intellectual Property unpatentable that has not been disclosed to the U.S. Patent and Trademark Office or of which the Company is otherwise aware; and (ix) the product candidates described in the Registration Statement, the Disclosure Package and the Prospectus as under development by the Company or any Subsidiary fall within the scope of the claims of one or more patents owned by, or exclusively licensed to, the Company or any Subsidiary;

(cc) neither the Company nor the Subsidiary is engaged in any unfair labor practice; except for matters which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) there is (A) no unfair labor practice complaint pending or, to the Company's knowledge, threatened against the Company or the Subsidiary before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under collective bargaining agreements is pending or, to the Company's knowledge, threatened, (B) no strike, labor dispute, slowdown or stoppage pending or, to the Company's knowledge, threatened against the Company or the Subsidiary and (C) no union representation dispute currently existing concerning the employees of the Company or the Subsidiary, and (ii) there has been no violation of any federal, state, local or foreign law relating to discrimination in the hiring, promotion or pay of employees, any applicable wage or hour laws or any provision of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the rules and regulations promulgated thereunder concerning the employees of the Company or the Subsidiary. To the Company's knowledge, (i) no union organizing activities are currently taking place concerning the employees of the Company or the Subsidiary and (ii) there is no existing or imminent labor disturbance by the employees of any of the Company's or the Subsidiary's principal suppliers, customers or contractors;

(dd) the Company and the Subsidiary and their respective properties, assets and operations are in compliance with, and the Company and the Subsidiary hold all permits, authorizations and approvals required under, Environmental Laws (as defined below), except to the extent that failure to so comply or to hold such permits, authorizations or approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; the Company and the Subsidiary is not aware of any non-compliance with Environmental Laws, any past or present events, conditions, circumstances, activities, practices, actions, omissions or plans that could reasonably be expected to result in non-compliance with Environmental Laws or any current liabilities under Environmental Laws that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; neither the Company nor the Subsidiary (i) is the subject of any investigation known to the Company or its Subsidiary, (ii) has received any notice or claim, (iii) is a party to or affected by any pending or, to the Company's knowledge, threatened action, suit or proceeding, (iv) is bound by any judgment, decree

or order or (v) has entered into any agreement, in each case relating to any alleged violation of any Environmental Law or any actual or alleged release or threatened release or cleanup at any location of any Hazardous Materials (as defined below) (as used herein, "Environmental Law" means any federal, state, local or foreign law, statute, ordinance, rule, regulation, order, decree, judgment, injunction, permit, license, authorization or other binding requirement, or common law, relating to health, safety or the protection, cleanup or restoration of the environment or natural resources, including those relating to the distribution, processing, generation, treatment, storage, disposal, transportation, other handling or release or threatened release of Hazardous Materials, and "Hazardous Materials" means any material (including, without limitation, pollutants, contaminants, hazardous or toxic substances or wastes) that is regulated by or may give rise to liability under any Environmental Law);

(ee) in the ordinary course of their business, the Company and the Subsidiary conduct periodic reviews of the effect of the Environmental Laws on their respective businesses, operations and properties, in the course of which they identify and evaluate associated costs and liabilities (including, without limitation, any capital or operating expenditures required for cleanup, closure of properties or compliance with the Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties);

(ff) all federal and other material tax returns required to be filed by the Company or the Subsidiary have been timely filed (within any applicable time limit extensions permitted by the relevant tax authority) and such tax returns are true, complete and correct in all material respects; all taxes and other assessments of a similar nature (whether imposed directly or through withholding) including any material interest, additions to tax or penalties applicable thereto due or claimed to be due from such entities have been paid, other than those being contested in good faith and for which adequate reserves have been provided;

(gg) the Company and the Subsidiary maintain insurance covering their respective properties, operations, personnel and businesses as the Company reasonably deems adequate; such insurance insures against such losses and risks to an extent which is adequate in accordance with customary industry practice to protect the Company and the Subsidiary and their respective businesses; all such insurance is fully in force on the date hereof and is expected to be fully in force at the time of purchase and each additional time of purchase, if any; neither the Company nor any Subsidiary has reason to believe that it will not be able to (i) renew any such insurance as and when such insurance expires or (ii) obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted at a cost that would not reasonably be expected to result in any Material Adverse Effect;

(hh) except as referred to or described in the Registration Statement, the Disclosure Package or the Prospectus, neither the Company nor the Subsidiary has sent or received any communication regarding termination of, or intent not to renew, any of the contracts or agreements referred to or described in the Registration Statement, the

Disclosure Package or the Prospectus, and no such termination or non-renewal has been threatened by the Company or any Subsidiary or, to the Company's knowledge, any other party to any such contract or agreement;

(ii) the Company and the Subsidiary maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(jj) the Company has established and maintains "disclosure controls and procedures" (as such term is defined in Rules 13a-15 and 15d-15 under the Exchange Act) and "internal control over financial reporting" (as such term is defined in Rules 13a-15 and 15d-15 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company, including its consolidated subsidiary, is made known to the Company's Chief Executive Officer and its Chief Financial Officer by others within those entities, and such disclosure controls and procedures are effective to perform the functions for which they were established; the Company's independent registered public accountants and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies, if any, in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data; and (ii) all fraud, if any, whether or not material, that involves management or other employees who have a role in the Company's internal controls; all "significant deficiencies" and "material weaknesses" (as such terms are defined in Rule 1-02(a)(4) of Regulation S-X under the Act) of the Company, if any, have been identified to the Company's independent registered public accountants and are disclosed in the Registration Statement (excluding the exhibits thereto), the Disclosure Package and the Prospectus; and the Company has taken all reasonably necessary actions to ensure that, upon and at all times after the filing of the Registration Statement, the Company and its executive officers and directors, in their capacities as such, will be in compliance in all material respects with the applicable provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the rules and regulations promulgated thereunder;

(kk) each "forward-looking statement" (within the meaning of Section 27A of the Act or Section 21E of the Exchange Act) contained in the Registration Statement, the Disclosure Package and the Prospectus has been made or reaffirmed with a reasonable basis and in good faith;

(ll) all statistical or market-related data included in the Registration Statement, the Disclosure Package and the Prospectus are based on or derived from sources that the Company reasonably believes to be reliable and accurate, and the Company has obtained the written consent to the use of such data from such sources to the extent required;

(mm) neither the Company nor its Subsidiary nor any director or officer of the Company or its Subsidiary, nor to the knowledge of the Company, any employee, agent or affiliate of the Company or its Subsidiary, is aware of or has taken, any action, directly or indirectly, that would result in a violation by such persons or entities of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "Foreign Corrupt Practices Act"), the U.K. Bribery Act 2010, or other applicable anti-corruption laws (collectively, "Anti-Corruption Laws"); neither the Company nor its Subsidiary will use the proceeds of the offering of the Shares contemplated hereby in violation of Anti-Corruption Laws; and the Company has instituted and maintains policies and procedures designed to ensure continued compliance therewith;

(nn) the operations of the Company and the Subsidiary are and have been conducted at all times in material compliance with applicable financial recordkeeping and reporting requirements of the USA Patriot Act, the Bank Secrecy Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency having jurisdiction over the Company and the Subsidiary (collectively, the "Money Laundering Laws"); and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator or non-governmental authority involving the Company or the Subsidiary with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened;

(oo) neither the Company nor its Subsidiary, nor any of their respective officers, nor to the knowledge of the Company, after due inquiry, any director, agent, employee or affiliate of the Company is (i) currently subject to or the target of any economic, financial or trade sanctions administered or enforced by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom or any other relevant sanctions authority (collectively, "Sanctions"), or (ii) operating, organized or resident in, or is engaging or has engaged in the past five years in any transaction or dealing, directly or indirectly, with a country or territory that is the target of comprehensive Sanctions (at the time of this Agreement, Cuba, Iran, North Korea, Sudan, Syria, and the Crimea region of Ukraine) (collectively, "Sanctioned Country"); and the Company will not directly or indirectly use the proceeds of the offering of the Shares contemplated hereby, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other person or entity (i) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any person that is the target of Sanctions, or in any Sanctioned Country, or (ii) in any manner that would reasonably be expected to result in the violation of any Sanctions applicable to any party hereto;

(pp) the Company acknowledges that, in accordance with the requirements of the USA Patriot Act, the Underwriters are required to obtain, verify and record

information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients;

(qq) the Subsidiary is not currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on the Subsidiary's capital stock, from repaying to the Company any loans or advances to the Subsidiary from the Company or from transferring the Subsidiary's property or assets to the Company, except as described in the Registration Statement, the Disclosure Package and the Prospectus;

(rr) the clinical trials that are described in the Registration Statement, the Disclosure Package and the Prospectus were, and if still pending, are being conducted in all material respects in accordance with the protocol, investigator agreements, and requirements of the Company's FDA-approved investigational device exemption ("IDE") application and all applicable laws and regulations; each description of the results of the clinical trials contained in the Registration Statement, the Disclosure Package and the Prospectus is accurate and complete in all material respects and fairly presents the data derived from such trials, and the Company and the Subsidiary have no knowledge of any other studies or tests the results of which are inconsistent with, or otherwise call into question, the clinical trial results described or referred to in the Registration Statement, the Disclosure Package and the Prospectus; the Company and its Subsidiary have made all such filings and obtained all such licenses, certificates, permits, approvals, clearances, registrations, exemptions, consents and other authorizations required by the Food and Drug Administration of the U.S. Department of Health and Human Services or any other U.S. or foreign government medical device regulatory agency, or health care facility Institutional Review Board (collectively, the "Regulatory Agencies") for the conduct of its business as described in the Registration Statement, the Disclosure Package and the Prospectus; neither the Company nor any Subsidiary has received any notice of, or other correspondence from, any Regulatory Agency requiring the termination, suspension or modification of any clinical trials that are described or referred to in the Registration Statement, the Disclosure Package and the Prospectus; and the Company and the Subsidiary have each operated and currently are in compliance in all material respects with all applicable laws and regulations of the Regulatory Agencies including, without limitation, the Federal Food, Drug and Cosmetic Act ("FFDCA") and its implementing regulations at 21 C.F.R. Parts 50, 54, 56, 58, and 812;

(ss) the Company and the Subsidiary have operated and currently are in compliance with all applicable Health Care Laws, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect. For purposes of this Agreement, "Health Care Laws" means: (i) the FFDCA, and the regulations promulgated thereunder; (ii) all applicable foreign and U.S. federal, state, and local health care related fraud and abuse laws and regulations, including, without limitation, the state fraud and abuse prohibitions, including those that apply to all payors (governmental, commercial insurance and self-payors), the U.S. Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)), the U.S. Physician Payments Sunshine Act (42 U.S.C. § 1320a-7h), the U.S. Civil False

Claims Act (31 U.S.C. § 3729 et seq.), the Federal False Statements Law (42 U.S.C. § 1320a-7b(a)), all criminal laws relating to health care fraud and abuse, including but not limited to 18 U.S.C. Sections 286 and 287, and the health care fraud criminal provisions under the U.S. Health Insurance Portability and Accountability Act of 1996 ("HIPAA") (42 U.S.C. § 1320d et seq.), the Civil Monetary Penalties Law (42 U.S.C. § 1320a-7a), the exclusion laws (42 U.S.C. § 1320a-7), the Medicare statute (Title XVIII of the Social Security Act), and the Medicaid statute (Title XIX of the Social Security Act) and the regulations promulgated pursuant to such statutes; and (iii) the administrative simplification provisions of Title II, Subtitle F of HIPAA, as amended, and the regulations promulgated by the Secretary of the United States Department of Health and Human Services to implement the administrative simplification provisions of Title II, Subtitle F of HIPAA, as amended, including the Standards for Privacy of Individually Identifiable Health Information, 45 C.F.R. parts 160 and 164 (subparts A and E); the Security Standards for the Protection of Electronic Protected Health Information, 45 C.F.R. parts 160 and 164 (subparts A and C); Notification in the Case of Breach of Unsecured Protected Health Information, 45 C.F.R. part 164 (subpart D); and the Standards for Electronic Transactions and Code Sets, 45 C.F.R. parts 160 and 162. Neither the Company nor the Subsidiary has received written notice of any claim, action, suit, proceeding, hearing, enforcement, investigation, arbitration or other action from any court, arbitrator, governmental or regulatory authority, or third-party alleging that any product, operation or activity is in material violation of any Health Care Laws, and, to the Company's knowledge, no such claim, action, suit, proceeding, hearing, enforcement, investigation, arbitration or other action is threatened. To the Company's knowledge, neither the Company nor the Subsidiary have engaged in activities which are, as applicable, cause for false claims liability, civil penalties, or mandatory or permissive exclusion from Medicare, Medicaid, or any other state or federal health care program. Neither the Company nor the Subsidiary is a party to or has any ongoing reporting obligations pursuant to any corporate integrity agreements, deferred prosecution agreements, monitoring agreements, consent decrees, settlement orders, plans of correction or similar agreements with or imposed by any governmental or regulatory authority. Additionally, neither the Company, nor any of its Subsidiary, nor any of their respective officers, directors or employees has been excluded, suspended or debarred from participation in any U.S. federal health care program or human clinical research or, to the knowledge of the Company, is subject to a governmental inquiry, investigation, proceeding, or other similar action that could reasonably be expected to result in debarment, suspension, or exclusion. The Company and the Subsidiary have filed, obtained, maintained or submitted all reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by the Health Care Laws for the conduct of its business as described in the Registration Statement, the Disclosure Package and the Prospectus, and all such reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments were complete and accurate on the date filed in all material respects (or were corrected or supplemented by a subsequent submission), except in each case, as would not reasonably be expected to have a Material Adverse Effect;

(tt) the issuance and sale of the Shares as contemplated hereby will not cause any holder of any shares of capital stock, securities convertible into or exchangeable or exercisable for capital stock or options, warrants or other rights to purchase capital stock or any other securities of the Company to have any right to acquire any shares of preferred stock of the Company, except as have been otherwise waived;

(uu) in respect of any additional time of purchase, the Company has not received any notice from the NASDAQ regarding the delisting of the Common Stock from the NASDAQ;

(vv) except pursuant to this Agreement, neither the Company nor the Subsidiary has incurred any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby or by the Registration Statement;

(ww) neither the Company nor the Subsidiary nor any of their respective directors, officers, affiliates or, to the Company's knowledge, any controlling persons of such affiliates, has taken, directly or indirectly, any action designed, or which has constituted or would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares in violation of Regulation M under the Exchange Act;

(xx) to the Company's knowledge, there are no affiliations or associations between (i) any member of FINRA and (ii) the Company or any of the Company's officers, directors or 5% or greater security holders or any beneficial owner of the Company's unregistered equity securities that were acquired at any time on or after the 180th day immediately preceding the date the Registration Statement was initially filed with the Commission, except as disclosed in the Registration Statement (excluding the exhibits thereto), the Disclosure Package and the Prospectus;

(yy) (i) no Plan is, and none of the Company, or the Subsidiary or any of their respective ERISA Affiliates (as defined below) has within the past six years sponsored, maintained, participated in, contributed to, or had any obligation (contingent or otherwise) with respect to any (A) "multiemployer plan" within the meaning of Section 3(37) of ERISA, (B) pension plan subject to Title IV or Part 3 of Title I of ERISA or Section 412 of the Code, (C) "multiple employer plan" within the meaning of Section 413(c) of the Code or (D) multiple employer welfare arrangement within the meaning of Section 3(40) of ERISA; and (ii) except for matters which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (A) each "employee benefit plan" (within the meaning of Section 3(3) of ERISA) for which the Company or the Subsidiary would have any liability (each a "Plan") has been maintained in compliance in all material respects with its terms and with the requirements of all applicable statutes, rules and regulations, including ERISA and the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "Code"); (B) each Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification; and (C) there is no pending audit or

investigation by the Internal Revenue Service, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation or any other governmental agency or any foreign regulatory agency with respect to any Plan that could reasonably be expected to result in material liability to the Company or the Subsidiary. "ERISA Affiliate," as used herein, means, with respect to the Company or the Subsidiaries, any member of any group of organizations described in Sections 414(b), (c), (m) or (o) of the Code of which the Company or the Subsidiary is a member;

(zz) the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus comply, and any further amendments or supplements thereto will comply with, any applicable laws or regulations of any foreign jurisdiction in which any Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus is distributed in connection with the Directed Share Program; and no approval, authorization, consent or order of or filing with any governmental or regulatory commission, board, body, authority or agency, other than those heretofore obtained, is required in connection with the offering of the Reserved Shares in any jurisdiction where the Reserved Shares are being offered; and

(aaa) the Company has not offered, or caused the Underwriters to offer, Shares to any person pursuant to the Directed Share Program with the intent to influence unlawfully (i) a customer or supplier of the Company or the Subsidiary to alter the customer's or supplier's level or type of business with the Company or the Subsidiary, or (ii) a trade journalist or publication to write or publish favorable information about the Company or the Subsidiary or any of their respective products or services.

In addition, any certificate signed by any officer of the Company or the Subsidiary and delivered to any Underwriter or counsel for the Underwriters in connection with the offering of the Shares shall be deemed to be a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

4. Certain Covenants of the Company. The Company hereby agrees:

(a) to furnish such information as may be required and otherwise to cooperate in qualifying the Shares for offering and sale under the securities or blue sky laws of such states or other jurisdictions as you may designate and to maintain such qualifications in effect so long as you may reasonably request for the distribution of the Shares; provided, however, that the Company shall not be required to qualify as a foreign corporation or to consent to the service of process under the laws of any such jurisdiction (except service of process with respect to the offering and sale of the Shares); and to promptly advise you of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for offer or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(b) to make available to the Underwriters in New York City, as soon as practicable after this Agreement becomes effective, and thereafter from time to time, prior to the expiration of nine months after the time of issue of the Prospectus in

connection with the offering or sale of the Shares, to furnish to the Underwriters, as many copies of the Prospectus (or of the Prospectus as amended or supplemented if the Company shall have made any amendments or supplements thereto after the effective date of the Registration Statement) as the Underwriters may reasonably request for the purposes contemplated by the Act; in case any Underwriter is required to deliver (whether physically or through compliance with Rule 172 under the Act or any similar rule), in connection with the sale of the Shares, a prospectus after the nine-month period referred to in Section 10(a)(3) of the Act, the Company will prepare, at its expense, promptly upon request such amendment or amendments to the Registration Statement and the Prospectus as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Act;

(c) if, at the time this Agreement is executed and delivered, it is necessary or appropriate for a post-effective amendment to the Registration Statement, or a Registration Statement under Rule 462(b) under the Act, to be filed with the Commission and become effective before the Shares may be sold, the Company will use its reasonable best efforts to cause such post-effective amendment or such Registration Statement to be filed and become effective, and will pay any applicable fees in accordance with the Act, as soon as possible; and the Company will advise you promptly and, if requested by you, will confirm such advice in writing, (i) when such post-effective amendment or such Registration Statement has become effective, and (ii) if Rule 430A under the Act is used, when the Prospectus is filed with the Commission pursuant to Rule 424(b) under the Act (which the Company agrees to file in a timely manner in accordance with such Rules);

(d) for so long as a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) to notify you immediately upon an event that causes the Company to no longer qualify as an EGC;

(e) to advise you promptly, confirming such advice in writing, of any request by the Commission for amendments or supplements to the Registration Statement or the Exchange Act Registration Statement, any Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus or for additional information with respect thereto, or of notice of institution of proceedings for, or the entry of a stop order, suspending the effectiveness of the Registration Statement and, if the Commission should enter a stop order suspending the effectiveness of the Registration Statement, to use its reasonable best efforts to obtain the lifting or removal of such order as soon as possible; to advise you promptly of any proposal to amend or supplement the Registration Statement or the Exchange Act Registration Statement, any Preliminary Prospectus or the Prospectus, and to provide you and Underwriters' counsel copies of any such documents for review and comment a reasonable amount of time prior to any proposed filing and to file no such amendment or supplement to which you shall reasonably object in writing on a timely basis;

(f) subject to Section 4(e) hereof, to file promptly all reports and documents and any preliminary or definitive proxy or

information statement required to be filed by the Company with the Commission in order to comply with the Exchange Act for so long as a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares;

(g) to advise the Underwriters promptly of the happening of any event within the period during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, which event could require the making of any change in the Prospectus then being used so that the Prospectus would not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, and to advise the Underwriters promptly if, during such period, it shall become necessary to amend or supplement the Prospectus to cause the Prospectus to comply with the requirements of the Act, and, in each case, during such time, subject to Section 4(e) hereof, to prepare and furnish, at the Company's expense, to the Underwriters promptly such amendments or supplements to such Prospectus as may be necessary to reflect any such change or to effect such compliance;

(h) to make generally available (within the meaning of Rule 158 under the Act) to its security holders, and, if not available on the Commission's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"), to deliver to you, an earnings statement of the Company (which will satisfy the provisions of Section 11(a) of the Act) covering a period of twelve months beginning after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act) as soon as is reasonably practicable after the termination of such twelve-month period but in any case not later than the date determined in accordance with the provisions of the last paragraph of Section 11(a) of the Act and Rule 158(c) thereunder;

(i) if requested by you, to furnish to you three copies of the Registration Statement, as initially filed with the Commission, and of all amendments thereto (including all exhibits thereto) and sufficient copies of the foregoing (other than exhibits) for distribution of a copy to each of the other Underwriters;

(j) if requested by you, to furnish to you as early as reasonably practicable prior to the time of purchase and any additional time of purchase, as the case may be, but not later than two business days prior thereto, a copy of the latest available unaudited interim and monthly consolidated financial statements, if any, of the Company and the Subsidiary which have been read by the Company's independent registered public accountants, as stated in their letter to be furnished pursuant to Section 6(d) hereof, provided, however, that the Company shall not be required to furnish any materials pursuant to this clause if such materials are available via EDGAR;

(k) to apply the net proceeds from the sale of the Shares in the manner set forth under the caption "Use of proceeds" in the Prospectus and to file such reports with the Commission with respect to the sale of the Shares and the application of the proceeds therefrom as may be required by Rule 463 under the Act;

(l) to pay all costs, expenses, fees and taxes in connection with (i) the preparation and filing of the Registration Statement, each Preliminary Prospectus, the Prospectus, each Permitted Free Writing Prospectus and any amendments or supplements thereto, and the printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment), (ii) the registration, issue, sale and delivery of the Shares including any stock or transfer taxes and stamp or similar duties payable upon the sale, issuance or delivery of the Shares to the Underwriters, (iii) the producing, word processing and/or printing of this Agreement, any Agreement Among Underwriters, any dealer agreements and any closing documents (including compilations thereof) and the reproduction and/or printing and furnishing of copies of each thereof to the Underwriters and (except closing documents) to dealers (including costs of mailing and shipment), (iv) the qualification of the Shares for offering and sale under state or foreign laws and the determination of their eligibility for investment under state or foreign law (including the reasonable legal fees and filing fees and other disbursements of counsel for the Underwriters) and the printing and furnishing of copies of any blue sky surveys or legal investment surveys to the Underwriters and to dealers, (v) any listing of the Shares on any securities exchange or qualification of the Shares for quotation on the NASDAQ and any registration thereof under the Exchange Act, (vi) any filing for review of the public offering of the Shares by FINRA, including the reasonable legal fees and filing fees and other disbursements of counsel to the Underwriters relating to FINRA matters, (vii) the fees and disbursements of any transfer agent or registrar for the Shares, (viii) the costs and expenses of the Company relating to presentations or meetings undertaken in connection with the marketing of the offering and sale of the Shares to prospective investors and the Underwriters' sales forces, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged with the Company's authorization (which may be by email) in connection with the road show presentations, travel, lodging and other expenses incurred by the officers of the Company and any such consultants (which, for the avoidance of doubt, does not include the Underwriters or their representatives), and 50% of the cost of any aircraft chartered in connection with the road show (with the other 50% to be paid for by the Underwriters), the costs of all Exempt Oral Communications and Covered Exempt Written Communications, (ix) the costs and expenses of qualifying the Shares for inclusion in the book-entry settlement system of the DTC, (x) the preparation and filing of the Exchange Act Registration Statement, including any amendments thereto, (xi) the offer and sale of the Reserved Shares, including all reasonable costs and expenses of UBS-FinSvc and the Underwriters, including the reasonable fees and disbursement of counsel for the Underwriters and (xii) the performance of the Company's other obligations hereunder; provided that the legal fees and other disbursements of counsel payable by the Company pursuant to clauses (iv) and (vi) above shall not exceed $40,000;

(m) to comply with Rule 433(d) under the Act (without reliance on Rule 164(b) under the Act) and with Rule 433(g) under the Act;

(n) beginning on the date hereof and ending on, and including, the date that is 180 days after the date of the Prospectus (the "Lock-Up Period"), without the prior written consent of the Representatives, not to (i) issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act and the rules and regulations of the Commission promulgated thereunder, with respect to, any Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, (ii) file or cause to become effective a registration statement under the Act relating to the offer and sale of any Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (iv) publicly announce an intention to effect any transaction specified in clause (i), (ii) or (iii), except, in each case, for (A) the registration of the offer and sale of the Shares as contemplated by this Agreement, (B) issuances of Common Stock upon the conversion of convertible securities, including preferred stock, the exercise of options or warrants, and the vesting of restricted stock, in each case as disclosed as outstanding in the Registration Statement, the Disclosure Package or the Prospectus, (C) the issuance of shares of Common Stock, stock options or other equity awards pursuant to employee benefit or equity incentive plans described in the Registration Statement, the Disclosure Package or the Prospectus, (D) the issuance of up to an aggregate of 5% of the outstanding Common Stock (measured as of the date hereof, after giving effect to the automatic conversion of the Company's preferred stock in connection with the offering of the Shares as described in the Prospectus) in connection with (1) the acquisition or license of the securities, business, property, technologies or other assets of another person or entity, including pursuant to an employee benefit plan assumed by the Company or its subsidiaries in connection with such acquisition or (2) joint ventures, commercial relationships or other strategic transactions, and in the case of each of clauses (1) and (2), the filing of a registration statement with respect thereto, provided that, in the case of clause (D), any recipient of such Common Stock shall execute and deliver to the Representatives a lock-up letter substantially in the form of Exhibit A hereto, and (E) the filing of any registration statement on Form S-8 relating to any benefit plans or arrangements disclosed in the Registration Statement, the Disclosure Package or the Prospectus and the issuance of securities registered pursuant thereto;

(o) prior to the time of purchase or any additional time of purchase, as the case may be, to provide you with reasonable advance notice of and opportunity to

comment on any press release or other public communication and provide you with reasonable advance notice of any press conferences with respect to the Company or the Subsidiary, the financial condition, results of operations, business, properties, assets, or liabilities of the Company or the Subsidiary, or the offering of the Shares; and to issue no such press release or communications without your prior consent (which may be by email), which consent shall not be unreasonably withheld or delayed;

(p) not, at any time at or after the execution of this Agreement, to, directly or indirectly, offer or sell any Shares by means of any "prospectus" (within the meaning of the Act), or use any "prospectus" (within the meaning of the Act) in connection with the offer or sale of the Shares, in each case other than the Prospectus;

(q) not to, and to cause the Subsidiary not to, take, directly or indirectly, any action designed, or which will constitute, or has constituted, or would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(r) to use its best efforts to cause the Common Stock, including the Shares, to be listed for quotation on the NASDAQ and to maintain such listing for quotation on the NASDAQ;

(s) for so long as the Company is subject to the reporting requirements of Section 13(g) or 15(d) of the Exchange Act, to maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock;

(t) to cause each Directed Share Participant to execute a Lock-Up Agreement and otherwise to cause the Reserved Shares to be restricted from sale, transfer, assignment, pledge or hypothecation to such extent as may be required by FINRA and its rules, and to direct the transfer agent to place stop transfer restrictions upon such Reserved Shares during the Lock-Up Period or any such longer period of time as may be required by FINRA and its rules; and to comply with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Reserved Shares are offered in connection with the Directed Share Program; and

(u) to announce the Underwriters' intention to release any director or "officer" (within the meaning of Rule 16a-1(f) under the Exchange Act) of the Company from any of the restrictions imposed by any Lock-Up Agreement, by issuing, through a major news service, a press release, the form of which is attached as Exhibit A-1 hereto, that is satisfactory to the Representatives, promptly following the Company's receipt of any notification from the Representatives in which the Underwriters indicate such intention, but in any case not later than the close of the second business day prior to the date on which such release or waiver is to become effective; provided, however, that nothing shall prevent UBS, on behalf of the Underwriters, from announcing the same through a major news service, irrespective of whether the Company has made the required announcement; and further provided that no such announcement shall be made of any

release or waiver granted solely to permit a transfer of securities that is not for consideration and where the transferee has agreed in writing to be bound by the terms of a Lock-Up Agreement in the form set forth as Exhibit A hereto.

5. Reimbursement of the Underwriters' Expenses. If, after the execution and delivery of this Agreement, the Shares are not delivered for any reason other than the termination of this Agreement pursuant to the fifth paragraph of Section 8 hereof or the default by one or more of the Underwriters in its or their respective obligations hereunder, the Company shall, in addition to paying the amounts described in Section 4(l) hereof, reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of their counsel.

6. Conditions of the Underwriters' Obligations. The several obligations of the Underwriters hereunder are subject to the accuracy of the representations and warranties on the part of the Company on the date hereof, at the time of purchase and, if applicable, at the additional time of purchase, the performance by the Company of its obligations hereunder and to the following additional conditions precedent:

(a) The Company shall furnish to you at the time of purchase and, if applicable, at the additional time of purchase, an opinion of Fenwick & West LLP, counsel for the Company, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, in form and substance reasonably satisfactory to the Representatives.

(b) The Company shall furnish to you at the time of purchase and, if applicable, at the additional time of purchase, an opinion of Knobbe Martens Olson & Bear, LLP, special counsel for the Company with respect to patents and proprietary rights, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, in form and substance reasonably satisfactory to the Representatives.

(c) The Company shall furnish to you at the time of purchase and, if applicable, at the additional time of purchase, an opinion of King & Spalding LLP, special counsel for the Company with respect to regulatory matters, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, in form and substance reasonably satisfactory to the Representatives.

(d) You shall have received from KPMG LLP letters dated, respectively, the date of this Agreement, the time of purchase and, if applicable, the additional time of purchase, and addressed to the Underwriters in the forms reasonably satisfactory to the Representatives.

(e) You shall have received at the time of purchase and, if applicable, at the additional time of purchase, the favorable opinion of Latham & Watkins LLP, counsel for the Underwriters, dated the time of purchase or the additional time of purchase, as the case may be, in form and substance reasonably satisfactory to the Representatives.

(f) No Prospectus or amendment or supplement to the Registration Statement or the Prospectus shall have been filed to which you shall have reasonably objected (as soon as practicable) in writing.

(g) The Registration Statement, the Exchange Act Registration Statement and any registration statement required to be filed, prior to the sale of the Shares, under the Act pursuant to Rule 462(b) shall have been filed and shall have become effective under the Act or the Exchange Act, as the case may be. If Rule 430A under the Act is used, the Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act at or before 5:30 P.M., New York City time, on the second full business day after the date of this Agreement (or such earlier time as may be required under the Act).

(h) At the time of purchase, and, if applicable, the additional time of purchase, (i) no stop order with respect to the effectiveness of the Registration Statement shall have been issued under the Act or proceedings initiated under Section 8(d) or 8(e) of the Act; (ii) the Registration Statement shall not, as of the Effective Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (iii) the Prospectus shall not, as of its date, the time of purchase and, if applicable, the additional time of purchase, as then amended or supplemented, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iv) the Disclosure Package shall not, as of the Applicable Time, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) The Company will, at the time of purchase and, if applicable, at the additional time of purchase, deliver to you a certificate of its Chief Executive Officer and its Chief Financial Officer, dated the time of purchase or the additional time of purchase, as the case may be, in the form attached as Exhibit B hereto.

(j) You shall have received signed copies of the agreements for the benefit of the Underwriters, in the form set forth as Exhibit A hereto (the "Lock-Up Agreements") from (i) each of the Company's directors and "officers" (within the meaning of Rule 16a-1(f) under the Exchange Act) and (ii) substantially all of the holders of shares of Common Stock or any security convertible or exercisable for shares of Common Stock. Each such Lock-Up Agreement shall be in full force and effect at the time of purchase and the additional time of purchase, as the case may be.

(k) The Company shall have furnished to you such other documents and certificates as to the accuracy and completeness of any statement in the Registration Statement, the Disclosure Package and the Prospectus as of the time of purchase and, if applicable, the additional time of purchase, as you may reasonably request.

(l) The Shares shall have been approved for quotation on the NASDAQ, subject only to notice of issuance and evidence of satisfactory distribution at or prior to the time of purchase or the additional time of purchase, as the case may be.

(m) FINRA shall not have raised any objection with respect to the fairness or reasonableness of the underwriting, or other arrangements of the transactions, contemplated hereby.

7. Effective Date of Agreement; Termination. This Agreement shall become effective when the parties hereto have executed and delivered this Agreement.

The obligations of the several Underwriters hereunder shall be subject to termination in the sole discretion of the Representatives, if (1) since the time of execution of this Agreement or the earlier respective dates as of which information is given in the Registration Statement, the Disclosure Package and the Prospectus there has been any change or any development involving a prospective change in the business, properties, management, financial condition or results of operations of the Company and the Subsidiary taken as a whole, the effect of which change or development is, in the sole judgment of the Representatives, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares on the terms and in the manner contemplated in the Registration Statement, the Disclosure Package and the Prospectus or (2) since the time of execution of this Agreement, there shall have occurred: (A) a suspension or material limitation in trading in securities generally on the NYSE, the American Stock Exchange or the NASDAQ; (B) a suspension or material limitation in trading in the Company's securities on the NASDAQ; (C) a general moratorium on commercial banking activities declared by either federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (D) an outbreak or escalation of hostilities or significant acts of terrorism involving the United States or a declaration by the United States of a national emergency or war; or (E) any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (D) or (E), in the sole judgment of the Representatives, makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares on the terms and in the manner contemplated in the Registration Statement, the Disclosure Package and the Prospectus, or (3) since the time of execution of this Agreement, there shall have occurred any downgrading, or any notice or announcement shall have been given or made of: (A) any intended or potential downgrading or (B) any watch, review or possible change that does not indicate an affirmation or improvement in the rating accorded any securities of or guaranteed by the Company or any Subsidiary by any "nationally recognized statistical rating organization," as that term is defined in Rule 436(g)(2) under the Act.

If the Representatives elect to terminate this Agreement as provided in this Section 7, the Company and each other Underwriter shall be notified promptly in writing.

If the sale to the Underwriters of the Shares, as contemplated by this Agreement, is not carried out by the Underwriters for any reason permitted under this Agreement, or if such sale is not carried out because the Company shall be unable to comply with any of the terms of

this Agreement, the Company shall not be under any obligation or liability under this Agreement (except to the extent provided in Sections 4(l), 5 and 9 hereof), and the Underwriters shall be under no obligation or liability to the Company under this Agreement (except to the extent provided in Section 9 hereof) or to one another hereunder.

8. Increase in Underwriters' Commitments. Subject to Sections 6 and 7 hereof, if any Underwriter shall default in its obligation to take up and pay for the Firm Shares to be purchased by it hereunder (otherwise than for a failure of a condition set forth in Section 6 hereof or a reason sufficient to justify the termination of this Agreement under the provisions of Section 7 hereof) and if the number of Firm Shares which all Underwriters so defaulting shall have agreed but failed to take up and pay for does not exceed 10% of the total number of Firm Shares, the non-defaulting Underwriters (including the Underwriters, if any, substituted in the manner set forth below) shall take up and pay for (in addition to the aggregate number of Firm Shares they are obligated to purchase pursuant to Section 1 hereof) the number of Firm Shares agreed to be purchased by all such defaulting Underwriters, as hereinafter provided. Such Shares shall be taken up and paid for by such non-defaulting Underwriters in such amount or amounts as you may designate with the consent of each Underwriter so designated or, in the event no such designation is made, such Shares shall be taken up and paid for by all non-defaulting Underwriters pro rata in proportion to the aggregate number of Firm Shares set forth opposite the names of such non-defaulting Underwriters in Schedule A.

Without relieving any defaulting Underwriter from its obligations hereunder, the Company agrees with the non-defaulting Underwriters that it will not sell any Firm Shares hereunder unless all of the Firm Shares are purchased by the Underwriters (or by substituted Underwriters selected by you with the approval of the Company or selected by the Company with your approval).

If a new Underwriter or Underwriters are substituted by the Underwriters or by the Company for a defaulting Underwriter or Underwriters in accordance with the foregoing provision, the Company or you shall have the right to postpone the time of purchase for a period not exceeding five business days in order that any necessary changes in the Registration Statement and the Prospectus and other documents may be effected.

The term "Underwriter" as used in this Agreement shall refer to and include any Underwriter substituted under this Section 8 with like effect as if such substituted Underwriter had originally been named in Schedule A hereto.

If the aggregate number of Firm Shares which the defaulting Underwriter or Underwriters agreed to purchase exceeds 10% of the total number of Firm Shares which all Underwriters agreed to purchase hereunder, and if neither the non-defaulting Underwriters nor the Company shall make arrangements within the five business day period stated above for the purchase of all the Firm Shares which the defaulting Underwriter or Underwriters agreed to

purchase hereunder, this Agreement shall terminate without further act or deed and without any liability on the part of the Company to any Underwriter and without any liability on the part of any non-defaulting Underwriter to the Company. Nothing in this paragraph, and no action taken hereunder, shall relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

9. Indemnity and Contribution.

(a) The Company agrees to indemnify, defend and hold harmless each Underwriter, its partners, directors, officers and members, any person who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and any "affiliate" (within the meaning of Rule 405 under the Act) of such Underwriter, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, any such Underwriter or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, the Registration Statement or arises out of or is based upon any omission or alleged omission to state a material fact in the Registration Statement in connection with such information, which material fact was not contained in such information and which material fact was required to be stated in such Registration Statement or was necessary to make such information not misleading, (ii) any untrue statement or alleged untrue statement of a material fact included in any Prospectus (the term Prospectus for the purpose of this Section 9 being deemed to include any Preliminary Prospectus, the Prospectus and any amendments or supplements to the foregoing), in any Covered Free Writing Prospectus, in any Covered Exempt Written Communication, in any "issuer information" (as defined in Rule 433 under the Act) of the Company or in any Prospectus together with any combination of one or more of the Covered Free Writing Prospectuses, if any, and one or more Covered Exempt Written Communications, if any, or arises out of or is based upon any omission or alleged omission to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except, with respect to such Prospectus or any Permitted Free Writing Prospectus or any Permitted Exempt Written Communication, insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, such Prospectus or

Permitted Free Writing Prospectus or Permitted Exempt Written Communication or arises out of or is based upon any omission or alleged omission to state a material fact in such Prospectus or Permitted Free Writing Prospectus or Permitted Exempt Written Communication in connection with such information, which material fact was not contained in such information and which material fact was necessary in order to make the statements in such information, in the light of the circumstances under which they were made, not misleading or (iii) the Directed Share Program, except, with respect to this clause (iii), insofar as such loss, damage, expense, liability or claim is finally judicially determined to have resulted from the gross negligence or willful misconduct of the Underwriters in conducting the Directed Share Program, and will reimburse each "indemnified party" (defined below) for any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending against any loss, damage, expense, liability, claim, action, litigation, investigation or proceeding whatsoever (whether or not such indemnified party is a party thereto), whether threatened or commenced, and in connection with the enforcement of this provision with respect to the above as such fees and expenses are incurred.

Without limitation of and in addition to its obligations under the other paragraphs of this Section 9, the Company agrees to indemnify, defend and hold harmless UBS-FinSvc and its partners, directors, officers and members, and any person who controls UBS-FinSvc within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, UBS-FinSvc or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim (1) arises out of or is based upon (a) any of the matters referred to in clauses (i) through (iii) of the first paragraph of this Section 9(a), or (b) any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Directed Share Participants in connection with the Directed Share Program or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (2) is or was caused by the failure of any Directed Share Participant to pay for and accept delivery of Reserved Shares that the Directed Share Participant has agreed to purchase; or (3) otherwise arises out of or is based upon the Directed Share Program, provided, however, that the Company shall not be responsible under this clause (3) for any loss, damage, expense, liability or claim that is finally judicially determined to have resulted from the gross negligence or willful misconduct of UBS-FinSvc in conducting the Directed Share Program. Section 9(c) shall apply equally to any Proceeding (as defined below) brought against UBS-FinSvc or any such person in respect of which indemnity may be sought against the Company pursuant to the immediately preceding sentence, except that the Company shall be liable for the expenses of one separate counsel (in addition to any local counsel) for UBS-FinSvc and any such person, separate and in addition to counsel for the persons who may seek indemnification pursuant to the first paragraph of this Section 9(a), in any such Proceeding.

(b) Each Underwriter severally agrees to indemnify, defend and hold harmless the Company, its directors and officers, and any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, the Company or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company), or arises out of or is based upon any omission or alleged omission to state a material fact in such Registration Statement in connection with such information, which material fact was not contained in such information and which material fact was required to be stated in such Registration Statement or was necessary to make such information not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, a Prospectus or a Permitted Free Writing Prospectus, or a Permitted Exempt Written Communication, or arises out of or is based upon any omission or alleged omission to state a material fact in such Prospectus or Permitted Free Writing Prospectus or Permitted Exempt Written Communication in connection with such information, which material fact was not contained in such information and which material fact was necessary in order to make the statements in such information, in the light of the circumstances under which they were made, not misleading.

(c) If any action, suit or proceeding (each, a "Proceeding") is brought against a person (an "indemnified party") in respect of which indemnity may be sought against the Company or an Underwriter (as applicable, the "indemnifying party") pursuant to subsection (a) or (b), respectively, of this Section 9, such indemnified party shall promptly notify such indemnifying party in writing of the institution of such Proceeding and such indemnifying party shall assume the defense of such Proceeding, including the retention of counsel reasonably satisfactory to such indemnified party, and pay all reasonable legal or other fees and expenses related to such Proceeding or incurred in connection with such indemnified party's enforcement of subsection (a) or (b) of this Section 9; provided, however, that the omission to so notify such indemnifying party shall not relieve such indemnifying party from any liability that such indemnifying party may have to any indemnified party or otherwise except to the extent the indemnifying party is materially prejudiced (through the forfeiture of such rights or defenses) by any such omission or delay to notify. The indemnified party or parties shall have the right to retain its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties

unless (i) the retention of such counsel shall have been authorized in writing by the indemnifying party in connection with the defense of such Proceeding, (ii) the indemnifying party shall not have, within a reasonable period of time in light of the circumstances, retained counsel to defend such Proceeding or (iii) such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them that are different from, additional to or in conflict with those available to such indemnifying party (in which case such indemnifying party shall not have the right to direct the defense of such Proceeding on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by such indemnifying party and paid as incurred (it being understood, however, that, except as provided in the second paragraph of Section 9(a), such indemnifying party shall not be liable for the fees or expenses of more than one separate counsel (in addition to any local counsel) in any one Proceeding or series of related Proceedings in the same jurisdiction representing the indemnified parties who are parties to such Proceeding). The indemnifying party shall not be liable for any settlement of any Proceeding effected without its written consent but, if settled with its written consent, such indemnifying party agrees to indemnify and hold harmless the indemnified party or parties from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this Section 9(c), then the indemnifying party agrees that it shall be liable for any settlement of any Proceeding effected without its written consent if (i) such settlement is entered into more than 60 business days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall not have fully reimbursed the indemnified party in accordance with such request prior to the date of such settlement and (iii) such indemnified party shall have given the indemnifying party at least 30 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened Proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such Proceeding and does not include an admission of fault or culpability or a failure to act by or on behalf of such indemnified party.

(d) If the indemnification provided for in this Section 9 is unavailable to an indemnified party under subsections (a) and (b) of this Section 9 or insufficient to hold an indemnified party harmless in respect of any losses, damages, expenses, liabilities or claims referred to therein, then each applicable indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, damages, expenses, liabilities or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the

relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other in connection with the statements or omissions which resulted in such losses, damages, expenses, liabilities or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same respective proportions as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company, and the total underwriting discounts and commissions received by the Underwriters, bear to the aggregate public offering price of the Shares. The relative fault of the Company on the one hand and of the Underwriters on the other shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, damages, expenses, liabilities and claims referred to in this subsection shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating, preparing to defend or defending any Proceeding.

(e) The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in subsection (d) above. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by such Underwriter and distributed to the public were offered to the public exceeds the amount of any damage which such Underwriter has otherwise been required to pay by reason of such untrue statement or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 9 are several in proportion to their respective underwriting commitments and not joint.

(f) The indemnity and contribution agreements contained in this Section 9 and the covenants, warranties and representations of the Company contained in this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of any Underwriter, its partners, directors, officers or members or any person (including each partner, officer, director or member of such person) who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, or by or on behalf of the Company, its directors or officers or any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and shall survive any termination of this Agreement or the issuance and delivery of the Shares. The Company

and each Underwriter agree promptly to notify each other of the commencement of any Proceeding against it and, in the case of the Company, against any of the Company's officers or directors in connection with the issuance and sale of the Shares, or in connection with the Registration Statement, any Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus.

10. Information Furnished by the Underwriters. The statements set forth in the last paragraph on the cover page of the prospectus, the second, third and fourth sentences under the caption "Underwriting—Underwriting Discount" in the Prospectus and the first six paragraphs (other than the second sentence in the sixth paragraph therein) under the caption "Underwriting—Pricing Stabilization, Short Positions" in the Prospectus, only insofar as such statements relate to the amount of selling concession and reallowance or to over-allotment and stabilization activities that may be undertaken by the Underwriters, constitute the only information furnished by or on behalf of the Underwriters (and, for the avoidance of doubt, not by the Company or any other party), as such information is referred to in Sections 3 and 9 hereof.

11. Notices. Except as otherwise herein provided, all statements, requests, notices and agreements shall be in writing or by telegram or facsimile and, if to the Underwriters, shall be sufficient in all respects if delivered or sent to the Representatives c/o UBS Securities LLC, 1285 Avenue of the Americas, New York, New York 10019, Attention: Syndicate (fax: (212) 713-3371), c/o Canaccord Genuity Inc., 99 High Street, 12th Floor, Boston, Massachusetts 02110, Attention: Equity Capital Markets (fax: (617) 371-3798) and c/o Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, Suite 3700, San Francisco, California 94104, Attention: General Counsel; and if to the Company, shall be sufficient in all respects if delivered or sent to the Company at the offices of the Company at 5421 Avenida Encinas, Suite F, Carlsbad, California 92008, Attention: Andrew Rasdal, President and Chief Executive Officer.

12. Governing Law; Construction. This Agreement and any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Agreement ("Claim"), directly or indirectly, shall be governed by, and construed in accordance with, the laws of the State of New York without regard to the conflicts of law principles thereof. The section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

13. Submission to Jurisdiction. Except as set forth below, no Claim may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Company consents to the jurisdiction of such courts and personal service with respect thereto. The Company hereby consents to personal jurisdiction, service and venue in any court in which any Claim arising out of or in any way relating to this Agreement is brought by any third party against any Underwriter or any indemnified party. Each Underwriter and the Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) waive all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) in any way arising out of or

relating to this Agreement. The Company agrees that a final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon the Company and may be enforced in any other courts to the jurisdiction of which the Company is or may be subject, by suit upon such judgment.

14. Parties at Interest. The Agreement herein set forth has been and is made solely for the benefit of the Underwriters and the Company and to the extent provided in Section 9 hereof the controlling persons, partners, directors, officers, members and affiliates referred to in such Section, and their respective successors, assigns, heirs, personal representatives and executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from any of the Underwriters) shall acquire or have any right under or by virtue of this Agreement.

15. No Fiduciary Relationship. The Company hereby acknowledges that the Underwriters are acting solely as underwriters in connection with the purchase and sale of the Company's securities. The Company further acknowledges that the Underwriters are acting pursuant to a contractual relationship created solely by this Agreement entered into on an arm's length basis, and in no event do the parties intend that the Underwriters act or be responsible as a fiduciary to the Company, its management, stockholders or creditors or any other person in connection with any activity that the Underwriters may undertake or have undertaken in furtherance of the purchase and sale of the Company's securities, either before or after the date hereof. The Underwriters hereby expressly disclaim any fiduciary or similar obligations to the Company, either in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions, and the Company hereby confirms its understanding and agreement to that effect. The Company and the Underwriters agree that they are each responsible for making their own independent judgments with respect to any such transactions and that any opinions or views expressed by the Underwriters to the Company regarding such transactions, including, but not limited to, any opinions or views with respect to the price or market for the Company's securities, do not constitute advice or recommendations to the Company. The Company and the Underwriters agree that the Underwriters are acting as principal and not the agent or fiduciary of the Company and no Underwriter has assumed, and none of them will assume, any advisory responsibility in favor of the Company with respect to the transactions contemplated hereby or the process leading thereto (irrespective of whether any Underwriter has advised or is currently advising the Company on other matters). The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Underwriters with respect to any breach or alleged breach of any fiduciary, advisory or similar duty to the Company in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions.

16. Counterparts. This Agreement may be signed by the parties in one or more counterparts which together shall constitute one and the same agreement among the parties.

17. Successors and Assigns. This Agreement shall be binding upon the Underwriters and the Company and their successors and assigns and any successor or assign of any substantial portion of the Company's and any of the Underwriters' respective businesses and/or assets.

18. Miscellaneous. UBS, an indirect, wholly owned subsidiary of UBS AG, is not a bank and is separate from any affiliated bank, including any U.S. branch or agency of UBS AG. Because UBS is a separately incorporated entity, it is solely responsible for its own contractual obligations and commitments, including obligations with respect to sales and purchases of securities. Securities sold, offered or recommended by UBS are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by a branch or agency, and are not otherwise an obligation or responsibility of a branch or agency.

[***The Remainder of This Page Intentionally Left Blank; Signature Page Follows***]

If the foregoing correctly sets forth the understanding among the Company and the several Underwriters, please so indicate in the space provided below for that purpose, whereupon this Agreement and your acceptance shall constitute a binding agreement among the Company and the Underwriters, severally.

Very truly yours,

OBALON THERAPEUTICS, INC.

By: _____
Name:
Title:

Accepted and agreed to as of the date first above written, on behalf of themselves and the other several Underwriters named in Schedule A

UBS SECURITIES LLC
CANACCORD GENUITY INC.
STIFEL, NICOLAUS & COMPANY, INCORPORATED

By: UBS SECURITIES LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

CANACCORD GENUITY INC.

By: _____
Name:
Title:

STIFEL, NICOLAUS & COMPANY, INCORPORATED

By: _____
Name:
Title:

SCHEDULE A

Underwriter	Number of Firm Shares
UBS SECURITIES LLC	[●]
CANACCORD GENUITY INC.	[●]
STIFEL, NICOLAUS & COMPANY, INCORPORATED	[●]
BTIG, LLC	[●]
Total	[●]

SCHEDULE B

Permitted Free Writing Prospectuses

[●]

Permitted Exempt Written Communications

[●]

Pricing Information Provided Orally by Underwriters

Price per share to the public: $[●]

Number of Firm Shares: [●]

Number of Additional Shares: [●]

EXHIBIT A

Lock-Up Agreement

, 2016

UBS Securities LLC
Canaccord Genuity Inc.
Stifel, Nicolaus & Company, Incorporated
Together with the other Underwriters
named in Schedule A to the Underwriting Agreement
referred to herein

c/o UBS Securities LLC
1285 Avenue of the Americas
New York, New York 10019

c/o Canaccord Genuity Inc.
99 High Street, 12th Floor
Boston, Massachusetts 02110

c/o Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, Suite 3700
San Francisco, California 94104

Ladies and Gentlemen:

This Lock-Up Agreement is being delivered to you in connection with the proposed Underwriting Agreement (the "Underwriting Agreement") to be entered into by Obalon Therapeutics, Inc., a Delaware corporation (the "Company"), and UBS Securities LLC, Canaccord Genuity Inc. and Stifel, Nicolaus & Company, Incorporated, as representatives (the "Representatives") of the several underwriters named in Schedule A to the Underwriting Agreement (the "Underwriters"), with respect to the proposed public offering (the "Offering") of common stock, par value $0.001 per share, of the Company (the "Common Stock").

In order to induce you to enter into the Underwriting Agreement, the undersigned agrees that, for a period (the "Lock-Up Period") beginning on the date hereof and ending on, and including, the date that is 180 days after the date of the final prospectus relating to the Offering (the "Prospectus"), the undersigned will not, without the prior written consent of the Representatives, (i) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, or file (or participate in the filing of) a registration statement with the U.S. Securities and Exchange Commission (the "Commission") in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission

promulgated thereunder (the "Exchange Act") with respect to, any Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing (collectively, the "Locked-Up Securities"), (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (iii) publicly announce an intention to effect any transaction specified in clause (i) or (ii).

The foregoing sentence shall not apply to the registration of the offer and sale of Common Stock as contemplated by the Underwriting Agreement and the sale of the Common Stock to the Underwriters in the Offering. In addition, the foregoing restrictions shall not apply to the undersigned's transfer of Locked-Up Securities:

(a) acquired in the Offering (other than any Company-directed shares of Common Stock purchased in the Offering by an officer or director of the Company) or in open market transactions after the completion of the Offering;

(b) as a bona fide gift or gifts, or for bona fide estate planning purposes, *provided* the recipient thereof agrees in writing with the Underwriters to be bound by the terms of this Lock-Up Agreement and any such transfer shall not involve a disposition for value;

(c) to any member of the immediate family of the undersigned or any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, *provided* that the transferee agrees in writing with the Underwriters to be bound by the terms of this Lock-Up Agreement and any such transfer shall not involve a disposition for value;

(d) if the undersigned is a corporation, partnership or other business entity, (1) to another corporation, partnership or other business entity that controls, is controlled by or is under common control with the undersigned or (2) as part of a distribution by the undersigned to its stockholders, members, partners or other equity holders, *provided* that, in the case of (1) and (2) above, the transferee agrees in writing with the Underwriters to be bound by the terms of this Lock-Up Agreement and any such transfer shall not involve a disposition for value;

(e) if the undersigned is a trust, to a trustee or beneficiary of the trust, *provided* that the transferee agrees in writing with the Underwriters to be bound by the terms of this Lock-Up Agreement and any such transfer shall not involve a disposition for value;

(f) by will, other testamentary document or intestate succession to the legal representative, heir, beneficiary or a member of the immediate family of the undersigned upon the death of the undersigned, *provided* that the transferee agrees in writing with the Underwriters to be bound by the terms of this Lock-Up Agreement and any such transfer shall not involve a disposition for value;

(g) to the Company, or the withholding of shares of Common Stock by the Company, upon the vesting or exercise of an option or other award granted under an equity incentive plan or stock purchase plan of the Company described in the Prospectus or the conversion or exercise of a convertible security or warrant of the Company described in the Prospectus (in each case, by way of "net" exercise in accordance with their terms, and/or to cover withholding tax obligations in connection with such exercise), *provided* that any such Common Stock received upon such vesting, exercise or conversion shall be subject to the terms of this Lock-Up Agreement and if the undersigned is required to make a filing under the Exchange Act reporting a reduction in beneficial ownership of shares of Common Stock during the Lock-Up Period, the undersigned shall include a statement in such report to the effect that the purpose of such transfer was in connection with a "net exercise" or to cover tax obligations of the undersigned, as applicable, in connection with such transfer;

(h) to the Company pursuant to any contractual arrangement in effect on the date of the Prospectus that provides for the repurchase of the undersigned's Common Stock or such other securities by the Company or in connection with the termination of the undersigned's employment with the Company, *provided* that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made during the Lock-Up Period in connection with any such transfers or dispositions (other than any Form 4 or Form 5 required to be filed under the Exchange Act if the undersigned is subject to Section 16 reporting with respect to the Company under the Exchange Act, and indicating by footnote disclosure or otherwise the nature of the transfer or disposition);

(i) in connection with the conversion of outstanding preferred shares into, or the exercise of any option or warrant (outstanding as of the date of the Prospectus) for, shares of Common Stock in a manner consistent with the description of such securities contained in the Prospectus, *provided* that any such shares of Common Stock received shall be subject to the terms of this Lock-Up Agreement;

(j) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (b) through (f) above;

(k) by operation of law, including pursuant to orders of a court or regulatory agency, a domestic order or negotiated divorce settlement; or

(l) pursuant to a bona fide third party tender offer for all outstanding shares of the Company, merger, consolidation or other similar transaction made to all holders of the Company's securities involving a change of control of the Company (including, without limitation, the entering into of any lock-up voting or similar agreement pursuant to which the undersigned may agree to transfer, sell, tender or otherwise dispose of shares of Common Stock or other such securities in connection with such transaction, or vote any shares of Common Stock or other securities in favor of any such transaction), *provided* that in the event that such tender offer, merger, consolidation or other such transaction is not completed, such securities held by the undersigned shall remain subject to the provisions of this Lock-Up Agreement. For purposes of this Lock-Up Agreement, "change of control" shall mean the consummation of any bona fide third party tender offer, merger, consolidation or other similar transaction the result of which is

that any "person" (as defined in Section 13(d)(3) of the Exchange Act), or group of persons, other than the Company, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 of the Exchange Act) of a majority of total voting power of the voting stock of the Company);

provided, that in the case of any transfer or distribution pursuant to clauses (a) through (f) and (j), no filing by any party (donor, donee, transferor or transferee) under the Exchange Act or other public announcement shall be required or shall be made voluntarily in connection with such transfer or distribution (other than a filing on a Form 5 made after the expiration of the Lock-Up Period).

For purposes of this agreement, "immediate family" shall mean any relationship by blood, marriage, domestic partnership or adoption, not more remote than first cousin;

Furthermore, nothing in this Lock-Up Agreement shall be deemed to prevent the undersigned from establishing a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Common Stock, provided that (i) such plan does not provide for the transfer of Common Stock during the Lock-Up Period and (ii) no public disclosure of any such action shall be required or shall be voluntarily made by any person until expiration of the Lock-Up Period.

In addition, the undersigned hereby waives any rights the undersigned may have to require registration of Common Stock in connection with the filing of a registration statement relating to the Offering. The undersigned further agrees that, for the Lock-Up Period, the undersigned will not, without the prior written consent of the Representatives, make any demand for, or exercise any right with respect to, the registration of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or warrants or other rights to purchase Common Stock or any such securities.

In addition, the undersigned hereby waives any and all preemptive rights, participation rights, resale rights, rights of first refusal and similar rights that the undersigned may have in connection with the Offering or with any issuance or sale by the Company of any equity or other securities before the Offering, except for any such rights as have been heretofore duly exercised.

If the undersigned is an officer or director of the Company, the Representatives agree that, at least three business days prior to the release or waiver of any of the foregoing restrictions with respect to any Locked-Up Securities held by the undersigned, including, for the avoidance of doubt, any security of the Company acquired by the undersigned from the Company in the Offering, the Representatives will (i) notify the Company of the impending release or waiver and (ii) announce such impending release or waiver through a major news service in the event that the Company fails to make such announcement in accordance with its obligations under the Underwriting Agreement; provided, however, that no such notification or announcement shall be required, given or made where the release or waiver is effected solely to permit a transfer of securities that is not for consideration and where the transferee has agreed in writing to be bound by the terms of this Lock-Up Agreement. Any such release or waiver granted hereunder shall only be effective two business days after such announcement is made by the Company or the Representatives.

The undersigned hereby authorizes the Company and its transfer agent, during the Lock-Up Period, to decline the transfer of or to note stop transfer restrictions on the stock register and other records relating to shares of Common Stock or other securities subject to this Lock-Up Agreement of which the undersigned is the record holder, and, with respect to shares of Common Stock or other securities subject to this Lock-Up Agreement of which the undersigned is the beneficial owner but not the record holder, the undersigned hereby agrees to cause such record holder to authorize the Company and its transfer agent, during the Lock-Up Period, to decline the transfer of or to note stop transfer restrictions on the stock register and other records relating to such shares or other securities, except in the case of a transfer in compliance with this Lock-Up Agreement.

* * *

If (i) either the Representatives, on the one hand, or the Company, on the other hand, notifies you in writing that it does not intend to proceed with the Offering, (ii) the registration statement filed with the Commission with respect to the Offering is withdrawn or (iii) for any reason the Underwriting Agreement shall be terminated prior to the "time of purchase" (as defined in the Underwriting Agreement), this Lock-Up Agreement shall automatically, and without any action on the part of any other party, be terminated and be of no further force and effect, and the undersigned shall be released from its obligations hereunder.

Yours very truly,

Name:

EXHIBIT A-1

[Form of Press Release]

Obalon Therapeutics, Inc.
[Insert date]

Obalon Therapeutics, Inc. (the "Company") announced today that UBS Securities LLC, Canaccord Genuity Inc. and Stifel, Nicolaus & Company, Incorporated, the book-running managers in the Company's recent initial public offering of [ ] shares of common stock, intends to [waive] [release] a lock-up restriction, along with the other underwriters of such offering whose consent is required, relating to [ ] shares of the Company's common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on [insert date], after which such shares may be sold or otherwise disposed of.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

EXHIBIT B

OFFICERS' CERTIFICATE

Each of the undersigned, Andrew Rasdal, President and Chief Executive Officer of Obalon Therapeutics, Inc., a Delaware corporation (the "Company"), and William J. Plovanic, Chief Financial Officer of the Company, on behalf of the Company, does hereby certify, in his capacity as an officer of the Company and not in his personal capacity, pursuant to Section 6(i) of that certain Underwriting Agreement dated [●], 2016 (the "Underwriting Agreement") among the Company and, on behalf of the several Underwriters named therein, UBS Securities LLC, Canaccord Genuity Inc. and Stifel, Nicolaus & Company, Incorporated, that as of [●], 2016:

1. He has reviewed the Registration Statement, the Disclosure Package and the Prospectus.

2. The representations and warranties of the Company as set forth in the Underwriting Agreement are true and correct as of the date hereof and as if made on the date hereof.

3. The Company has performed all of its obligations under the Underwriting Agreement as are to be performed at or before the date hereof.

4. The conditions set forth in paragraph (h) of Section 6 of the Underwriting Agreement have been met.

Capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Underwriting Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands on this [●], 2016

Name: Andrew Rasdal
Title: President and Chief Executive Officer

Name: William J. Plovanic
Title: Chief Financial Officer

Exhibit 3.1

SEVENTH AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION OF

OBALON THERAPEUTICS, INC.

Obalon Therapeutics, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), certifies that:

A. The name of the Corporation is Obalon Therapeutics, Inc. The Corporation's original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on January 2, 2008.

B. This Seventh Amended and Restated Certificate of Incorporation of the corporation attached hereto as Exhibit A, which is incorporated herein by this reference, and which restates, integrates and further amends the provisions of the Certificate of Incorporation of this corporation as previously amended or supplemented, has been duly adopted by the corporation's Board of Directors and a majority of the stockholders in accordance with Sections 242 and 245 of the Delaware General Corporation Law, with the approval of the corporation's stockholders having been given by written consent without a meeting in accordance with Section 228 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, Obalon Therapeutics, Inc. has caused this Seventh Amended and Restated Certificate of Incorporation to be signed by Andrew Rasdal, a duly authorized officer of the Corporation on April 29, 2016.

/s/ Andrew Rasdal
Andrew Rasdal
President

EXHIBIT A

ARTICLE I

The name of the corporation is Obalon Therapeutics, Inc.

ARTICLE II

The purpose of this corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE III

The address of the corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400 in the City of Wilmington, County of New Castle, Delaware 19808. The name of the corporation's registered agent for service of process at such address is Corporation Service Company.

ARTICLE IV

The total number of shares of stock that the corporation shall have authority to issue is 79,460,759, consisting of 45,000,000 shares of Common Stock, $0.001 par value per share, and 34,460,759 shares of Preferred Stock, $0.001 par value per share. The Preferred Stock shall consist of 2,333,332 shares of "Series A Preferred Stock," 4,333,332 shares of "Series B Preferred Stock," 7,809,006 shares of "Series C Preferred Stock," 1,418,042 shares of "Series C-1 Preferred Stock," 8,076,436 shares of "Series D Preferred Stock" and 10,490,611 shares of "Series E Preferred Stock."

ARTICLE V

The terms and provisions of the Common Stock and Preferred Stock are as follows:

1. Definitions. For purposes of this ARTICLE V, the following definitions shall apply:

(a) "**Conversion Price**" shall mean $2.2593 per share for the Series A Preferred Stock, $1.50 per share for the Series B Preferred Stock, $2.1351 per share for the Series C Preferred Stock, $3.5898 per share for the Series C-1 Preferred Stock, $2.5983 per share for the Series D Preferred Stock and $2.8597 per share for the Series E Preferred Stock (each subject to adjustment from time to time for Recapitalizations and as otherwise set forth elsewhere herein).

(b) "**Convertible Securities**" shall mean any evidences of indebtedness, shares or other securities convertible into or exchangeable for Common Stock.

(c) "**Corporation**" shall mean Obalon Therapeutics, Inc.

(d) "**Distribution**" shall mean the transfer of cash or other property without consideration whether by way of dividend or otherwise, other than dividends on Common Stock payable in Common Stock, or the purchase or redemption of shares of the Corporation by the Corporation for cash or property other than: (i) repurchases at cost of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation upon termination of their employment or services pursuant to agreements providing for the right of said repurchase, (ii) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Corporation or its subsidiaries pursuant to rights of first refusal contained in agreements providing for such right, and (iii) any other repurchase or redemption of capital stock of the Corporation approved by the holders of the Common and Preferred Stock of the Corporation voting as separate classes.

(e) "**Dividend Rate**" shall mean an annual rate of $0.24 per share for the Series A Preferred Stock, $0.12 per share for the Series B Preferred Stock, $0.15 per share for the Series C Preferred Stock, $0.2871 per share for the Series C-1 Preferred Stock, $0.2079 per share for the Series D Preferred Stock and $0.228776 per share for the Series E Preferred Stock (each subject to adjustment from time to time for Recapitalizations as set forth elsewhere herein).

(f) "**Junior Preferred Stock**" shall mean Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series C-1 Preferred Stock and any other series of preferred stock of the Company that may from time to time be authorized by an amendment of the Corporation's Certificate of Incorporation following the date of filing of this Seventh Amended and Restated Certificate of Incorporation.

(g) "**Liquidation Preference**" shall mean $3.00 per share for the Series A Preferred Stock, $1.50 per share for the Series B Preferred Stock, $2.1351 per share for the Series C Preferred Stock, $3.5898 per share for the Series C-1 Preferred Stock, $2.5983 per share for the Series D Preferred Stock and $2.8597 per share for the Series E Preferred Stock (each subject to adjustment from time to time for Recapitalizations as set forth elsewhere herein).

(h) "**Options**" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(i) "**Original Issue Price**" shall mean $3.00 per share for the Series A Preferred Stock, $1.50 per share for the Series B Preferred Stock, $2.1351 per share for the Series C Preferred Stock, $3.5898 per share for the Series C-1 Preferred Stock, $2.5983 per share for the Series D Preferred Stock and $2.8597 per share for the Series E Preferred Stock (each subject to adjustment from time to time for Recapitalizations as set forth elsewhere herein).

(j) "**Preferred Stock**" shall mean each series of Junior Preferred Stock, the Series D Preferred Stock and the Series E Preferred Stock.

(k) "**Recapitalization**" shall mean any stock dividend, stock split, combination of shares, reorganization, recapitalization, reclassification or other similar event provided, however, that a Recapitalization shall not include the Reverse Split.

2. Dividends.

(a) Series E Preferred Stock. In any calendar year, the holders of outstanding shares of Series E Preferred Stock shall be entitled to receive dividends, when, as and if declared by the Board of Directors, out of any assets at the time legally available therefor, at the Dividend Rate specified for shares of Series E Preferred Stock payable in preference and priority to any declaration or payment of any Distribution on the Series D Preferred Stock, Junior Preferred Stock or Common Stock of the Corporation in such calendar year. No Distributions shall be made with respect to the Series D Preferred Stock, Junior Preferred Stock or Common Stock unless dividends on the Series E Preferred Stock have been declared in accordance with the preference stated herein and all declared dividends on the Series E Preferred Stock have been paid or set aside for payment to the Series E Preferred Stock holders. The right to receive dividends on shares of Series E Preferred Stock shall not be cumulative, and no right to dividends shall accrue to holders of Series E Preferred Stock by reason of the fact that dividends on said shares are not declared or paid in any prior calendar year.

(b) Series D Preferred Stock. Subject to the prior payment or setting aside for payment to the holders of Series E Preferred Stock of their full amount pursuant to Section 2(a) above, in any calendar year, the holders of outstanding shares of Series D Preferred Stock shall be entitled to receive dividends, when, as and if declared by the Board of Directors, out of any assets at the time legally available therefor, at the Dividend Rate specified for shares of Series D Preferred Stock payable in preference and priority to any declaration or payment of any Distribution on Junior Preferred Stock or Common Stock of the Corporation in such calendar year. No Distributions shall be made with respect to the Junior Preferred Stock or Common Stock unless dividends on the Series D Preferred Stock have been declared in accordance with the preference stated herein and all declared dividends on the Series D Preferred Stock have been paid or set aside for payment to the Series D Preferred Stock holders. The right to receive dividends on shares of Series D Preferred Stock shall not be cumulative, and no right to dividends shall accrue to holders of Series D Preferred Stock by reason of the fact that dividends on said shares are not declared or paid in any prior calendar year.

(c) Junior Preferred Stock. Subject to the prior payment or setting aside for payment to the holders of Series E Preferred Stock and Series D Preferred Stock of their full amount pursuant to Sections 2(a) and (b) above, in any calendar year, the holders of outstanding shares of Junior Preferred Stock shall be entitled to receive dividends, when, as and if declared by the Board of Directors, out of any assets at the time legally available therefor, at the Dividend Rate specified for such shares of Junior Preferred Stock payable in preference and priority to any declaration or payment of any Distribution on Common Stock of the Corporation in such calendar year. No Distributions shall be made with respect to the Common Stock unless dividends on the Junior Preferred Stock have been declared in accordance with the preferences stated herein and all declared dividends on the Junior Preferred Stock have been paid or set aside for payment to the Junior Preferred Stock holders. Payments of any dividends to the holders of each such series of Junior Preferred Stock shall be paid pro rata, on an equal priority, pari passu

basis according to their respective dividend preferences as set forth herein. The right to receive dividends on shares of Junior Preferred Stock shall not be cumulative, and no right to dividends shall accrue to holders of Preferred Stock by reason of the fact that dividends on said shares are not declared or paid in any prior calendar year.

(d) Additional Dividends. The Corporation shall not declare, set aside or pay any dividends on any share of Common Stock (other than dividends on Common Stock payable solely in Common Stock) unless, in addition to the dividends payable pursuant to Sections 2(a), (b) and (c) above, a dividend is declared, set aside or paid with respect to all outstanding shares of Preferred Stock in an amount for each such share of Preferred Stock at least equal to the aggregate amount of the dividends for all shares of Common Stock into which such share of Preferred Stock could then be converted, calculated on the record date for determination of holders entitled to receive such dividend.

(e) Non-Cash Distributions. Whenever a Distribution provided for in this Section 2 shall be payable in property other than cash, the value of such Distribution shall be determined in accordance with the procedures described in Section 3(f) hereof.

(f) Waiver of Dividends. Any dividend preference of the Preferred Stock may be waived, in whole or in part, by the consent or vote of the holders of at least sixty-seven percent (67%) of the outstanding shares of Preferred Stock.

3. Liquidation Rights.

(a) Series E Liquidation Preference. In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of the Series E Preferred Stock shall be entitled to receive, on a pro rata basis and prior and in preference to any Distribution of any of the assets of the Corporation to the holders of the Series D Preferred Stock, Junior Preferred Stock or the Common Stock by reason of their ownership of such stock, an amount per share for each share of Series E Preferred Stock held by them equal to the sum of (i) the Liquidation Preference specified for such share of Series E Preferred Stock and (ii) all declared but unpaid dividends (if any) on such share of Series E Preferred Stock, or such lesser amount as may be approved by the holders of at least sixty-seven percent (67%) of the outstanding shares of Series E Preferred Stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Series E Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in this Section 3(a), then the entire assets of the Corporation legally available for distribution shall be distributed on a pro rata basis among the holders of the Series E Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive pursuant to this Section 3(a).

(b) Series D Liquidation Preference. In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary and subject to the prior payment to the holders of Series E Preferred Stock of the full preferential amounts specified in Section 3(a) above, the holders of the Series D Preferred Stock shall be entitled to receive, on a pro rata basis and prior and in preference to any Distribution of any of the assets of the Corporation to the holders of the Junior Preferred Stock or the Common Stock by reason of

their ownership of such stock, an amount per share for each share of Series D Preferred Stock held by them equal to the sum of (i) the Liquidation Preference specified for such share of Series D Preferred Stock and (ii) all declared but unpaid dividends (if any) on such share of Series D Preferred Stock, or such lesser amount as may be approved by the holders of at least sixty-seven percent (67%) of the outstanding shares of Series D Preferred Stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Series D Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in this Section 3(b), then the entire assets of the Corporation legally available for distribution shall be distributed on a pro rata basis among the holders of the Series D Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive pursuant to this Section 3(b).

(c) Junior Preferred Stock Liquidation Preference. In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary and subject to the prior payment to the holders of Series E Preferred Stock and Series D Preferred Stock of the full preferential amounts specified in Sections 3(a) and (b) above, the holders of the Junior Preferred Stock shall be entitled to receive, on a pari passu basis and prior and in preference to any Distribution of any of the assets of the Corporation to the holders of the Common Stock by reason of their ownership of such stock, an amount per share for each share of each series of Junior Preferred Stock held by them equal to the sum of (i) the Liquidation Preference specified for such share of such series of Junior Preferred Stock and (ii) all declared but unpaid dividends (if any) on such share of such series of Junior Preferred Stock, or such lesser amount as may be approved by the holders of at least sixty-seven percent (67%) of the outstanding shares of Junior Preferred Stock. If upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to the holders of the Junior Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in this Section 3(c), then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and pro rata among the holders of each series of the Junior Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive pursuant to this Section 3(c).

(d) Distribution of Remaining Assets Solely to Common Stock. Subject to the prior payment to the holders of Preferred Stock of the full preferential amounts specified in Sections 3(a), (b) and (c) above, the entire remaining assets of the Corporation legally available for distribution by the Corporation shall be distributed on a pro rata basis solely among the holders of the Common Stock in proportion to the number of shares of Common Stock held by them.

(e) Shares not Treated as Both Preferred Stock and Common Stock in any Distribution. Notwithstanding paragraphs (a), (b) and (c) above, solely for purposes of determining the amount that each holder of shares of Preferred Stock is entitled to receive with respect to a liquidation, dissolution or winding up of the Corporation, each such holder shall be treated as if such holder had converted such holder's shares of Preferred Stock into shares of Common Stock immediately prior to such liquidation, dissolution or winding up of the Corporation if as a result of an actual conversion of any series of Preferred Stock, such holder would receive, in the aggregate, an amount greater than the amount that would be distributed to such holder if such holder had not converted such Preferred Stock into shares of Common Stock.

If, with respect to a specific series of Preferred Stock, the holder is treated as if such holder had converted shares of such series of Preferred Stock into Common Stock pursuant to this paragraph, then such holder shall not be entitled to receive any distribution on such series of Preferred Stock pursuant to Section 3(a), (b) or (c) that would otherwise be made to holders of such series of Preferred Stock.

(f) Reorganization. For purposes of this Section 3, a liquidation, dissolution or winding up of the Corporation shall be deemed to be occasioned by, or to include, (i) the acquisition of the Corporation by another entity by means of any transaction or series of related transactions to which the Corporation is party (including, without limitation, any stock acquisition, reorganization, merger or consolidation but excluding any sale of stock for capital raising purposes) other than a transaction or series of transactions in which the holders of the voting securities of the Corporation outstanding immediately prior to such transaction retain, immediately after such transaction or series of transactions, as a result of shares in the Corporation held by such holders prior to such transaction, at least a majority of the total voting power represented by the outstanding voting securities of the Corporation or such other surviving or resulting entity (or if the Corporation or such other surviving or resulting entity is a wholly-owned subsidiary immediately following such acquisition, its parent); (ii) a sale, lease, exclusive license or other disposition or conveyance of all or substantially all of the assets of the Corporation and its subsidiaries taken as a whole by means of any transaction or series of related transactions, except where such sale, lease, exclusive license or other disposition or conveyance is to a wholly-owned subsidiary of the Corporation; or (iii) any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary. The treatment of any transaction or series of related transactions as a liquidation, dissolution or winding up pursuant to clause (i) or (ii) of the preceding sentence may be waived by the consent or vote of at least sixty- seven percent (67%) of the outstanding Preferred Stock.

(g) Valuation of Non-Cash Consideration. If any assets of the Corporation distributed to stockholders in connection with any liquidation, dissolution, or winding up of the Corporation are other than cash, then the value of such assets shall be their fair market value as determined in good faith by the Board of Directors, except that any publicly-traded securities to be distributed to stockholders in a liquidation, dissolution, or winding up of the Corporation shall be valued as follows:

(i) If the securities are then traded on a national securities exchange, then the value of the securities shall be deemed to be the average of the closing prices of the securities on such exchange over the ten (10) trading day period ending five (5) trading days prior to the Distribution;

(ii) if the securities are actively traded over-the-counter, then the value of the securities shall be deemed to be the average of the closing bid prices of the securities over the ten (10) trading day period ending five (5) trading days prior to the Distribution.

In the event of a merger or other acquisition of the Corporation by another entity, the Distribution date shall be deemed to be the date such transaction closes.

For the purposes of this subsection 3(g), "**trading day**" shall mean any day which the exchange or system on which the securities to be distributed are traded is open and "**closing prices**" or "**closing bid prices**" shall be deemed to be: (i) for securities traded primarily on the New York Stock Exchange, the American Stock Exchange or a Nasdaq market, the last reported trade price or sale price, as the case may be, at 4:00 p.m., New York time, on that day and (ii) for securities listed or traded on other exchanges, the market price as of the end of the regular hours trading period that is generally accepted as such for such exchange. If, after the date hereof, the benchmark times generally accepted in the securities industry for determining the market price of a stock as of a given trading day shall change from those set forth above, the fair market value shill be determined as of such other generally accepted benchmark times.

4. Conversion. The holders of the Preferred Stock shall have conversion rights as follows:

(a) Right to Convert. Each share of each series of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Corporation or any transfer agent for the Preferred Stock, into that number of fully-paid, nonassessable shares of Common Stock determined by dividing the Original Issue Price for the relevant series by the Conversion Price for such series. (The number of shares of Common Stock into which each share of Preferred Stock of a series may be converted is hereinafter referred to as the "**Conversion Rate**" for each such series.) Upon any decrease or increase in the Conversion Price for any series of Preferred Stock, as described in this Section 4, the Conversion Rate for such series shall be appropriately increased or decreased.

(b) Automatic Conversion.

(i) Upon IPO. Each share of Preferred Stock shall automatically be converted into fully-paid, non-assessable shares of Common Stock at the then effective Conversion Rate for such share immediately prior to the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended (the "**Securities Act**"), covering the offer and sale of the Corporation's Common Stock, provided that the offering price per share is not less than $4.29 (as adjusted for Recapitalizations) and provided further than the aggregate gross proceeds to the Company in such offering (before taking into account underwriter discounts or commissions) are at least Thirty Million Dollars ($30,000,000).

(ii) Upon Election of Preferred Stock. Each share of Preferred Stock shall automatically be converted into fully-paid, non-assessable shares of Common Stock at the then effective Conversion Rate for such share upon the receipt by the Corporation of a written request for such conversion from the holders of at least sixty-seven percent (67%) of the Preferred Stock then outstanding, voting together as a single class on an as-converted basis, or, if later, the effective date for conversion specified in such request.

Each of the events referred to in Sections 4(b)(i) and (ii) are referred to herein as an "**Automatic Conversion Event**").

(c) Mechanics of Conversion. No fractional shares of Common Stock shall be issued upon conversion of any shares of any series of Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then fair market value of a share of Common Stock as determined by the Board of Directors. For such purpose, all shares of Preferred Stock held by each holder of Preferred Stock shall be aggregated, and any resulting fractional share of Common Stock shall be paid in cash. Before any holder of Preferred Stock shall be entitled to convert the same into full shares of Common Stock, and to receive certificates therefor, the holder shall either (A) surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Preferred Stock or (B) notify the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and execute an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates, and shall give written notice to the Corporation at such office that the holder elects to convert the same; provided, however, that on the date of an Automatic Conversion Event, the applicable outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; provided further, however, that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such Automatic Conversion Event unless either the certificates evidencing such shares of Preferred Stock are delivered to the Corporation or its transfer agent as provided above, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. On the date of the occurrence of an Automatic Conversion Event, each holder of record of shares of the applicable series of Preferred Stock shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, notwithstanding that the certificates representing such shares of Preferred Stock shall not have been surrendered at the office of the Corporation, that notice from the Corporation shall not have been received by any holder of record of shares of Preferred Stock, or that the certificates evidencing such shares of Common Stock shall not then be actually delivered to such holder.

The Corporation shall, as soon as practicable after such delivery, or after such agreement and indemnification, issue and deliver at such office to such holder of Preferred Stock, a certificate or certificates for the number of shares of Common Stock to which the holder shall be entitled as aforesaid and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion into fractional shares of Common Stock, plus any declared and unpaid dividends on the converted Preferred Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date; provided, however, that if the conversion is in connection with an underwritten offer of securities registered pursuant to the Securities Act or a merger, sale, financing, or liquidation of the Corporation or other event, the conversion may, at the option of any holder tendering Preferred Stock for conversion, be conditioned upon the closing of such transaction or upon the occurrence of such event, in which case the person(s) entitled to receive the Common Stock issuable upon such conversion of the

Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such transaction or the occurrence of such event.

(d) Adjustments to Conversion Price for Diluting Issues.

(i) Special Definition. For purposes of this paragraph 4(d), "**Additional Shares of Common**" shall mean all shares of Common Stock issued (or, pursuant to paragraph 4(d)(iii), deemed to be issued) by the Corporation after the filing of this Seventh Amended and Restated Certificate of Incorporation, other than issuances or deemed issuances of:

(1) shares of Common Stock and options, warrants or other rights to purchase Common Stock issued or issuable to employees, officers or directors of, or consultant or advisors to the Corporation or any subsidiary pursuant to stock grants, restricted stock purchase agreements, option plans, purchase plans, incentive programs or similar arrangements, in each case only if and to the extent such grants are approved by the Board of Directors, including the Preferred Directors;

(2) shares of Common Stock issued or issuable as a dividend or distribution on, or upon conversion of, any series of Preferred Stock or pursuant to any event for which adjustment is made pursuant to Sections 4(e), 4(f) or 4(g) hereof;

(3) shares of Common Stock issued or issuable for consideration other than cash pursuant to a merger, consolidation, acquisition or similar business combination, provided that such issuance has been approved by the holders of at least sixty-seven percent (67%) of the then outstanding Preferred Stock;

(4) shares of Common Stock issued or issuable to banks, equipment lessors or other financial institutions pursuant to a debt financing or commercial leasing transaction approved by the Board of Directors, including the Preferred Directors;

(5) shares of Common Stock issued or issuable in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreement or strategic partnership approved by the Board of Directors, including the Preferred Directors; and

(6) shares of Common Stock issuable upon conversion of shares of Preferred Stock that are issued upon exercise of any warrants that are outstanding as of the filing of this Seventh Amended and Restated Certificate of Incorporation.

(ii) No Adjustment of Conversion Price. No adjustment in the Conversion Price of any series of Preferred Stock shall be made in respect of the issuance of Additional Shares of Common unless the consideration per share (as determined pursuant to Section 4(d)(v)) for an Additional Share of Common issued or deemed to be issued by the Corporation is less than the Conversion Price of such series of Preferred Stock and also the Conversion Price of the Series C Preferred Stock in effect on the date of, and immediately prior to, such issue.

(iii) Deemed Issue of Additional Shares of Common. In the event the Corporation at any time or from time to time after the date of the filing of this Seventh Amended and Restated Certificate of Incorporation shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities, the conversion or exchange of such Convertible Securities or, in the case of Options for Convertible Securities, the exercise of such Options and the conversion or exchange of the underlying securities, shall be deemed to have been issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that in any such case in which shares are deemed to be issued:

(1) no further adjustment in the Conversion Price of any series of Preferred Stock shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock in connection with the exercise of such Options or conversion or exchange of such Convertible Securities;

(2) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any change in the consideration payable to the Corporation or in the number of shares of Common Stock issuable upon the exercise, conversion or exchange thereof (other than a change pursuant to the anti-dilution provisions of such Options or Convertible Securities such as this Section 4(d) or pursuant to Recapitalization provisions of such Options or Convertible Securities such as Sections 4(e), 4(f) and 4(g) hereof), the Conversion Price of each series of Preferred Stock and any subsequent adjustments based thereon shall be recomputed to reflect such change as if such change had been in effect as of the original issue thereof (or upon the occurrence of the record date with respect thereto);

(3) no readjustment pursuant to clause (2) above shall have the effect of increasing the Conversion Price of a series of Preferred Stock to an amount above the Conversion Price that would have resulted from any other issuances of Additional Shares of Common and any other adjustments provided for herein between the original adjustment date and such readjustment date;

(4) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Conversion Price of each series of Preferred Stock computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon shall, upon such expiration, be recomputed as if:

(a) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common issued were the shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of such exercised Options plus the consideration actually received by the Corporation upon such exercise or for the issue of all such

Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange, and

(b) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Corporation for the Additional Shares of Common deemed to have been then issued was the consideration actually received by the Corporation for the issue of such exercised Options, plus the consideration deemed to have been received by the Corporation (determined pursuant to Section 4(d)(v)) upon the issue of the Convertible Securities with respect to which such Options were actually exercised; and

(5) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this Section 4(d)(iii) as of the actual date of their issuance.

(iv) Adjustment of Conversion Price Upon Issuance of Additional Shares of Common. In the event that, at any time after the issuance by this Corporation of the first share of Series E Preferred Stock, this Corporation shall issue Additional Shares of Common (including Additional Shares of Common deemed to be issued pursuant to Section 4(d)(iii)) without consideration or for a consideration per share less than the Conversion Price of the Series E Preferred Stock in effect on the date of and immediately prior to such issue, then, the Conversion Price of any series of Preferred Stock with a Conversion Price above the consideration per share of the Additional Shares shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares which the aggregate consideration received by the Corporation for the total number of Additional Shares of Common so issued would purchase at such Conversion Price, and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common so issued. Notwithstanding the foregoing, such Conversion Price shall not be reduced at such time if the amount of such reduction would be less than $0.01, but any such amount shall be carried forward, and a reduction will be made with respect to such amount at the time of, and together with, any subsequent reduction which, together with such amount and any other amounts so carried forward, equal $0.01 or more in the aggregate. For the purposes of this Section 4(d)(iv), all shares of Common Stock issuable upon conversion of all outstanding shares of Preferred Stock and the exercise and/or conversion of any other outstanding Convertible Securities and all outstanding Options shall be deemed to be outstanding. No adjustment in a Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common (including Additional Shares of Common deemed to be issued pursuant to Section 4(d)(iii)) if the Corporation receives written notice waiving such adjustment from the holders of at least sixty-seven percent (67%) of the outstanding Preferred Stock; provided, however, no adjustment to the Conversion Price of the Series C Preferred Stock shall be waived unless the Corporation receives written notice waiving

such adjustment from the holders of at a majority of the outstanding shares of Series C Preferred Stock, no adjustment to the Conversion Price of the Series D Preferred Stock shall be waived unless the Corporation receives written notice waiving such adjustment from the holders of at least sixty-seven percent (67%) of the outstanding shares of Series D Preferred Stock and no adjustment to the Conversion Price of the Series E Preferred Stock shall be waived unless the Corporation receives written notice waiving such adjustment from the holders of at least sixty-seven percent (67%) of the outstanding shares of Series E Preferred Stock.

(v) Determination of Consideration. For purposes of this Section 4(d), the consideration received by the Corporation for the issue (or deemed issue) of any Additional Shares of Common shall be computed as follows:

(1) Cash and Property. Such consideration shall:

(a) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with such issuance;

(b) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in accordance with the procedures described in Section 3(g) hereof; and

(c) in the event Additional Shares of Common are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (a) and (b) above, as reasonably determined in good faith by the Board of Directors.

(2) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common deemed to have been issued pursuant to Section 4(d)(iii) shall be determined by dividing:

(x) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(y) the maximum number of Shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(e) Adjustments for Subdivisions or Combinations of Common Stock. In the event the outstanding shares of Common Stock shall be subdivided (by stock split, by payment

of a stock dividend or otherwise), into a greater number of shares of Common Stock, the Conversion Price of each series of Preferred Stock in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Common Stock shall be combined (by reclassification or otherwise) into a lesser number of shares of Common Stock, the Conversion Price of each series of Preferred Stock in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately increased.

(f) Adjustments for Subdivisions or Combinations of Preferred Stock. In the event the outstanding shares of a series of Preferred Stock shall be subdivided (by stock split, by payment of a stock dividend or otherwise), into a greater number of shares of Preferred Stock, the Dividend Rate, Original Issue Price and Liquidation Preference of the affected series of Preferred Stock in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of a series of Preferred Stock shall be combined (by reclassification or otherwise) into a lesser number of shares of Preferred Stock, the Dividend Rate, Original Issue Price and Liquidation Preference of the affected series of Preferred Stock in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately increased.

(g) Adjustments for Reclassification, Exchange and Substitution. Subject to Section 3 above, if the Common Stock issuable upon conversion of any series of Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), then, in any such event, in lieu of the number of shares of Common Stock which the holders of such series would otherwise have been entitled to receive, each holder of such series of Preferred Stock shall have the right thereafter to convert such shares of Preferred Stock into a number of shares of such other class or classes of stock which a holder of the number of shares of Common Stock deliverable upon conversion of such series of Preferred Stock immediately before that change would have been entitled to receive in such reorganization or reclassification, all subject to further adjustment as provided herein with respect to such other shares.

(h) No Impairment. The Corporation will not through any reorganization, transfer of assets, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of all series of Preferred Stock against impairment.

(i) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of any Conversion Prices pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of any series of

Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (1) such adjustments and readjustments, (2) the Conversion Price therefor at the time in effect and (3) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such series of Preferred Stock.

(j) Notices of Record Date. In the event that this Corporation shall propose at any time:

(i) to declare any Distribution upon its Common Stock, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus;

(ii) to effect any reclassification or recapitalization of its Common Stock outstanding involving a change in the Common Stock; or

(iii) to voluntarily liquidate or dissolve or to enter into any transaction deemed to be a liquidation, dissolution or winding up of the corporation pursuant to Section 3(f);

then, in connection with each such event, this Corporation shall send to the holders of each series of the Preferred Stock prior written notice of the date on which a record shall be taken for such Distribution (and specifying the date on which the holders of Common Stock shall be entitled thereto and, if applicable, the amount and character of such Distribution) or for determining rights to vote in respect of the matters referred to in (ii) and (iii) above.

Such written notice shall be given by first class mail (or express courier), postage prepaid, addressed to the holders of Preferred Stock at the address for each such holder as shown on the books of the Corporation and shall be deemed given on the date such notice is mailed. Such written notice shall be given at least fifteen (15) says prior (A) the record date for determination of the stockholders entitled to receive a Distribution pursuant to Section 4(j)(i), or (B) the effective date for any transaction described in Section 4(j)(ii) or Section 4(j)(iii).

The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively by the consent or vote of the holders of at least sixty-seven percent (67%) of the Preferred Stock, voting as a single class on an as-converted basis.

(k) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of each series of the Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

5. Voting.

(a) Restricted Class Voting. Except as otherwise expressly provided herein or as required by law, the holders of each series of Preferred Stock and the holders of Common Stock shall vote together as a single class and not as separate classes.

(b) No Series Voting. Other than as provided herein or required by law, there shall be no series voting.

(c) Preferred Stock. Each holder of each series of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which the shares of such series of Preferred Stock held by such holder could be converted as of the record date. Fractional votes shall not be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted) shall be disregarded. Except as otherwise expressly provided herein or as required by law, the holders of shares of the Preferred Stock shall be entitled to vote on all matters on which the Common Stock shall be entitled to vote. Holders of Preferred Stock shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation.

(d) Election of Directors. The Board of Directors shall consist of seven (7) members. The holders of Preferred Stock, voting together as a single class on an as-converted basis, shall be entitled to elect two (2) members of the Corporation's Board of Directors (the **"Preferred Directors"**) at each meeting or pursuant to each consent of the Corporation's stockholders for the election of directors. The holders of Common Stock, voting as a separate class, shall be entitled to elect one (1) member of the Corporation's Board of Directors (the **"Common Director"**) at each meeting or pursuant to each consent of the Corporation's stockholders for the election of directors. Any additional members of the Corporation's Board of Directors shall be elected by the holders of Common Stock and Preferred Stock, voting together as a single class on an as-converted basis (each an **"Additional Director"**).

(e) Adjustment in Authorized Common Stock. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by an affirmative vote of the holders of a majority of all outstanding shares of Common Stock and Preferred Stock of the Corporation, voting together as a single class on an as-converted basis.

(f) Common Stock. Each holder of shares of Common Stock shall be entitled to one vote for each share thereof held.

6. Preferred Stock Protective Provisions. The Corporation shall not, without first obtaining the approval (by vote or written consent as provided by law) of the holders of not less than sixty-seven percent (67%) of the outstanding shares of the Preferred Stock, voting together as a single class on an as-converted basis, take any action which:

(a) alters or changes the rights, preferences or privileges of the Preferred Stock or any series thereof (whether by merger, reclassification, amendment of this Certificate of Incorporation or otherwise);

(b) amends, alters, waives or repeals any provision of the Certificate of Incorporation or bylaws of the Corporation (including pursuant to a merger, reclassification or otherwise);

(c) increases or decreases (other than for decreases resulting from conversion of the Preferred Stock) the authorized number of shares of any class or series of stock;

(d) authorizes or creates (by reclassification, merger or otherwise) any new class or series of stock;

(e) authorizes a merger, acquisition or sale of substantially all of the assets of the Corporation or any of its subsidiaries (other than a merger exclusively to effect a change of domicile of the Corporation), or any other transaction resulting in a deemed liquidation, dissolution or winding up of the Corporation pursuant to Section 3(g) hereof;

(f) redeems, retires, purchases or otherwise acquires (or pays into or sets aside for a sinking fund for such purpose) any share or shares of Common Stock; provided, however, that this restriction shall not apply to the repurchase of shares of Common Stock at no greater than cost from employees, officers, directors, consultants or other persons performing services for the Corporation or any subsidiary pursuant to agreements under which this Corporation has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment;

(g) results in the payment or declaration of a dividend on any shares of Common Stock or Preferred Stock or any series thereof;

(h) increases the number of shares reserved in any of the Corporation's equity incentive plans;

(i) increases or decreases the authorized number of directors which constitute the Board of Directors of the Corporation;

(j) results in the taxation of the holders of Preferred Stock under Section 305 of the Internal Revenue Code or any successor thereto; or

(k) amends this Section 6.

7. Series E Preferred Stock Protective Provision. The Corporation shall not, without first obtaining the approval (by vote or written consent as provided by law) of the holders of not less than sixty-seven percent (67%) of the outstanding shares of the Series E Preferred Stock, voting together as a single class, take any action which (whether by merger, reclassification, amendment of the Certificate of Incorporation, or otherwise):

(a) adversely alters or changes the express rights or obligations of the Series E Preferred Stock set forth in (i) Section 2(a) ("Dividends – Series E Preferred Stock"); (ii) Section 3(a) ("Liquidation Rights – Series E Liquidation Preference"); or (iii) any other provision of this Certificate of Incorporation that expressly and exclusively references the Series E Preferred Stock;

(b) alters or changes the powers preferences, or special rights of the Series E Preferred Stock so as to affect the Series E Preferred Stock adversely, but does not so affect the entire class of the Preferred Stock;

(c) increases the authorized number of shares of Series E Preferred Stock set forth in Article IV; or

(d) amends this Section 7.

8. Series D Preferred Stock Protective Provision. The Corporation shall not, without first obtaining the approval (by vote or written consent as provided by law) of the holders of not less than sixty-seven percent (67%) of the outstanding shares of the Series D Preferred Stock, voting together as a single class, take any action which (whether by merger, reclassification, amendment of the Certificate of Incorporation, or otherwise):

(a) adversely alters or changes the express rights or obligations of the Series D Preferred Stock set forth in (i) Section 2(b) ("Dividends – Series D Preferred Stock"); (ii) Section 3(b) ("Liquidation Rights – Series D Liquidation Preference"); or (iii) any other provision of this Certificate of Incorporation that expressly and exclusively references the Series D Preferred Stock;

(b) alters or changes the powers preferences, or special rights of the Series D Preferred Stock so as to affect the Series D Preferred Stock adversely, but does not so affect the entire class of the Preferred Stock;

(c) increases the authorized number of shares of Series D Preferred Stock set forth in Article IV; or

(d) amends this Section 8.

9. Reissuance of Preferred Stock. In the event that any shares of any series of Preferred Stock shall be converted pursuant to Section 4 or otherwise repurchased by the Corporation, the shares so converted or repurchased shall be cancelled and shall not be issuable by this Corporation.

10. Notices. Any notice required by the provisions of this ARTICLE V to be given to the holders of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at such holder's address appearing on the books of the Corporation.

ARTICLE VI

The Corporation is to have perpetual existence.

ARTICLE VII

Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

ARTICLE VIII

Unless otherwise set forth herein, the number of directors which constitute the Board of Directors of the Corporation shall be designated by the Board of Directors of the Corporation.

ARTICLE IX

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation.

ARTICLE X

1. To the fullest extent permitted by the Delaware General Corporation Law as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

2. The Corporation shall have the power to indemnify, to the extent permitted by the Delaware General Corporation Law, as it presently exists or may hereafter be amended from time to time, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

3. Neither any amendment nor repeal of this ARTICLE X, nor the adoption of any provision of this Corporation's Certificate of Incorporation inconsistent with this ARTICLE X, shall eliminate or reduce the effect of this ARTICLE X, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this ARTICLE X, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE XI

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE XII

The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "**Excluded Opportunity**" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Series C Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, "**Covered Persons**"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director of the Corporation.

CERTIFICATE OF AMENDMENT TO

SEVENTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

OBALON THERAPEUTICS, INC.

Obalon Therapeutics, Inc. (the "***Company***"), a corporation duly organized and existing under the General Corporation Law of the State of Delaware (the "***DGCL***"), does hereby certify that the following amendment to the Company's Seventh Amended and Restated Certificate of Incorporation, filed with the Delaware Secretary of State on April 29, 2016 (the "***Current Certificate***"), has been duly adopted in accordance with the provisions of Section 242 of the DGCL, with the approval of such amendment by the Company's stockholders having been given by written consent without a meeting in accordance with Sections 228(d) and 242 of the DGCL:

1. The following two paragraphs are hereby added to precede the first paragraph of Article IV of the Current Certificate:

"Contingent and effective upon the filing of this Certificate of Amendment to the Seventh Amended and Restated Certificate of Incorporation (the "***Certificate of Amendment***"), every 2.90 outstanding shares of Common Stock and Preferred Stock will be combined into and automatically, without any further action by the corporation or the stockholders thereof, become one outstanding share of Common Stock and Preferred Stock, respectively, of the corporation (the "***Reverse Stock Split***"). No fractional share shall be issued in connection with the foregoing combination of the shares pursuant to the Reverse Stock Split. The corporation will pay in cash the fair value of such fractional shares, without interest and as determined in good faith by the Board of Directors of the corporation when those entitled to receive such fractional shares are determined.

The Reverse Stock Split shall occur automatically without any further action by the holders of Common Stock or Preferred Stock, and whether or not the certificates representing such shares have been surrendered to the corporation; *provided, however*, that the corporation shall not be obligated to issue certificates evidencing the shares of Common Stock or Preferred Stock issuable as a result of the Reverse Stock Split unless the existing certificates evidencing the applicable shares of stock prior to the Reverse Stock Split are either delivered to the corporation, or the holder notifies the corporation that such certificates have been lost, stolen or destroyed, and executes an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection with such certificates."

2. The foregoing amendment to the Current Certificate has been duly approved by the Company's Board of Directors in accordance with Sections 141 and 242 of the DGCL.

3. The foregoing amendment to Current Certificate has been duly approved by the Company's stockholders in accordance with Sections 228 and 242 of the DGCL.

4. This Certificate of Amendment shall be effective upon filing with the Delaware Secretary of State.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Certificate of Amendment to be signed by its duly authorized officer this 23rd day of September, 2016 and the foregoing facts stated herein are true and correct.

OBALON THERAPEUTICS, INC.

By: /s/ Andrew Rasdal
Name: Andrew Rasdal
Title: President and Chief Executive Officer

Exhibit 3.2

RESTATED CERTIFICATE OF INCORPORATION OF

OBALON THERAPEUTICS, INC.

Obalon Therapeutics, Inc., a corporation organized and existing under the laws of the State of Delaware, certifies that;

1. The name of the corporation is Obalon Therapeutics, Inc. The date of filing its original Certificate of Incorporation with the Secretary of State was January 2, 2008 under the name Obalon Therapeutics, Inc.

2. The Restated Certificate of Incorporation of the corporation attached hereto as Exhibit "A", which is incorporated herein by this reference, and which restates, integrates and further amends the provisions of the Certificate of Incorporation of this corporation as previously amended or supplemented, has been duly adopted by the Board of Directors and by the stockholders in accordance with Sections 242 and 245 of the Delaware General Corporation Law, with the approval of the corporation's stockholders having been given by written consent without a meeting in accordance with Section 228 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, this corporation has caused this Restated Certificate of Incorporation to be signed by its duly authorized officer and the foregoing facts stated herein are true and correct.

Dated: _____

OBALON THERAPEUTICS, INC.

By: _____

Name: Andrew Rasdal

Title: President and Chief Executive Officer

EXHIBIT "A"

OBALON THERAPEUTICS, INC.

RESTATED CERTIFICATE OF INCORPORATION

ARTICLE I: NAME

The name of the corporation is Obalon Therapeutics, Inc. (the "***Corporation***").

ARTICLE II: AGENT FOR SERVICE OF PROCESS

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, Delaware 19808. The name of the registered agent of the Corporation at that address is Corporation Service Company.

ARTICLE III: PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE IV: AUTHORIZED STOCK

1. Total Authorized. The total number of shares of all classes of stock that the Corporation has authority to issue is Three Hundred and Ten Million (310,000,000) shares, consisting of two classes: Three Hundred Million (300,000,000) shares of Common Stock, $0.001 par value per share ("***Common Stock***"), and Ten Million (10,000,000) shares of Preferred Stock, $0.001 par value per share ("***Preferred Stock***").

2. Designation of Additional Series.

2.1. The Board of Directors of the Corporation (the "***Board***") is authorized, subject to any limitations prescribed by the law of the State of Delaware, to provide for the issuance of the shares of Preferred Stock in one or more series, and, by filing a Certificate of Designation pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, to fix the designation, vesting, powers, preferences and relative, participating, optional or other rights, if any, of the shares of each such series and any qualifications, limitations or restrictions thereof, and to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series. The number of authorized shares of Preferred Stock may also be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of two-thirds of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, without a vote of the holders of the Preferred Stock, unless a vote of any other holders is required pursuant to a Certificate or

Certificates establishing a series of Preferred Stock; *provided*, that if two-thirds of the Whole Board, as defined below, has approved such increase or decrease of the number of authorized shares of Preferred Stock, then only the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, without a vote of the holders of the Preferred Stock (unless a vote of any other holders is required pursuant to a Certificate or Certificates establishing a series of Preferred Stock), shall be required to effect such increase or decrease. For purposes of this Restated Certificate of Incorporation, the term "***Whole Board***" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

2.2 Except as otherwise expressly provided in any Certificate of Designation designating any series of Preferred Stock pursuant to the foregoing provisions of this Article IV, any new series of Preferred Stock may be designated, fixed and determined as provided herein by the Board without approval of the holders of Common Stock or the holders of Preferred Stock, or any series thereof, and any such new series may have powers, preferences and rights, including, without limitation, voting rights, dividend rights, liquidation rights, redemption rights and conversion rights, senior to, junior to or pari passu with the rights of the Common Stock, the Preferred Stock or any future class or series of Preferred Stock or Common Stock.

2.3 Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; *provided, however*, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock).

ARTICLE V: AMENDMENT OF BYLAWS

The Board shall have the power to adopt, amend or repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the Board shall require the approval of a majority of the Whole Board. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation; *provided*, *however*, that in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Restated Certificate of Incorporation (including any Preferred Stock issued pursuant to a Certificate of Designation), the affirmative vote of the holders of at least two-thirds of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws; *provided further*, that if two-thirds of the Whole Board has approved such adoption, amendment or repeal of any provisions of the Bylaws, then only the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws.

ARTICLE VI: MATTERS RELATING TO THE BOARD OF DIRECTORS

1. Director Powers. The conduct of the affairs of the Corporation shall be managed by or under the direction of the Board. In addition to the powers and authority expressly conferred upon them by statute or by this Restated Certificate of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

2. Number of Directors. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by resolution adopted by a majority of the Whole Board.

3. Classified Board. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the directors shall be divided, with respect to the time for which they severally hold office, into three classes designated as Class I, Class II and Class III, respectively (the "***Classified Board***"). The Board may assign members of the Board already in office to the Classified Board, which assignments shall become effective at the same time the Classified Board becomes effective. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board, with the number of directors in each class to be divided as nearly equal as reasonably possible. The initial term of office of the Class I directors shall expire at the Corporation's first annual meeting of stockholders following the closing of the Corporation's initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, relating to the offer and sale of Common Stock to the public (the "***Initial Public Offering***"), the initial term of office of the Class II directors shall expire at the Corporation's second annual meeting of stockholders following the closing of the Initial Public Offering and the initial term of office of the Class III directors shall expire at the Corporation's third annual meeting of stockholders following the closing of the Initial Public Offering. At each annual meeting of stockholders following the closing of the Initial Public Offering, directors elected to succeed those directors of the class whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election.

4. Term and Removal. Each director shall hold office until such director's successor is elected and qualified, or until such director's earlier death, resignation or removal. Any director may resign at any time upon notice to the Corporation given in writing or by any electronic transmission permitted in the Corporation's Bylaws. Subject to the rights of the holders of any series of Preferred Stock, no director may be removed except for cause and only by the affirmative vote of the holders of at least two-thirds of the voting power of the then-outstanding shares of capital stock of the Corporation then entitled to vote at an election of directors voting together as a single class. No decrease in the authorized number of directors constituting the Board shall shorten the term of any incumbent director.

5. Board Vacancies. Subject to the rights of the holders of any series of Preferred Stock, any vacancy occurring in the Board for any cause, and any newly created directorship resulting from any increase in the authorized number of directors, shall, unless (a) the Board determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders or (b) as otherwise provided by law, be filled only by the affirmative vote of a

majority of the directors then in office, although less than a quorum, or by a sole remaining director, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which the director has been assigned expires or until such director's successor shall have been duly elected and qualified, or until such director's earlier death, resignation or removal.

6. Vote by Ballot. Election of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

ARTICLE VII: DIRECTOR LIABILITY

1. Limitation of Liability. To the fullest extent permitted by law, no director of the Corporation shall be personally liable for monetary damages for breach of fiduciary duty as a director. Without limiting the effect of the preceding sentence, if the Delaware General Corporation Law is hereafter amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

2. Change in Rights. Neither any amendment nor repeal of this Article VII, nor the adoption of any provision of this Restated Certificate of Incorporation inconsistent with this Article VII, shall eliminate, reduce or otherwise adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such amendment, repeal or adoption of such an inconsistent provision.

ARTICLE VIII: MATTERS RELATING TO STOCKHOLDERS

1. No Action by Written Consent of Stockholders. Subject to the rights of any series of Preferred Stock, no action shall be taken by the stockholders of the Corporation except at a duly called annual or special meeting of stockholders and no action shall be taken by the stockholders by written consent.

2. Special Meeting of Stockholders. Special meetings of the stockholders of the Corporation may be called only by the Chairperson of the Board, the Chief Executive Officer, the President or the Board acting pursuant to a resolution adopted by a majority of the Whole Board.

3. Advance Notice of Stockholder Nominations and Business Transacted at Special Meetings. Advance notice of stockholder nominations for the election of directors of the Corporation and of business to be brought by stockholders before any meeting of stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation. Business transacted at special meetings of stockholders shall be confined to the purpose or purposes stated in the notice of meeting.

ARTICLE IX: CHOICE OF FORUM

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation; (b) any action asserting a

claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders; (c) any action asserting a claim against the Corporation arising pursuant to any provision of the Delaware General Corporation Law, this Certificate of Incorporation or the Bylaws; (d) any action to interpret, apply, enforce or determine the validity of this Certificate of Incorporation or the Bylaws; or (e) any action asserting a claim against the Corporation governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article IX.

ARTICLE X: AMENDMENT OF RESTATED CERTIFICATE OF INCORPORATION

If any provision of this Restated Certificate of Incorporation becomes or is declared on any ground by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Restated Certificate of Incorporation, and the court will replace such illegal, void or unenforceable provision of this Restated Certificate of Incorporation with a valid and enforceable provision that most accurately reflects the Corporation's intent, in order to achieve, to the maximum extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Restated Certificate of Incorporation shall be enforceable in accordance with its terms.

The Corporation reserves the right to amend or repeal any provision contained in this Restated Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; *provided*, *however*, that, notwithstanding any other provision of this Restated Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of the Corporation required by law or by this Restated Certificate of Incorporation, the affirmative vote of the holders of at least two-thirds of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal any provision of this Restated Certificate of Incorporation; *provided*, *further*, that if two-thirds of the Whole Board has approved such amendment or repeal of any provisions of this Restated Certificate of Incorporation, then only the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal such provisions of this Restated Certificate of Incorporation.

* * * * * * * * * * *

Exhibit 3.4

OBALON THERAPEUTICS, INC.,

a Delaware Corporation

AMENDED AND RESTATED BYLAWS

As Adopted , 2016

OBALON THERAPEUTICS, INC.,

a Delaware Corporation

AMENDED AND RESTATED BYLAWS

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OBALON THERAPEUTICS, INC.,

a Delaware Corporation

AMENDED AND RESTATED BYLAWS

As Adopted , 2016

ARTICLE I: STOCKHOLDERS

Section 1.1: Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date and time as the Board of Directors of the Corporation (the "***Board***") shall each year fix. The meeting may be held either at a place, within or without the State of Delaware as permitted by the Delaware General Corporation Law (the "***DGCL***"), or by means of remote communication as the Board in its sole discretion may determine. Any proper business may be transacted at the annual meeting.

Section 1.2: Special Meetings. Special meetings of stockholders for any purpose or purposes may be called at any time by the Chairperson of the Board, the Chief Executive Officer, the President or the Board acting pursuant to a resolution adopted by a majority of the "***Whole Board***," which shall mean the total number of authorized directors, whether or not there exist any vacancies in previously authorized directorships. Special meetings may not be called by any other person or persons. The special meeting may be held either at a place, within or without the State of Delaware, or by means of remote communication as the Board in its sole discretion may determine.

Section 1.3: Notice of Meetings. Notice of all meetings of stockholders shall be given in writing or by electronic transmission in the manner provided by law (including, without limitation, as set forth in Section 7.1.1 of these Bylaws) stating the date, time and place, if any, of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by applicable law or the Certificate of Incorporation of the Corporation (the "***Certificate of Incorporation***"), such notice shall be given not less than ten (10), nor more than sixty (60), days before the date of the meeting to each stockholder of record entitled to vote at such meeting.

Section 1.4: Adjournments. The chairperson of the meeting shall have the power to adjourn the meeting to another time, date and place (if any). Any meeting of stockholders may adjourn from time to time, and notice need not be given of any such adjourned meeting if the time, date and place (if any) thereof and the means of remote communications (if any) by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; *provided, however*, that if the adjournment is for more than thirty (30) days, or if a new record date is fixed for the adjourned meeting, then a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At the adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting. To the fullest extent permitted by law, the Board may postpone or reschedule any previously scheduled special

or annual meeting of stockholders before it is to be held, in which case notice shall be provided to the stockholders of the new date, time and place, if any, of the meeting as provided in Section 1.3 above.

Section 1.5: Quorum. At each meeting of stockholders the holders of a majority of the voting power of the shares of stock entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business, unless otherwise required by applicable law. Where a separate vote by a class or classes or series is required, a majority of the voting power of the shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If a quorum shall fail to attend any meeting, the chairperson of the meeting or the holders of a majority of the shares entitled to vote who are present, in person or by proxy, at the meeting may adjourn the meeting. Shares of the Corporation's stock belonging to the Corporation (or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation are held, directly or indirectly, by the Corporation), shall neither be entitled to vote nor be counted for quorum purposes; *provided, however*, that the foregoing shall not limit the right of the Corporation or any other corporation to vote any shares of the Corporation's stock held by it in a fiduciary capacity and to count such shares for purposes of determining a quorum.

Section 1.6: Organization. Meetings of stockholders shall be presided over by such person as the Board may designate, or, in the absence of such a person, the Chairperson of the Board, or, in the absence of such person, the President of the Corporation, or, in the absence of such person, such person as may be chosen by the holders of a majority of the voting power of the shares entitled to vote who are present, in person or by proxy, at the meeting. Such person shall be chairperson of the meeting and, subject to Section 1.10 hereof, shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seems to him or her to be in order. The Secretary of the Corporation shall act as secretary of the meeting, but in such person's absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7: Voting; Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy. Such a proxy may be prepared, transmitted and delivered in any manner permitted by applicable law. Except as may be required in the Certificate of Incorporation, directors shall be elected by a plurality of the votes cast. Unless otherwise provided by applicable law, the rules of any stock exchange upon which the Corporation's securities are listed, the Certificate of Incorporation or these Bylaws, every matter other than the election of directors shall be decided by a majority of the votes cast for or against the matter.

Section 1.8: Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, unless otherwise required by law, the Board may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board and which shall not be more than

sixty (60), nor less than ten (10), days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no record date is fixed by the Board, then the record date shall be as provided by applicable law. To the fullest extent permitted by law, a determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board may fix a new record date for the adjourned meeting.

Section 1.9: List of Stockholders Entitled to Vote. A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either on a reasonably accessible electronic network as permitted by law (provided that the information required to gain access to the list is provided with the notice of the meeting) or during ordinary business hours at the principal place of business of the Corporation. If the meeting is held at a location where stockholders may attend in person, the list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present at the meeting. If the meeting is held solely by means of remote communication, then the list shall be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access the list shall be provided with the notice of the meeting.

Section 1.10: Inspectors of Elections.

1.10.1 Applicability. Unless otherwise required by the Certificate of Incorporation or by the DGCL, the following provisions of this Section 1.10 shall apply only if and when the Corporation has a class of voting stock that is: (a) listed on a national securities exchange; (b) authorized for quotation on an interdealer quotation system of a registered national securities association; or (c) held of record by more than two thousand (2,000) stockholders. In all other cases, observance of the provisions of this Section 1.10 shall be optional, and at the discretion of the Board.

1.10.2 Appointment. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting.

1.10.3 Inspector's Oath. Each inspector of election, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability.

1.10.4 Duties of Inspectors. At a meeting of stockholders, the inspectors of election shall (a) ascertain the number of shares outstanding and the voting power of each share, (b) determine the shares represented at a meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period of time a record of the

disposition of any challenges made to any determination by the inspectors, and (e) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

1.10.5 Opening and Closing of Polls. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery upon application by a stockholder shall determine otherwise.

1.10.6 Determinations. In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in connection with proxies in accordance with any information provided pursuant to Section 211(a)(2)(b)(i) or (iii) of the DGCL, or Sections 211(e) or 212(c)(2) of the DGCL, ballots and the regular books and records of the Corporation, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspectors consider other reliable information for the limited purpose permitted herein, the inspectors at the time they make their certification of their determinations pursuant to this Section 1.10 shall specify the precise information considered by them, including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspectors' belief that such information is accurate and reliable.

Section 1.11: Notice of Stockholder Business; Nominations.

1.11.1 Annual Meeting of Stockholders.

(a) Nominations of persons for election to the Board and the proposal of business to be considered by the stockholders shall be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of such meeting, (ii) by or at the direction of the Board or (iii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of the notice provided for in this Section 1.11, who is entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 1.11. For the avoidance of doubt, the foregoing clause (iii) shall be the exclusive means for a stockholder to make nominations or propose business (other than business included in the Corporation's proxy materials pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (such act, and the rules and regulations promulgated thereunder, the "***Exchange Act***")), at an annual meeting of stockholders.

(b) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to Section 1.11.1(a):

(i) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation;

(ii) such other business must otherwise be a proper matter for stockholder action;

(iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in this Section, such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice; and

(iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this Section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section.

To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the seventy-fifth (75th) day nor earlier than the close of business on the one hundred and fifth (105th) day prior to the first anniversary of the preceding year's annual meeting (except in the case of the Corporation's first annual meeting following its initial public offering, for which such notice shall be timely if delivered in the same time period as if such meeting were a special meeting governed by Section 1.11.2); *provided, however*, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered (A) no earlier than the close of business on the one hundred and fifth (105th) day prior to currently proposed annual meeting and (B) no later than the close of business on the later of the seventy-fifth (75th) day prior to such annual meeting or the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. Such stockholder's notice shall set forth:

(x) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that would be required to be disclosed in solicitations of proxies for election of directors, or would be otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected;

(y) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material

interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and

(z) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (aa) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (bb) the class and number of shares of the Corporation that are owned beneficially and held of record by such stockholder and such beneficial owner, (cc) a description of any agreement, arrangement or understanding with respect to the nomination or proposal between or among such stockholder and such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing, (dd) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owners, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to shares of stock of the Corporation, (ee) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination and (ff) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent being a "***Solicitation Notice***"). If requested by the Corporation, the information required under clauses (bb), (cc) and (dd) of this subparagraph (z) shall be supplemented by such stockholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such information as of the record date.

(c) Notwithstanding anything in the second sentence of Section 1.11.1(b) to the contrary, in the event that the number of directors to be elected to the Board is increased and there is no Public Announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board at least seventy five (75) days prior to the first anniversary of the preceding year's annual meeting (or, if the annual meeting is held more than thirty (30) days before or sixty (60) days after such anniversary date, at least seventy five (75) days prior to such annual meeting), a stockholder's notice required by this Section 1.11 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive office of the Corporation no later than the close of business on the tenth (10th) day following the day on which such Public Announcement is first made by the Corporation.

1.11.2 Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of such meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the

Corporation's notice of such meeting (a) by or at the direction of the Board or (b) provided that the Board has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice of the special meeting, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by Section 1.11.1(b) shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation (i) no earlier than the one hundred fifth (105th) day prior to such special meeting and (ii) no later than the close of business on the later of the seventy fifth (75th) day prior to such special meeting or the tenth (10th) day following the day on which Public Announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

1.11.3 General.

(a) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.11 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.11. Except as otherwise provided by law or these Bylaws, the chairperson of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.11 and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded.

(b) For purposes of this Section 1.11, the term "***Public Announcement***" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(c) Notwithstanding the foregoing provisions of this Section 1.11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 1.11 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

ARTICLE II: BOARD OF DIRECTORS

Section 2.1: Number; Qualifications. The Board shall consist of one or more members. The number of directors shall be fixed from time to time as set forth in the Certificate of Incorporation. No decrease in the authorized number of directors constituting the Board shall shorten the term of any incumbent director. Directors need not be stockholders of the Corporation.

Section 2.2: Election; Resignation; Removal; Vacancies. The directors shall be divided, with respect to the time for which they severally hold office, into classes as provided in the Certificate of Incorporation, and vacancies occurring in the Board and any newly created directorships resulting from any increase in the authorized number of directors shall be filled, as provided in the Certificate of Incorporation.

Section 2.3: Regular Meetings. Regular meetings of the Board may be held at such places, within or without the State of Delaware, and at such times as the Board may from time to time determine. Notice of regular meetings need not be given if the date, times and places thereof are fixed by resolution of the Board.

Section 2.4: Special Meetings. Special meetings of the Board may be called by the Chairperson of the Board, the President or a majority of the members of the Board then in office and may be held at any time, date or place, within or without the State of Delaware, as the person or persons calling the meeting shall fix. Notice of the time, date and place of such meeting shall be given, orally, in writing or by electronic transmission (including electronic mail), by the person or persons calling the meeting to all directors at least four (4) days before the meeting if the notice is mailed, or at least twenty-four (24) hours before the meeting if such notice is given by telephone, hand delivery, telegram, telex, mailgram, facsimile, electronic mail or other means of electronic transmission. Unless otherwise indicated in the notice, any and all business may be transacted at a special meeting.

Section 2.5: Remote Meetings Permitted. Members of the Board, or any committee of the Board, may participate in a meeting of the Board or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to conference telephone or other communications equipment shall constitute presence in person at such meeting.

Section 2.6: Quorum; Vote Required for Action. Subject to the Certificate of Incorporation regarding the ability of members of the Board to fill a vacancy occurring in the Board, a majority of the Whole Board shall constitute a quorum for the transaction of business. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date or time without further notice thereof. Except as otherwise provided herein or in the Certificate of Incorporation, or required by law, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

Section 2.7: Organization. Meetings of the Board shall be presided over by the Chairperson of the Board, or in such person's absence by the President, or in such person's absence by a chairperson chosen at the meeting. The Secretary shall act as secretary of the meeting, but in such person's absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8: Written Action by Directors. Any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee, respectively,

in the minute books of the Corporation. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 2.9: Powers. The Board may, except as otherwise required by law or the Certificate of Incorporation, exercise all such powers and manage and direct all such acts and things as may be exercised or done by the Corporation.

Section 2.10: Compensation of Directors. Members of the Board, as such, may receive, pursuant to a resolution of the Board, fees and other compensation for their services as directors, including without limitation their services as members of committees of the Board.

ARTICLE III: COMMITTEES

Section 3.1: Committees. The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting of such committee who are not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in a resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority in reference to the following matters: (a) approving, adopting, or recommending to the stockholders any action or matter (other than the election or removal of members of the Board) expressly required by the DGCL to be submitted to stockholders for approval or (b) adopting, amending or repealing any bylaw of the Corporation.

Section 3.2: Committee Rules. Unless the Board otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article II of these Bylaws.

ARTICLE IV: OFFICERS

Section 4.1: Generally. The officers of the Corporation shall consist of a Chief Executive Officer (who may be the Chairperson of the Board or the President), a Secretary and a Treasurer and may consist of such other officers, including a Chief Financial Officer and one or more Vice Presidents, as may from time to time be appointed by the Board. All officers shall be elected by the Board; *provided, however*, that the Board may empower the Chief Executive Officer of the Corporation to appoint any officer other than the Chairperson of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer. Each officer shall hold office until such person's successor is appointed or until such person's earlier resignation, death or removal. Any number of offices may be held by the same person. Any officer may resign at any time upon written notice to the Corporation. Any vacancy occurring

in any office of the Corporation by death, resignation, removal or otherwise may be filled by the Board.

Section 4.2: Chief Executive Officer. Subject to the control of the Board and such supervisory powers, if any, as may be given by the Board, the powers and duties of the Chief Executive Officer of the Corporation are:

(a) To act as the general manager and, subject to the control of the Board, to have general supervision, direction and control of the business and affairs of the Corporation;

(b) Subject to Article I, Section 1.6, to preside at all meetings of the stockholders;

(c) Subject to Article I, Section 1.2, to call special meetings of the stockholders to be held at such times and, subject to the limitations prescribed by law or by these Bylaws, at such places as he or she shall deem proper;

(d) To affix the signature of the Corporation to all deeds, conveyances, mortgages, guarantees, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board or which, in the judgment of the Chief Executive Officer, should be executed on behalf of the Corporation; to sign certificates for shares of stock of the Corporation; and, subject to the direction of the Board, to have general charge of the property of the Corporation and to supervise and control all officers, agents and employees of the Corporation; and

(e) To vote and otherwise act on, or to authorize any officer to vote or otherwise act on, on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise, or authorize any officer otherwise to exercise, any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

The President shall be the Chief Executive Officer of the Corporation unless the Board shall designate another officer to be the Chief Executive Officer. If there is no President, and the Board has not designated any other officer to be the Chief Executive Officer, then the Chairperson of the Board shall be the Chief Executive Officer.

Section 4.3: Chairperson of the Board. The Chairperson of the Board shall have the power to preside at all meetings of the Board and shall have such other powers and duties as provided in these Bylaws and as the Board may from time to time prescribe.

Section 4.4: President. The Chief Executive Officer shall be the President of the Corporation unless the Board shall have designated one individual as the President and a different individual as the Chief Executive Officer of the Corporation. Subject to the provisions of these Bylaws and to the direction of the Board, and subject to the supervisory powers of the Chief Executive Officer (if the Chief Executive Officer is an officer other than the President), and subject to such supervisory powers and authority as may be given by the Board to the

Chairperson of the Board, and/or to any other officer, the President shall have the responsibility for the general management and control of the business and affairs of the Corporation and the general supervision and direction of all of the officers, employees and agents of the Corporation (other than the Chief Executive Officer, if the Chief Executive Officer is an officer other than the President) and shall perform all duties and have all powers that are commonly incident to the office of President or that are delegated to the President by the Board.

Section 4.5: Vice President. Each Vice President shall have all such powers and duties as are commonly incident to the office of Vice President, or that are delegated to him or her by the Board or the Chief Executive Officer. A Vice President may be designated by the Board to perform the duties and exercise the powers of the Chief Executive Officer in the event of the Chief Executive Officer's absence or disability.

Section 4.6: Chief Financial Officer. The Chief Financial Officer shall be the Treasurer of the Corporation unless the Board shall have designated another officer as the Treasurer of the Corporation. Subject to the direction of the Board and the Chief Executive Officer, the Chief Financial Officer shall perform all duties and have all powers that are commonly incident to the office of Chief Financial Officer.

Section 4.7: Treasurer. The Treasurer shall have custody of all moneys and securities of the Corporation. The Treasurer shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions. The Treasurer shall also perform such other duties and have such other powers as are commonly incident to the office of Treasurer, or as the Board or the Chief Executive Officer may from time to time prescribe.

Section 4.8: Secretary. The Secretary shall issue or cause to be issued all authorized notices for, and shall keep, or cause to be kept, minutes of all meetings of the stockholders and the Board. The Secretary shall have charge of the corporate minute books and similar records and shall perform such other duties and have such other powers as are commonly incident to the office of Secretary, or as the Board or the Chief Executive Officer may from time to time prescribe.

Section 4.9: Delegation of Authority. The Board may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

Section 4.10: Removal. Any officer of the Corporation shall serve at the pleasure of the Board and may be removed at any time, with or without cause, by the Board; provided that if the Board has empowered the Chief Executive Officer to appoint any Vice Presidents of the Corporation, then such Vice Presidents may be removed by the Chief Executive Officer. Such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation.

ARTICLE V: STOCK

Section 5.1 Certificates. The shares of capital stock of the Corporation shall be represented by certificates; provided, however, that the Board may provide by resolution or

resolutions that some or all of any or all classes or series of its stock may be uncertificated shares. Notwithstanding the adoption of such resolution by the Board, each holder of stock that is a certified security shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairperson or Vice-Chairperson of the Board, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the number of shares owned by such stockholder in the Corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Section 5.2: Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates or Uncertificated Shares. The Corporation may issue a new certificate of stock, or uncertificated shares, in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to agree to indemnify the Corporation and/or to give the Corporation a bond sufficient to indemnify it, against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 5.3: Other Regulations. The issue, transfer, conversion and registration of stock certificates and uncertificated securities shall be governed by such other regulations as the Board may establish.

ARTICLE VI: INDEMNIFICATION

Section 6.1: Indemnification of Officers and Directors. Each person who was or is made a party to, or is threatened to be made a party to, or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "***Proceeding***"), by reason of the fact that such person (or a person of whom such person is the legal representative), is or was a member of the Board or officer of the Corporation or a Reincorporated Predecessor (as defined below) or is or was serving at the request of the Corporation or a Reincorporated Predecessor as a member of the board of directors, officer or trustee of another corporation, or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (for purposes of this Article VI, an "***Indemnitee***"), shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the DGCL as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes and penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith, provided such Indemnitee acted in good faith and in a manner that the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation,

and, with respect to any criminal action or Proceeding, had no reasonable cause to believe the Indemnitee's conduct was unlawful. Such indemnification shall continue as to an Indemnitee who has ceased to be a director or officer and shall inure to the benefit of such Indemnitees' heirs, executors and administrators. Notwithstanding the foregoing, the Corporation shall indemnify any such Indemnitee seeking indemnity in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the Board or such indemnification is authorized by an agreement approved by the Board. As used herein, the term the "***Reincorporated Predecessor***" means a corporation that is merged with and into the Corporation in a statutory merger where (a) the Corporation is the surviving corporation of such merger; (b) the primary purpose of such merger is to change the corporate domicile of the Reincorporated Predecessor to Delaware. To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in this Section 6.1 or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 6.2: Advancement of Expenses. Except as otherwise provided in a written indemnification agreement between the Corporation and an Indemnitee, the Corporation shall pay all expenses (including attorneys' fees) incurred by such an Indemnitee in defending any such Proceeding as they are incurred in advance of its final disposition; *provided, however*, that if the DGCL then so requires, the payment of such expenses incurred by such Indemnitee in advance of the final disposition of such Proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Indemnitee, to repay all amounts so advanced if it should be determined ultimately by final judicial decision from which there is no appeal that such Indemnitee is not entitled to be indemnified under this Article VI or otherwise. Expenses (including attorneys' fees) actually and reasonably incurred by an officer or director of the corporation in defending any Proceeding shall be paid by the corporation in advance of the final disposition of such Proceeding upon receipt of a written request therefor (together with documentation reasonably evidencing such expenses) and an undertaking by or on behalf of the person to repay such amounts if it shall ultimately be determined that the person is not entitled to be indemnified under this Article VI or the DGCL. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents of the corporation or by persons serving at the request of the corporation as directors, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The right to advancement of expenses shall not apply to any claim for which indemnity is excluded pursuant to these bylaws, but shall apply to any Proceeding referenced in Section 6.1 prior to a determination that the person is not entitled to be indemnified by the corporation.

Section 6.3: Non-Exclusivity of Rights. The rights conferred on any person in this Article VI shall not be exclusive of any other right that such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaw, agreement, vote or consent of stockholders or disinterested directors, or otherwise. Additionally, nothing in this Article VI shall limit the ability of the Corporation, in its discretion, to indemnify or advance expenses to persons whom the Corporation is not obligated to indemnify or advance expenses pursuant to this Article VI.

Section 6.4: Indemnification Contracts. The Board is authorized to cause the Corporation to enter into indemnification contracts with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, that provide indemnification or advancement rights to such person. Such rights may be greater than those provided in this Article VI.

Section 6.5: Right of Indemnitee to Bring Suit. The following shall apply to the extent not in conflict with any indemnification contract provided for in Section 6.4 above.

6.5.1 Right to Bring Suit. If a claim under Section 6.1 or 6.2 of this Article VI is not paid in full by the Corporation within ninety (90) days after a written claim has been received by the Corporation, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (a) any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (b) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the Indemnitee has not met any applicable standard for indemnification set forth in applicable law.

6.5.2 Effect of Determination. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in applicable law, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit.

6.5.3 Burden of Proof. In any suit brought by the Indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VI, or otherwise, shall be on the Corporation.

Section 6.6: Nature of Rights. The rights conferred upon Indemnitees in this Article VI shall be contract rights and such rights shall continue as to an Indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the Indemnitee's heirs, executors and administrators. Any amendment, repeal or modification of any provision of this Article VI that adversely affects any right of an Indemnitee or an Indemnitee's successors shall be prospective only, and shall not adversely affect any right or protection conferred on a person pursuant to this Article VI and existing at the time of such amendment, repeal or modification.

Section 6.7: Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of the DGCL.

ARTICLE VII: NOTICES

Section 7.1: Notice.

7.1.1 Form and Delivery. Except as otherwise specifically required in these Bylaws (including, without limitation, Section 7.1.2 below) or by law, all notices required to be given pursuant to these Bylaws shall be in writing and may, (a) in every instance in connection with any delivery to a member of the Board, be effectively given by hand delivery (including use of a delivery service), by depositing such notice in the mail, postage prepaid, or by sending such notice by prepaid telegram, cablegram, overnight express courier, facsimile, electronic mail or other form of electronic transmission and (b) be effectively delivered to a stockholder when given by hand delivery, by depositing such notice in the mail, postage prepaid or, if specifically consented to by the stockholder as described in Section 7.1.2 of this Article VII by sending such notice by telegram, cablegram, facsimile, electronic mail or other form of electronic transmission. Any such notice shall be addressed to the person to whom notice is to be given at such person's address as it appears on the records of the Corporation. The notice shall be deemed given (a) in the case of hand delivery, when received by the person to whom notice is to be given or by any person accepting such notice on behalf of such person, (b) in the case of delivery by mail, upon deposit in the mail, (c) in the case of delivery by overnight express courier, when dispatched, and (d) in the case of delivery via telegram, cablegram, facsimile, electronic mail or other form of electronic transmission, when dispatched.

7.1.2 Electronic Transmission. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation, or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given in accordance with Section 232 of the DGCL. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if (a) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent and (b) such inability becomes known to the Secretary or an Assistant Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice; *provided*, *however*, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given pursuant to this Section 7.1.2 shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of such

posting and the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the stockholder.

7.1.3 Affidavit of Giving Notice. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given in writing or by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Section 7.2: Waiver of Notice. Whenever notice is required to be given under any provision of the DGCL, the Certificate of Incorporation or these Bylaws, a written waiver of notice, signed by the person entitled to notice, or waiver by electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any waiver of notice.

ARTICLE VIII: INTERESTED DIRECTORS

Section 8.1: Interested Directors. No contract or transaction between the Corporation and one or more of its members of the Board or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are members of the board of directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof that authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose, if: (a) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; (b) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board, a committee thereof, or the stockholders.

Section 8.2: Quorum. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

ARTICLE IX: MISCELLANEOUS

Section 9.1: Fiscal Year. The fiscal year of the Corporation shall be determined by resolution of the Board.

Section 9.2: Seal. The Board may provide for a corporate seal, which may have the name of the Corporation inscribed thereon and shall otherwise be in such form as may be approved from time to time by the Board.

Section 9.3: Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on or by means of, or be in the form of, diskettes, CDs, or any other information storage device or method, provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to any provision of the DGCL.

Section 9.4: Reliance upon Books and Records. A member of the Board, or a member of any committee designated by the Board shall, in the performance of such person's duties, be fully protected in relying in good faith upon records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 9.5: Certificate of Incorporation Governs. In the event of any conflict between the provisions of the Certificate of Incorporation and Bylaws, the provisions of the Certificate of Incorporation shall govern.

Section 9.6: Severability. If any provision of these Bylaws shall be held to be invalid, illegal, unenforceable or in conflict with the provisions of the Certificate of Incorporation, then such provision shall nonetheless be enforced to the maximum extent possible consistent with such holding and the remaining provisions of these Bylaws (including without limitation, all portions of any section of these Bylaws containing any such provision held to be invalid, illegal, unenforceable or in conflict with the Certificate of Incorporation, that are not themselves invalid, illegal, unenforceable or in conflict with the Certificate of Incorporation) shall remain in full force and effect.

ARTICLE X: AMENDMENT

Notwithstanding any other provision of these Bylaws, any amendment or repeal of these Bylaws, or adoption of Bylaws, shall require the approval of the Board or the stockholders of the Corporation as provided in the Certificate of Incorporation.

Exhibit 5.1

FENWICK & WEST LLP
555 CALIFORNIA STREET, 12TH FLOOR SAN FRANCISCO, CA 94104
TEL 415.875.2300 FAX 415.281.1350 WWW.FENWICK.COM

September 26, 2016

Obalon Therapeutics, Inc.
5421 Avenida Encinas, Suite F
Carlsbad, California 92008

Gentlemen and Ladies:

At your request, we have examined the Registration Statement on Form S-1 (File Number 333-213551) filed by Obalon Therapeutics, Inc., a Delaware corporation (the "***Company***"), with the Securities and Exchange Commission on September 9, 2016 (the "***Registration Statement***") in connection with the registration under the Securities Act of 1933, as amended, of an aggregate of 5,750,000 shares of the Company's Common Stock (the "***Stock***").

In rendering this opinion, we have examined such matters of fact as we have deemed necessary in order to render the opinion set forth herein, which included examination of the following:

(1) the Company's Seventh Amended and Restated Certificate of Incorporation, as amended, certified by the Delaware Secretary of State on September 23, 2016 (the "***Current Certificate***") and the Restated Certificate of Incorporation that the Company intends to file and that will be effective upon the consummation of the sale of the Stock (the "***Post-Effective Restated Certificate***");

(2) the Company's By-laws, adopted by the Company's Board of Directors (the "***Board***") on January 30, 2008 (the "***Current Bylaws***") and the Restated Bylaws that the Company has adopted in connection with, and that will be effective upon the consummation of the sale of the Stock (the "***Post-Effective Restated Bylaws***");

(3) the Registration Statement, together with the Exhibits filed as a part thereof or incorporated therein by reference;

(4) the prospectus prepared in connection with the Registration Statement (the "***Prospectus***");

(5) minutes of meetings and actions by written consent of the Board and the Company's stockholders (the "***Stockholders***") at which, or pursuant to which, the Current Certificate, the Post-Effective Restated Certificate, the Current Bylaws and the Post-Effective Restated Bylaws were approved;

(6) minutes of meetings and actions by written consent of the Board and Stockholders at which, or pursuant to which, the sale and issuance of the Stock and related matters were approved;

(7) the stock records for the Company (consisting of a list of Stockholders and a list of the Company's option holders and of any rights to purchase capital stock, each dated September 23, 2016, verifying the number of such issued and outstanding securities);

(8) a Certificate of Good Standing issued by the Delaware Secretary of State dated September 23, 2016, stating that the Company is qualified to do business and is in good standing under the laws of the State of Delaware (the "***Certificate of Good Standing***");

(9) a Management Certificate addressed to us and dated of even date herewith executed by the Company containing certain factual representations (the "***Management Certificate***"); and

(10) the underwriting agreement to be entered into by and among the Company and the several Underwriters named in Schedule A thereto.

In our examination of documents for purposes of this opinion, we have assumed, and express no opinion as to, the authenticity and completeness of all documents submitted to us as originals, the conformity to originals and completeness of all documents submitted to us as copies, the legal capacity of all persons or entities executing the same and the lack of any undisclosed termination, modification, waiver or amendment to any document referenced in clauses (5) and (6) above to us.

We render this opinion only with respect to, and express no opinion herein concerning the application or effect of the laws of any jurisdiction other than, the existing laws of the United States of America and of the Delaware General Corporation Law and reported judicial decisions relating thereto.

In connection with our opinion expressed below, we have assumed that, at or prior to the time of the delivery of any shares of Stock, the Registration Statement will have been declared effective under the Securities Act of 1933, as amended, that the registration will apply to such shares of Stock and will not have been modified or rescinded and that there will not have occurred any change in law affecting the validity of the issuance of such shares of Stock.

Based upon the foregoing, we are of the opinion that up to 5,750,000 shares of Stock to be issued and sold by the Company, when issued, sold and delivered in the manner and for the consideration stated in the Registration Statement and the Prospectus and in accordance with the resolutions adopted by the Board and to be adopted by the Pricing Committee of the Board, will be validly issued, fully paid and nonassessable.

We consent to the use of this opinion as an exhibit to the Registration Statement and further consent to all references to us, if any, in the Registration Statement, the Prospectus constituting a part thereof and any amendments thereto.

This opinion is intended solely for use in connection with the sale of shares subject to the Registration Statement and is not to be relied upon for any other purpose. This opinion is rendered as of the date first written above and based solely on our understanding of facts in existence as of such date after the aforementioned examination. We assume no obligation to advise you of any fact, circumstance, event or change in the law subsequent to the date of effectiveness of the Registration Statement or the facts that may thereafter be brought to our attention whether or not such occurrence would affect or modify the opinions expressed herein.

Very truly yours,

/s/ Fenwick & West LLP

FENWICK & WEST LLP

Exhibit 10.1

INDEMNITY AGREEMENT

This Indemnity Agreement, dated as of , 2016 is made by and between Obalon Therapeutics, Inc., a Delaware corporation (the "***Company***"), and , a director, officer or key employee of the Company or one of the Company's subsidiaries or other service provider who satisfies the definition of Indemnifiable Person set forth below ("***Indemnitee***").

RECITALS

A. The Company is aware that competent and experienced persons are increasingly reluctant to serve as representatives of corporations unless they are protected by comprehensive liability insurance and indemnification, due to increased exposure to litigation costs and risks resulting from their service to such corporations, and due to the fact that the exposure frequently bears no relationship to the compensation of such representatives;

B. The members of the Board of Directors of the Company (the "***Board***") have concluded that to retain and attract talented and experienced individuals to serve as representatives of the Company and its Subsidiaries and Affiliates and to encourage such individuals to take the business risks necessary for the success of the Company and its Subsidiaries and Affiliates, it is necessary for the Company to contractually indemnify certain of its representatives and the representatives of its Subsidiaries and Affiliates, and to assume for itself maximum liability for Expenses and Other Liabilities in connection with claims against such representatives in connection with their service to the Company and its Subsidiaries and Affiliates;

C. Section 145 of the Delaware General Corporation Law ("***Section 145***"), empowers the Company to indemnify by agreement its officers, directors, employees and agents, and persons who serve, at the request of the Company, as directors, officers, employees or agents of other corporations, partnerships, joint ventures, trusts or other enterprises, and expressly provides that the indemnification provided thereby is not exclusive; and

D. The Company desires and has requested Indemnitee to serve or continue to serve as a representative of the Company and/or the Subsidiaries or Affiliates of the Company free from undue concern about inappropriate claims for damages arising out of or related to such services to the Company and/or the Subsidiaries or Affiliates of the Company.

AGREEMENT

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

(a) Affiliate. For purposes of this Agreement, "***Affiliate***" of the Company means any corporation, partnership, limited liability company, joint venture, trust or other enterprise in respect of which Indemnitee is or was or will be serving as a director, officer, trustee,

manager, member, partner, employee, agent, attorney, consultant, member of the entity's governing body (whether constituted as a board of directors, board of managers, general partner or otherwise), fiduciary, or in any other similar capacity at the request, election or direction of the Company, and including, but not limited to, any employee benefit plan of the Company or a Subsidiary or Affiliate of the Company.

(b) Change in Control. For purposes of this Agreement, "***Change in Control***" means (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a Subsidiary or a trustee or other fiduciary holding securities under an employee benefit plan of the Company or Subsidiary, is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding capital stock or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the outstanding capital stock of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into capital stock of the surviving entity) at least 80% of the total voting power represented by the capital stock of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets.

(c) Expenses. For purposes of this Agreement, "***Expenses***" means all direct and indirect costs of any type or nature whatsoever (including, without limitation, all attorneys' fees and related disbursements, and other out-of-pocket costs), paid or incurred by Indemnitee in connection with either the investigation, defense or appeal of, or being a witness in, a Proceeding, or establishing or enforcing a right to indemnification under this Agreement, Section 145 or otherwise; provided, however, that Expenses shall not include any judgments, fines, ERISA excise taxes or penalties or amounts paid in settlement of a Proceeding.

(d) Indemnifiable Event. For purposes of this Agreement, "***Indemnifiable Event***" means any event or occurrence related to Indemnitee's service for the Company or any Subsidiary or Affiliate as an Indemnifiable Person (as defined below), or by reason of anything done or not done, or any act or omission, by Indemnitee in any such capacity.

(e) Indemnifiable Person. For the purposes of this Agreement, "***Indemnifiable Person***" means any person who is or was a director, officer, trustee, manager, member, partner, employee, attorney, consultant, member of an entity's governing body (whether constituted as a board of directors, board of managers, general partner or otherwise) or other agent or fiduciary of the Company or a Subsidiary or Affiliate of the Company.

(f) Independent Counsel. For purposes of this Agreement, "***Independent Counsel***" means legal counsel that has not performed services for the Company or Indemnitee in the five years preceding the time in question and that would not, under applicable standards of professional conduct, have a conflict of interest in representing either the Company or Indemnitee.

(g) Independent Director. For purposes of this Agreement, "***Independent Director***" means a member of the Board who is not a party to the Proceeding for which a claim is made under this Agreement.

(h) Other Liabilities. For purposes of this Agreement, "***Other Liabilities***" means any and all liabilities of any type whatsoever (including, but not limited to, judgments, fines, penalties, ERISA (or other benefit plan related) excise taxes or penalties, and amounts paid in settlement and all interest, taxes, assessments and other charges paid or payable in connection with or in respect of any such judgments, fines, ERISA (or other benefit plan related) excise taxes or penalties, or amounts paid in settlement).

(i) Proceeding. For the purposes of this Agreement, "***Proceeding***" means any threatened, pending, or completed action, suit or other proceeding, whether civil, criminal, administrative, investigative, legislative or any other type whatsoever, preliminary, informal or formal, including any arbitration or other alternative dispute resolution and including any appeal of any of the foregoing.

(j) Subsidiary. For purposes of this Agreement, "***Subsidiary***" means any entity of which more than 50% of the outstanding voting securities is owned directly or indirectly by the Company.

2. Agreement to Serve. The Indemnitee agrees to serve and/or continue to serve as an Indemnifiable Person in the capacity or capacities in which Indemnitee currently serves the Company as an Indemnifiable Person, and any additional capacity in which Indemnitee may agree to serve, until such time as Indemnitee's service in a particular capacity shall end according to the terms of an agreement, the Company's Certificate of Incorporation or Bylaws, governing law, or otherwise. Nothing contained in this Agreement is intended to create any right to continued employment or other form of service for the Company or a Subsidiary or Affiliate of the Company by Indemnitee.

3. Mandatory Indemnification.

(a) Agreement to Indemnify. In the event Indemnitee is a person who was or is a party to or witness in or is threatened to be made a party to or witness in any Proceeding by reason of an Indemnifiable Event, the Company shall indemnify Indemnitee from and against any and all Expenses and Other Liabilities incurred by Indemnitee in connection with (including in preparation for) such Proceeding to the fullest extent not prohibited by the Delaware General Corporation Law ("***DGCL***"), as the same may be amended from time to time (but only to the extent that such amendment permits the Company to provide broader indemnification rights than the DGCL permitted prior to the adoption of such amendment).

(b) Exception for Amounts Covered by Insurance and Other Sources. Notwithstanding the foregoing, the Company shall not be obligated to indemnify Indemnitee for Expenses or Other Liabilities of any type whatsoever (including, but not limited to judgments, fines, penalties, ERISA excise taxes or penalties and amounts paid in settlement) to the extent such have been paid directly to Indemnitee (or paid directly to a third party on Indemnitee's behalf) by any directors and officers, or other type, of insurance maintained by the Company.

(c) Company Obligations Primary. The Company hereby acknowledges that Indemnitee may have rights to indemnification for Expenses and Other Liabilities provided by [name of VC or other sponsoring organization ("***Other Indemnitor***")]. The Company agrees with Indemnitee that the Company is the indemnitor of first resort of Indemnitee with respect to matters for which indemnification is provided under this Agreement and that the Company will be obligated to make all payments due to or for the benefit of Indemnitee under this Agreement without regard to any rights that Indemnitee may have against the Other Indemnitor. The Company hereby waives any equitable rights to contribution or indemnification from the Other Indemnitor in respect of any amounts paid to Indemnitee hereunder. The Company further agrees that no reimbursement of Other Liabilities or payment of Expenses by the Other Indemnitor to or for the benefit of Indemnitee shall affect the obligations of the Company hereunder, and that the Company shall be obligated to repay the Other Indemnitor for all amounts so paid or reimbursed to the extent that the Company has an obligation to indemnify Indemnitee for such Expenses or Other Liabilities hereunder.

4. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses or Other Liabilities but not entitled, however, to indemnification for the total amount of such Expenses or Other Liabilities, the Company shall nevertheless indemnify Indemnitee for such total amount except as to the portion thereof for which indemnification is prohibited by the provisions of the DGCL. In any review or Proceeding to determine the extent of indemnification, the Company shall bear the burden to establish, by clear and convincing evidence, the lack of a successful resolution of a particular claim, issue or matter and which amounts sought in indemnity are allocable to claims, issues or matters which were not successfully resolved.

5. Liability Insurance. So long as Indemnitee shall continue to serve the Company or a Subsidiary or Affiliate of the Company as an Indemnifiable Person and thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed Proceeding as a result of an Indemnifiable Event, the Company shall use reasonable efforts to maintain in full force and effect for the benefit of Indemnitee as an insured (i) liability insurance issued by one or more reputable insurers and having the policy amount and deductible deemed appropriate by the Board and providing in all respects coverage at least comparable to and in the same amount as that provided to the Chairman of the Board or the Chief Executive Officer of the Company and (ii) any replacement or substitute policies issued by one or more reputable insurers providing in all respects coverage at least comparable to and in the same amount as that being provided to the Chairman of the Board or the Chief Executive Officer of the Company. The purchase, establishment and maintenance of any such insurance or other arrangements shall not in any way limit or affect the rights and obligations of the Company or of Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and Indemnitee shall not in any way limit or affect the rights and obligations of the

Company or the other party or parties thereto under any such insurance or other arrangement. In the event of a Change in Control subsequent to the date of this Agreement, or the Company's becoming insolvent, including being placed into receivership or entering the federal bankruptcy process, the Company shall maintain in force any directors' and officers' liability insurance policies then maintained by the Company in providing insurance in respect of Indemnitee, for a period of six years thereafter.

6. Mandatory Advancement of Expenses. If requested by Indemnitee, the Company shall advance prior to the final disposition of the Proceeding all Expenses reasonably incurred by Indemnitee in connection with (including in preparation for) a Proceeding related to an Indemnifiable Event. Indemnitee hereby undertakes to repay such amounts advanced if, and only if and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company under the provisions of this Agreement, the DGCL, and no additional form of undertaking with respect to such obligation to repay shall be required. The advances to be made hereunder shall be paid by the Company to Indemnitee or directly to a third party designated by Indemnitee within thirty (30) days following delivery of a written request therefor by Indemnitee to the Company. Indemnitee's undertaking to repay any Expenses advanced to Indemnitee hereunder shall be unsecured and shall not be subject to the accrual or payment of any interest thereon. In the event that Indemnitee's request for the advancement of expenses shall be accompanied by an affidavit of counsel to Indemnitee to the effect that such counsel has reviewed such Expenses and that such Expenses are reasonable in such counsel's view, then such expenses shall be deemed reasonable in the absence of clear and convincing evidence to the contrary.

7. Notice and Other Indemnification Procedures.

(a) Notification. Promptly after receipt by Indemnitee of notice of the commencement of or the threat of commencement of any Proceeding, Indemnitee shall, if Indemnitee believes that indemnification or advancement of Expenses with respect thereto may be sought from the Company under this Agreement, notify the Company of the commencement or threat of commencement thereof. However, a failure so to notify the Company promptly following Indemnitee's receipt of such notice shall not relieve the Company from any liability that it may have to Indemnitee except to the extent that the Company is materially prejudiced in its defense of such Proceeding as a result of such failure.

(b) Insurance and Other Matters. If, at the time of the receipt of a notice of the commencement of a Proceeding pursuant to Section 7(a) above, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such Proceeding to the issuers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all reasonable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such insurance policies.

(c) Assumption of Defense. In the event the Company shall be obligated to advance the Expenses for any Proceeding against Indemnitee, the Company, if deemed appropriate by the Company, shall be entitled to assume the defense of such Proceeding as provided herein. Such defense by the Company may include the representation of two or more

parties by one attorney or law firm as permitted under the ethical rules and legal requirements related to joint representations. Following delivery of written notice to Indemnitee of the Company's election to assume the defense of such Proceeding, the approval by Indemnitee (which approval shall not be unreasonably withheld) of counsel designated by the Company and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees and expenses of counsel subsequently incurred by Indemnitee with respect to the same Proceeding. If (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have notified the Board in writing that Indemnitee has reasonably concluded that there is likely to be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (C) the Company fails to employ counsel to assume the defense of such Proceeding, the fees and expenses of Indemnitee's counsel shall be subject to indemnification and/or advancement pursuant to the terms of this Agreement. Nothing herein shall prevent Indemnitee from employing counsel for any such Proceeding at Indemnitee's expense.

(d) Settlement. The Company shall not be liable to indemnify Indemnitee under this Agreement or otherwise for any amounts paid in settlement of any Proceeding effected without the Company's written consent; provided, however, that if a Change in Control has occurred subsequent to the date of this Agreement, the Company shall be liable for indemnification of Indemnitee for amounts paid in settlement if the Independent Counsel has approved the settlement. Neither the Company nor any Subsidiary or Affiliate shall enter into a settlement of any Proceeding that might result in the imposition of any Expense, Other Liability, penalty, limitation or detriment on Indemnitee, whether indemnifiable under this Agreement or otherwise, without Indemnitee's written consent. Neither the Company nor Indemnitee shall unreasonably withhold consent from any settlement of any Proceeding. The Company shall promptly notify Indemnitee upon the Company's receipt of an offer to settle, or if the Company makes an offer to settle, any Proceeding, and provide Indemnitee with a reasonable amount of time to consider such settlement, in the case of any such settlement for which the consent of Indemnitee would be required hereunder. The Company shall not, on its own behalf, settle any part of any Proceeding to which Indemnitee is a party with respect to other parties (including the Company) without the written consent of Indemnitee if any portion of the settlement is to be funded from insurance proceeds unless approved by a majority of the Independent Directors, provided that this sentence shall cease to be of any force and effect if it has been determined in accordance with this Agreement that Indemnitee is not entitled to indemnification hereunder with respect to such Proceeding or if the Company's obligations hereunder to Indemnitee with respect to such Proceeding have been fully discharged.

8. Determination of Right to Indemnification.

(a) Success on the Merits or Otherwise. To the extent that Indemnitee has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 3(a) above or in the defense of any claim, issue or matter described therein, the Company shall indemnify Indemnitee against Expenses actually and reasonably incurred in connection therewith.

(b) Indemnification in Other Situations. In the event that Section 8(a) is inapplicable, the Company shall also indemnify Indemnitee if Indemnitee has not failed to meet the applicable standard of conduct for indemnification.

(c) Forum. Indemnitee shall be entitled to select the forum in which determination of whether or not Indemnitee has met the applicable standard of conduct shall be decided, and such election will be made from among the following:

a. Those members of the Board who are Independent Directors even though less than a quorum;

b. A committee of Independent Directors designated by a majority vote of Independent Directors, even though less than a quorum; or

c. Independent Counsel selected by Indemnitee and approved by the Board, which approval may not be unreasonably withheld, which counsel shall make such determination in a written opinion.

If Indemnitee is an officer or a director of the Company at the time that Indemnitee is selecting the forum, then Indemnitee shall not select Independent Counsel as such forum unless there are no Independent Directors or unless the Independent Directors agree to the selection of Independent Counsel as the forum.

The selected forum shall be referred to herein as the "Reviewing Party". Notwithstanding the foregoing, following any Change in Control subsequent to the date of this Agreement, the Reviewing Party shall be Independent Counsel selected in the manner provided in c. above.

(d) As soon as practicable, and in no event later than thirty (30) days after receipt by the Company of written notice of Indemnitee's choice of forum pursuant to Section 8(c) above, the Company and Indemnitee shall each submit to the Reviewing Party such information as they believe is appropriate for the Reviewing Party to consider. The Reviewing Party shall arrive at its decision within a reasonable period of time following the receipt of all such information from the Company and Indemnitee, but in no event later than thirty (30) days following the receipt of all such information, provided that the time by which the Reviewing Party must reach a decision may be extended by mutual agreement of the Company and Indemnitee. All Expenses associated with the process set forth in this Section 8(d), including but not limited to the Expenses of the Reviewing Party, shall be paid by the Company.

(e) Delaware Court of Chancery. Notwithstanding a final determination by any Reviewing Party that Indemnitee is not entitled to indemnification with respect to a specific Proceeding, Indemnitee shall have the right to apply to the Court of Chancery, for the purpose of enforcing Indemnitee's right to indemnification pursuant to this Agreement.

(f) Expenses. The Company shall indemnify Indemnitee against all Expenses incurred by Indemnitee in connection with any hearing or Proceeding under this Section 8 involving Indemnitee and against all Expenses and Other Liabilities incurred by Indemnitee in connection with any other Proceeding between the Company and Indemnitee involving the interpretation or enforcement of the rights of Indemnitee under this Agreement unless a court of

competent jurisdiction finds that each of the material claims of Indemnitee in any such Proceeding was frivolous or made in bad faith.

(g) Determination of "Good Faith". For purposes of any determination of whether Indemnitee acted in "good faith" Indemnitee shall be deemed to have acted in good faith if in taking or failing to take the action in question Indemnitee relied on the records or books of account of the Company or a Subsidiary or Affiliate, including financial statements, or on information, opinions, reports or statements provided to Indemnitee by the officers or other employees of the Company or a Subsidiary or Affiliate in the course of their duties, or on the advice of legal counsel for the Company or a Subsidiary or Affiliate, or on information or records given or reports made to the Company or a Subsidiary or Affiliate by an independent certified public accountant or by an appraiser or other expert selected by the Company or a Subsidiary or Affiliate, or by any other person (including legal counsel, accountants and financial advisors) as to matters Indemnitee reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company or a Subsidiary or Affiliate. In connection with any determination as to whether Indemnitee is entitled to be indemnified hereunder, or to advancement of expenses, the Reviewing Party or court shall presume that Indemnitee has satisfied the applicable standard of conduct and is entitled to indemnification or advancement of Expenses, as the case may be, and the burden of proof shall be on the Company to establish, by clear and convincing evidence, that Indemnitee is not so entitled. The provisions of this Section 8(g) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement. In addition, the knowledge and/or actions, or failures to act, of any other person serving the Company or a Subsidiary or Affiliate as an Indemnifiable Person shall not be imputed to Indemnitee for purposes of determining the right to indemnification hereunder.

9. Exceptions. Any other provision herein to the contrary notwithstanding,

(a) Claims Initiated by Indemnitee. The Company shall not be obligated pursuant to the terms of this Agreement to indemnify or advance Expenses to Indemnitee with respect to Proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (1) with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement, any other statute or law, as permitted under Section 145, or otherwise, (2) where the Board has consented to the initiation of such Proceeding, or (3) with respect to Proceedings brought to discharge Indemnitee's fiduciary responsibilities, whether under ERISA or otherwise, but such indemnification or advancement of Expenses may be provided by the Company in specific cases if the Board finds it to be appropriate; or

(b) Actions Based on Federal Statutes Regarding Profit Recovery and Return of Bonus Payments. The Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee on account of (i) any suit in which judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of l934 and amendments thereto or similar provisions of any federal, state or local statutory law, or (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from

the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act); or

(c) Unlawful Indemnification. The Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee for Other Liabilities if such indemnification is prohibited by law as determined by a court of competent jurisdiction in a final adjudication not subject to further appeal.

10. Non-exclusivity. The provisions for indemnification and advancement of Expenses set forth in this Agreement shall not be deemed exclusive of any other rights which Indemnitee may have under any provision of law, the Company's Certificate of Incorporation or Bylaws, the vote of the Company's stockholders or disinterested directors, other agreements, or otherwise, both as to acts or omissions in his or her official capacity and to acts or omissions in another capacity while serving the Company or a Subsidiary or Affiliate as an Indemnifiable Person and Indemnitee's rights hereunder shall continue after Indemnitee has ceased serving the Company or a Subsidiary or Affiliate as an Indemnifiable Person and shall inure to the benefit of the heirs, executors and administrators of Indemnitee.

11. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of the Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

12. Supersession, Modification and Waiver. This Agreement supersedes any prior indemnification agreement between the Indemnitee and the Company, its Subsidiaries or its Affiliates. If the Company and Indemnitee have previously entered into an indemnification agreement providing for the indemnification of Indemnitee by the Company, parties entry into this Agreement shall be deemed to amend and restate such prior agreement to read in its entirety as, and be superseded by, this Agreement. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) and except as expressly provided herein, no such waiver shall constitute a continuing waiver.

13. Successors and Assigns. The terms of this Agreement shall bind, and shall inure to the benefit of, the successors and assigns of the parties hereto.

14. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and a receipt is provided by the party to whom such communication is delivered, (ii) if mailed by certified or registered mail with postage prepaid, return receipt requested, on the signing by the recipient of an acknowledgement of receipt form accompanying delivery through the U.S. mail, (iii) personal service by a process server, or (iv) delivery to the recipient's address by overnight delivery (e.g., FedEx, UPS or DHL) or other commercial delivery service. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice complying with the provisions of this Section 14. Delivery of communications to the Company with respect to this Agreement shall be sent to the attention of the Company's General Counsel.

15. No Presumptions. For purposes of this Agreement, the termination of any Proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law or otherwise. In addition, neither the failure of the Company or a Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Company or a Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of Proceedings by Indemnitee to secure a judicial determination by exercising Indemnitee's rights under Section 8(e) of this Agreement shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has failed to meet any particular standard of conduct or did not have any particular belief or is not entitled to indemnification under applicable law or otherwise.

16. Survival of Rights. The rights conferred on Indemnitee by this Agreement shall continue after Indemnitee has ceased to serve the Company or a Subsidiary or Affiliate of the Company as an Indemnifiable Person and shall inure to the benefit of Indemnitee's heirs, executors and administrators.

17. Subrogation and Contribution.

(a) In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

(b) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by or on behalf of Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s)

giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

18. Specific Performance, Etc. The parties recognize that if any provision of this Agreement is violated by the Company, Indemnitee may be without an adequate remedy at law. Accordingly, in the event of any such violation, Indemnitee shall be entitled, if Indemnitee so elects, to institute Proceedings, either in law or at equity, to obtain damages, to enforce specific performance, to enjoin such violation, or to obtain any relief or any combination of the foregoing as Indemnitee may elect to pursue.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

20. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction or interpretation thereof.

21. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware, as applied to contracts between Delaware residents entered into and to be performed entirely with Delaware.

22. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any Proceeding which arises out of or relates to this Agreement.

[*Signature Page Follows*]

The parties hereto have entered into this Indemnity Agreement effective as of the date first above written.

OBALON THERAPEUTICS, INC.

By: _____
Name: _____
Its: _____

INDEMNITEE

_____
[Name]

Address: _____
_____
_____

Exhibit 10.3

OBALON THERAPEUTICS, INC.

2016 EQUITY INCENTIVE PLAN

1. PURPOSE. The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, and any Parents, Subsidiaries and Affiliates that exist now or in the future, by offering them an opportunity to participate in the Company's future performance through the grant of Awards. Capitalized terms not defined elsewhere in the text are defined in Section 28.

2. SHARES SUBJECT TO THE PLAN.

2.1. Number of Shares Available. Subject to Sections 2.6 and 21 and any other applicable provisions hereof, the total number of Shares reserved and available for grant and issuance pursuant to this Plan as of the date of adoption of the Plan by the Board, is 2,200,000 plus (a) any reserved shares not issued or subject to outstanding grants under the Company's 2008 Equity Incentive Plan (the "***Prior Plan***") on the Effective Date (as defined below), *plus* (b) shares that are subject to stock options or other awards granted under the Prior Plan that cease to be subject to such stock options or other awards by forfeiture or otherwise after the Effective Date, (c) shares issued under the Prior Plan before or after the Effective Date pursuant to the exercise of stock options that are, after the Effective Date, forfeited, (d) shares issued under the Prior Plan that are repurchased by the Company at the original issue price and (e) shares that are subject to stock options or other awards under the Prior Plan that are used to pay the exercise price of an option or withheld to satisfy the tax withholding obligations related to any award.

2.2. Lapsed, Returned Awards. Shares subject to Awards, and Shares issued under the Plan under any Award, will again be available for grant and issuance in connection with subsequent Awards under this Plan to the extent such Shares: (a) are subject to issuance upon exercise of an Option or SAR granted under this Plan but which cease to be subject to the Option or SAR for any reason other than exercise of the Option or SAR; (b) are subject to Awards granted under this Plan that are forfeited or are repurchased by the Company at the original issue price; (c) are subject to Awards granted under this Plan that otherwise terminate without such Shares being issued; or (d) are surrendered pursuant to an Exchange Program. To the extent an Award under the Plan is paid out in cash or other property rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Shares used to pay the exercise price of an Award or withheld to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. For the avoidance of doubt, Shares that otherwise become available for grant and issuance because of the provisions of this Section 2.2 shall not include Shares subject to Awards that initially became available because of the substitution clause in Section 21.2 hereof.

2.3. Minimum Share Reserve. At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Awards granted under this Plan.

2.4. Automatic Share Reserve Increase. The number of Shares available for grant and issuance under the Plan shall be increased on January 1, of each of 2017 through 2026, by the lesser of (a) four percent (4%) of the number of Shares and common stock equivalents (including options, RSUs, warrants and preferred stock on an as converted basis) issued and outstanding on each December 31 immediately prior to the date of increase or (b) such number of Shares determined by the Board.

2.5. Limitations. No more than 4,400,000 Shares shall be issued pursuant to the exercise of ISOs. No Participant will be eligible to receive an Award or Awards for more than 350,000 Shares in any calendar year under this Plan except that new Employees (including new Employees who are also officers

and directors) are eligible to be granted up to a maximum of an Award or Awards for 1,000,000 Shares in the calendar year in which they commence their employment.

2.6. Adjustment of Shares. If the number of outstanding Shares is changed by a stock dividend, extraordinary dividends or distributions (whether in cash, shares or other property, other than a regular cash dividend), spin-off, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, without consideration, then (a) the number of Shares reserved for issuance and future grant under the Plan set forth in Section 2.1, including Shares reserved under sub-clauses (a)-(e) of Section 2.1, (b) the Exercise Prices of and number of Shares subject to outstanding Options and SARs, (c) the number of Shares subject to other outstanding Awards, (d) the maximum number of Shares that may be issued as ISOs set forth in Section 2.5, (e) the maximum number of Shares that may be issued to an individual or to a new Employee in any one calendar year set forth in Section 3, and (f) the number of Shares that may be granted as Awards to Non-Employee Directors as set forth in Section 12, shall be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and in compliance with applicable securities laws; provided that fractions of a Share will not be issued.

3. ELIGIBILITY. ISOs may be granted only to Employees. All other Awards may be granted to Employees, Consultants, Directors and Non-Employee Directors; provided such Consultants, Directors and Non-Employee Directors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction.

4. ADMINISTRATION.

4.1. Committee Composition; Authority. This Plan will be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan, except, however, the Board shall establish the terms for the grant of an Award to Non-Employee Directors. The Committee will have the authority to:

(a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;

(b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;

(c) select persons to receive Awards;

(d) determine the form and terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may vest and be exercised (which may be based on performance criteria) or settled, any vesting acceleration or waiver of forfeiture restrictions, the method to satisfy tax withholding obligations or any other tax liability legally due and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Committee will determine;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine the Fair Market Value in good faith and interpret the applicable provisions of this Plan and the definition of Fair Market Value in connection with circumstances that impact the Fair Market Value, if necessary;

(g) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent, Subsidiary or Affiliate;

(h) grant waivers of Plan or Award conditions;

(i) determine the vesting, exercisability and payment of Awards;

(j) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;

(k) determine whether an Award has been earned;

(l) determine the terms and conditions of any, and to institute any Exchange Program;

(m) reduce or waive any criteria with respect to Performance Factors;

(n) adjust Performance Factors to take into account changes in law and accounting or tax rules as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code with respect to persons whose compensation is subject to Section 162(m) of the Code;

(o) adopt rules and/or procedures (including the adoption of any subplan under this Plan) relating to the operation and administration of the Plan to accommodate requirements of local law and procedures outside of the United States;

(p) make all other determinations necessary or advisable for the administration of this Plan;

(q) delegate any of the foregoing to one or more executive officers pursuant to a specific delegation as permitted by applicable law, including Section 157(c) of the Delaware General Corporation Law; and

(r) to exercise negative discretion on Performance Awards, reducing or eliminating the amount to be paid to Participants.

4.2. Committee Interpretation and Discretion. Any determination made by the Committee with respect to any Award shall be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination shall be final and binding on the Company and all persons having an interest in any Award under the Plan. Any dispute regarding the interpretation of the Plan or any Award Agreement shall be submitted by the Participant or Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and the Participant. The Committee may delegate to one or more executive officers the authority to review and resolve disputes with respect to Awards held by Participants who are not Insiders, and such resolution shall be final and binding on the Company and the Participant.

4.3. Section 162(m) of the Code and Section 16 of the Exchange Act. When necessary or desirable for an Award to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee administering the Plan in accordance with the requirements of Rule 16b-3 and Section 162(m) of the Code shall consist of at least two individuals, each of whom qualifies as (a) a Non-Employee Director under Rule 16b-3, and (b) an "outside director" pursuant to Code Section 162(m) and the regulations issued thereunder. At least two (or a majority if more than two then serve on the

Committee) such "outside directors" shall approve the grant of such Award and timely determine (as applicable) the Performance Period and any Performance Factors upon which vesting or settlement of any portion of such Award is to be subject. When required by Section 162(m) of the Code, prior to settlement of any such Award at least two (or a majority if more than two then serve on the Committee) such "outside directors" then serving on the Committee shall determine and certify in writing the extent to which such Performance Factors have been timely achieved and the extent to which the Shares subject to such Award have thereby been earned. Awards granted to Participants who are subject to Section 16 of the Exchange Act must be approved by two or more "non-employee directors" (as defined in the regulations promulgated under Section 16 of the Exchange Act). With respect to Participants whose compensation is subject to Section 162(m) of the Code, and provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code, the Committee may adjust the performance goals to account for changes in law and accounting and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships, including without limitation (a) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (b) an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management, or (c) a change in accounting standards required by generally accepted accounting principles.

4.4. Documentation. The Award Agreement for a given Award, the Plan and any other documents may be delivered to, and accepted by, a Participant or any other person in any manner (including electronic distribution or posting) that meets applicable legal requirements.

4.5. Foreign Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries and Affiliates operate or have employees or other individuals eligible for Awards, the Committee, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries and Affiliates shall be covered by the Plan; (b) determine which individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to individuals outside the United States to comply with applicable foreign laws; (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent the Committee determines such actions to be necessary or advisable (and such subplans and/or modifications shall be attached to this Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Section 2.1 hereof; and (e) take any action, before or after an Award is made, that the Committee determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

5. OPTIONS. An Option is the right but not the obligation to purchase a Share, subject to certain conditions, if applicable. The Committee may grant Options to eligible Employees, Consultants and Directors and will determine whether such Options will be Incentive Stock Options within the meaning of the Code ("***ISOs***") or Nonqualified Stock Options ("***NSOs***"), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may vest and be exercised, and all other terms and conditions of the Option, subject to the following terms of this section.

5.1. Option Grant. Each Option granted under this Plan will identify the Option as an ISO or an NSO. An Option may be, but need not be, awarded upon satisfaction of such Performance Factors during any Performance Period as are set out in advance in the Participant's individual Award Agreement. If the Option is being earned upon the satisfaction of Performance Factors, then the Committee will: (a) determine the nature, length and starting date of any Performance Period for each Option; and (b) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to Options that are subject to different performance goals and other criteria.

5.2. Date of Grant. The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, or a specified future date. The Award Agreement will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3. Exercise Period. Options may be vested and exercisable within the times or upon the conditions as set forth in the Award Agreement governing such Option; provided, however, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who, at the time the ISO is granted, directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary ("***Ten Percent Stockholder***") will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

5.4. Exercise Price. The Exercise Price of an Option will be determined by the Committee when the Option is granted; provided that: (a) the Exercise Price of an Option will be not less than one hundred percent (100%) of the Fair Market Value of the Shares on the date of grant and (b) the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 11 and the Award Agreement and in accordance with any procedures established by the Company.

5.5. Method of Exercise. Any Option granted hereunder will be vested and exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Committee and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share. An Option will be deemed exercised when the Company receives: (a) notice of exercise (in such form as the Committee may specify from time to time) from the person entitled to exercise the Option, and (b) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Committee and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 2.6 of the Plan. Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

5.6. Termination of Service. If the Participant's Service terminates for any reason except for Cause or the Participant's death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable by the Participant on the date Participant's Service terminates no later than three (3) months after the date Participant's Service terminates (or such shorter time period not less than thirty (30) days or longer time period as may be determined by the Committee, with any exercise beyond three (3) months after the date Participant's employment terminates deemed to be the exercise of an NSO), but in any event no later than the expiration date of the Options.

(a) Death. If the Participant's Service terminates because of the Participant's death (or the Participant dies within three (3) months after Participant's Service terminates other than for Cause or because of the Participant's Disability), then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the date Participant's Service terminates and must be exercised by the Participant's legal representative, or authorized assignee, no later

than twelve (12) months after the date Participant's Service terminates (or such shorter time period not less than six (6) months or longer time period as may be determined by the Committee), but in any event no later than the expiration date of the Options.

(b) Disability. If the Participant's Service terminates because of the Participant's Disability, then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the date Participant's Service terminates and must be exercised by the Participant (or the Participant's legal representative or authorized assignee) no later than twelve (12) months after the date Participant's Service terminates (or such shorter time period not less than six (6) months or longer time period as may be determined by the Committee, with any exercise beyond (a) three (3) months after the date Participant's employment terminates when the termination of Service is for a Disability that is not a "permanent and total disability" as defined in Section 22(e)(3) of the Code, or (b) twelve (12) months after the date Participant's employment terminates when the termination of Service is for a Disability that is a "permanent and total disability" as defined in Section 22(e)(3) of the Code, deemed to be exercise of an NSO), but in any event no later than the expiration date of the Options.

(c) Cause. If the Participant is terminated for Cause, then Participant's Options shall expire on such Participant's date of termination of Service, or at such later time and on such conditions as are determined by the Committee, but in any event no later than the expiration date of the Options. Unless otherwise provided in an employment agreement or the Award Agreement, Cause shall have the meaning set forth in the Plan.

5.7. Limitations on Exercise. The Committee may specify a minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent any Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8. Limitations on ISOs. With respect to Awards granted as ISOs, to the extent that the aggregate Fair Market Value of the Shares with respect to which such ISOs are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars ($100,000), such Options will be treated as NSOs. For purposes of this Section 5.8, ISOs will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

5.9. Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code. Subject to Section 18 of this Plan, by written notice to affected Participants, the Committee may reduce the Exercise Price of outstanding Options without the consent of such Participants; provided, however, that the Exercise Price may not be reduced below the Fair Market Value on the date the action is taken to reduce the Exercise Price.

5.10. No Disqualification. Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. RESTRICTED STOCK AWARDS. A Restricted Stock Award is an offer by the Company to sell to an eligible Employee, Consultant, or Director Shares that are subject to restrictions ("***Restricted Stock***"). The Committee will determine to whom an offer will be made, the number of Shares the Participant may purchase, the Purchase Price, the restrictions under which the Shares will be subject and all other terms and conditions of the Restricted Stock Award, subject to the Plan.

6.1. Restricted Stock Purchase Agreement. All purchases under a Restricted Stock Award will be evidenced by an Award Agreement. Except as may otherwise be provided in an Award Agreement, a Participant accepts a Restricted Stock Award by signing and delivering to the Company an Award Agreement with full payment of the Purchase Price, within thirty (30) days from the date the Award Agreement was delivered to the Participant. If the Participant does not accept such Award within thirty (30) days, then the offer of such Restricted Stock Award will terminate, unless the Committee determines otherwise.

6.2. Purchase Price. The Purchase Price for a Restricted Stock Award will be determined by the Committee and may be less than Fair Market Value on the date the Restricted Stock Award is granted. Payment of the Purchase Price must be made in accordance with Section 11 of the Plan, and the Award Agreement and in accordance with any procedures established by the Company.

6.3. Terms of Restricted Stock Awards. Restricted Stock Awards will be subject to such restrictions as the Committee may impose or are required by law. These restrictions may be based on completion of a specified number of years of service with the Company or upon completion of Performance Factors, if any, during any Performance Period as set out in advance in the Participant's Award Agreement. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

6.4. Termination of Service. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

7. STOCK BONUS AWARDS. A Stock Bonus Award is an award to an eligible Employee, Consultant, or Director of Shares for Services to be rendered or for past Services already rendered to the Company or any Parent, Subsidiary or Affiliate. All Stock Bonus Awards shall be made pursuant to an Award Agreement. No payment from the Participant will be required for Shares awarded pursuant to a Stock Bonus Award.

7.1. Terms of Stock Bonus Awards. The Committee will determine the number of Shares to be awarded to the Participant under a Stock Bonus Award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with the Company or upon satisfaction of performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant's Stock Bonus Agreement. Prior to the grant of any Stock Bonus Award the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus Award; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Stock Bonus Awards that are subject to different Performance Periods and different performance goals and other criteria.

7.2. Form of Payment to Participant. Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value of the Shares earned under a Stock Bonus Award on the date of payment, as determined in the sole discretion of the Committee.

7.3. Termination of Service. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

8. STOCK APPRECIATION RIGHTS. A Stock Appreciation Right ("***SAR***") is an award to an eligible Employee, Consultant, or Director that may be settled in cash, or Shares (which may consist of Restricted Stock), having a value equal to (a) the difference between the Fair Market Value on the date of exercise over the Exercise Price multiplied by (b) the number of Shares with respect to which the SAR is being settled (subject to any maximum number of Shares that may be issuable as specified in an Award Agreement). All SARs shall be made pursuant to an Award Agreement.

8.1. Terms of SARs. The Committee will determine the terms of each SAR including, without limitation: (a) the number of Shares subject to the SAR; (b) the Exercise Price and the time or times during which the SAR may be settled; (c) the consideration to be distributed on settlement of the SAR; and (d) the effect of the Participant's termination of Service on each SAR. The Exercise Price of the SAR will be determined by the Committee when the SAR is granted, and may not be less than Fair Market Value. A SAR may be awarded upon satisfaction of Performance Factors, if any, during any Performance Period as are set out in advance in the Participant's individual Award Agreement. If the SAR is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each SAR; and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to SARs that are subject to different Performance Factors and other criteria.

8.2. Exercise Period and Expiration Date. A SAR will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Award Agreement governing such SAR. The SAR Agreement shall set forth the expiration date; provided that no SAR will be exercisable after the expiration of ten (10) years from the date the SAR is granted. The Committee may also provide for SARs to become exercisable at one time or from time to time, periodically or otherwise (including, without limitation, upon the attainment during a Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of the Shares subject to the SAR as the Committee determines. Except as may be set forth in the Participant's Award Agreement, vesting ceases on the date Participant's Service terminates (unless determined otherwise by the Committee). Notwithstanding the foregoing, the rules of Section 5.6 also will apply to SARs.

8.3. Form of Settlement. Upon exercise of a SAR, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying (a) the difference between the Fair Market Value of a Share on the date of exercise over the Exercise Price; times (b) the number of Shares with respect to which the SAR is exercised. At the discretion of the Committee, the payment from the Company for the SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof. The portion of a SAR being settled may be paid currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee determines, provided that the terms of the SAR and any deferral satisfy the requirements of Section 409A of the Code.

8.4. Termination of Service. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

9. RESTRICTED STOCK UNITS. A Restricted Stock Unit ("***RSU***") is an award to an eligible Employee, Consultant, or Director covering a number of Shares that may be settled in cash, or by

issuance of those Shares (which may consist of Restricted Stock). All RSUs shall be made pursuant to an Award Agreement.

9.1. Terms of RSUs. The Committee will determine the terms of an RSU including, without limitation: (a) the number of Shares subject to the RSU; (b) the time or times during which the RSU may be settled; (c) the consideration to be distributed on settlement; and (d) the effect of the Participant's termination of Service on each RSU; provided that no RSU shall have a term longer than ten (10) years. An RSU may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant's Award Agreement. If the RSU is being earned upon satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for the RSU; (y) select from among the Performance Factors to be used to measure the performance, if any; and (z) determine the number of Shares deemed subject to the RSU. Performance Periods may overlap and participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods and different performance goals and other criteria.

9.2. Form and Timing of Settlement. Payment of earned RSUs shall be made as soon as practicable after the date(s) determined by the Committee and set forth in the Award Agreement. The Committee, in its sole discretion, may settle earned RSUs in cash, Shares, or a combination of both. The Committee may also permit a Participant to defer payment under a RSU to a date or dates after the RSU is earned provided that the terms of the RSU and any deferral satisfy the requirements of Section 409A of the Code.

9.3. Termination of Service. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

10. PERFORMANCE AWARDS. A Performance Award is an award to an eligible Employee, Consultant, or Director of the Company or any Parent, Subsidiary or Affiliate that is based upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee, and may be settled in cash, Shares (which may consist of, without limitation, Restricted Stock), other property, or any combination thereof. Grants of Performance Awards shall be made pursuant to an Award Agreement that cites Section 10 of the Plan.

10.1. Types of Performance Awards. Performance Awards shall include Performance Shares, Performance Units, and cash-based Awards as set forth in Sections 10.1(a), 10.1(b), and 10.1(c) below.

(a) Performance Shares. The Committee may grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award.

(b) Performance Units. The Committee may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award.

(c) Cash-Settled Performance Awards. The Committee may also grant cash-settled Performance Awards to Participants under the terms of this Plan.

The amount to be paid under any Performance Award may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

10.2. Terms of Performance Awards. Performance Awards will be based on the attainment of performance goals using the Performance Factors within this Plan that are established by the Committee

for the relevant Performance Period. The Committee will determine, and each Award Agreement shall set forth, the terms of each Performance Award including, without limitation: (a) the amount of any cash bonus, (b) the number of Shares deemed subject to an award of Performance Shares; (c) the Performance Factors and Performance Period that shall determine the time and extent to which each award of Performance Shares shall be settled; (d) the consideration to be distributed on settlement, and (e) the effect of the Participant's termination of Service on each Performance Award. In establishing Performance Factors and the Performance Period the Committee will: (x) determine the nature, length and starting date of any Performance Period; (y) select from among the Performance Factors to be used; and (z) determine the number of Shares deemed subject to the award of Performance Shares. Prior to settlement the Committee shall determine the extent to which Performance Awards have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Performance Awards that are subject to different Performance Periods and different performance goals and other criteria. No Participant will be eligible to receive more than $10,000,000 in Performance Awards in any calendar year under this Plan.

10.3. Termination of Service. Except as may be set forth in the Participant's Award Agreement, vesting ceases on the date Participant's Service terminates (unless determined otherwise by the Committee).

11. PAYMENT FOR SHARE PURCHASES. Payment from a Participant for Shares purchased pursuant to this Plan may be made in cash or by check or, where approved for the Participant by the Committee and where permitted by law (and to the extent not otherwise set forth in the applicable Award Agreement):

(a) by cancellation of indebtedness of the Company to the Participant;

(b) by surrender of Shares by the Participant that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Award will be exercised or settled;

(c) by waiver of compensation due or accrued to the Participant for services rendered or to be rendered to the Company or a Parent or Subsidiary;

(d) by consideration received by the Company pursuant to a broker-assisted or other form of cashless exercise program implemented by the Company in connection with the Plan;

(e) by any combination of the foregoing; or

(f) by any other method of payment as is permitted by applicable law.

12. GRANTS TO NON-EMPLOYEE DIRECTORS. Non-Employee Directors are eligible to receive any type of Award offered under this Plan except ISOs. Awards pursuant to this Section 12 may be automatically made pursuant to policy adopted by the Board, or made from time to time as determined in the discretion of the Board. The aggregate number of Shares subject to Awards granted to a Non-Employee Director pursuant to this Section 12 in any calendar year shall not exceed 220,000.

12.1. Eligibility. Awards pursuant to this Section 12 shall be granted only to Non-Employee Directors. A Non-Employee Director who is elected or re-elected as a member of the Board will be eligible to receive an Award under this Section 12.

12.2. Vesting, Exercisability and Settlement. Except as set forth in Section 21, Awards shall vest, become exercisable and be settled as determined by the Board. With respect to Options and SARs, the exercise price granted to Non-Employee Directors shall not be less than the Fair Market Value of the Shares at the time that such Option or SAR is granted.

12.3. Election to receive Awards in Lieu of Cash. A Non-Employee Director may elect to receive his or her annual retainer payments and/or meeting fees from the Company in the form of cash or Awards or a combination thereof, as determined by the Committee. Such Awards shall be issued under the Plan. An election under this Section 12.3 shall be filed with the Company on the form prescribed by the Company.

13. WITHHOLDING TAXES.

13.1. Withholding Generally. Whenever Shares are to be issued in satisfaction of Awards granted under this Plan or a tax event occurs, the Company may require the Participant to remit to the Company, or to the Parent, Subsidiary or applicable Affiliate employing the Participant, an amount sufficient to satisfy applicable U.S. federal, state, local and international withholding tax requirements or any other tax or social insurance liability legally due from the Participant prior to the delivery of Shares pursuant to exercise or settlement of any Award. Whenever payments in satisfaction of Awards granted under this Plan are to be made in cash, such payment will be net of an amount sufficient to satisfy applicable U.S. federal, state, local and international withholding tax or social insurance requirements or any other tax liability legally due from the Participant. The Fair Market Value of the Shares will be determined as of the date that the taxes are required to be withheld and such Shares shall be valued based on the value of the actual trade or, if there is none, the Fair Market Value of the Shares as of the previous trading day.

13.2. Stock Withholding. The Committee, or its delegate(s), as permitted by applicable law, in its sole discretion and pursuant to such procedures as it may specify from time to time and to limitations of local law, may require or permit a Participant to satisfy such tax withholding obligation or any other tax liability legally due from the Participant, in whole or in part by (without limitation) (a) paying cash, (b) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, (c) delivering to the Company already-owned Shares having a Fair Market Value equal to the minimum amount required to be withheld or (d) withholding from proceeds of the sale of otherwise deliverable Shares acquired pursuant to an Award either through a voluntary sale or through a mandatory sale arranged by the Company for the minimum amount required to be withheld.

14. TRANSFERABILITY.

14.1. Transfer Generally. Unless determined otherwise by the Committee or pursuant to Section 14.2, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution. If the Committee makes an Award transferable, including, without limitation, by instrument to an inter vivos or testamentary trust in which the Awards are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift or by domestic relations order to a Permitted Transferee, such Award will contain such additional terms and conditions as the Committee deems appropriate. All Awards shall be exercisable: (a) during the Participant's lifetime only by (i) the Participant, or (ii) the Participant's guardian or legal representative; (b) after the Participant's death, by the legal representative of the Participant's heirs or legatees; and (c) in the case of all awards except ISOs, by a Permitted Transferee.

14.2. Award Transfer Program. Notwithstanding any contrary provision of the Plan, the Committee shall have all discretion and authority to determine and implement the terms and conditions of any Award Transfer Program instituted pursuant to this Section 14.2 and shall have the authority to amend the terms of any Award participating, or otherwise eligible to participate in, the Award Transfer Program, including (but not limited to) the authority to (a) amend (including to extend) the expiration date, post-termination exercise period and/or forfeiture conditions of any such Award, (b) amend or remove any provisions of the Award relating to the Award holder's continued Service to the Company or its Parent, Subsidiary, or Affiliate, (c) amend the permissible payment methods with respect to the exercise or purchase of any such Award, (d) amend the adjustments to be implemented in the event of

changes in the capitalization and other similar events with respect to such Award, and (e) make such other changes to the terms of such Award as the Committee deems necessary or appropriate in its sole discretion. Notwithstanding anything to the contrary in the Plan, in no event will the Committee have the right to determine and implement the terms and conditions of any Award Transfer Program without stockholder approval.

15. PRIVILEGES OF STOCK OWNERSHIP; RESTRICTIONS ON SHARES.

15.1. Voting and Dividends. No Participant will have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Participant, except for any dividend equivalent rights permitted by an applicable Award Agreement ("***Dividend Equivalent Rights***"). After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Stock; provided, further, that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's Purchase Price or Exercise Price, as the case may be, pursuant to Section 15.2. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Shares underlying an Award during the period beginning on the date the Award is granted and ending, with respect to each Share subject to the Award, on the earlier of the date on which the Award is exercised or settled or the date on which it is forfeited. Such Dividend Equivalent Rights, if any, shall be credited to the Participant in the form of additional whole Shares as of the date of payment of such cash dividends on Shares.

15.2. Restrictions on Shares. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) a right to repurchase (a "***Right of Repurchase***") a portion of any or all Unvested Shares held by a Participant following such Participant's termination of Service at any time within ninety (90) days (or such longer or shorter time determined by the Committee) after the later of the date Participant's Service terminates and the date the Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's Purchase Price or Exercise Price, as the case may be.

16. CERTIFICATES. All Shares or other securities whether or not certificated, delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable U.S. federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted and any non-U.S. exchange controls or securities law restrictions to which the Shares are subject.

17. ESCROW; PLEDGE OF SHARES. To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of the Participant's obligation to the Company under the promissory note; provided, however, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge

of the Shares, the Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

18. REPRICING; EXCHANGE AND BUYOUT OF AWARDS. Without prior stockholder approval, the Committee may (a) reprice Options or SARs (and where such repricing is a reduction in the Exercise Price of outstanding Options or SARs, the consent of the affected Participants is not required provided written notice is provided to them, notwithstanding any adverse tax consequences to them arising from the repricing), and (b) with the consent of the respective Participants (unless not required pursuant to Section 5.9 of the Plan), pay cash or issue new Awards in exchange for the surrender and cancellation of any, or all, outstanding Awards.

19. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE. An Award will not be effective unless such Award is in compliance with all applicable U.S. and foreign federal and state securities and exchange control laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any foreign or state securities laws, exchange control laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

20. NO OBLIGATION TO EMPLOY. Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent, Subsidiary or Affiliate or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate to terminate Participant's employment or other relationship at any time.

21. CORPORATE TRANSACTIONS.

21.1. Assumption or Replacement of Awards by Successor. In the event that the Company is subject to a Corporate Transaction, outstanding Awards acquired under the Plan shall be subject to the agreement evidencing the Corporate Transaction, which need not treat all outstanding Awards in an identical manner. Such agreement, without the Participant's consent, shall provide for one or more of the following with respect to all outstanding Awards as of the effective date of such Corporate Transaction:

(a) The continuation of an outstanding Award by the Company (if the Company is the successor entity).

(b) The assumption of an outstanding Award by the successor or acquiring entity (if any) of such Corporate Transaction (or by its parents, if any), which assumption, will be binding on all selected Participants; provided that the exercise price and the number and nature of shares issuable upon exercise of any such option or stock appreciation right, or any award that is subject to Section 409A of the Code, will be adjusted appropriately pursuant to Section 424(a) of the Code and/or Section 409A of the Code, as applicable.

(c) The substitution by the successor or acquiring entity in such Corporate Transaction (or by its parents, if any) of equivalent awards with substantially the same terms for such

outstanding Awards (except that the exercise price and the number and nature of shares issuable upon exercise of any such option or stock appreciation right, or any award that is subject to Section 409A of the Code, will be adjusted appropriately pursuant to Section 424(a) of the Code and/or Section 409A of the Code, as applicable).

(d) The full or partial acceleration of exercisability or vesting and accelerated expiration of an outstanding Award and lapse of the Company's right to repurchase or re-acquire shares acquired under an Award or lapse of forfeiture rights with respect to shares acquired under an Award.

(e) The settlement of the full value of such outstanding Award (whether or not then vested or exercisable) in cash, cash equivalents, or securities of the successor entity (or its parent, if any) with a Fair Market Value equal to the required amount, followed by the cancellation of such Awards; provided however, that such Award may be cancelled if such Award has no value, as determined by the Committee, in its discretion. Subject to Section 409A of the Code, such payment may be made in installments and may be deferred until the date or dates the Award would have become exercisable or vested. Such payment may be subject to vesting based on the Participant's continued service, provided that the vesting schedule shall not be less favorable to the Participant than the schedule under which the Award would have become vested or exercisable. For purposes of this Section 21.1(e), the Fair Market Value of any security shall be determined without regard to any vesting conditions that may apply to such security.

(f) The cancellation of outstanding Awards in exchange for no consideration.

The Board shall have full power and authority to assign the Company's right to repurchase or re-acquire or forfeiture rights to such successor or acquiring corporation. In addition, in the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards, as provided above, pursuant to a Corporate Transaction, the Committee will notify the Participant in writing or electronically that such Award will be exercisable for a period of time determined by the Committee in its sole discretion, and such Award will terminate upon the expiration of such period. Awards need not be treated similarly in a Corporate Transaction.

21.2. Assumption of Awards by the Company. The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the Purchase Price or the Exercise Price, as the case may be, and the number and nature of Shares issuable upon exercise or settlement of any such Award will be adjusted appropriately pursuant to Section 424(a) of the Code and/or Section 409A of the Code, as applicable). In the event the Company elects to grant a new Option in substitution rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price. Substitute Awards shall not be deducted from the number of Shares authorized for grant under the Plan or authorized for grant to a Participant in a calendar year.

21.3. Non-Employee Directors' Awards. Notwithstanding any provision to the contrary herein, in the event of a Corporate Transaction, the vesting of all Awards granted to Non-Employee Directors shall accelerate and such Awards shall become exercisable (as applicable) in full prior to the consummation of such event at such times and on such conditions as the Committee determines.

22. ADOPTION AND STOCKHOLDER APPROVAL. This Plan shall be submitted for the approval of the Company's stockholders, consistent with applicable laws, within twelve (12) months before or after the date this Plan is adopted by the Board.

23. TERM OF PLAN/GOVERNING LAW. Unless earlier terminated as provided herein, this Plan will become effective on the Effective Date and will terminate ten (10) years from the date this Plan is adopted by the Board. This Plan and all Awards granted hereunder shall be governed by and construed in accordance with the laws of the State of Delaware (excluding its conflict of law rules).

24. AMENDMENT OR TERMINATION OF PLAN. The Board may at any time terminate or amend this Plan in any respect, including, without limitation, amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan; provided, however, that the Board will not, without the approval of the stockholders of the Company, amend this Plan in any manner that requires such stockholder approval; provided further, that a Participant's Award shall be governed by the version of this Plan then in effect at the time such Award was granted. No termination or amendment of the Plan or any outstanding Award may adversely affect any then outstanding Award without the consent of the Participant, unless such termination or amendment is necessary to comply with applicable law, regulation or rule.

25. NONEXCLUSIVITY OF THE PLAN. Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock awards and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

26. INSIDER TRADING POLICY. Each Participant who receives an Award shall comply with any policy adopted by the Company from time to time covering transactions in the Company's securities by Employees, officers and/or directors of the Company.

27. ALL AWARDS SUBJECT TO COMPANY CLAWBACK OR RECOUPMENT POLICY. All Awards shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of Participant's employment or other service with the Company that is applicable to executive officers, employees, directors or other service providers of the Company, and in addition to any other remedies available under such policy and applicable law, may require the cancelation of outstanding Awards and the recoupment of any gains realized with respect to Awards.

28. DEFINITIONS. As used in this Plan, and except as elsewhere defined herein, the following terms will have the following meanings:

28.1. "***Affiliate***" means any person or entity that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, including any general partner, managing member, officer or director of the Company, in each case as of the date on which, or at any time during the period for which, the determination of affiliation is being made. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person or entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such person or entity, whether through the ownership of voting securities or by contract or otherwise.

28.2. "***Award***" means any award under the Plan, including any Option, Restricted Stock, Stock Bonus, Stock Appreciation Right, Restricted Stock Unit or award of Performance Shares.

28.3. "***Award Agreement***" means, with respect to each Award, the written or electronic agreement between the Company and the Participant setting forth the terms and conditions of the Award, and country-specific appendix thereto for grants to non-U.S. Participants, which shall be in substantially a form (which need not be the same for each Participant) that the Committee (or in the case of Award agreements that are not used for Insiders, the Committee's delegate(s)) has from time to time approved, and will comply with and be subject to the terms and conditions of this Plan.

28.4. "***Award Transfer Program***" means any program instituted by the Committee which would permit Participants the opportunity to transfer any outstanding Awards to a financial institution or other person or entity approved by the Committee.

28.5. "***Board***" means the Board of Directors of the Company.

28.6. "***Cause***" means (i) Participant's willful failure substantially to perform his or her duties and responsibilities to the Company or deliberate violation of a Company policy; (ii) Participant's commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company; (iii) unauthorized use or disclosure by Participant of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (iv) Participant's willful breach of any of his or her obligations under any written agreement or covenant with the Company. The determination as to whether a Participant is being terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Participant. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment or consulting relationship at any time as provided in Section 20 above, and the term "Company" will be interpreted to include any Subsidiary or Parent, as appropriate. Notwithstanding the foregoing, the foregoing definition of "Cause" may, in part or in whole, be modified or replaced in each individual employment agreement or Award Agreement with any Participant, provided that such document supersedes the definition provided in this Section 28.6.

28.7. "***Code***" means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

28.8. "***Committee***" means the Compensation Committee of the Board or those persons to whom administration of the Plan, or part of the Plan, has been delegated as permitted by law.

28.9. "***Common Stock***" means the common stock of the Company.

28.10. "***Company***" means Obalon Therapeutics, Inc. or any successor corporation.

28.11. "***Consultant***" means any natural person, including an advisor or independent contractor, engaged by the Company or a Parent, Subsidiary or Affiliate to render services to such entity.

28.12. "***Corporate Transaction***" means the occurrence of any of the following events:

(a) any "Person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then-outstanding voting securities; provided, however, that for purposes of this subclause (a) the acquisition of additional securities by any one Person who is considered to own more than fifty percent (50%) of the total voting power of the securities of the Company will not be considered a Corporate Transaction;

(b) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(c) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation;

(d) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company) or

(e) a change in the effective control of the Company that occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by members of the Board whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purpose of this subclause (e), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Corporate Transaction.

For purposes of this definition, Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. Notwithstanding the foregoing, to the extent that any amount constituting deferred compensation (as defined in Section 409A of the Code) would become payable under this Plan by reason of a Corporate Transaction, such amount shall become payable only if the event constituting a Corporate Transaction would also qualify as a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company, each as defined within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and IRS guidance that has been promulgated or may be promulgated thereunder from time to time.

28.13. "***Director***" means a member of the Board.

28.14. "***Disability***" means in the case of incentive stock options, total and permanent disability as defined in Section 22(e)(3) of the Code and in the case of other Awards, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

28.15. "***Effective Date***" means the day immediately prior to the date of the underwritten initial public offering of the Company's Common Stock pursuant to a registration statement that is declared effective by the SEC.

28.16. "***Employee***" means any person, including Officers and Directors, employed by the Company or any Parent, Subsidiary or Affiliate. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

28.17. "***Exchange Act***" means the United States Securities Exchange Act of 1934, as amended.

28.18. "***Exchange Program***" means a program pursuant to which (a) outstanding Awards are surrendered, cancelled or exchanged for cash, the same type of Award or a different Award (or combination thereof) or (b) the exercise price of an outstanding Award is increased or reduced.

28.19. "***Exercise Price***" means, with respect to an Option, the price at which a holder may purchase the Shares issuable upon exercise of an Option and with respect to a SAR, the price at which the SAR is granted to the holder thereof.

28.20. "***Fair Market Value***" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

(a) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street* Journal or such other source as the Committee deems reliable;

(b) if such Common Stock is publicly traded but is neither listed nor admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;

(c) in the case of an Option or SAR grant made on the Effective Date, the price per share at which shares of the Company's Common Stock are initially offered for sale to the public by the Company's underwriters in the initial public offering of the Company's Common Stock pursuant to a registration statement filed with the SEC under the Securities Act; or

(d) if none of the foregoing is applicable, by the Board or the Committee in good faith.

28.21. "***Insider***" means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.

28.22. "***IRS***" means the United States Internal Revenue Service.

28.23. "***Non-Employee Director***" means a Director who is not an Employee of the Company or any Parent, Subsidiary or Affiliate.

28.24. "***Option***" means an award of an option to purchase Shares pursuant to Section 5.

28.25. "***Parent***" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

28.26. "***Participant***" means a person who holds an Award under this Plan.

28.27. *"**Performance Award**"* means an award covering cash, Shares or other property granted pursuant to Section 10 or Section 12 of the Plan.

28.28. ***"Performance Factors"*** means any of the factors selected by the Committee and specified in an Award Agreement, from among the following objective measures, either individually, alternatively or in any combination, applied to the Company as a whole or any business unit or Subsidiary, either individually, alternatively, or in any combination, on a GAAP or non-GAAP basis, and measured, to the extent applicable on an absolute basis or relative to a pre-established target, to determine whether the performance goals established by the Committee with respect to applicable Awards have been satisfied:

(a) Profit Before Tax;

(b) Sales;

(c) Expenses;

(d) Billings;

(e) Revenue;

(f) Net revenue;

(g) Earnings (which may include earnings before interest and taxes, earnings before taxes, net earnings, stock-based compensation expenses, depreciation and amortization);

(h) Operating income;

(i) Operating margin;

(j) Operating profit;

(k) Controllable operating profit, or net operating profit;

(l) Net Profit;

(m) Gross margin;

(n) Operating expenses or operating expenses as a percentage of revenue;

(o) Net income;

(p) Earnings per share;

(q) Total stockholder return;

(r) Market share;

(s) Return on assets or net assets;

(t) The Company's stock price;

(u) Growth in stockholder value relative to a pre-determined index;

(v) Return on equity;

(w) Return on invested capital;

(x) Cash Flow (including free cash flow or operating cash flows)

(y) Balance of cash, cash equivalents and marketable securities;

(z) Cash conversion cycle;

(aa) Economic value added;

(bb) Individual confidential business objectives;

(cc) Contract awards or backlog;

(dd) Overhead or other expense reduction;

(ee) Credit rating;

(ff) Completion of an identified special project;

(gg) Completion of a joint venture or other corporate transaction;

(hh) Strategic plan development and implementation;

(ii) Succession plan development and implementation;

(jj) Improvement in workforce diversity;

(kk) Employee satisfaction;

(ll) Employee retention;

(mm) Customer indicators and/or satisfaction;

(nn) New product invention or innovation;

(oo) Research and development expenses;

(pp) Attainment of research and development milestones;

(qq) Improvements in productivity;

(rr) Bookings;

(ss) Working-capital targets and changes in working capital;

(tt) Attainment of objective operating goals and employee metrics; and

(uu) Any other metric that is capable of measurement as determined by the Committee.

The Committee may, in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, provide for one or more equitable adjustments (based on objective standards) to the Performance Factors to preserve the Committee's original intent regarding the Performance Factors at the time of the initial award grant. It is within the sole discretion of the Committee to make or not make any such equitable adjustments.

28.29. "***Performance Period***" means one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Factors will be measured for the purpose of determining a Participant's right to, and the payment of, a Performance Award.

28.30. "***Performance Share***" means an Award granted pursuant to Section 10 or Section 12 of the Plan, consisting of a unit valued by reference to a designated number of Shares, the value of which may be paid to the Participant by delivery of Shares or, if set forth in the instrument evidencing the

Award, of such property as the Committee shall determine, including, without limitation, cash, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee.

28.31. "***Performance Unit"*** means an Award granted pursuant to Section 10 or Section 12 of the Plan, consisting of a unit valued by reference to a designated amount of property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee.

28.32. "***Permitted Transferee***" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships) of the Employee, any person sharing the Employee's household (other than a tenant or employee), a trust in which these persons (or the Employee) have more than 50% of the beneficial interest, a foundation in which these persons (or the Employee) control the management of assets, and any other entity in which these persons (or the Employee) own more than 50% of the voting interests.

28.33. "***Plan***" means this Obalon Therapeutics, Inc.2016 Equity Incentive Plan.

28.34. "***Purchase Price***" means the price to be paid for Shares acquired under the Plan, other than Shares acquired upon exercise of an Option or SAR.

28.35. "***Restricted Stock Award***" means an award of Shares pursuant to Section 6 or Section 12 of the Plan, or issued pursuant to the early exercise of an Option.

28.36. "***Restricted Stock Unit***" means an Award granted pursuant to Section 9 or Section 12 of the Plan.

28.37. "***SEC***" means the United States Securities and Exchange Commission.

28.38. "***Securities Act***" means the United States Securities Act of 1933, as amended.

28.39. "***Service***" shall mean service as an Employee, Consultant, Director or Non-Employee Director, to the Company or a Parent, Subsidiary or Affiliate, subject to such further limitations as may be set forth in the Plan or the applicable Award Agreement. An Employee will not be deemed to have ceased to provide Service in the case of (a) sick leave, (b) military leave, or (c) any other leave of absence approved by the Company; provided, that such leave is for a period of not more than 90 days (x) unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or (y) unless provided otherwise pursuant to formal policy adopted from time to time by the Company's Board and issued and promulgated to employees in writing. In the case of any Employee on an approved leave of absence or a reduction in hours worked (for illustrative purposes only, a change in schedule from that of full-time to part-time), the Committee may make such provisions respecting suspension of or modification to vesting of the Award while on leave from the employ of the Company or a Parent, Subsidiary or Affiliate or during such change in working hours as it may deem appropriate, except that in no event may an Award be exercised after the expiration of the term set forth in the applicable Award Agreement. In the event of military leave, if required by applicable laws, vesting shall continue for the longest period that vesting continues under any other statutory or Company approved leave of absence and, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Awards to the same extent as would have applied had the Participant continued to provide Service to the Company throughout the leave on the same terms as he or she was providing Service immediately prior to such leave. An employee shall have terminated

employment as of the date he or she ceases to provide Service (regardless of whether the termination is in breach of local employment laws or is later found to be invalid) and employment shall not be extended by any notice period or garden leave mandated by local law, *provided however*, that a change in status from an employee to a consultant or advisor shall not terminate the service provider's Service, unless determined by the Committee, in its discretion. The Committee will have sole discretion to determine whether a Participant has ceased to provide Service and the effective date on which the Participant ceased to provide Service.

28.40. "***Shares***" means shares of Common Stock and the common stock of any successor entity.

28.41. "***Stock Appreciation Right***" means an Award granted pursuant to Section 8 or Section 12 of the Plan.

28.42. "***Stock Bonus***" means an Award granted pursuant to Section 7 or Section 12 of the Plan.

28.43. "***Subsidiary***" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

28.44. "***Treasury Regulations***" means regulations promulgated by the United States Treasury Department.

28.45. "***Unvested Shares***" means Shares that have not yet vested or are subject to a right of repurchase in favor of the Company (or any successor thereto).

NOTICE OF STOCK OPTION GRANT

OBALON THERAPEUTICS INC. 2016 EQUITY INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the Obalon Therapeutics Inc. (the "***Company***") 2016 Equity Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Stock Option Grant (the "***Notice of Grant***") and the attached Stock Option Agreement, including any special terms and conditions for your country set forth in the appendix attached thereto (collectively, the "***Option Agreement***"). You have been granted an Option to purchase shares of Common Stock of the Company under the Plan subject to the terms and conditions of the Plan, this Notice of Grant and the Option Agreement.

Name:	
Date of Grant:	
Vesting Commencement Date:	
Exercise Price per Share:	
Total Number of Shares:	
Type of Option:	Non-Qualified Stock Option Incentive Stock Option
Expiration Date:	; this Option expires earlier if your Service terminates earlier, as described in the Option Agreement.
Vesting Schedule:	**[Sample vesting language:]** [This Option becomes exercisable with respect to the first 25% of the Shares subject to this Option when you complete 12 months of Service from the Vesting Commencement Date. Thereafter, this Option becomes exercisable with respect to an additional 1/48th of the Shares subject to this Option when you complete each month of Service.] [Note: actual vesting language to match vesting schedule approved by the Board or Committee]

You understand that your employment or consulting relationship with the Company or a Parent, Subsidiary or Affiliate is for an unspecified duration, can be terminated at any time, and that nothing in this Notice of Grant, the Option Agreement or the Plan changes the nature of that relationship. By accepting this Option, you and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan, this Notice of Grant and the Option Agreement. By accepting this Option, you consent to the electronic delivery and acceptance as further set forth in the Option Agreement.

OBALON THERAPEUTICS INC.

By: _____

Andrew Rasdal
President and CEO

STOCK OPTION AGREEMENT

OBALON THERAPEUTICS INC. 2016
EQUITY INCENTIVE PLAN

You have been granted an Option by Obalon Therapeutics Inc. (the "***Company***") under the 2016 Equity Incentive Plan (the "***Plan***") to purchase Shares (the "***Option***"), subject to the terms, restrictions and conditions of the Plan, the Notice of Stock Option Grant (the "***Notice of Grant***") and this Stock Option Agreement, including any special terms and conditions for your country set forth in the appendix attached hereto (the "***Appendix***") (collectively, the "***Agreement***").

1. Grant of Option. You have been granted the Option for the number of Shares set forth in the Notice of Grant at the Exercise Price per Share set forth in the Notice of Grant. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Grant as an Incentive Stock Option ("***ISO***"), this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code. However, if this Option is intended to be an ISO, to the extent that it exceeds the $100,000 limit under Code Section 422(d), it shall be treated as a Nonqualified Stock Option ("***NSO***").

2. Termination.

(a) General Rule. If your Service terminates for any reason except death or Disability, and other than for Cause, then this Option will expire at the close of business at Company headquarters on the date three months after your termination of Service (subject to the expiration detailed in Section 6). If your Service is terminated for Cause, this Option will expire upon the date of such termination.

You acknowledge and agree that the vesting schedule set forth in the Notice of Grant may change prospectively in the event that your service status changes between full and part-time status in accordance with Company policies relating to work schedules and vesting of awards. You acknowledge that the vesting of the Shares pursuant to this Agreement is earned only by continuing Service.

(b) Death; Disability. If you die before your Service terminates (or you die within three months of your termination of Service other than for Cause), then this Option will expire at the close of business at Company headquarters on the date 12 months after the date of death (subject to the expiration detailed in Section 6). If your Service terminates because of your Disability, then this Option will expire at the close of business at Company headquarters on the date 12 months after your termination date (subject to the expiration detailed in Section 6).

(c) Termination Date. For purposes of this Option, your Service will be considered terminated as of the date you are no longer actively providing services to the Company or a Parent, Subsidiary or Affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of labor laws in the jurisdiction where you are employed or engaged or the terms of your employment or consulting agreement, if any), and your period of Service will not include any contractual notice period or any period of "garden leave" or similar period mandated under labor laws in the jurisdiction where you are employed or engaged or the terms of your employment or consulting agreement, if any. The Committee shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of this Option (including whether you may still be considered to be providing services while on a leave of absence).

(d) No Notice. You are responsible for keeping track of these exercise periods following your termination of Service for any reason. The Company will not provide further notice of such periods. In no event shall this Option be exercised later than the Expiration Date set forth in the Notice of Grant.

3. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the vesting schedule set forth in the Notice of Grant and the applicable provisions of the Plan and this Agreement. In the event of your death, Disability, or other cessation of Service, the exercisability of the Option is governed by the applicable provisions of the Plan, the Notice of Grant and this Agreement. This Option may not be exercised for a fraction of a Share.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice in a form specified by the Company (the "***Exercise Notice***"), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "***Exercised Shares***"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be delivered in person, by mail, via electronic mail or facsimile or by other authorized method to the Secretary of the Company or other person designated by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of a fully executed Exercise Notice accompanied by the aggregate Exercise Price and any applicable withholding of Tax-Related Items as detailed in Section 8 below.

(c) Exercise by Another. If another person wants to exercise this Option after it has been transferred to him or her in compliance with this Agreement, that person must prove to the Company's satisfaction that he or she is entitled to exercise this Option. That person must also complete the proper Exercise Notice form (as described above) and pay the Exercise Price (as described below) and any applicable withholding of Tax-Related Items as described below.

4. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at your election:

(a) your personal check, wire transfer, or a cashier's check;

(b) for U.S. taxpayers only: certificates for shares of Company stock that you own, along with any forms needed to effect a transfer of those shares to the Company; the value of the shares, determined as of the effective date of the Option exercise, will be applied to the Exercise Price. Instead of surrendering shares of Company stock, you may attest to the ownership of those shares on a form provided by the Company and have the same number of shares subtracted from the Exercised Shares issued to you. However, you may not surrender, or attest to the ownership of, shares of Company stock in payment of the Exercise Price of your Option if your action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to this Option for financial reporting purposes;

(c) cashless exercise through irrevocable directions to a securities broker approved by the Company to sell all or part of the Exercised Shares and to deliver to the Company from the sale proceeds an amount sufficient to pay the Exercise Price and any withholding of Tax-Related Items. The balance of the sale proceeds, if any, will be delivered to you. The directions must be given by signing a special notice of exercise form provided by the Company; or

(d) other method authorized by the Company.

5. Non-Transferability of Option. In general, except as provided below, only you may exercise this Option prior to your death. You may not transfer or assign this Option, except as provided

below. For instance, you may not sell this Option or use it as security for a loan. If you attempt to do any of these things, this Option will immediately become invalid.

However, if you are a U.S. taxpayer, you may dispose of this Option in your will or in a beneficiary designation. If you are a U.S. taxpayer and this Option is designated as a NSO in the Notice of Grant, then the Committee may, in its sole discretion, allow you to transfer this Option as a gift to one or more family members. For purposes of this Agreement, "family member" means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in- law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law (including adoptive relationships), any individual sharing your household (other than a tenant or employee), a trust in which one or more of these individuals have more than 50% of the beneficial interest, a foundation in which you or one or more of these persons control the management of assets, and any entity in which you or one or more of these persons own more than 50% of the voting interest. In addition, if you are a U.S. taxpayer and this Option is designated as a NSO in the Notice of Grant, then the Committee may, in its sole discretion, allow you to transfer this Option to your spouse or former spouse pursuant to a domestic relations order in settlement of marital property rights. The Committee will allow you to transfer this Option only if both you and the transferee(s) execute the forms prescribed by the Committee, which include the consent of the transferee(s) to be bound by this Agreement.

This Option may not be transferred in any manner other than by will or by the laws of descent or distribution or court order and may be exercised during the lifetime of you only by you, your guardian, or legal representative, as permitted in the Plan and applicable local laws. The terms of the Plan and this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of you.

6. Term of Option. This Option shall in any event expire on the expiration date set forth in the Notice of Grant, which date is ten years after the grant date (five years after the grant date if this Option is designated as an ISO in the Notice of Grant and Section 5.3 of the Plan applies).

7. Tax Consequences. You should consult a tax adviser for tax consequences relating to this Option in the jurisdiction in which you are subject to tax. YOU SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercising the Option. You will not be allowed to exercise this Option unless you make arrangements acceptable to the Company to pay any withholding of Tax-Related Items.

(b) Notice of Disqualifying Disposition of ISO Shares. If you sell or otherwise dispose of any of the Shares acquired pursuant to an ISO on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, you shall immediately notify the Company in writing of such disposition. You agree that you may be subject to income tax withholding by the Company on the compensation income recognized from such early disposition of ISO Shares by payment in cash or out of the current compensation paid to you.

8. Responsibility for Taxes. Regardless of any action the Company or, if different, your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance contributions, payroll tax, fringe benefits tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Option, including the grant, vesting or exercise of this Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to structure the terms of the grant or any aspect of this Option to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to exercise of the Option, you shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Item withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer, and their respective agents, at their discretion, to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be issued to you when you exercise this Option, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and pursuant to this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided, however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the taxable or withholding event. The Fair Market Value of these Shares, determined as of the effective date of the Option exercise, will be applied as a credit against the Tax-Related Items.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the Shares equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

Finally, you agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. You acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

9. Nature of Grant. In accepting this Option, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of this Option is voluntary and occasional and does not create any contractual or other right to receive future grants of stock options, or benefits in lieu of stock options, even if stock options have been granted in the past;

(c) all decisions with respect to future stock options or other grants, if any, will be at the sole discretion of the Company;

(d) you are voluntarily participating in the Plan;

(e) this Option and any Shares acquired under the Plan, and the income and value of same, are not intended to replace any pension rights or compensation;

(f) this Option and any Shares acquired under the Plan, and the income and value of same, are not part of normal or expected compensation for purpose of calculating any severance,

resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or payments or welfare benefits or similar payments;

(g) unless otherwise agreed with the Company, this Option and any Shares acquired under the Plan, and the income and value of same, are not granted as consideration for, or in connection with, any Service you may provide as a director of any Parent, Subsidiary or Affiliate;

(h) the future value of the Shares underlying this Option is unknown, indeterminable, and cannot be predicted with certainty;

(i) if the underlying Shares do not increase in value, this Option will have no value;

(j) if you exercise this Option and acquire Shares, the value of such Shares may increase or decrease in value, even below the Exercise Price;

(k) no claim or entitlement to compensation or damages shall arise from forfeiture of this Option resulting from the termination of your Service (for any reason whatsoever, whether or not later found to be invalid or in breach of labor laws in the jurisdiction where you are employed or engaged or the terms of your employment or service agreement, if any), and in consideration of the grant of this Option to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, the Employer or any Parent, Subsidiary or Affiliate, waive your ability, if any, to bring any such claim, and release the Company, the Employer or any Parent, Subsidiary or Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim; and

(l) if you are providing Service outside the United States, neither the Employer, the Company nor any Parent, Subsidiary or Affiliate shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of this Option or of any amounts due to you pursuant to the exercise of this Option or the subsequent sale of any Shares acquired upon exercise.

10. Data Privacy. *You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Option grant materials by and among, as applicable, the Employer, the Company and any Parent, Subsidiary or Affiliate for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

*You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares or directorships held in the Company, details of all stock options or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor ("**Data**"), for the exclusive purpose of implementing, administering and managing the Plan.*

You understand that Data will be transferred to third parties in connection with the implementation, administration and management of the Plan. You understand that the recipients of Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that if you reside outside the United States, he or she may request a list with the names and addresses of any potential recipients of Data by contacting your local human resources representative. You authorize the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer

Data, in electronic or other form, for the sole purposes of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understands that if you reside outside the United States, you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your Service status and career with the Employer will not be adversely affected; the only consequence of refusing or withdrawing your consent is that Company would not be able to grant you stock options or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

11. **Acknowledgement**. The Company and you agree that this Option is granted under and governed by the Notice of Grant, this Agreement and the provisions of the Plan (incorporated herein by reference). You: (i) acknowledge receipt of a copy of the Plan prospectus, (ii) represent that you have carefully read and are familiar with the provisions in the grant documents, and (iii) hereby accept this Option subject to all of the terms and conditions set forth in this Agreement and those set forth in the Plan and the Notice of Grant. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice of Grant and this Agreement.

12. **Consent to Electronic Delivery and Acceptance of All Plan Documents and Disclosures**. By your acceptance of this Option, you consent to the electronic delivery of the Notice of Grant, this Agreement, account statements, Plan prospectuses required by the SEC, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its stockholders (including, without limitation, annual reports and proxy statements) or other communications or information related to this Option. Electronic delivery may 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 delivery determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. You agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

13. **Compliance with Laws and Regulations**. The exercise of this Option will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer, which compliance the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the Common Stock with any state, federal or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, you agree that the Company shall have unilateral authority to amend the Plan and this Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares. Finally, the Shares

issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

14. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

15. Governing Law; Venue. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice of Grant and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in San Diego County, California or the federal courts of the United States for the Southern District of California and no other courts.

16. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this Agreement shall be enforceable in accordance with its terms.

17. No Rights as Employee, Director or Consultant. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

18. Adjustment. In the event of a stock split, a stock dividend or a similar change in Company stock, the number of Shares covered by this Option and the Exercise Price per Share may be adjusted pursuant to the Plan.

19. Lock-Up Agreement. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, you hereby agree not to sell, make any short sale of, loan, grant any Option for the purchase of, or otherwise dispose of any securities of the Company however and whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering; provided however that, if during the last seventeen (17) days of the restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs, or prior to the expiration of the restricted period the Company announces that it will release earnings results during the sixteen (16)-day period beginning on the last day of the restricted period, then, upon the request of the managing underwriter, to the extent required by any FINRA rules, the restrictions imposed by this Section shall continue to apply until the end of the third trading day following the expiration of the fifteen (15)-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. In no event will the restricted period extend beyond two hundred sixteen (216) days after the effective date of the registration statement.

20. Award Subject to Company Clawback or Recoupment. To the extent permitted by applicable law, the Option shall be subject to clawback or recoupment pursuant to any clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other

Service that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your Option (whether vested or unvested) and the recoupment of any gains realized with respect to your Option.

21. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice of Grant constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning this Option are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

22. Insider Trading Restrictions/Market Abuse Laws. You acknowledge that you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to acquire or sell the Shares or rights to Shares under the Plan during such times as you are considered to have "inside information" regarding the Company (as defined by the laws in your country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you are advised to speak to your personal advisor on this matter.

23. Language. If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

24. Appendix. Notwithstanding any provisions in this Agreement, this Option shall be subject to any special terms and conditions set forth in any Appendix hereto for your country. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

25. Imposition of Other Requirements. The Company reserves the right to impose other requirements on your participation in the Plan, on this Option and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

26. Waiver. You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Participant.

BY ACCEPTING THIS OPTION, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

APPENDIX TO
STOCK OPTION AGREEMENT

OBALON THERAPEUTICS INC. 2016
EQUITY INCENTIVE PLAN

Capitalized terms, unless explicitly defined in this Appendix, shall have the meanings given to them in the Stock Option Agreement, the Notice of Grant or in the Plan.

Terms and Conditions

This Appendix includes special terms and conditions that govern this Option if you reside and/or work in one of the countries listed below. If you are a citizen or resident (or are considered as such for local law purposes) of a country other than the country in which you are currently residing and/or working, or if you transfer to another country after receiving this Option, the Company shall, in its discretion, determine to what extent the special terms and conditions contained herein shall be applicable to you.

Notifications

This Appendix also includes information regarding securities, exchange control, tax and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control, tax and other laws in effect in the respective countries as of September 2016. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information contained herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time you exercise this Option or at the time you sell any Shares acquired under the Plan. In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Therefore, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your individual situation.

If you are a citizen or resident (or are considered as such for local tax purposes) of a country other than the country in which you are currently residing and/or working, or if you transfer to another country after the grant of this Option, the information contained herein may not be applicable to you in the same manner.

UNITED STATES

There are no country-specific provisions.

NOTICE OF RESTRICTED STOCK UNIT AWARD

OBALON THERAPEUTICS, INC.
2016 EQUITY INCENTIVE PLAN
GRANT NUMBER:

Unless otherwise defined herein, the terms defined in the Obalon Therapeutics, Inc. (the "***Company***") 2016 Equity Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Restricted Stock Unit Award (the "***Notice***") and the attached Award Agreement (Restricted Stock Unit Agreement, including any special terms and conditions for your country set forth in the appendix attached thereto (collectively, the "***RSU Agreement***")). You ("***you***") have been granted an award of Restricted Stock Units ("***RSUs***") under the Plan subject to the terms and conditions of the Plan, this Notice and the attached RSU Agreement.

Name:	
Address:	
Number of RSUs:	
Date of Grant:	
Vesting Commencement Date:	
Expiration Date:	The earlier to occur of: (a) the settlement of all vested RSUs granted hereunder and (b) the tenth anniversary of the Date of Grant. The RSUs expire earlier if your Service terminates earlier, as described in the RSU Agreement.
Vesting Schedule:	**[Sample vesting language:]** [25% of the total number of RSUs will vest on the twelve month anniversary of the Vesting Commencement Date and 25% of the total number of RSUs will vest on each annual anniversary thereafter so long as your Service continues.][Note: actual vesting language to match vesting schedule approved by the Board or Committee]

You acknowledge that the vesting of the RSUs pursuant to this Notice is earned only by continuing Service. By accepting this award, you and the Company agree that this award is granted under and governed by the terms and conditions of the Plan, this Notice and the RSU Agreement. By accepting this award of RSUs, you consent to the electronic delivery and acceptance as further set forth in the RSU Agreement.

PARTICIPANT

Signature: _____

Print Name: _____

OBALON THERAPEUTICS, INC.

By: _____

Its: _____

RESTRICTED STOCK UNIT AGREEMENT
OBALON THERAPEUTICS, INC.
2016 EQUITY INCENTIVE PLAN

You have been granted Restricted Stock Units ("***RSUs***") by Obalon Therapeutics, Inc. (the "***Company***") subject to the terms, restrictions and conditions of the Plan, the Notice of Restricted Stock Unit Award (the "***Notice***") and this Restricted Stock Unit Agreement, including any special terms and conditions for your country set forth in the appendix attached hereto (the "***Appendix***") (collectively, this "***RSU Agreement***").

1. Nature of Grant. In accepting this award of RSUs, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future awards of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted in the past;

(c) all decisions with respect to future RSUs or other grants, if any, will be at the sole discretion of the Company;

(d) you are voluntarily participating in the Plan;

(e) the RSUs and the Shares subject to the RSUs, and the income and value of same, are not intended to replace any pension rights or compensation;

(f) the RSUs and the Shares subject to the RSUs, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(g) unless otherwise agreed with the Company, the RSUs and any Shares acquired under the Plan, and the income and value of same, are not granted as consideration for, or in connection with, any service you may provide as a director of the Company, or a Parent or Subsidiary of the Company;

(h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from the termination of your Service (for any reason whatsoever whether or not later found to be invalid or in breach of labor laws in the jurisdiction where you are providing Service or the terms of your employment or service agreement, if any), and in consideration of the grant of the RSUs to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, the Employer (as defined below), or any other Parent or Subsidiary of the Company, waive your ability, if any, to bring any such claim, and release the Company, the Employer and its Parent or Subsidiaries from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim; and

(j) the following provisions apply only if you are providing Service outside the United States:

(i) the RSUs and the Shares subject to the RSUs, and the income and value of same, are not part of normal or expected compensation or salary for any purpose; and

(ii) neither the Company, the Employer nor any Parent or Subsidiary of the Company shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the RSUs or the subsequent sale of any Shares acquired upon settlement.

2. Settlement. Settlement of RSUs shall be made in the same calendar year as the applicable date of vesting under the vesting schedule set forth in the Notice; provided, however, that if the vesting date under the vesting schedule set forth in the Notice is in December, then settlement of any RSUs that vest in December shall be within 30 days of vesting. Settlement of RSUs shall be in Shares. Settlement means the delivery to you of the Shares vested under the RSUs. Fractional Shares will not be issued.

3. No Stockholder Rights. Unless and until such time as Shares are issued in settlement of vested RSUs, you shall have no ownership of the Shares allocated to the RSUs and shall have no right to dividends or to vote such Shares.

4. Dividend Equivalents. Dividends, if any (whether in cash or Shares), shall not be credited to you.

5. No Transfer. RSUs may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of in any manner other than by will or by the laws of descent or distribution or court order or unless otherwise permitted by the Committee on a case-by-case basis.

6. Termination. If your Service terminates for any reason, all unvested RSUs shall be forfeited to the Company forthwith, and all rights you have to such RSUs shall immediately terminate, without payment of any consideration to you. For purposes of this award of RSUs, your Service will be considered terminated as of the date you are no longer providing Service (regardless of the reason for such termination and whether or not later found to be invalid or in breach of labor laws in the jurisdiction where you are employed or the terms of your employment or service agreement, if any) and will not be extended by any notice period mandated under local employment laws (*e.g.*, Service would not include a period of "garden leave" or similar period). In case of any dispute as to whether your termination of Service has occurred, the Committee shall have sole discretion to determine whether such termination has occurred (including whether you may still be considered to be providing Services while on a leave of absence) and the effective date of such termination.

7. Tax Consequences. You acknowledge that there will be certain consequences with regard to income tax, national or social insurance contributions, payroll tax, fringe benefits tax, payment on account or other tax-related items ("***Tax-Related Items***") upon settlement of the RSUs or disposition of the Shares, if any, received in connection therewith, and you should consult a tax adviser regarding your tax obligations prior to such settlement or disposition in the jurisdiction where you are subject to tax.

8. Responsibility for Taxes. Regardless of any action the Company or, if different, your actual employer (the "***Employer***") takes with respect to any or all Tax-Related Items withholding or required deductions, you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the award, including the grant, vesting or settlement of the RSUs, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends; and (2) do not commit to structure the terms of the award or any aspect of the RSUs to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the settlement of your RSUs, you shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer, and their respective agents, at their discretion, to withhold all applicable Tax-Related Items legally payable by you from

your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be issued to you when your RSUs are settled, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization), (c) payment by you of an amount equal to the Tax-Related Items directly by cash, cheque, wire transfer, bank draft or money order payable to the Company, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided, however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the taxable or withholding event. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the Tax-Related Items.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the Shares equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

Finally, you agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or the vesting and settlement of the RSUs that cannot be satisfied by the means previously described. You acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

9. *Data Privacy.* *You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this RSU Agreement and any other RSU grant materials by and among, as applicable, the Company, the Employer and any other Parent or Subsidiaries, for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

*You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all RSUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor ("***Data***"), for the exclusive purpose of implementing, administering and managing the Plan.*

You understand that Data will be transferred to the stock plan service provider as may be designated by the Company from time to time, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that if you reside outside the United States, you may request a list with the names and addresses of any potential recipients of Data by contacting your local human resources representative. You authorize the Company, the designated broker and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that if you

reside outside the United States, you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Employer will not be adversely affected. The only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you RSUs or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

10. Acknowledgement. The Company and you agree that the RSUs are granted under and governed by the Notice, this RSU Agreement and the provisions of the Plan. You: (i) acknowledge receipt of a copy of the Plan prospectus, (ii) represent that you have carefully read and are familiar with the provisions in the grant documents, and (iii) hereby accept the RSUs subject to all of the terms and conditions set forth in this RSU Agreement and those set forth in the Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this RSU Agreement.

11. Entire Agreement; Enforcement of Rights. This RSU Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this RSU Agreement, nor any waiver of any rights under this RSU Agreement, shall be effective unless in writing and signed by the parties to this RSU Agreement. The failure by either party to enforce any rights under this RSU Agreement shall not be construed as a waiver of any rights of such party.

12. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer, which compliance the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the Common Stock with any state, federal or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, you agree that the Company shall have unilateral authority to amend the Plan and this RSU Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares. Finally, the Shares issued pursuant to this RSU Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

13. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

14. Governing Law; Venue. This RSU Agreement, all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice and this RSU Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in San Diego County, California or the federal courts of the United States for the Southern District of California and no other courts.

15. Severability. If one or more provisions of this RSU Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this RSU Agreement, (ii) the balance of this RSU Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this RSU Agreement shall be enforceable in accordance with its terms.

16. No Rights as Employee, Director or Consultant. Nothing in this RSU Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent or Subsidiary of the Company, to terminate your Service, for any reason, with or without Cause.

17. Consent to Electronic Delivery and Acceptance of All Plan Documents and Disclosures. By your acceptance of this award of RSUs, you consent to the electronic delivery of the Notice, this RSU Agreement, the Plan, account statements, Plan prospectuses required by the SEC, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its stockholders (including, without limitation, annual reports and proxy statements) or other communications or information related to the RSUs. Electronic delivery may 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 delivery determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. You agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

18. Insider Trading Restrictions/Market Abuse Laws. You acknowledge that, depending on your country, you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to acquire or sell the Shares or rights to Shares under the Plan during such times as you are considered to have "inside information" regarding the Company (as defined by the laws in your country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you are advised to speak to your personal advisor on this matter.

19. Language. If you have received this RSU Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

20. Appendix. Notwithstanding any provisions in this Restricted Stock Unit Agreement, this award of RSUs shall be subject to any special terms and conditions set forth in any Appendix hereto for your country. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this RSU Agreement.

21. Imposition of Other Requirements. The Company reserves the right to impose other requirements on your participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

22. Waiver. You acknowledge that a waiver by the Company of breach of any provision of this RSU Agreement shall not operate or be construed as a waiver of any other provision of this RSU Agreement, or of any subsequent breach by you or any other Participant.

23. Code Section 409A. For purposes of this RSU Agreement, a termination of employment will be determined consistent with the rules relating to a "separation from service" as defined in Section 409A of the Code and the regulations thereunder ("***Section 409A***"). Notwithstanding anything else provided herein, to the extent any payments provided under this RSU Agreement in connection with your termination of employment constitute deferred compensation subject to Section 409A, and you are deemed at the time of such termination of employment to be a "specified employee" under Section 409A, then such payment shall not be made or commence until the earlier of (i) the expiration of the six-month period measured from your separation from service from the Company or (ii) the date of your death following such a separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to you including, without limitation, the additional tax for which you would otherwise be liable under Section 409A(a)(1)(B) in the absence of such a deferral. To the extent any payment under this RSU Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this section are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

24. Award Subject to Company Clawback or Recoupment. The RSUs shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service that is applicable to executive officers, Employees, Directors or other service providers of the Company, and in addition to any other remedies available under such policy and applicable law may require the cancellation of your RSUs (whether vested or unvested) and the recoupment of any gains realized with respect to your RSUs.

BY ACCEPTING THIS AWARD OF RSUS, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

APPENDIX

ADDITIONAL TERMS AND CONDITIONS
RESTRICTED STOCK UNIT AGREEMENT
OBALON THERAPEUTICS, INC.
2016 EQUITY INCENTIVE PLAN

Capitalized terms, unless explicitly defined in this Appendix, shall have the meanings given to them in the RSU Agreement, the Notice or in the Plan.

Terms and Conditions

This Appendix includes additional terms and conditions that govern the RSUs granted to you under the Plan if you reside in one of the countries listed below. If you are a citizen or resident (or is considered as such for local law purposes) of a country other than the country in which you are currently residing and/or working, or if you transfer to another country after receiving the RSUs, the Company shall, in its discretion, determine to what extent the special terms and conditions contained herein shall be applicable to you.

Notifications

This Appendix also includes information regarding securities, exchange control, tax and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control, tax and other laws in effect in the respective countries as of September 2016. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information in this Appendix as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time that the RSUs vest or you sell Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation and the Company is not in a position to assure you of a particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your individual situation.

Finally, if you are a citizen or resident (or are considered as such for local tax purposes) of a country other than the one in which you are currently residing and/or working, or if you transfer to another country after the grant of the RSUs, the information contained herein may not be applicable to you in the same manner.

UNITED STATES

There are no country-specific provisions.

NOTICE OF STOCK APPRECIATION RIGHT AWARD

OBALON THERAPEUTICS INC.
2016 EQUITY INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the Obalon Therapeutics Inc. (the "***Company***") 2016 Equity Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Stock Appreciation Right Award (the "***Notice of Grant***") and the attached Stock Appreciation Right Agreement (the "***SAR Agreement***"). You have been granted an award of Stock Appreciation Rights (the "***SAR***") of the Company under the Plan subject to the terms and conditions of the Plan, this Notice of Grant and the SAR Agreement.

Name:	
Address:	
Date of Grant:	
Vesting Commencement Date:	
Fair Market Value on Date of Grant:	
Total Number of Shares:	
Expiration Date:	
Vesting Schedule:	**[Sample vesting language:] [**The SAR becomes exercisable with respect to the first 25% of the Shares subject to the SAR when you complete 12 months of continuous Service from the Vesting Commencement Date. Thereafter, the SAR becomes exercisable with respect to an additional 1/48th of the Shares subject to the SAR when you complete each month of Service.] [Note: actual vesting language to match vesting schedule approved by the Board or Committee]

You acknowledge that the vesting of the SAR pursuant to this Notice of Grant is earned only by continuing Service. By accepting the SAR, you and the Company agree that the SAR is granted under and governed by the terms and conditions of the Plan, the Notice of Grant and the SAR Agreement. By accepting the SAR, you consent to electronic delivery as set forth in the SAR Agreement.

PARTICIPANT:

Signature: _____

Print Name: _____

OBALON THERAPEUTICS INC.

By: _____

Name: _____

Its: _____

STOCK APPRECIATION RIGHT AWARD AGREEMENT

OBALON THERAPEUTICS INC., INC.
2016 EQUITY INCENTIVE PLAN

You have been granted an award of Stock Appreciation Rights (the "***SAR***") by Obalon Therapeutics Inc. (the "***Company***") under the 2016 Equity Incentive Plan (the "***Plan***"), subject to the terms and conditions of the Plan, the Notice of Stock Appreciation Right Award (the "***Notice of Grant***") and this Stock Appreciation Right Agreement (the "***Agreement***").

1. Grant of SAR. You have been granted a SAR for the number of Shares set forth in the Notice of Grant at the fair market value set forth in the Notice of Grant. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms and conditions of the Plan shall prevail.

2. Termination Period.

(a) General Rule. If your Service terminates for any reason except death or Disability, and other than for Cause, then this SAR will expire at the close of business at Company headquarters on the date three months after your termination of Service (subject to the expiration detailed in Section 6). In no event shall this SAR be exercised later than the Expiration Date set forth in the Notice of Grant. If your Service is terminated for Cause, this SAR will expire upon the date of such termination. The Company determines when your Service terminates for all purposes under this Agreement.

(b) Death; Disability. If you die before your Service terminates (or you die within three months of your termination of Service to the Company other than for Cause), then this SAR will expire at the close of business at Company headquarters on the date 12 months after the date of death (subject to the expiration detailed in Section 6). If your Service terminates because of your Disability, then this SAR will expire at the close of business at Company headquarters on the date 12 months after your termination date (subject to the expiration detailed in Section 6).

(c) No Notice. You are responsible for keeping track of these exercise periods following your termination of Service for any reason. The Company will not provide further notice of such periods. In no event shall this SAR be exercised later than the Expiration Date set forth in the Notice of Grant.

3. Vesting Rights. Subject to the applicable provisions of the Plan and this Agreement, this SAR may be exercised, in whole or in part, in accordance with the schedule set forth in the Notice of Grant.

4. Exercise of SAR.

(a) Right to Exercise. This SAR is exercisable during its term in accordance with the Vesting Schedule set forth in the Notice of Grant and the applicable provisions of the Plan and this Agreement. In the event of your death, Disability, or other cessation of Service, the exercisability of the SAR is governed by the applicable provisions of the Plan, the Notice of Grant and this Agreement. This SAR may not be exercised for a fraction of a Share.

(b) Method of Exercise. This SAR is exercisable by delivery of an exercise notice in a form specified by the Company (the "***Exercise Notice***"), which shall state the election to exercise the SAR, the number of Shares in respect of which the SAR is being exercised, and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be delivered in person, by mail, via electronic mail or facsimile or by other authorized method to the Secretary of the Company or other person designated by the Company. This SAR shall be deemed to be exercised upon

receipt by the Company of a fully executed Exercise Notice and any applicable tax withholding due upon exercise of the SAR.

(c) No Shares shall be issued pursuant to the exercise of this SAR unless such issuance and exercise complies with all relevant provisions of law and the requirements of any stock exchange or quotation service upon which the Shares are then listed. Assuming such compliance, for income tax purposes the exercised Shares shall be considered transferred to you on the date the SAR is exercised with respect to such exercised Shares.

5. Non-Transferability of SAR. This SAR may not be transferred in any manner other than by will or by the laws of descent or distribution or court order and may be exercised during your lifetime only by you unless otherwise permitted by the Committee on a case-by-case basis. The terms of the Plan and this Agreement shall be binding upon your executors, administrators, heirs, successors and assign.

6. Term of SAR. This SAR shall in any event expire on the expiration date set forth in the Notice of Grant, which date is 10 years after the Date of Grant.

7. Tax Consequences. You should consult a tax adviser for tax consequences relating to this SAR in the jurisdiction in which you are subject to tax. YOU SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS SAR OR DISPOSING OF THE SHARES. If you are an Employee or a former Employee, the Company may be required to withhold from your compensation an amount equal to the minimum amount the Company is required to withhold for income and employment taxes or collect from you and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise.

8. Withholding Taxes and Stock Withholding. Regardless of any action the Company or your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the SAR, including the grant, vesting or exercise of the SAR, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to structure the terms of the grant or any aspect of the SAR to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to exercise of the SAR, you shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be issued to you when you exercise this SAR, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and you hereby authorize such sales by this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event.. The Fair Market Value of these Shares, determined as of the effective date of the SAR exercise, will be applied as a credit against the withholding taxes. You shall pay to the Company or the

Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to honor the exercise or deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

9. Acknowledgement. The Company and you agree that the SAR is granted under and governed by the Notice of Grant, this Agreement and the provisions of the Plan (incorporated herein by reference). You: (i) acknowledge receipt of a copy of the Plan and the Plan prospectus, (ii) represent that you have carefully read and are familiar with their provisions, and (iii) hereby accept the SAR subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice of Grant. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice of Grant and the SAR Agreement.

10. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice of Grant constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

11. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer. The Shares issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

12. Governing Law; Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this Agreement shall be enforceable in accordance with its terms. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice of Grant and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in San Diego County, California or the federal courts of the United States for the Southern District of California and no other courts.

13. No Rights as Employee, Director or Consultant. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

14. Consent to Electronic Delivery of All Plan Documents and Disclosures. By your acceptance of this SAR, you consent to the electronic delivery of the Notice of Grant, this Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the SAR. Electronic delivery may 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 delivery

determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

15. **Award Subject to Company Clawback or Recoupment**. To the extent permitted by applicable law, the SAR shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your SAR (whether vested or unvested) and the recoupment of any gains realized with respect to your SAR.

BY ACCEPTING THIS SAR, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

NOTICE OF RESTRICTED STOCK AWARD

OBALON THERAPEUTICS INC.
2016 EQUITY INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the Obalon Therapeutics Inc. (the "***Company***") 2016 Equity Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Restricted Stock Award (the "***Notice***") and the attached Restricted Stock Agreement (the "***Restricted Stock Agreement***"). You have been granted the opportunity to purchase Shares of Obalon Therapeutics Inc. (the "***Company***") that are subject to restrictions (the "***Restricted Shares***") and the terms and conditions of the Plan, this Notice and the attached Restricted Stock Agreement.

Name of Purchaser:	
Total Number of Restricted Shares Awarded:	
Fair Market Value per Restricted Share:	$
Total Fair Market Value of Award:	$
Purchase Price per Restricted Share:	$
Total Purchase Price for all Restricted Shares:	$
Date of Grant:	
Vesting Commencement Date:	
Vesting Schedule:	**[Sample vesting language:]** [Subject to the limitations set forth in this Notice, the Plan and the Restricted Stock Agreement, 25% of the total number of Restricted Shares will vest on the 12 month anniversary of the Vesting Commencement Date and 12.5% of the total number of Restricted Shares will vest on each six month anniversary thereafter so long as your Service continues.] [Note: actual vesting language to match vesting schedule approved by the Board or Committee]
Additional Terms:	¨ If this box is checked, the additional terms and conditions set forth on Attachment 1 hereto (as executed by the Company) are applicable and are incorporated herein by reference. No document need be attached as Attachment 1 if the box is not checked.

You acknowledge that the vesting of the Restricted Shares pursuant to this Notice is earned only by continuing Service. By accepting the Restricted Shares, you and the Company agree that the Restricted Shares are granted under and governed by the terms and conditions of the Plan, the Notice and the Restricted Stock Agreement. By accepting the Restricted Shares, you consent to electronic delivery as set forth in the Restricted Stock Agreement. **If the Restricted Stock Agreement is not executed by you within thirty (30) days of the Company's delivery of this Agreement to you, then this grant shall be void.**

PARTICIPANT:

Signature _____

OBALON THERAPEUTICS INC.

By: _____

Date: _____ Name: _____

Its: _____

RESTRICTED STOCK AGREEMENT

OBALON THERAPEUTICS INC.
2016 EQUITY INCENTIVE PLAN

THIS RESTRICTED STOCK AGREEMENT (this "***Agreement***") is made by and between Obalon Therapeutics Inc., a Delaware corporation (the "***Company***"), and the purchaser named on the Notice of Restricted Stock Award (the "***Notice***") ("***you***") pursuant to the Company's 2016 Equity Incentive Plan (the "***Plan***") as of the date you have executed the Notice. Unless otherwise defined herein, the terms defined in the Plan shall have the same meanings in this Agreement.

1. Sale of Stock. Subject to the terms and conditions of this Agreement, on the Purchase Date (as defined below) the Company will issue and sell to you, and you agree to purchase from the Company, the number of Shares shown on the Notice at the Purchase Price per Share set forth on the Notice. The term "***Shares***" refers to the purchased Shares and all securities received in replacement of or in connection with the Shares pursuant to stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which you are entitled by reason of your ownership of the Shares.

2. Time and Place of Purchase. The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution of this Agreement by the parties, or on such other date as the Company and you shall agree (the "***Purchase Date***"). On the Purchase Date, the Company will issue a stock certificate registered in your name, or uncertificated shares designated for you in book entry form on the records of the Company's transfer agent, representing the Shares to be purchased by you against payment of the purchase price therefor by you by (a) check made payable to the Company, (b) cancellation of indebtedness of the Company to you, (c) your personal Services that the Committee has determined have already been or will be rendered to the Company, or (d) a combination of the foregoing.

3. Restrictions on Resale. By signing this Agreement, you agree not to sell any Shares acquired pursuant to the Plan and this Agreement at a time when applicable laws, regulations or Company or underwriter trading policies prohibit exercise or sale. This restriction will apply as long as you are providing Service to the Company or a Subsidiary of the Company.

4. Company's Repurchase Right for Unvested Shares. The Company, or (subject to Section 4.4) its assignee, shall have the right (but not the obligation) to repurchase a portion of the Shares that are Unvested Shares (as defined below) at the times and on the terms and conditions set forth in this Section (the "***Repurchase Right***") if your Service terminates for any reason, or no reason, including without limitation, death, Disability (as defined in the Plan), voluntary resignation or termination by the Company with or without Cause.

4.1 Termination of Service. In case of any dispute as to whether your Service has terminated, the Committee shall have discretion to determine in good faith whether your Service has been terminated and the effective date of your termination of Service.

4.2 Vested and Unvested Shares. Shares that are vested pursuant to the Vesting Schedule set forth in the Notice are "***Vested Shares***." Shares that are not vested pursuant to the Vesting Schedule set forth in the Notice are "***Unvested Shares***." On the Date of Grant, all of the Shares will be Unvested Shares. No fractional Shares shall be issued. No Shares will become Vested Shares after your

termination of Service unless as set forth in the Vesting Schedule in the Notice of Grant. The number of the Shares that are Vested Shares or Unvested Shares will be proportionally adjusted to reflect any stock split, reverse stock split or similar change in the capital structure of the Company as set forth in Section 2.6 of the Plan occurring after the Date of Grant.

4.3 Exercise of Repurchase Right. Unless the Company provides written notice to you within 90 days from the date of termination of your Service to the Company that the Company does not intend to exercise its Repurchase Right with respect to some or all of the Unvested Shares, the Repurchase Right shall be deemed automatically exercised by the Company as of the 90th day following such termination, provided that the Company may notify you that it is exercising its Repurchase Right as of a date prior to such 90th day. Unless you are otherwise notified by the Company pursuant to the preceding sentence that the Company does not intend to exercise its Repurchase Right as to some or all of the Unvested Shares, execution of this Agreement by you constitutes written notice to you of the Company's intention to exercise its Repurchase Right with respect to all Unvested Shares to which such Repurchase Right applies at the time of your termination of Service. The Company, at its choice, may satisfy its payment obligation to you with respect to exercise of the Repurchase Right by either (A) delivering a check to you or wiring funds in the amount of the purchase price for the Unvested Shares being repurchased, or (B) in the event you are indebted to the Company, canceling an amount of such indebtedness equal to the purchase price for the Unvested Shares being repurchased, or (C) by a combination of (A) and (B) so that the combined payment and cancellation of indebtedness equals such purchase price. In the event of any deemed automatic exercise of the Repurchase Right by canceling an amount of such indebtedness equal to the purchase price for the Unvested Shares being repurchased, such cancellation of indebtedness shall be deemed automatically to occur as of the date of termination of your Service unless the Company otherwise satisfies its payment obligations. As a result of any repurchase of Unvested Shares pursuant to the Repurchase Right, the Company shall become the legal and beneficial owner of the Unvested Shares being repurchased and shall have all rights and interest therein or related thereto, and the Company shall have the right to transfer to its own name the number of Unvested Shares being repurchased by the Company, without further action by you.

4.4 Assignment. The Repurchase Right may be assigned by the Company in whole or in part to any persons or organization.

4.5 Additional or Exchanged Securities and Property. Subject to the provisions of Section 4.2 above, in the event of a merger or consolidation of the Company with or into another entity, any other corporate reorganization, a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, without consideration, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed or issued with respect to, any Unvested Shares shall immediately be subject to the Repurchase Right. Appropriate adjustments shall be made to the price per share to be paid for Unvested Shares upon the exercise of the Repurchase Right (by allocating such price among the Unvested Shares and such other securities or property), *provided* that the aggregate purchase price payable for the Unvested Shares and all such other securities and property shall remain the same price that was original payable under the Repurchase Right to repurchase such Unvested Shares. Subject to the provisions of Section 4.2 above, in the event of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, the Repurchase Option may be exercised by the Company's successor.

5. Non-Transferability of Unvested Shares. In addition to any other limitation on transfer created by applicable securities laws or any other agreement between the Company and you, you may not transfer any Unvested Shares, or any interest therein, unless consented to in writing by a duly authorized representative of the Company. Any purported transfer is void and of no effect, and no purported

transferee thereof will be recognized as a holder of the Unvested Shares for any purpose whatsoever. Should such a transfer purport to occur, the Company may refuse to carry out the transfer on its books, set aside the transfer, or exercise any other legal or equitable remedy. In the event the Company consents to a transfer of Unvested Shares, all transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement, including, insofar as applicable, the Repurchase Right. In the event of any purchase by the Company hereunder where the Shares or interest are held by a transferee, the transferee shall be obligated, if requested by the Company, to transfer the Shares or interest you for consideration equal to the amount to be paid by the Company hereunder. In the event the Repurchase Right is deemed exercised by the Company, the Company may deem any transferee to have transferred the Shares or interest to you prior to their purchase by the Company, and payment of the purchase price by the Company to such transferee shall be deemed to satisfy your obligation to pay such transferee for such Shares or interest, and also to satisfy the Company's obligation to pay you for such Shares or interest.

6. Acceptance of Restrictions. Acceptance of the Shares shall constitute your agreement to such restrictions and the legending of your certificates or the notation in the Company's direct registration system for stock issuance and transfer of such restrictions and accompanying legends set forth in Section 7.1 with respect thereto. Notwithstanding such restrictions, however, so long as you are the holder of the Shares, or any portion thereof, he or she shall be entitled to receive all dividends declared on and to vote the Shares and to all other rights of a stockholder with respect thereto.

7. Stop Transfer Orders.

7.1 Stop-Transfer Notices. You agree that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

7.2 Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as the owner or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

8. No Rights as Employee, Director or Consultant. You understand that your employment or consulting relationship with the Company is for an unspecified duration, can be terminated at any time (i.e., is "at-will"), and that nothing in this Agreement changes the at-will nature of that relationship. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

9. Miscellaneous.

9.1 Acknowledgement. The Company and you agree that the Restricted Shares are granted under and governed by the Notice, this Agreement and the provisions of the Plan (incorporated herein by reference). You: (i) acknowledge receipt of a copy of the Plan and the Plan prospectus, (ii) represent that you have carefully read and are familiar with their provisions, and (iii) hereby accept the Restricted Shares subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and the Restricted Stock Agreement.

9.2 Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

9.3 Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer. The Shares issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

9.4 Governing Law; Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this Agreement shall be enforceable in accordance with its terms. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in San Diego County, California or the federal courts of the United States for the Southern District of California and no other courts.

9.5 Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

9.6 Notices. Any notice to be given under the terms of the Plan shall be addressed to the Company in care of its principal office, and any notice to be given to you shall be addressed to you at the address maintained by the Company for such person or at such other address as you may specify in writing to the Company.

9.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall he deemed an original and all of which together shall constitute one instrument.

9.8 U.S. Tax Consequences. Unless an Election (defined below) is made, upon vesting of Shares, you will include in taxable income the difference between the fair market value of the vesting Shares, as determined on the date of their vesting, and the price paid for the Shares. This will be treated as ordinary income by you and will be subject to withholding by the Company when required by applicable law. In the absence of an Election, the Company shall satisfy the withholding requirements as set forth in Section 10 below. If you make an Election, then you must, prior to making the Election, pay in cash (or check) to the Company an amount equal to the amount the Company is required to withhold for income and employment taxes.

10. Withholding Taxes and Stock Withholding. Regardless of any action the Company or your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Shares received under this award, including the award or vesting of such Shares, the subsequent sale of Shares under this award and the receipt of any dividends; and (2) do not commit to structure the terms of the award or any aspect of the Restricted Shares to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Company will only recognize you as a record holder of Shares if you have paid or made adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be released from the Repurchase Right when they vest, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and you hereby authorize such sales by this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the withholding taxes. You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

11. Section 83(b) Election. You hereby acknowledge that you have been informed that, with respect to the purchase of the Shares, an election may be filed by you with the Internal Revenue Service, within 30 days of the purchase of the Shares, electing for United States tax purposes pursuant to Section 83(b) of the Code to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase (the "***Election***"). Making the Election will result in recognition of taxable income to you on the date of purchase, measured by the excess, if any, of the Fair Market Value of the Shares over the purchase price for the Shares. Absent such an Election, taxable income will be measured and recognized by you at the time or times on which the Company's Repurchase Right lapses. You are strongly encouraged to seek the advice of your own tax advisors in connection with the purchase of the Shares and the advisability of filing of the Election. YOU ACKNOWLEDGE THAT IT IS SOLELY YOUR RESPONSIBILITY, AND NOT THE COMPANY'S RESPONSIBILITY, TO TIMELY FILE THE ELECTION UNDER SECTION 83(b) OF THE CODE, EVEN IF YOU REQUEST THE COMPANY, OR ITS REPRESENTATIVE, TO MAKE THIS FILING ON YOUR BEHALF.

12. Consent to Electronic Delivery of All Plan Documents and Disclosures. By acceptance of this Restricted Stock Award, you consent to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the Restricted Stock Award. Electronic delivery may 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 delivery determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

13. Award Subject to Company Clawback or Recoupment. To the extent permitted by applicable law, the Shares shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service with the Company that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your Shares (whether vested or unvested) and the recoupment of any gains realized with respect to your Shares.

BY ACCEPTING THIS RESTRICTED STOCK AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

RECEIPT

Obalon Therapeutics Inc. hereby acknowledges receipt of (check as applicable):

¨ A check or wire transfer in the amount of $

¨ The cancellation of indebtedness in the amount of $

¨ Given by as consideration for the book entry in your name or Certificate No. - for shares of Common Stock of Obalon Therapeutics Inc.

¨ Other method as permitted by the Plan and specifically approved by the Board or Committee, and described here:

Dated: _____

OBALON THERAPEUTICS INC.

By: _____

Print Name: _____

Its: _____

RECEIPT AND CONSENT

The undersigned hereby acknowledges the book entry in his or her name or receipt of a photocopy of Certificate No. - for shares of Common Stock of Obalon Therapeutics Inc. (the "***Company***").

The undersigned further acknowledges that the Secretary of the Company, or his or her designee, is acting as escrow holder pursuant to the Restricted Stock Agreement that he or she has previously entered into with the Company. As escrow holder, the Secretary of the Company, or his or her designee, holds the original of the aforementioned certificate issued in the undersigned's name. To facilitate any transfer of Shares to the Company pursuant to the Restricted Stock Agreement, the undersigned has executed the attached Assignment Separate from Certificate.

Dated: , 20

Signature: _____

Print Name: _____

STOCK POWER AND ASSIGNMENT
SEPARATE FROM STOCK CERTIFICATE

FOR VALUE RECEIVED and pursuant to that certain Restricted Stock Agreement dated as of , , **[*COMPLETE AT THE TIME OF PURCHASE*]** (the "***Agreement***"), the undersigned hereby sells, assigns and transfers unto , shares of the Common Stock of Obalon Therapeutics Inc., a Delaware corporation (the "***Company***"), standing in the undersigned's name on the books of the Company represented hereby by book entry or by Certificate No(s). **[*COMPLETE AT THE TIME OF PURCHASE*]** delivered herewith, and does hereby irrevocably constitute and appoint the Secretary of the Company as the undersigned's attorney-in-fact, with full power of substitution, to transfer said stock on the books of the Company. THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AGREEMENT AND ANY EXHIBITS THERETO.

Dated: ,

PARTICIPANT

Signature: _____

Print Name: _____

Instructions: Please do not fill in any blanks other than the signature line. The purpose of this document is to enable the Company and/or its assignee(s) to acquire the shares upon exercise of its "Repurchase Right" set forth in the Agreement without requiring additional action.

NOTICE OF STOCK BONUS AWARD

OBALON THERAPEUTICS INC.
2016 EQUITY INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the Obalon Therapeutics Inc. (the "***Company***") 2016 Equity Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Stock Bonus Award (the "***Notice***") and the attached Stock Bonus Award Agreement (the "***Stock Bonus Agreement***"). You have been granted an award of Shares under the Plan (the "***Stock Bonus Award***") subject to the terms and conditions of the Plan, this Notice and the attached Stock Bonus Agreement.

Name:

Address:

Number of Shares:

Date of Grant:

Vesting Commencement Date:

Vesting Schedule: **[Sample vesting language:]** [Subject to the limitations set forth in this Notice, the Plan and the Stock Bonus Agreement, 25% of the total number of Shares subject to the Stock Bonus Award will vest on the 12 month anniversary of the Vesting Commencement Date and 12.5% of the total number of Shares will vest on each six month anniversary thereafter so long as your Service continues.] [Note: actual vesting language to match vesting schedule approved by the Board or Committee]

You acknowledge that the vesting of the Shares pursuant to this Notice is earned only by continuing Service. By accepting this Stock Bonus Award, you and the Company agree that this Stock Bonus Award is granted under and governed by the terms and conditions of the Plan, the Notice and the Stock Bonus Agreement. By accepting this Stock Bonus Award, you consent to electronic delivery as set forth in the Stock Bonus Agreement.

PARTICIPANT

Signature: _____

Print Name: _____

OBALON THERAPEUTICS INC.

By: _____

Name: _____

Its: _____

STOCK BONUS AWARD AGREEMENT

OBALON THERAPEUTICS INC.
2016 EQUITY INCENTIVE PLAN

You have been granted a Stock Bonus Award ("***Stock Bonus Award***") by Obalon Therapeutics Inc. (the "***Company***"), subject to the terms, restrictions and conditions of the Plan, the Notice of Stock Bonus Award (the "***Notice***") and this Stock Bonus Award Agreement (this "***Agreement***").

1. Issuance. Your Stock Bonus Award shall be issued in Shares, and the Company's transfer agent shall record ownership of such Shares in your name as soon as reasonably practicable.

2. No Stockholder Rights. Unless and until you are recorded as the holder of such Shares on the stock records of the Company and its transfer agent, you shall have no right to dividends or to vote Shares.

3. No-Transfer. Unvested Shares subject to your Stock Bonus Award shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of by you or any person whose interest derives from your interest. "***Unvested Shares***" are Shares that have not yet vested pursuant to the terms of the vesting schedule set forth in the Notice.

4. Termination. If your Service terminates for any reason, all Unvested Shares shall immediately be forfeited to the Company, and all rights you have to such Unvested Shares shall immediately terminate. In case of any dispute as to whether a termination of Service has occurred, the Committee shall have sole discretion to determine whether such termination has occurred and the effective date of such termination.

5. Tax Consequences. YOU SHOULD CONSULT A TAX ADVISER BEFORE ACQUIRING THE SHARES IN THE JURISDICTION IN WHICH YOU ARE SUBJECT TO TAX. Shares shall not be issued under this Agreement unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the acquisition or vesting of Shares.

6. Withholding Taxes and Stock Withholding. Regardless of any action the Company or your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the award, including the award or vesting of such Shares, the subsequent sale of Shares under this award and the receipt of any dividends; and (2) do not commit to structure the terms of the award to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Company will only recognize you as a record holder of Shares if you have paid or made adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be released when they vest, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and you hereby authorize such sales by this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if

applicable; provided however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the withholding taxes. You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

7. Acknowledgement. The Company and you agree that the Stock Bonus Award is granted under and governed by the Notice, this Agreement and the provisions of the Plan (incorporated herein by reference). You: (i) acknowledge receipt of a copy of the Plan and the Plan prospectus, (ii) represent that you have carefully read and are familiar with their provisions, and (iii) hereby accept the Stock Bonus Award subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and the Stock Bonus Award.

8. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

9. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer. The Shares issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

10. Governing Law; Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this Agreement shall be enforceable in accordance with its terms. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in San Diego County, California or the federal courts of the United States for the Southern District of California and no other courts.

10. No Rights as Employee, Director or Consultant. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

11. Consent to Electronic Delivery of All Plan Documents and Disclosures. By acceptance of this Stock Bonus Award, you consent to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of the

Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the Stock Bonus Award. Electronic delivery may 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 delivery determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

12. Award Subject to Company Clawback or Recoupment. To the extent permitted by applicable law, the Stock Bonus Award shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service with the Company that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your Stock Bonus Award (whether vested or unvested) and the recoupment of any gains realized with respect to your Stock Bonus Award.

BY ACCEPTING THE STOCK BONUS AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

NOTICE OF PERFORMANCE SHARES AWARD

OBALON THERAPEUTICS INC.
2016 EQUITY INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the Obalon Therapeutics Inc. (the "***Company***") 2016 Equity Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Performance Shares Award (the "***Notice***") and the attached Performance Shares Award Agreement (the "***Performance Shares Agreement***"). You have been granted an award of Performance Shares (the "***Performance Shares Award***") under the Plan subject to the terms and conditions of the Plan, this Notice and the attached Performance Shares Agreement.

Name:

Address:

Number of Shares:

Date of Grant:

Fair Market Value on Date of Grant:

Vesting Commencement Date:

Vesting Schedule: Subject to the limitations set forth in this Notice, the Plan and the Performance Shares Agreement, the Shares will vest in accordance with the following schedule: **[INSERT VESTING SCHEDULE]**

You acknowledge that the vesting of the Performance Shares Award pursuant to this Notice is earned only by continuing Service and meeting the Performance Factors enumerated above. By accepting the Performance Shares Award, you and the Company agree that the Performance Shares Award is granted under and governed by the terms and conditions of the Plan, the Notice and the Performance Shares Agreement. By accepting the Performance Shares Award, you consent to electronic delivery as set forth in the Performance Shares Agreement.

PARTICIPANT

Print Name: _____

Signature: _____

OBALON THERAPEUTICS INC.

By: _____

Name: _____

Its: _____

PERFORMANCE SHARES AGREEMENT

OBALON THERAPEUTICS INC.
2016 EQUITY INCENTIVE PLAN

You have been granted a Performance Shares Award ("***Performance Shares Award***") by Obalon Therapeutics Inc. (the "***Company***"), subject to the terms, restrictions and conditions of the Plan, the Notice of Performance Shares Award ("***Notice***") and this Performance Shares Agreement (this "***Agreement***").

1. Settlement. Your Performance Shares Award shall be settled in Shares and the Company's transfer agent shall record ownership of such Shares in your name as soon as reasonably practicable after achievement of the Performance Factors enumerated in the Notice.

2. No Stockholder Rights. Unless and until you are recorded as the holder of such Shares on the stock records of the Company and its transfer agent, you shall have no right to dividends or to vote Shares.

3. No-Transfer. Your interest in this Performance Shares Award shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of.

4. Termination. If your Service terminates for any reason, all of your rights under the Plan, this Agreement and the Notice in respect of this Award shall immediately terminate. In case of any dispute as to whether a termination of Service has occurred, the Committee shall have sole discretion to determine whether such termination has occurred and the effective date of such termination.

5. Tax Consequences. YOU SHOULD CONSULT A TAX ADVISER BEFORE ACQUIRING THE SHARES IN THE JURISDICTION IN WHICH YOU ARE SUBJECT TO TAX. Shares shall not be issued under this Agreement unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the acquisition or vesting of Shares.

6. Withholding Taxes and Stock Withholding. Regardless of any action the Company or your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the award, including the award or vesting of such Shares, the subsequent sale of Shares under this award and the receipt of any dividends; and (2) do not commit to structure the terms of the award to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Company will only recognize you as a record holder of Shares if you have paid or made adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be issued to you when they vest, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and you hereby authorize such sales by this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if you are a Section 16 officer of the Company under the Exchange Act, then

the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the withholding taxes. You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

7. Acknowledgement. The Company and you agree that the Performance Shares Award is granted under and governed by the Notice, this Agreement and the provisions of the Plan (incorporated herein by reference). You: (i) acknowledge receipt of a copy of the Plan and the Plan prospectus, (ii) represent that you have carefully read and are familiar with their provisions, and (iii) hereby accept the Performance Shares Award subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this Agreement.

8. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

9. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer. The Shares issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

10. Governing Law; Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this Agreement shall be enforceable in accordance with its terms. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in San Diego County, California or the federal courts of the United States for the Southern District of California and no other courts.

10. No Rights as Employee, Director or Consultant. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

11**. Consent to Electronic Delivery of All Plan Documents and Disclosures.** By acceptance of this Performance Shares Award, you consent to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders

(including, without limitation, annual reports and proxy statements) or other communications or information related to the Performance Shares Award. Electronic delivery may 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 delivery determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

12. **Award Subject to Company Clawback or Recoupment.** To the extent permitted by applicable law, Performance Shares Award shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service with the Company that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your Performance Shares Award (whether vested or unvested) and the recoupment of any gains realized with respect to your Performance Shares Award.

BY ACCEPTING THE PERFORMANCE SHARES AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

OBALON THERAPEUTICS, INC.
2016 EMPLOYEE STOCK PURCHASE PLAN

1. PURPOSE. Obalon Therapeutics, Inc. adopted the Plan effective as of the date of the IPO. The purpose of this Plan is to provide eligible employees of the Company and the Participating Corporations with a means of acquiring an equity interest in the Company, to enhance such employees' sense of participation in the affairs of the Company. Capitalized terms not defined elsewhere in the text are defined in Section 28.

2. ESTABLISHMENT OF PLAN. The Company proposes to grant rights to purchase shares of Common Stock to eligible employees of the Company and its Participating Corporations pursuant to this Plan. The Company intends this Plan to qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments to or replacements of such Section), and this Plan shall be so construed, although the Company makes no undertaking or representation to maintain such qualification. Any term not expressly defined in this Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. In addition, with regard to offers of options to purchase shares of Common Stock under the Plan to employees working for a Subsidiary or an Affiliate outside the United States, this Plan authorizes the grant of options under a Non- Section 423 Component that is not intended to meet Section 423 requirements, provided, to the extent necessary under Section 423 of the Code, the other terms and conditions of the Plan are met.

Subject to Section 14, a total of 180,000 shares of Common Stock is reserved for issuance under this Plan. In addition, on each January 1 of each calendar year, the aggregate number of shares of Common Stock reserved for issuance under the Plan shall be increased automatically by the number of shares equal to one percent (1%) of the total number of outstanding shares of Common Stock and Common Stock equivalents (including options, RSUs, warrants and preferred stock on an as converted basis) outstanding on the immediately preceding December 31 (rounded down to the nearest whole share); provided, that the Board or the Committee may in its sole discretion reduce the amount of the increase in any particular year. Subject to Section 14, no more than 17,000,000 shares of Common Stock may be issued over the term of this Plan. The number of shares initially reserved for issuance under this Plan and the maximum number of shares that may be issued under this Plan shall be subject to adjustments effected in accordance with Section 14. Any or all such shares may be granted under the Section 423 Component.

3. ADMINISTRATION. The Plan will be administered by the Committee. Subject to the provisions of this Plan and the limitations of Section 423 of the Code or any successor provision in the Code, all questions of interpretation or application of this Plan shall be determined by the Committee and its decisions shall be final and binding upon all eligible employees and Participants. The Committee will have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility, to designate the Participating Corporations, to determine whether Participating Corporations shall participate in the Section 423 Component or Non-Section 423 Component and to decide upon any and all claims filed under the Plan. Every finding, decision and determination made by the Committee will, to the full extent permitted by law, be final and binding upon all parties. Notwithstanding any provision to the contrary in this Plan, the Committee may adopt rules, sub-plans, and/or procedures relating to the operation and administration of the Plan designed to comply with local laws, regulations or customs or to achieve tax, securities law or other objectives for eligible employees outside of the United States. The Committee will have the authority to determine the Fair Market Value of the Common Stock (which determination shall be final, binding and conclusive for all purposes) in accordance with Section 8 below and to interpret Section 8 of the Plan in connection with circumstances that impact the Fair Market Value. Members of the Committee shall receive no compensation for their services in connection with the administration of this Plan, other than standard fees as established from time to time by the Board for services rendered by Board members serving on Board committees. All expenses incurred in connection with the administration of this Plan shall be paid by the Company. For

purposes of this Plan, the Committee may designate separate offerings under the Plan (the terms of which need not be identical) in which eligible employees of one or more Participating Corporations will participate, even if the dates of the applicable Offering Periods of each such offering are identical.

4. ELIGIBILITY.

(a) Any employee of the Company or the Participating Corporations is eligible to participate in an Offering Period under this Plan, except that one or more of the following categories of employees may be excluded from coverage under the Plan by the Committee (other than where such exclusion is prohibited by applicable law):

(i) employees who do not meet eligibility requirements that the Committee may choose to impose (within the limits permitted by the Code); and

(ii) individuals who provide services to the Company or any of its Participating Corporations as independent contractors who are reclassified as common law employees for any reason except for federal income and employment tax purposes.

The foregoing notwithstanding, an individual shall not be eligible if his or her participation in the Plan is prohibited by the law of any country that has jurisdiction over him or her, if complying with the laws of the applicable country would cause the Plan to violate Section 423 of the Code, or if he or she is subject to a collective bargaining agreement that does not provide for participation in the Plan.

(b) No employee who, together with any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code, owns stock or holds options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or its Parent or Subsidiary or who, as a result of being granted an option under this Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or its Parent or Subsidiary shall be granted an option to purchase Common Stock under the Plan. Notwithstanding the foregoing, the rules of Section 424(d) of the Code shall apply in determining share ownership and the extent to which shares held under outstanding equity awards are to be treated as owned by the employee.

5. OFFERING DATES.

(a) Each Offering Period of this Plan may be of up to twenty-seven (27) months duration and shall commence and end at the times designated by the Committee. Each Offering Period shall consist of one or more Purchase Periods during which Contributions made by Participants are accumulated under this Plan.

(b) The initial Offering Period shall commence on the Effective Date and shall end with the Purchase Date that occurs on May 1, 2017 or another date selected by the Committee which is approximately six (6) months after the commencement of the initial Offering Period, but no more than twenty-seven (27) months after the commencement of the initial Offering period. The initial Offering Period shall consist of one Purchase Period. Thereafter, a six (6) month Offering Period shall commence on each May 1 and November 1, except as otherwise provided by an applicable sub-plan, or on such other date determined by the Committee. The Committee may at any time establish a different duration for an Offering Period or Purchase Period to be effective after the next scheduled Purchase Date, up to a maximum duration of twenty-seven (27) months.

6. PARTICIPATION IN THIS PLAN.

(a) Any employee who is an eligible employee determined in accordance with Section 4 immediately prior to the initial Offering Period will be automatically enrolled in the initial Offering Period under this Plan for the maximum number of shares of Common Stock purchasable. With respect to subsequent Offering Periods, any eligible employee determined in accordance with Section 4 will be eligible to participate in this Plan, subject to the requirement of Section 6(b) hereof and the other terms and provisions of this Plan.

(b) With respect to Offering Periods after the initial Offering Period, a Participant may elect to participate in this Plan by submitting an enrollment agreement prior to the commencement of the Offering Period (or such earlier date as the Committee may determine) to which such agreement relates.

(c) Once an employee becomes a Participant in an Offering Period, then such Participant will automatically participate in each subsequent Offering Period commencing immediately following the last day of the prior Offering Period unless the Participant withdraws or is deemed to withdraw from this Plan or terminates further participation in an Offering Period as set forth in Section 11 below. A Participant who is continuing participation pursuant to the preceding sentence is not required to file any additional enrollment agreement in order to continue participation in this Plan; a Participant who is not continuing participation pursuant to the preceding sentence is required to file an enrollment agreement prior to the commencement of the Offering Period (or such earlier date as the Committee may determine) to which such agreement relates.

7. GRANT OF OPTION ON ENROLLMENT. Becoming a Participant with respect to an Offering Period will constitute the grant (as of the Offering Date) by the Company to such Participant of an option to purchase on the Purchase Date up to that number of shares of Common Stock determined by a fraction, the numerator of which is the amount accumulated in such Participant's Contribution account during such Purchase Period and the denominator of which is the lower of (i) eighty-five percent (85%) of the Fair Market Value of a share of Common Stock on the Offering Date (but in no event less than the par value of a share of the Common Stock), or (ii) eighty-five percent (85%) of the Fair Market Value of a share of the Common Stock on the Purchase Date; provided, however, that for the Purchase Period within the initial Offering Period the numerator shall be fifteen percent (15%) of the Participant's compensation for such Purchase Period, or such lower percentage as determined by the Committee prior to the start of the Offering Period, and provided, further, that the number of shares of Common Stock subject to any option granted pursuant to this Plan shall not exceed the lesser of (x) the maximum number of shares set by the Committee pursuant to Section 10(b) below with respect to the applicable Purchase Date, or (y) the maximum number of shares which may be purchased pursuant to Section 10(a) below with respect to the applicable Purchase Date.

8. PURCHASE PRICE. The Purchase Price per share at which a share of Common Stock will be sold in any Offering Period shall be eighty-five percent (85%) of the lesser of:

(a) The Fair Market Value on the Offering Date; or

(b) The Fair Market Value on the Purchase Date.

9. PAYMENT OF PURCHASE PRICE; CONTRIBUTION CHANGES; SHARE ISSUANCES.

(a) The Purchase Price shall be accumulated by regular payroll deductions made during each Offering Period, unless the Committee determines that contributions may be made in another form (including but not limited to with respect to categories of Participants outside the United States that Contributions may be made in another form due to local legal requirements). The Contributions are made

as a percentage of the Participant's Compensation in one percent (1%) increments not less than one percent (1%) nor greater than fifteen percent (15%) or such lower limit set by the Committee. "***Compensation***" shall mean base salary; however, the Committee shall have discretion to adopt a definition of Compensation from time to time of all cash compensation reported on the employee's Form W-2 or corresponding local country tax return, including without limitation base salary or regular hourly wages, bonuses, incentive compensation, commissions, overtime, shift premiums, and draws against commissions (or in foreign jurisdictions, equivalent cash compensation). For purposes of determining a Participant's Compensation, any election by such Participant to reduce his or her regular cash remuneration under Sections 125 or 401(k) of the Code (or in foreign jurisdictions, equivalent deductions) shall be treated as if the Participant did not make such election. Contributions shall commence on the first payday following the last Purchase Date (with respect to the initial Offering Period, as soon as practicable following the effective date of filing with the U.S. Securities and Exchange Commission a securities registration statement for the Plan) and shall continue to the end of the Offering Period unless sooner altered or terminated as provided in this Plan. Notwithstanding the foregoing, the terms of any sub-plan may permit matching shares without the payment of any purchase price.

(b) A Participant may decrease the rate of Contributions during an Offering Period by filing with the Company or a third party designated by the Company a new authorization for Contributions, with the new rate to become effective no later than the second payroll period commencing after the Company's receipt of the authorization and continuing for the remainder of the Offering Period unless changed as described below. A decrease in the rate of Contributions may be made twice during an Offering Period or more frequently under rules determined by the Committee. A Participant may increase or decrease the rate of Contributions for any subsequent Offering Period by filing with the Company or a third party designated by the Company a new authorization for Contributions prior to the beginning of such Offering Period, or such other time period as specified by the Committee.

(c) A Participant may reduce his or her Contribution percentage to zero during an Offering Period by filing with the Company or a third party designated by the Company a request for cessation of Contributions. Such reduction shall be effective beginning no later than the second payroll period after the Company's receipt of the request and no further Contributions will be made for the duration of the Offering Period. Contributions credited to the Participant's account prior to the effective date of the request shall be used to purchase shares of Common Stock in accordance with Subsection (e) below. A reduction of the Contribution percentage to zero shall be treated as such Participant's withdrawal from such Offering Period and the Plan, effective as of the day after the next Purchase Date following the filing date of such request with the Company.

(d) All Contributions made for a Participant are credited to his or her book account under this Plan and are deposited with the general funds of the Company, except to the extent local legal restrictions outside the United States require segregation of such Contributions. No interest accrues on the Contributions, except to the extent required due to local legal requirements. All Contributions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such Contributions, except to the extent necessary to comply with local legal requirements outside the United States.

(e) On each Purchase Date, so long as this Plan remains in effect and provided that the Participant has not submitted a signed and completed withdrawal form before that date which notifies the Company that the Participant wishes to withdraw from that Offering Period under this Plan and have all Contributions accumulated in the account maintained on behalf of the Participant as of that date returned to the Participant, the Company shall apply the funds then in the Participant's account to the purchase of whole shares of Common Stock reserved under the option granted to such Participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The Purchase Price per share shall be as specified in Section 8 of this Plan. Any fractional share, as calculated under this Subsection (e), shall be rounded down to the next lower whole share, unless the Committee determines with respect to all Participants that any fractional share shall be credited as a fractional share.

Any amount remaining in a Participant's account on a Purchase Date which is less than the amount necessary to purchase a full share of the Common Stock shall be carried forward without interest (except to the extent necessary to comply with local legal requirements outside the United States) into the next Purchase Period or Offering Period, as the case may be. In the event that this Plan has been oversubscribed, all funds not used to purchase shares on the Purchase Date shall be returned to the Participant, without interest (except to the extent required due to local legal requirements outside the United States). No Common Stock shall be purchased on a Purchase Date on behalf of any employee whose participation in this Plan has terminated prior to such Purchase Date, except to the extent required due to local legal requirements outside the United States.

(f) As promptly as practicable after the Purchase Date, the Company shall issue shares for the Participant's benefit representing the shares purchased upon exercise of his or her option.

(g) During a Participant's lifetime, his or her option to purchase shares hereunder is exercisable only by him or her. The Participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.

(h) To the extent required by applicable federal, state, local or foreign law, a Participant shall make arrangements satisfactory to the Company and the Participating Corporation employing the Participant for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company or any Subsidiary or Affiliate, as applicable, may withhold, by any method permissible under the applicable law, the amount necessary for the Company or Subsidiary or Affiliate, as applicable, to meet applicable withholding obligations, including any withholding required to make available to the Company or Subsidiary or Affiliate, as applicable, any tax deductions or benefits attributable to the sale or early disposition of shares of Common Stock by a Participant. The Company shall not be required to issue any shares of Common Stock under the Plan until such obligations are satisfied.

10. LIMITATIONS ON SHARES TO BE PURCHASED.

(a) Any other provision of the Plan notwithstanding, no Participant shall purchase Common Stock with a Fair Market Value in excess of the following limit:

(i) In the case of Common Stock purchased during an Offering Period that commenced in the current calendar year, the limit shall be equal to (A) $25,000 minus (B) the Fair Market Value of the Common Stock that the Participant previously purchased in the current calendar year (under this Plan and all other employee stock purchase plans of the Company or any Parent or Subsidiary).

(ii) In the case of Common Stock purchased during an Offering Period that commenced in the immediately preceding calendar year, the limit shall be equal to (A) $50,000 minus (B) the Fair Market Value of the Common Stock that the Participant previously purchased (under this Plan and all other employee stock purchase plans of the Company or any Parent or Subsidiary) in the current calendar year and in the immediately preceding calendar year.

For purposes of this Subsection (a), the Fair Market Value of Common Stock shall be determined in each case as of the beginning of the Offering Period in which such Common Stock is purchased. Employee stock purchase plans not described in Section 423 of the Code shall be disregarded. If a Participant is precluded by this Subsection (a) from purchasing additional Common Stock under the Plan, then his or her Contributions shall automatically be discontinued and shall automatically resume at the beginning of the earliest Purchase Period that will end in the next calendar year (if he or she then is an eligible employee), provided that when the Company automatically resumes such Contributions, the Company must apply the rate in effect immediately prior to such suspension.

(b) In no event shall a Participant be permitted to purchase more than 5,000 shares on any one Purchase Date or such lesser number as the Committee shall determine. If a lower limit is set

under this Subsection (b), then all Participants will be notified of such limit prior to the commencement of the next Offering Period for which it is to be effective.

(c) If the number of shares to be purchased on a Purchase Date by all Participants exceeds the number of shares then available for issuance under this Plan, then the Company will make a pro rata allocation of the remaining shares in as uniform a manner as shall be reasonably practicable and as the Committee shall determine to be equitable. In such event, the Company will give notice of such reduction of the number of shares to be purchased under a Participant's option to each Participant affected.

(d) Any Contributions accumulated in a Participant's account which are not used to purchase stock due to the limitations in this Section 10, and not covered by Section 9(e), shall be returned to the Participant as soon as practicable after the end of the applicable Purchase Period, without interest (except to the extent required due to local legal requirements outside the United States).

11. WITHDRAWAL.

(a) Each Participant may withdraw from an Offering Period under this Plan pursuant to a method specified for such purpose by the Company. Such withdrawal may be elected at any time prior to the end of an Offering Period, or such other time period as specified by the Committee.

(b) Upon withdrawal from this Plan, the accumulated Contributions shall be returned to the withdrawn Participant, without interest (except to the extent required due to local legal requirements outside the United States), and his or her interest in this Plan shall terminate. In the event a Participant voluntarily elects to withdraw from this Plan, he or she may not resume his or her participation in this Plan during the same Offering Period, but he or she may participate in any Offering Period under this Plan which commences on a date subsequent to such withdrawal by filing a new authorization for Contributions in the same manner as set forth in Section 6 above for initial participation in this Plan.

12. TERMINATION OF EMPLOYMENT. Termination of a Participant's employment for any reason, including retirement, death, disability, or the failure of a Participant to remain an eligible employee of the Company or of a Participating Corporation, immediately terminates his or her participation in this Plan (except as required due to local legal requirements outside the United States). In such event, accumulated Contributions credited to the Participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative, without interest (except to the extent required due to local legal requirements outside the United States). For purposes of this Section 12, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of the Company or of a Participating Corporation in the case of sick leave, military leave, or any other leave of absence approved by the Company; provided that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute. The Company will have sole discretion to determine whether a Participant has terminated employment and the effective date on which the Participant terminated employment, regardless of any notice period or garden leave required under local law.

13. RETURN OF CONTRIBUTIONS. In the event a Participant's interest in this Plan is terminated by withdrawal, termination of employment or otherwise, or in the event this Plan is terminated by the Board, the Company shall deliver to the Participant all accumulated Contributions credited to such Participant's account. No interest shall accrue on the Contributions of a Participant in this Plan (except to the extent required due to local legal requirements outside the United States).

14. CAPITAL CHANGES. If the number of outstanding shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, without consideration, then the Committee shall adjust the number and class of Common Stock that may be delivered under the Plan, the Purchase Price

per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised, and the numerical limits of Sections 2 and 10 shall be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and in compliance with the applicable securities laws; provided that fractions of a share will not be issued.

15. NONASSIGNABILITY. Neither Contributions credited to a Participant's account nor any rights with regard to the exercise of an option or to receive shares under this Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 22 below) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be void and without effect.

16. USE OF PARTICIPANT FUNDS AND REPORTS. The Company may use all Contributions received or held by it under the Plan for any corporate purpose, and the Company will not be required to segregate Participant Contributions (except to the extent required due to local legal requirements outside the United States). Until shares are issued, Participants will only have the rights of an unsecured creditor unless otherwise required under local law. Each Participant shall receive, or have access to, promptly after the end of each Purchase Period a report of his or her account setting forth the total Contributions accumulated, the number of shares purchased, the per share price thereof and the remaining cash balance, if any, carried forward to the next Purchase Period or Offering Period, as the case may be.

17. NOTICE OF DISPOSITION. Each U.S. taxpayer Participant shall notify the Company in writing if the Participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within two (2) years from the Offering Date or within one (1) year from the Purchase Date on which such shares were purchased (the "***Notice Period***"). The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to this Plan requesting the Company's transfer agent to notify the Company of any transfer of the shares. The obligation of the Participant to provide such notice shall continue notwithstanding the placement of any such legend on the certificates.

18. NO RIGHTS TO CONTINUED EMPLOYMENT. Neither this Plan nor the grant of any option hereunder shall confer any right on any employee to remain in the employ of the Company or any Participating Corporation, or restrict the right of the Company or any Participating Corporation to terminate such employee's employment.

19. EQUAL RIGHTS AND PRIVILEGES. All eligible employees granted an option under the Section 423 Component of this Plan shall have equal rights and privileges with respect to this Plan or within any separate offering under the Plan so that this Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 or any successor provision of the Code and the related regulations. Any provision of this Plan which is inconsistent with Section 423 or any successor provision of the Code, without further act or amendment by the Company, the Committee or the Board, shall be reformed to comply with the requirements of Section 423. This Section 19 shall take precedence over all other provisions in this Plan.

20. NOTICES. All notices or other communications by a Participant to the Company under or in connection with this Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. TERM; STOCKHOLDER APPROVAL. This Plan will become effective on the Effective Date. This Plan shall be approved by the stockholders of the Company, in any manner permitted by applicable corporate law, within twelve (12) months before or after the date this Plan is adopted by the Board. No purchase of shares that are subject to such stockholder approval before becoming available under this Plan shall occur prior to stockholder approval of such shares and the Board

or Committee may delay any Purchase Date and postpone the commencement of any Offering Period subsequent to such Purchase Date as deemed necessary or desirable to obtain such approval (provided that if a Purchase Date would occur more than six (6) months after commencement of the Offering Period to which it relates, then such Purchase Date shall not occur and instead such Offering Period shall terminate without the purchase of such shares and Participants in such Offering Period shall be refunded their Contributions without interest). This Plan shall continue until the earlier to occur of (a) termination of this Plan by the Board (which termination may be effected by the Board at any time pursuant to Section 25 below), (b) issuance of all of the shares of Common Stock reserved for issuance under this Plan, or (c) the tenth anniversary of the Effective Date under the Plan.

22. DESIGNATION OF BENEFICIARY.

(a) Unless otherwise determined by the Committee, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under this Plan in the event of such Participant's death prior to a Purchase Date. Such form shall be valid only if it was filed with the Company at the prescribed location before the Participant's death.

(b) If authorized by the Company, such designation of beneficiary may be changed by the Participant at any time by written notice filed with the Company at the prescribed location before the Participant's death. In the event of the death of a Participant and in the absence of a beneficiary validly designated under this Plan who is living at the time of such Participant's death, the Company shall deliver such cash to the executor or administrator of the estate of the Participant or to the legal heirs of the Participant.

23. CONDITIONS UPON ISSUANCE OF SHARES; LIMITATION ON SALE OF SHARES. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the U.S. Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or automated quotation system upon which the shares may then be listed, exchange control restrictions and/or securities law restrictions outside the United States, and shall be further subject to the approval of counsel for the Company with respect to such compliance. Shares may be held in trust or subject to further restrictions as permitted by any subplan.

24. APPLICABLE LAW. The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of Delaware.

25. AMENDMENT OR TERMINATION. The Committee, in its sole discretion, may amend, suspend, or terminate the Plan, or any part thereof, at any time and for any reason. Unless otherwise required by applicable law, if the Plan is terminated, the Committee, in its discretion, may elect to terminate all outstanding Offering Periods either immediately or upon completion of the purchase of shares of Common Stock on the next Purchase Date (which may be sooner than originally scheduled, if determined by the Committee in its discretion), or may elect to permit Offering Periods to expire in accordance with their terms (and subject to any adjustment pursuant to Section 14). If an Offering Period is terminated prior to its previously-scheduled expiration, all amounts then credited to Participants' accounts for such Offering Period, which have not been used to purchase shares of Common Stock, shall be returned to those Participants (without interest thereon, except as otherwise required under local laws) as soon as administratively practicable. Further, the Committee will be entitled to change the Purchase Periods and Offering Periods, limit the frequency and/or number of changes in the amount contributed during an Offering Period, establish the exchange ratio applicable to amounts contributed in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the administration of the Plan, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts contributed from the

Participant's base salary and other eligible compensation, and establish such other limitations or procedures as the Committee determines in its sole discretion advisable which are consistent with the Plan. Such actions will not require stockholder approval or the consent of any Participants. However, no amendment shall be made without approval of the stockholders of the Company (obtained in accordance with Section 21 above) within twelve (12) months of the adoption of such amendment (or earlier if required by Section 21) if such amendment would: (a) increase the number of shares that may be issued under this Plan; or (b) change the designation of the employees (or class of employees) eligible for participation in this Plan. In addition, in the event the Board or Committee determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board or Committee may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the Plan to reduce or eliminate such accounting consequences including, but not limited to: (i) amending the definition of compensation, including with respect to an Offering Period underway at the time; (ii) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price; (iii) shortening any Offering Period by setting a Purchase Date, including an Offering Period underway at the time of the Committee's action; (iv) reducing the maximum percentage of Compensation a participant may elect to set aside as Contributions; and (v) reducing the maximum number of shares a Participant may purchase during any Offering Period. Such modifications or amendments will not require approval of the stockholders of the Company or the consent of any Participants.

26. CORPORATE TRANSACTIONS. In the event of a Corporate Transaction, the Offering Period for each outstanding right to purchase Common Stock will be shortened by setting a new Purchase Date and will end on the new Purchase Date. The new Purchase Date shall occur on or prior to the consummation of the Corporate Transaction, as determined by the Board or Committee, and the Plan shall terminate on the consummation of the Corporate Transaction.

27. CODE SECTION 409A; TAX QUALIFICATION.

(a) Options granted under the Plan generally are exempt from the application of Section 409A of the Code. However, options granted to U.S. taxpayers which are not intended to meet the Code Section 423 requirements are intended to be exempt from the application of Section 409A of the Code under the short-term deferral exception and any ambiguities shall be construed and interpreted in accordance with such intent. Subject to Subsection (b), options granted to U.S. taxpayers outside of the Code Section 423 requirements shall be subject to such terms and conditions that will permit such options to satisfy the requirements of the short-term deferral exception available under Section 409A of the Code, including the requirement that the shares of Common Stock subject to an option be delivered within the short-term deferral period. Subject to Subsection (b), in the case of a Participant who would otherwise be subject to Section 409A of the Code, to the extent the Committee determines that an option or the exercise, payment, settlement or deferral thereof is subject to Section 409A of the Code, the option shall be granted, exercised, paid, settled or deferred in a manner that will comply with Section 409A of the Code, including Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding the foregoing, the Company shall have no liability to a Participant or any other party if the option that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee with respect thereto.

(b) Although the Company may endeavor to (i) qualify an option for favorable tax treatment under the laws of the United States or jurisdictions outside of the United States or (ii) avoid adverse tax treatment (*e.g.*, under Section 409A of the Code), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment, notwithstanding anything to the contrary in this Plan, including Subsection (a). The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on Participants under the Plan.

28. DEFINITIONS.

(a) "***Affiliate***" means any entity, other than a Subsidiary or Parent, (i) that, directly or indirectly, is controlled by, controls or is under common control with, the Company and (ii) in which the Company has a significant equity interest, in either case as determined by the Committee, whether now or hereafter existing.

(b) "***Board***" shall mean the Board of Directors of the Company.

(c) "***Code***" shall mean the U.S. Internal Revenue Code of 1986, as amended.

(d) "***Committee***" shall mean the Compensation Committee of the Board that consists exclusively of one or more members of the Board appointed by the Board.

(e) "***Common Stock***" shall mean the common stock of the Company.

(f) "***Company***" shall mean Obalon Therapeutics, Inc..

(g) "***Contributions***" means payroll deductions taken from a Participant's Compensation and used to purchase shares of Common Stock under the Plan and, to the extent payroll deductions are not permitted by applicable laws (as determined by the Committee in its sole discretion) contributions by other means, provided, however, that allowing such other contributions does not jeopardize the qualification of the Plan as an "employee stock purchase plan" under Section 423 of the Plan.

(h) "***Corporate Transaction***" means the occurrence of any of the following events: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or (ii) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets; or (iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

(i) "***Effective Date***" shall mean the date on which the Registration Statement covering the initial public offering of the shares of Common Stock is declared effective by the U.S. Securities and Exchange Commission.

(j) "***Exchange Act***" means the U.S. Securities Exchange Act of 1934, as amended.

(k) "***Fair Market Value***" shall mean, as of any date, the value of a share of Common Stock determined as follows:

(1) if such Common Stock is then quoted on the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market (collectively, the "***Nasdaq Market***"), its closing price on the Nasdaq Market on the date of determination, or if there are no sales for such date, then the last preceding business day on which there were sales, as reported in *The Wall Street Journal* or such other source as the Board or the Committee deems reliable; or

(2) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities

exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street Journal* or such other source as the Board or the Committee deems reliable; or

(3) if such Common Stock is publicly traded but is neither quoted on the Nasdaq Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal* or such other source as the Board or the Committee deems reliable; or

(4) with respect to the initial Offering Period, Fair Market Value on the Offering Date shall be the price at which shares of Common Stock are offered to the public pursuant to the Registration Statement covering the initial public offering of shares of Common Stock; or

(5) if none of the foregoing is applicable, by the Board or the Committee in good faith.

(l) "***IPO***" shall mean the initial public offering of Common Stock.

(m) "***Non-Section 423 Component***" means the part of the Plan which is not intended to meet the requirements set forth in Section 423 of the Code.

(n) "***Notice Period***" shall mean within two (2) years from the Offering Date or within one (1) year from the Purchase Date on which such shares were purchased.

(o) "***Offering Date***" shall mean the first business day of each Offering Period. However, for the initial Offering Period the Offering Date shall be the Effective Date.

(p) "***Offering Period***" shall mean a period with respect to which the right to purchase Common Stock may be granted under the Plan, as determined by the Committee pursuant to Section 5(a).

(q) "***Parent***" shall have the same meaning as "parent corporation" in Sections 424(e) and 424(f) of the Code.

(r) "***Participant***" shall mean an eligible employee who meets the eligibility requirements set forth in Section 4 and who is either automatically enrolled in the initial Offering Period or who elects to participate in this Plan pursuant to Section 6(b).

(s) "***Participating Corporation***" shall mean any Parent, Subsidiary or Affiliate that the Committee designates from time to time as eligible to participate in this Plan. For purposes of the Section 423 Component, only the Parent and Subsidiaries may be Participating Corporations, provided, however, that at any given time a Parent or Subsidiary that is a Participating Corporation under the Section 423 Component shall not be a Participating Corporation under the Non-Section 423 Component. The Committee may provide that any Participating Corporation shall only be eligible to participate in the Non-Section 423 Component.

(t) "***Plan***" shall mean this Obalon Therapeutics, Inc. 2016 Employee Stock Purchase Plan, as may be amended from time to time.

(u) "***Purchase Date***" shall mean the last business day of each Purchase Period.

(v) "***Purchase Period***" shall mean a period during which Contributions may be made toward the purchase of Common Stock under the Plan, as determined by the Committee pursuant to Section 5(b).

(w) "***Purchase Price***" shall mean the price at which Participants may purchase shares of Common Stock under the Plan, as determined pursuant to Section 8.

(x) "***Section 423 Component***" means the part of the Plan, which excludes the Non-Section 423 Component, pursuant to which options to purchase shares of Common Stock under the Plan that satisfy the requirements for "employee stock purchase plans" set forth in Section 423 of the Code may be granted to eligible employees.

(y) "***Subsidiary***" shall have the same meaning as "subsidiary corporation" in Sections 424(e) and 424(f) of the Code.

OBALON THERAPEUTICS INC. (THE "COMPANY")
2016 EMPLOYEE STOCK PURCHASE PLAN

FORM
ENROLLMENT/CHANGE FORM

SECTION 1:	**CHECK DESIRED ACTION**:	**AND COMPLETE SECTIONS**:
ACTIONS	¨ Enroll in the ESPP	2 + 3 + 4 + 16
	¨ Elect / Change Contribution Percentage	2 + 4 + 16
	¨ Discontinue Contributions	2 + 5 + 16

SECTION 2: Name: _____

PERSONAL DATA Home Address: _____

_____

SECTION 3:

ENROLL

¨ I hereby elect to participate in Company's 2016 Employee Stock Purchase Plan and any sub-plan thereto for my country of residence (the "Sub-Plan") (together, the "ESPP"), effective at the beginning of the next Offering Period. I elect to purchase shares of Common Stock of the Company pursuant to the terms and conditions of the ESPP and this Enrollment/Change Form. I understand that the stock certificate(s) for the shares purchased on my behalf will be issued in street name and deposited directly into my brokerage account. I hereby agree to take all steps, and sign all forms, required to establish an account with the Company's broker for this purpose.

My participation will continue as long as I remain eligible, unless I withdraw from the ESPP by filing a new Enrollment/Change Form with the Company or any third party designated by the Company. I understand that I must notify the Company of any disposition of shares purchased under the ESPP.

SECTION 4:

ELECT/CHANGE CONTRIBUTION PERCENTAGE

I hereby authorize the Company or the Parent, Subsidiary or Affiliate employing me (the "Employer") to withhold from each of my paychecks such amount as is necessary to equal at the end of the applicable Offering Period % of my Compensation (as provided in Section 9 of the ESPP) paid during such Offering Period as long as I continue to participate in the ESPP. My Contributions, plus any accumulated Contributions thus far during the current Offering Period if this is a change, will be applied to the purchase of shares of Common Stock pursuant to the ESPP. **The percentage must be a whole number (from 1%, up to a maximum of 15%, with respect to enrollment or an increase in Contribution percentage; from 0%, up to a maximum of 14%, for a decrease in Contribution percentage).**

If this is a change to my current enrollment, this represents an ¨-increase ¨-decrease to my Contribution percentage.

Note: You may not increase your Contributions at any time within an Offering Period. You may decrease your previously elected Contribution percentage to a percentage other than 0% only twice within an Offering Period to be effective during that Offering Period. A change will become effective as soon as reasonably practicable after the form is received by the Company. An increase in your Contribution percentage can only take effect with the next Offering Period.

SECTION 5:

DISCONTINUE CONTRIBUTIONS

¨ I hereby elect to stop my Contributions under the ESPP, effective as soon as reasonably practicable after this form is received by the Company. Accumulated Contributions will be returned to me without interest, pursuant to Section 11 of the ESPP.

SECTION 6:

The Company may, in its sole discretion, decide to deliver any documents related to

ELECTRONIC DELIVERY AND ACCEPTANCE	current or future participation in the ESPP by electronic means. I hereby consent to receive such documents by electronic delivery and agree to participate in the ESPP through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
SECTION 7: **ACKNOWLEDGMENT AND SIGNATURE**	I acknowledge that I have received a copy of the ESPP Prospectus (which summarizes the major features of the ESPP). I have read the Prospectus and my signature below indicates that I hereby agree to be bound by the terms of the ESPP.

Signature: _____ Date: _____

Exhibit 10.5

June 9, 2008

Andrew Rasdal

Re: Offer of Employment with Obalon Therapeutics, Inc.

Dear Andrew:

On behalf of Obalon Therapeutics, Inc., a Delaware corporation (the "***Company***"), I am pleased to invite you to join the Company. The effective date of your employment will be June 16, 2008 (the "***Effective Date***"). This offer will expire if not accepted by June 11, 2008.

The terms of this offer of employment are as follows:

1. Position and Title. You will serve as Chief Executive Officer of the Company. In that capacity, you will be primarily responsible for all respects of the Company's business and operations. You will report directly to the Company's Board of Directors (the "*Board*"). You will be expected to devote your full business time, attention, and energies to the performance of your duties with the Company. You will serve as member of the Board so long as you are CEO of the Company.

2. At-Will Employment. You understand and acknowledge that your employment with the Company is for an unspecified duration and constitutes "at-will" employment. The employment relationship may be terminated by you or by the Company at any time, with or without good cause, and for any reason or for no reason. Your at-will status cannot be changed, except in a writing signed by you and the Chairman of the Board.

3. Base Compensation. The Company will pay you an annual salary of $300,000 ("***Annual Compensation***"), payable upon commencement of your employment, in accordance with the Company's standard payroll policies (which will provide for bi-monthly wage payments), including compliance with applicable tax withholding requirements. The first and last payment by the Company to you will be adjusted, if necessary, to reflect a commencement or termination date other than the first or last working day of payroll period.

4. Stock Option Grant. Within thirty days after the Effective Date, subject to approval by the Board of Directors, you will be granted an option (the "***Option***") to purchase 845,000 shares of Common Stock of the Company (the "***Shares***") pursuant to the Company's 2008 Stock Plan. The Option will be an incentive stock option (ISO) to maximum extent permitted under applicable laws and regulations, and will be a non-statutory option (NSO) as to the balance of the Shares. The exercise price of the Option will be the fair market value of the Shares on the date the Board approves the grant, as determined by the Board. The Option shall be subject to the terms of the Company's 2008 Stock Plan and the form of Stock Option Agreement issued pursuant thereto.

The Option will vest and become exercisable as to 25% of the underlying Shares on the first anniversary of the grant date, and on a ratable monthly basis over a period of 36 months

thereafter, in each case based on continued employment with the Company. 100% of all unvested Shares subject to your Option, and 100% of all unvested Shares subject to any stock option grants made to you in the future, will vest in the event that the Company engages in a Change of Control Transaction. “Change of Control Transaction” means a sale or transfer of all or substantially all assets or the Company, or any merger, consolidation or similar transaction resulting in the stockholders of the Company as of immediately prior to such transaction controlling less than 50% of the voting securities of the surviving entity.

5. Severance. In the event the Company terminates your employment without Cause, you will be entitled to continued payment of your Annual Compensation for a period of six (6) months. If such termination without Cause occurs before the first vesting date of the Option as outlined above in this letter, you will also be entitled to the vesting of 25% of the shares subject to the Option. “Cause” is defined as (i) willful misconduct by you causing actual and material harm to the Company; (ii) a material act by you involving gross negligence in the performance of your duties to the Company, other than a deviation taken in good faith by you for the benefit of the Company; (iii) a material breach of your ECTIAA; (iv) a material breach by you of this letter agreement, which you fail to correct within fifteen (15) days after written notice from the Board; (v) your refusal to abide by the lawful directives of the Board of Directors which are consistent with your duties and which would not require you to violate any application legal requirements or ethical standards, which you fail to correct within fifteen (15) days after written notice from the Board; or (vi) illegal actively by you which materially and adversely affects the business or reputation of the Company or any felony committed by you, as evidenced by conviction thereof, provided that the Company may suspend you with pay while any allegation of such illegal or felonious act is investigated.

6. Benefits. During the term of your employment, you will be entitled to the Company’s standard benefits covering employees at your level, as such may be in effect from time to time. Until the Company begins providing its own health care program, the Company will reimburse the cost of your family’s health care insurance coverage up to $1,500.00 per month, less any applicable withholding, in addition to your monthly salary. At such time as the Company informs you that it has established a health care program, the foregoing reimbursement will be replaced by coverage under the Company’s health care program.

7. Personal Leave Time. You will be entitled four (4) weeks of personal leave time per calendar year; provided that you may accrue no more than eight (8) weeks of personal leave time. You will be credited with two (2) weeks of personal leave time upon commencement of employment.

8. Expenses. The Company will reimburse all reasonable costs and expenses you incur and that are required for performance of your duties and responsibilities, upon presentment of receipts for such costs and expenses; provided however that any such costs and expenses comply with the Company’s expense reimbursement policy as such may be adopted and amended from time to time.

9. Employment Policies. Shortly after commandment of your employment, you will be provided with an employee manual that sets forth the Company’s guidelines and policies for

employees. Adherence to the Company's employee manual is a condition of continued employment.

10. Immigration Laws. For purposes of federal immigration laws, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided within three (3) business days of the effective date of your employment, or your employment relationship with the Company may be terminated.

11. Background Check. The Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees. This offer therefore, is contingent upon a clearance of such a background investigation and/or reference check, if any.

12. Employment Confidential Information and Invention Assignment Agreement. As a condition of this offer of employment, you will be required prior to commencement of your employment to complete, sign and return the Company's standard form of employment, confidential information, invention assignment and arbitration agreement (the "***ECIIAA***").

13. Non-Contravention. You represent that to the best of your knowledge, your signing of this letter, your commencement of employment with the Company, and your performance of the obligations associated with your position, does not and will not violate any agreement you have with any employer and your signature confirms this representation.

14. Dispute Resolution. In the event of any dispute or claim relating to or arising out of our employment relationship, you and the Company agree that all such disputes shall be fully and finally resolved by binding arbitration as provided for in the ECIIAA. The foregoing arbitration provision shall not apply to any disputes or claims relating to or arising out of the misuse or misappropriation of the Company's trade secrets or proprietary information; provided however that any court proceeding relating to misuse or misappropriation of the Company's trade secrets or proprietary information initiated by the Company shall be limited to causes of action relating to such trade secrets or proprietary information, and shall specifically not include other employment-related claims.

15. Conflicting Employment. You agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage m any other activities that conflict with your obligations to the Company.

16. Choice of Law. The terms of this offer letter shall be governed by California law.

17. General. This offer letter, the ECIIAA and the Stock Option Agreement (if approved by the Board of Directors) covering the Option grant described in paragraph 4, when signed by you, set forth the terms of your employment with the Company and supersede any and all prior representations and agreements, whether written or oral. In the event of a conflict between the terms and provisions of this offer letter and the ECIIAA or the Stock Option Agreement(s), the terms and provisions of the ECIIAA or the Stock Option Agreement(s), as applicable, will control. In the event of a conflict between the terms and provisions of this offer

letter and the Company's standard policies and procedures which may be adopted from time to time, this offer letter will control.

We look forward to your joining the Company. If the foregoing terms are agreeable, please indicate your acceptance by signing this offer letter in the space provided below and returning it to me, along with your completed and signed ECIIAA.

Sincerely,

Obalon Therapeutics, Inc.

By: /s/ Kim Puloma Kamdar
[Kim Kamdar]
Interim Chief Executive Officer

ACCEPTED AND AGREED TO this 9 day of June, 2008.

/s/ Andy Rasdal
Andy Rasdal

Exhibit 10.6

June 16, 2008

Mark Brister

Re: Offer of Employment with Obalon Therapeutics, Inc.

Dear Mark:

On behalf of Obalon Therapeutics, Inc., a Delaware corporation (the "***Company***"), I am pleased to invite you to join the Company. The effective date of your employment will be June 16, 2008 (the "***Effective Date***"). This offer will expire if not accepted by June l6, 2008.

The terms of this offer of employment are as follows:

1. Position and Title. You will serve as Vice President of Research and Development (R&D) of the Company. In that capacity, you will be responsible for the Company's product research and development efforts. You will report directly to the Company's Chief Executive Officer (CEO). You will be expected to devote your full business time, attention and energies to the performance of your duties with the Company.

2. At-Will Employment. You understand and acknowledge that your employment with the Company is for an unspecified duration and constitutes "at-will" employment. The employment relationship may be terminated by you or by the Company at any time, with or without good cause, and for any reason or for no reason. Your·at-will status cannot be changed, except in a writing signed by you and the Chairman of the Board.

3. Base Compensation. The Company will pay you an annual salary of $200,000 ("***Annual Compensation***"), payable upon commencement of your employment, in accordance with the Company's standard payroll policies (which will provide for bi-monthly wage payments), including compliance with applicable tax withholding requirements. The first and last payment by the Company to you will be adjusted, if necessary, to reflect a commencement or termination date other than the first or last working day of a payroll period.

4. Stock Option Grant. Within thirty days after the Effective Date, subject to approval by the Board of Directors, you will be granted an option (the "***Option***") to purchase 241,500 shares of Common Stock of the Company (the "***Shares***") pursuant to the Company's 2008 Stock Plan. The Option will be an incentive stock option (ISO) to the maximum extent permitted under applicable laws and regulations, and will be a non-statutory option (NSO) as to the balance of the Shares. The exercise price of the Option will be the fair market value of the Shares on the date the Board approves the grant, as determined by the Board. The Option shall be subject to the terms of the Company's 2008 Stock Plan and the form of Stock Option Agreement issued pursuant thereto.

The Option will vest and become exercisable as to 25% of the underlying Shares on the first anniversary of the grant date, and on a ratable monthly basis over a period of 36 months thereafter, in each case based on continued employment with the Company. 50% of all unvested

Shares subject to your Option, and 50% of all unvested Shares subject to any stock option grants made to you in the future, will vest in the event that the Company engages in a Change of Control Transaction. In the event that the Company engages in a Change of Control Transaction and either i) your title is reduced from that set forth herein or ii) your annual salary and bonus potential are reduced from that set forth herein or iii) the headquarters of the Company is moved more than 50 miles from its initial location in the San Diego area, 100% of all unvested Shares subject to your Option, and 100% of all unvested shares subject to any stock grants made to you in the future, will vest "Change of Control Transaction" means a sale or transfer of all or substantially all assets of the Company, or any merger, consolidation or similar transaction resulting in the stockholders of the Company as of immediately prior to such transaction controlling less than 50% of the voting securities of the surviving entity.

5. Severance. In the event the Company terminate your employment without Cause, you will be entitled to continued payment of your Annual Compensation for a period of three (3) months. If such termination without Cause occurs before the first vesting date of the Option as outlined above in this letter, you will also be entitled to the vesting of 25% of the shares subject to the Option. "Cause" is defined as (i) willful misconduct by you causing actual and material harm to the Company; (ii) a material act by you involving gross negligence in the performance of your duties to the Company, other than a deviation taken in good faith by you for the benefit of the Company; (iii) a material breach of your ECIIAA; (iv) a material breach by you of this letter agreement, which you fail to correct within fifteen (15) days after written notice from the Company; or (v) illegal activity by you which materially and adversely affects the business or reputation of the Company or any felony committed by you, as evidenced by conviction thereof, provided that the Company may suspend you with pay while any allegation of such illegal or felonious act is investigated.

6. Benefits. During the term of your employment, you will be entitled to the Company's standard vacation and benefits covering employees at your level, as such may be in effect from time to time. Until the Company begins providing its own health care program, the Company will reimburse the cost of your family's health care insurance coverage up to $1,500.00 per month, less any applicable withholding, in addition to your monthly salary. At such time as the Company informs you that it has established a health care program, the foregoing reimbursement will be replaced by coverage under the Company's health care program.

7. Personal Leave Time. You will be entitled to three (3) weeks of personal leave time per calendar year; provided that you may accrue no more than eight (8) weeks of personal leave time. You will be credited with seven (7) days of personal leave time upon commencement of employment.

8. Expenses. The Company will reimburse all reasonable costs and expenses you incur and that are required for performance of your duties and responsibilities, upon presentment of receipts for such costs and expenses; provided however that any such costs and expenses comply with the Company's expense reimbursement policy as such may be adopted and amended from time to time.

9. Employment Policies. Shortly after commencement of your employment, you will be provided with an employee manual that sets forth the Company's guidelines and policies for employees. Adherence to the Company's employee manual is a condition of continued employment.

10. Immigration Laws. For purposes of federal immigration laws, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided within three (3) business days of the effective date of your employment, or your employment relationship with the Company may be terminated.

11. Background Check. The Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees. This offer therefore, is contingent upon a clearance of such a background investigation and/or reference check, if any.

12. Employment Confidential Information and Invention Assignment Agreement. As a condition of this offer of employment, you will be required prior to commencement of your employment to complete, sign and return the Company's standard form of employment, confidential information, invention assignment and arbitration agreement (the "***ECIIAA***").

13. Non-Contravention. You represent that to the best of your knowledge, your signing of this letter, your commencement of employment with the Company, and your performance of the obligations associated with your position, does not and will not violate any agreement you have with any employer and your signature confirms this representation.

14. Dispute Resolution. In the event of any dispute or claim relating to or arising out of our employment relationship, you and the Company agree that all such disputes shall be fully and finally resolved by binding arbitration as provided for in the ECIIAA. The foregoing arbitration provision shall not apply to any disputes or claims relating to or arising out of the misuse or misappropriation of the Company's trade secrets or proprietary information; provided however that any court proceeding relating to misuse or misappropriation of the Company's trade secrets or proprietary information initiated by the Company shall be limited to causes of action relating to such trade secrets or proprietary information, and shall specifically not include other employment-related claims.

15. Conflicting Employment. You agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage m any other activities that conflict with your obligations to the Company.

16. Choice of Law. The terms of this offer letter shall be governed by California law.

17. General. This offer letter, the ECIIAA and the Stock Option Agreement (if approved by the Board of Directors) covering the Option grant described in paragraph 4, when signed by you, set forth the terms of your employment with the Company and supersede any and all prior representations and agreements, whether written or oral. In the event of a conflict between the terms and provisions of this offer letter and the ECIIAA or the Stock Option

Agreement(s), the terms and provisions of the ECIIAA or the Stock Option Agreement(s), as applicable, will control. In the event of a conflict between the terms and provisions of this offer letter and the Company's standard policies and procedures which may be adopted from time to time, this offer letter will control.

We look forward to your joining the Company. If the foregoing terms are agreeable, please indicate your acceptance by signing this offer letter in the space provided below and returning it to me, along with your completed and signed ECIIAA.

Sincerely,

Obalon Therapeutics, Inc.

By: /s/ Andy Rasdal
Andy Rasdal
Chief Executive Officer

ACCEPTED AND AGREED TO this 16 day of June, 2008.

/s/ Mark Brister
Mark Brister

Exhibit 10.7

November 24, 2008

Amy VandenBerg

Re: Offer of Employment with Obalon Therapeutics, Inc.

Dear Amy:

On behalf of Obalon Therapeutics, Inc., a Delaware corporation (the "***Company***"), I am pleased to invite you to join the Company. The effective date of your employment will be December 15, 2008 (the "***Effective Date***"). This offer will expire if not accepted by November 28, 2008.

The terms of this offer of employment are as follows:

1. Position and Title. You will serve as Director of Regulatory Affairs. In that capacity, you will be primarily responsible for activities related to the Company's regulatory efforts. You will report directly to Andy Rasdal, President and CEO. Your responsibility, title and reporting structure may change. You will be expected to devote your full business time, attention, and energies to the performance of your duties with the Company.

2. At-Will Employment. You understand and acknowledge that your employment with the Company is for an unspecified duration and constitutes "at-will" employment. The employment relationship may be terminated by you or by the Company at any time, with or without good cause, and for any reason or for no reason. Your at-will status cannot be changed, except in a writing signed by you and the Chief Executive Officer (CEO).

3. Base Compensation. The Company will pay you an annual salary of $135,000 ("***Annual Compensation***"), payable upon commencement of your employment, in accordance with the Company's standard payroll policies (which will provide for bi-monthly wage payments), including compliance with applicable tax withholding requirements. The first and last payment by the Company to you will be adjusted, if necessary, to reflect a commencement or termination date other than the first or last working day of payroll period.

4. Stock Option Grant. Within thirty days after the Effective Date, subject to approval by the Board of Directors, you will be granted an option (the "***Option***") to purchase 35,000 shares of Common Stock of the Company (the "***Shares***") pursuant to the Company's 2008 Stock Plan. The Option will be an incentive stock option (ISO) to maximum extent permitted under applicable laws and regulations, and will be a non-statutory option (NSO) as to the balance of the Shares. The exercise price of the Option will be the fair market value of the Shares on the date the Board approves the grant, as determined by the Board. The Option shall be subject to the terms of the Company's 2008 Stock Plan and the form of Stock Option Agreement issued pursuant thereto. The Option will vest and become exercisable as to 25% of the underlying Shares on the first anniversary of the grant date, and on a ratable monthly basis over a period of 36 months thereafter, in each case based on continued employment with the Company.

5. Benefits. During the term of your employment, you will be entitled to the Company's standard benefits covering employees at your level, as such may be in effect from time to time.

6. Personal Leave Time. You will be entitled three (3) weeks of personal leave time per calendar year; provided that you may accrue no more than eight (8) weeks of personal leave time.

7. Expenses. The Company will reimburse all reasonable costs and expenses you incur and that are required for performance of your duties and responsibilities, upon presentment of receipts for such costs and expenses; provided however that any such costs and expenses comply with the Company's expense reimbursement policy as such may be adopted and amended from time to time.

8. Employment Policies. Shortly after commandment of your employment, you will be provided with an employee manual that sets forth the Company's guidelines and policies for employees. Adherence to the Company's employee manual is a condition of continued employment.

9. Immigration Laws. For purposes of federal immigration laws, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided within three (3) business days of the effective date of your employment, or your employment relationship with the Company may be terminated.

10. Background Check. The Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees. This offer therefore, is contingent upon a clearance of such a background investigation and/or reference check, if any.

11. Employment Confidential Information and Invention Assignment Agreement. As a condition of this offer of employment, you will be required prior to commencement of your employment to complete, sign and return the Company's standard form of employment, confidential information, invention assignment and arbitration agreement (the "***ECIIAA***").

12. Non-Contravention. You represent that to the best of your knowledge, your signing of this letter, your commencement of employment with the Company, and your performance of the obligations associated with your position, does not and will not violate any agreement you have with any employer and your signature confirms this representation.

13. Dispute Resolution. In the event of any dispute or claim relating to or arising out of our employment relationship, you and the Company agree that all such disputes shall be fully and finally resolved by binding arbitration as provided for in the ECIIAA. The foregoing arbitration provision shall not apply to any disputes or claims relating to or arising out of the misuse or misappropriation of the Company's trade secrets or proprietary information; provided however that any court proceeding relating to misuse or misappropriation of the Company's trade secrets or proprietary information initiated by the Company shall be limited to causes of action relating to such trade secrets or proprietary information, and shall specifically not include other employment-related claims.

14. Conflicting Employment. You agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage m any other activities that conflict with your obligations to the Company.

15. Choice of Law. The terms of this offer letter shall be governed by California law.

16. General. This offer letter, the ECIIAA and the Stock Option Agreement (if approved by the Board of Directors) covering the Option grant described in paragraph 4, when signed by you, set forth the terms of your employment with the Company and supersede any and all prior representations and agreements, whether written or oral. In the event of a conflict between the terms and provisions of this offer letter and the ECIIAA or the Stock Option Agreement(s), the terms and provisions of the ECIIAA or the Stock Option Agreement(s), as applicable, will control. In the event of a conflict between the terms and provisions of this offer letter and the Company's standard policies and procedures which may be adopted from time to time, this offer letter will control.

17. We look forward to your joining the Company. If the foregoing terms are agreeable, please indicate your acceptance by signing this offer letter in the space provided below and returning it to me, along with your completed and signed ECIIAA.

Sincerely,

Obalon Therapeutics, Inc.

By: /s/ Andy Rasdal
Andy Rasdal
President and CEO

ACCEPTED AND AGREED TO this 26 day of November, 2008.

/s/ Amy VandenBerg
Amy VandenBerg

EXHIBIT 10.9

[*] Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

DISTRIBUTION AGREEMENT

THIS DISTRIBUTION AGREEMENT (this "Agreement") dated as of June 26, 2013 (the "Effective Date"), is entered into between OBALON THERAPEUTICS, INC., a Delaware corporation, with offices at 55421 Avenida Encinas, Suite F, Carlsbad, CA, 92008 ("Obalon"), and BADER SULTAN & BROS CO W.L.L., with an address at PO Box 867, 13009 Kuwait ("Distributor"). The parties hereby agree as follows:

1. APPOINTMENT AND SCOPE.

1.1. Appointment. Subject to the terms and conditions of this Agreement, Obalon hereby appoints Distributor, for the term of this Agreement, as the exclusive distributor of the products described in Exhibit A (the "Products") to customers described in Exhibit A (the "Customers") in the territory described in Exhibit A (the "Territory"). Distributor hereby accepts such appointment.

1.2. Distributorship Restrictions.

(a) Distributor shall resell the Products solely to Customers in the Territory.

(b) Distributor shall not, directly or indirectly (i) make any sales of the Products outside of the Territory, (ii) seek customers for, establish any branch for, or maintain any distribution depot or network for the sale of the Products outside of the Territory, or (iii) make any sales of the Products to any third party other than to the Customers in the Territory; provided, however, that if a Customer from a country in the European Union that is outside of the Territory requests to purchase Products from Distributor, and if Distributor has otherwise complied with its obligation not to distribute the Products outside of the Territory and did not contact the applicable Customer prior to the Customer making contact with Distributor, then Distributor may sell the Products to such Customer if applicable law mandates that it is unlawful for Obalon to prevent sales by Distributor to such Customer.

(c) Distributor shall resell the Products solely for use by Customers in weight loss treatment (the "Field"). Distributor shall legally obligate each Customer purchasing the Products from Distributor, as a condition of such purchase, to use the Products solely for the Field and for no other purpose.

(d) Distributor shall not have the right to appoint sub-distributors unless Distributor first notifies Obalon of the prospective sub-distributor and obtains Obalon's prior express written consent (not to be unreasonably withheld). Distributor shall remain liable for any actions or inactions of a sub-distributor that would be a breach of this Agreement if such action or inaction were committed by Distributor.

1.3. Exclusivity. For the purposes of Section 1.1 above, the term "exclusive" means that, subject to the terms and conditions of this Agreement (including, without limitation, Section 2.1) and for as long as Distributor is in full compliance with its obligations hereunder, Obalon shall not appoint any other agents, representatives or distributors in the Territory to promote, market or sell the Products to the Customers in the Territory, but Obalon shall retain the right to promote and market the Product to Customers in the Territory.

1.4. Noncompetition. Unless specifically authorized in writing by Obalon, Distributor shall not directly or indirectly promote, market, sell, offer for sale, or act as sales agent for the solicitation of orders in the Territory for any products intended to occupy space in the stomach for weight loss.

1.5. Product Offerings by Obalon. Obalon shall be under no obligation to Distributor to continue its business or to continue, discontinue, change, retain, manufacture, sell or supply any model or type of any of its products. Obalon may, in its sole discretion, discontinue the supply of any or all Products or make whatever changes to those Products it deems necessary, desirable or appropriate. Obalon may, in its sole discretion, add products to or delete products from the list of Products set forth in Exhibit A upon thirty (30) days written notice to Distributor.

1.6. Disposables. Distributor acknowledges that the Products identified on Exhibit A as "disposable" (the "Disposables") are perishable. Distributor shall manage its inventory such that the Disposables are shipped throughout the Territory, to the extent reasonably practicable, on a first expires-first-out basis. Distributor shall be responsible for and shall bear the full risk with respect to any unsold quantities of the Disposables remaining in Distributor's inventory beyond the stated shelf-life thereof. Without limiting the generality of the foregoing, and notwithstanding anything to the contrary herein, the Disposables that remain unsold in Distributor's inventory beyond the stated shelf-life thereof shall not be subject to any credits, refunds or exchanges.

1.7. Independent Purchaser Status. Distributor is an independent purchaser and seller of the Products. Distributor shall not act as an agent or legal representative of Obalon. Distributor shall be responsible for all of its own expenses and employees. Distributor shall incur no expense chargeable to Obalon, except, as may be specifically authorized in advance in writing in each case by Obalon, nor shall Distributor have any right or power to act for or bind Obalon in any respect or to pledge its credit. Distributor shall be free to resell the Products in the Territory to the Customers on such terms as it may, in its sole discretion, determine, including, without limitation, price, returns, credits and discounts. The detailed operations of Distributor under this Agreement are subject to the sole control and management of Distributor.

2. COVENANTS AND WARRANTIES OF DISTRIBUTOR.

2.1. Minimum Quantity. Distributor shall purchase from Obalon during each Calendar Quarter and Contract Year (as each is defined on Exhibit A) the applicable minimum quantity set forth on Exhibit A, and shall use commercially reasonable efforts to resell, not less

than the minimum purchase quantity of the Products as set forth in Exhibit A (the "Minimum Quantity"). If Distributor fails to purchase from Obalon and to resell to Customers the Minimum Quantity for any twelve (12) month period, Obalon shall have the right, at Obalon's sole option and discretion upon thirty (30) days written notice to Distributor (a) to convert the distributorship grant under Section 1.1 to non-exclusive, or (b) to terminate this Agreement.

2.2. Sales Promotion. Distributor shall use its best efforts to promote, market and sell the Products to the Customers in the Territory, to meet the market demand for the Products for use in the Territory. Distributor shall refrain from misrepresenting the origin of the Products in such a way that would cause one to believe that the Products are manufactured or developed by anyone other than Obalon. Distributor shall distribute the Products in the Territory so as to include all warnings and instructions necessary for the proper use of the Products and shall not make any warranty, express or implied, relating to the Products other than the warranty set forth in Section 5.1. Distributor shall only promote and market the Products for the approved indications as stated in the Product labeling.

2.3. Promotional Materials. Distributor shall ensure that all advertising, promotional literature and packaging for the Products comply with all applicable laws and regulations. Distributor shall not use any advertising or promotional materials to promote the Products or any packaging that have not been approved in writing by Obalon in advance.

2.4. Registrations.

(a) Obalon has obtained the European Union CE Mark approval for the Products. Distributor will notify Obalon promptly upon becoming aware of any additional governmental approval requirements with respect to the Products in the Territory. If additional governmental registrations, licenses, permits or approvals (collectively, "Registrations") are required in the Territory, then Distributor shall, at its own expense, obtain the Registration that are necessary to permit the purchase, distribution and resale by Distributor of the Products in each country in the Territory. Obalon shall reasonably cooperate with the Distributor in connection with obtaining the Registrations.

(b) All Registrations shall be owned by and made in the name of Obalon. Distributor shall provide Obalon with all tangible documents, records, and other property relating to the Registrations. Distributor shall have the right to maintain copies of all Registrations, as necessary for Distributor's activities authorized hereunder. Distributor shall, at no cost to Obalon, execute such documents and instruments and take such further actions as necessary or appropriate to evidence Obalon's ownership of the Registrations.

2.5. Conduct of Business. Distributor shall conduct its business in a manner that reflects favorably at all times on the Products and the good name, goodwill and reputation of Obalon. Without limiting the generality of the foregoing, Distributor shall (a) avoid deception, misleading or unethical practices that are or might be detrimental to Obalon or the public, including but not limited to disparagement of Obalon or the Products; (b) not publish or employ, or cooperate in the publication or employment of any misleading or deceptive advertising material; (c) make no representations, warranties or guarantees to third parties with respect to the specifications, features or capabilities of the Products that are inconsistent with any

representations, warranties or guaranties regarding the Products that are expressly authorized by Obalon; (d) use marketing and advertising efforts of high quality and good taste, and preserve the professional image and reputation of Obalon and the Products; and (e) use professional and properly trained, as per Obalon's requirements, sales force to promote, market and sell the Products.

2.6. Compliance with Laws. Distributor shall comply with all governmental laws, regulations, and orders that may be applicable to Distributor by reason of its execution of this Agreement, including, without limitation, any requirement to be registered as Obalon's independent distributor with any governmental authority, and including any and all laws, regulations, or orders that govern or affect the ordering, export, shipment, import, sale (including government procurement), delivery, or redelivery of the Products in the Territory. Distributor shall not engage in any course of conduct that, in Obalon's reasonable belief, would cause Obalon to be in violation of the laws of any jurisdiction.

2.7. U.S. Foreign Corrupt Practices Act. Distributor warrants that in the performance of its obligations under this Agreement, Distributor shall not act in any fashion or take any action which will render Obalon liable for a violation of the U.S. Foreign Corrupt Practices Act ("FCPA"), which prohibits the offering, giving or promising to offer or give, directly or indirectly, money or anything of value to any official of a government, political party or instrumentality thereof in order to assist Distributor or Obalon in obtaining or retaining business. Obalon shall have the right to terminate this Agreement immediately if Distributor takes any action in violation of the U.S. FCPA. Distributor shall indemnify and hold Obalon harmless from and against all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) relating to Distributor's breach of this Section 2.7.

2.8. Customer Support. Distributor shall be solely responsible for providing, and shall provide the Customers in the Territory with all training and maintenance with respect to the Products that is necessary to support the normal use of the Products by Customers, including, without limitation, warranty repair service for the Products during the applicable warranty period therefor. Distributor shall, at its cost, cause all of its sales force personnel to become fully knowledgeable and achieve a high degree of competency with respect to the Products, sufficient to meet Distributor's customer support obligations under this Section 2.8. Obalon will provide required training on Product at Obalon's expense, although Distributor is responsible for travel and lodging and other expenses related to attending such required training.

2.9. Inventory Management. Distributor shall use commercially reasonable efforts to maintain its inventory of Products at a level sufficient to meet the demand for Products by Customers in the Territory. Without limiting the generality of the foregoing, at all times during the term of this Agreement, Distributor shall maintain inventory levels of the Products as set forth on Exhibit B.

2.10. Records and Reports. Distributor shall (a) maintain complete and accurate books and records regarding this Agreement and the Products (including, but not limited to, records containing the information supplied in the reports provided by Distributor to Obalon as required below), (b) provide Obalon within thirty (30) days after the end of each quarter with a report specifying in relation to such quarter the sales results in the Territory, progress and development

of the market for the Products in the Territory and all regulations affecting their distribution, sale and use, (c) provide Obalon within thirty (30) days after the end of each quarter a written report detailing the number and nature of requests for support received during the prior quarter, and such other information concerning Distributor's support obligations under Section 2.8 as Obalon may reasonably request, (d) provide Obalon, at Obalon's request, such other reports as are customarily provided by Distributor to suppliers similarly situated with Obalon, and (e) permit an independent chartered accountant appointed by Obalon to examine at all reasonable times, and at the expense of Obalon, the accounts and records of the Distributor so far as may be necessary to confirm Distributor's compliance with this Agreement, provided that such accountant shall be required to execute Distributor's reasonable confidentiality agreement.

2.11. Product Traceability and Record Keeping. Distributor shall establish and maintain procedures to provide lot traceability to end users and shall retain those records for at least four years.

2.12. Complaint Handling. Distributor shall establish and maintain a system for handling complaints related to the Product including receipt and review. All complaints shall be reported to Obalon and any complaints involving patient injury or serious product malfunction shall be reported to Obalon within three (3) calendar days. Distributor shall pursue products related to complaints and return to Obalon for management of detailed evaluation. All complaint records shall be retained for at least four (4) years.

2.13. Product Recalls. Distributor shall promptly implement any Product recall issued by Obalon, at Obalon's expense. Distributor shall maintain an accurate and up-to date Product and Customer database which shall be sufficient to enable Distributor, if Obalon so instructs, promptly to recall all units of any specific lot number of any Product.

2.14. Product Storage. Distributor shall store Product in facilities and environmental conditions appropriate for medical devices and which meet the requirements specified on the product labeling.

2.15. Quality Audits. Obalon shall have the right to conduct quality system audits of the Distributor's facilities and operations.

3. TERMS AND CONDITIONS OF SALE.

3.1. Rolling Forecasts. Not less than thirty (30) days prior to each quarter during the term of this Agreement, Distributor shall prepare and provide Obalon with a twelve (12) month rolling forecast of its estimated purchase requirements for each of the Products (the "Rolling Forecast"). The quantity of the Products specified in a Rolling Forecast for the first (1st) quarter reflected therein shall be a binding purchase obligation of Distributor. [*] of the quantity of the Products specified in a Rolling Forecast for the second (2nd) quarter reflected therein shall be a binding purchase obligation of Distributor. [*] of the quantity of the Products specified in a Rolling Forecast for the third (3rd) quarter reflected therein shall be a binding purchase obligation of Distributor. [*] of the quantity of the Products specified in a Rolling Forecast for the fourth (4th) quarter reflected therein shall be a binding purchase obligation of Distributor. The initial Rolling Forecast (together with a purchase order for the quantity of the Products for the first quarter of such Rolling Forecast) is attached hereto as Exhibit C.

***Confidential Treatment Requested.**

3.2. Purchase Orders. Distributor shall make all purchases of Products hereunder by submitting firm purchase orders to Obalon. Except for the initial purchase order (as described in Section 3.1), purchase orders shall be placed solely by completing and submitting an Internet purchase order form located at an Obalon web site that will be provided to Distributor by Obalon. No purchase order shall be binding upon Obalon unless and until a written acknowledgement thereof is dispatched by Obalon to Distributor.

3.3. Shipping. Unless Obalon otherwise expressly agrees in writing, the lead time for shipping shall be not less than sixty (60) days after acknowledgement of Distributor's purchase order by Obalon. Obalon may defer shipment of the Products if and while Distributor is in default of any of its obligations owing to Obalon under this Agreement, including Distributor's obligations to pay any amounts when due. The Products shall be delivered EXW Obalon facility in Carlsbad, California USA (Incoterms 2010). Risk of loss and title shall pass to Distributor upon delivery by Obalon to Distributor's designated carrier. Distributor shall be responsible to pay all carrier costs, shipping and handling charges, insurance charges, and all customs duties, taxes and any other charges levied by any governmental body in connection with shipping of the Products to Distributor.

3.4. Products Returns. If a Product fails to conform to the specifications established by Obalon therefor, Distributor may return such nonconforming Product to Obalon, at Obalon's expense, within (a) thirty (30) calendar days after delivery to Distributor for any non-conformities that can be discovered by a reasonable inspection, and (b) thirty (30) calendar days after discovery of any hidden or latent non-conformities that could not have been discovered by a reasonable inspection but in no event later that the expiration date for the applicable Product; provided, however that Distributor shall first give prompt written notice to Obalon of any Products defects (no later than within ten (10) business days after delivery of the Product to Distributor or discovery of the hidden or latent non-conformity), at which time Obalon shall issue a Return Material Authorization ("RMA") number for the defective Product. If Distributor fails timely to give such notice and to receive the RMA number, Distributor shall be deemed to have accepted the Product. Products returned without a valid RMA number displayed on the outside of the shipping container shall be returned to Distributor at Distributor's expense. If Distributor returns a Product in compliance with the foregoing requirements, Obalon shall replace the returned Product as soon as reasonably practicable. Such replacement Product shall be at no additional cost to Distributor if Distributor had previously paid Obalon for the returned Product. Notwithstanding the foregoing, Obalon shall not be responsible for any Products that fails to pass Distributor's quality control as a result of improper storage and handling during or after shipment to Distributor. Distributor may not reject a Product unless the Product was damaged at the time of shipment. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, THE REPLACEMENT OF THE NONCONFORMING PRODUCTS BY OBALON AS PROVIDED UNDER THIS SECTION 3.4 SHALL BE DISTRIBUTOR'S SOLE AND EXCLUSIVE REMEDY FOR OBALON'S DELIVERY OF NONCONFORMING PRODUCTS.

4. PRICE AND PAYMENT.

4.1. Price. Prices payable by Distributor for the Products shall be the transfer prices set forth in Exhibit A.

4.2. Payment Terms. At the time of shipping the Products to Distributor, Obalon shall invoice Distributor for the Products included in such shipment. Distributor shall pay each such invoice within thirty (30) days after the date thereof. Distributor shall make all payments in United States dollars, in immediately available funds, by wire transfer to such account as Obalon designates for such purpose. Any late payment by Distributor shall be a material breach of this Agreement. Any late payments by Distributor shall bear interest, at twelve percent (12%) per annum, or the maximum allowable by law if less.

4.3. Taxes. Distributor shall pay all sales, use and transfer taxes and other charges arising out of the purchase and sale of the Products, including any VAT and personal property taxes and all inspection fees and duties, applicable to the sale and transport of the Products by Distributor in the Territory which are applicable thereto. Obalon shall not be responsible for any business, occupation, withholding or similar tax, or any taxes of any kind, relating to the purchase and sale of the Products.

5. WARRANTIES AND DISCLAIMERS.

5.1. Warranty. Obalon warrants, solely to the Customers purchasing the Products from Distributor, that during the applicable warranty period specified below, the Products shall be of good quality and free from defects, whether patent or latent, in design, materials or workmanship. The warranty term for Products other than the Disposables shall be one (1) year from the date of purchase by the Customer. The warranty term for the Disposables shall be the period expiring on the expiration date stated on the packaging of the Disposable. The foregoing warranty shall not apply if the Products has been subjected to physical abuse, misuse, abnormal use, use not consistent with Obalon's published directions, fraud, tampering, unusual physical stress, negligence or accidents.

5.2. WARRANTY DISCLAIMERS.

(a) OTHER THAN AS WARRANTED UNDER SECTION 5.1, THE PRODUCTS ARE PROVIDED "AS IS." OBALON DISCLAIMS ANY AND ALL LIABILITY WITH RESPECT TO THE PRODUCTS ARISING FROM ANY USE OF THE PRODUCTS THAT IS NOT CONSISTENT WITH OBALON'S PUBLISHED DIRECTIONS.

(b) OBALON PROVIDES NO WARRANTY OF ANY KIND TO DISTRIBUTOR. WITH THE EXCEPTION OF THE LIMITED WARRANTY THAT OBALON PROVIDES SOLELY TO CUSTOMERS, AS SET FORTH IN SECTION 5.1, OBALON MAKES NO OTHER WARRANTIES RELATING TO THE PRODUCTS, EXPRESS OR IMPLIED, AND EXPRESSLY DISCLAIMS ANY AND IMPLIED WARRANTIES, INCLUDING WITHOUT LIMITATION WARRANTIES OF NON-INFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY. DISTRIBUTOR SHALL DISTRIBUTE THE PRODUCTS IN THE TERRITORY SO AS TO INCLUDE ALL WARNINGS AND INSTRUCTIONS NECESSARY FOR THE PROPER USE

OF THE PRODUCTS. WITHOUT LIMITING DISTRIBUTOR' S OBLIGATIONS UNDER SECTION 1.2(c), DISTRIBUTOR SHALL INCLUDE WITH EACH PRODUCT SOLD ALL APPLICABLE DISCLAIMERS SET FORTH IN THIS AGREEMENT, AND SHALL NOT MAKE ANY WARRANTY, EXPRESS OR IMPLIED, RELATING TO THE PRODUCTS OTHER THAN THE WARRANTY SET FORTH IN SECTION 5.1.

5.3. LIMITATION OF LIABILITY. IN NO EVENT SHALL OBALON BE LIABLE TO DISTRIBUTOR OR ANY OTIIER THIRD PARTY IN ANY MANNER FOR ANY SPECIAL, NON-COMPENSATORY, CONSEQUENTIAL, INDIRECT, INCIDENTAL, STATUTORY OR PUNITIVE DAMAGES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, FOR LOST PROFITS, LOST SALES, LOST REVENUE OR LOSS OF USE, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT PRODUCTS LIABILITY, OR OTHERWISE, EVEN IF OBALON HAS BEEN INFORMED OF OR IS AWARE OF THE POSSIBILITY OF ANY SUCH DAMAGES IN ADVANCE. OBALON'S TOTAL AGGREGATE LIABILITY IN CONNECTION WITH THIS AGREEMENT OR THE PRODUCTS SHALL BE LIMITED TO THE SUM OF THE AMOUNTS PAID BY DISTRIBUTOR TO OBALON DURING THE SIX (6) MONTHS IMMEDIATELY PRECEDING THE DATE OF THE EVENT GIVING RISE TO A CLAIM AGAINST OBALON. DISTRIBUTOR HAS ACCEPTED, AND SHALL CAUSE EACH CUSTOMER TO ACCEPT THIS LIMITATION OF LIABILITY AS PART OF A BARGAIN WITH RESPECT TO THE PRICING OF THE PRODUCTS WITH THE UNDERSTANDING THAT THE PRICING WOULD BE HIGHER IF OBALON WERE REQUIRED TO BEAR LIABILITY IN EXCESS OF THAT STATED HEREIN. NOTWITHSTANDING THE FOREGOING, OBALON'S LIABILITY (A) FOR DEATH OR PERSONAL INJURY CAUSED BY OBALON'S NEGLIGENCE OR CAUSED BY THE NEGLIGENCE OF OBALON'S EMPLOYEES OR AGENTS; AND (B) FOR ANY FRAUDULENT MISREPRESENTATION BY OBALON IS NOT EXCLUDED OR LIMITED BY THIS AGREEMENT, EVEN IF ANY OTHER TERM OF THIS AGREEMENT WOULD PROVIDE OR SUGGEST OTHERWISE.

6. CONFIDENTIALITY.

6.1. Confidentiality Obligations. During the term of this Agreement, and for a period of five (5) years following the expiration or earlier termination hereof, Distributor shall maintain in confidence all information relating to the Products or otherwise relating to Obalon's business, and received directly or indirectly from Obalon (collectively, the "Confidential Information"), and shall not use, disclose or grant the use of the Confidential Information except on a need-to-know basis to those of its directors, officers and employees to the extent such disclosure is reasonably necessary in connection with Distributor's activities as expressly authorized by this Agreement. To the extent that disclosure is authorized by this Agreement, prior to disclosure, Distributor shall obtain agreement of any such person or entity to hold in confidence and not make use of the Confidential Information for any purpose other than those permitted by this Agreement. Distributor shall notify Obalon promptly upon discovery of any unauthorized use or disclosure of the Confidential Information.

6.2. Confidentiality Exceptions. The obligations of Distributor under Section 6.1 shall not apply to any information with respect to which Distributor is able demonstrate by written evidence that such information (a) was publicly known prior to the disclosure of such information to Distributor; (b) became publicly known, without fault on the part of Distributor, subsequent to disclosure by Obalon of such information to Distributor; (c) was otherwise known by Distributor prior to communication by Obalon to Distributor of such information; or (d) was received by Distributor at any time from a source other than Obalon lawfully having the right to disclose such information.

6.3. Permitted Disclosures. The confidentiality obligations contained in Section 6.1 above shall not apply to the extent that Distributor is required to disclose information by law, regulation or order of a governmental agency or a court of competent jurisdiction, provided that Distributor shall provide written notice thereof to Obalon and sufficient opportunity to object to any such disclosure or to request confidential treatment thereof.

7. INDEMNIFICATION AND INSURANCE.

7.1. Indemnity. Each party (the "Indemnitor") shall defend, indemnify and hold the other party (the "Indemnitee") harmless from all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) resulting from any claims, demands, actions and other proceedings by any third party to the extent resulting from (a) any breach of this Agreement by the Indemnitor, (b) any recklessness or intentional act or omission by or on behalf of the Indemnitor in the performance of its activities contemplate by this Agreement, (c) any misrepresentations by the Indemnitor, or (d) any violation by the Indemnitor (or any of its employees or agents) of, or failure to adhere to, any applicable law, regulation or order in any country, in each case other than those certain losses, liabilities, damages and expenses arising out of the gross negligence or willful misconduct of the Indemnitee. The obligations of the parties under this Section 7.1 shall survive expiration or termination of this Agreement.

7.2. Indemnity Procedure. In the event the Indemnitee seeks indemnification hereunder, it shall inform the Indemnitor of a claim as soon as reasonably practicable after it receives notice of the claim, shall permit the Indemnitor to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration) and shall cooperate as requested (at the expense of the Indemnitor) in the defense of the claim. The indemnity obligations under this Section 7 shall not apply to amounts paid in settlement of any claim, demand, action or other proceeding if such settlement is effected without the prior express written consent of the Indemnitor, which consent shall not be unreasonably withheld or delayed.

7.3. Insurance. Each party shall maintain commercial general liability insurance, including contractual liability insurance and products liability insurance against claims regarding its activities contemplated by this Agreement, in such amounts as it customarily maintains for similar products and activities. Each party shall maintain such insurance during the term of this Agreement and thereafter for so long as it maintains insurance for itself covering such activities.

8. TRADEMARK MATTERS.

8.1. Trademarks and Trade Names. Distributor shall not use any of Obalon's trademarks, or any mark or name confusingly similar thereto, as part of its corporate or business name or in any other manner, except that:

(a) Distributor may identify itself as an authorized Distributor of Obalon; and

(b) Distributor may use any of Obalon's trademarks set out in Exhibit D (the "Trademarks") for display purpose in connection with the solicitation of orders for the Products. Use of the Trademarks shall be subject to written prior approval from Obalon, such approval not to be unreasonably withheld. Distributor agrees that Obalon's approval shall not be considered to be unreasonably withheld if Distributor's use (or intended use) of such Trademarks in Obalon's opinion misrepresents (or would misrepresent) the Products or could confuse as to the ownership of trademarks or of origin or quality of the Products or violate any regulatory statute.

(c) Distributor shall not register any trade mark or trade name (including any company name) which is identical to or confusingly similar to or incorporates any trade mark or trade name which Obalon or any associated company owns or claims rights in, including but not limited to the Trademarks.

8.2. Goodwill. Any goodwill associated with any trade marks affixed or applied or used in relation to the Products shall accrue to the sole benefit of Obalon or such associated company of Obalon as owns such trademarks.

8.3. Products Markings. Distributor shall not alter, remove or modify any Obalon trademarks, labels or markings, nor affix any other trademarks, labels, instructions, warnings or markings to or on the Products or the packages or boxes used for the Products without Obalon's written consent; provided that Distributor may affix labels or other indices on the Products it distributes to identify Distributor as the distributor of the Products so long as such labels do not cover and are not inconsistent with Obalon's trademarks, labels or markings. No other Distributor labels, package inserts or other material shall accompany the Products without the approval of Obalon. Nothing in this Agreement shall create an obligation on Obalon to register or otherwise maintain in force any trademarks.

8.4. Intellectual Property Infringement. Distributor shall inform Obalon immediately upon becoming aware of: (a) any infringements or risk of infringements by a third party of Obalon's intellectual property (including but not limited to brands, trademarks, copyrights, and patents), (b) any infringements or risk of infringements by Obalon's products of a third party's intellectual property or claims of such by a third party. In the event of any such infringement, Obalon shall have the sole right to conduct (at Obalon's sole expense) the defense or settlement of any claim of intellectual property right infringement by or against a third party in relation to any of Obalon's intellectual property. At Obalon's expense (as to reasonable out-of-pocket expenses only), Distributor cooperate with Obalon in connection with any such infringement defense or prosecution.

9. TERM AND TERMINATION.

9.1. Term. Unless terminated as provided in Section 9.2 below or by mutual written consent, this Agreement shall continue in full force and effect for an initial term expiring five (5) years after the Effective Date (the "Initial Term"). Thereafter, this Agreement shall automatically renew for additional terms of twelve (12) months (each a "Renewal Term" and collectively with the Initial Term, the "Term") unless (a) one party gives to the other party written notice of non-renewal at least ninety (90) days prior to the expiration of the then-current term, or (b) the parties are unable to agree in writing on a Minimum Quantity for any Contract Year beyond Contract Year Five at least ninety (90) days prior to the commencement thereof.

9.2. Termination. This Agreement may be terminated as follows:

(a) By either party, if the other party commits a material breach of this Agreement and fails to cure such material breach within thirty (30) calendar days after receiving written notice thereof; and

(b) By Obalon, immediately upon written notice to Distributor if Distributor breaches any provision of Sections 2.5, 2.6, 2.7, 6 or 8; and

(c) By Obalon upon written notice following the occurrence of (i) a transaction pursuant to which a third party or third parties that were not shareholders of Obalon prior to the applicable transaction acquire (whether by merger, consolidation or transfer or issuance of capital stock or otherwise) the voting power to elect a majority of the board of directors or other governing body of Obalon, or (ii) a transaction pursuant to which a third party acquires assets constituting all or substantially all of the assets of Obalon related to this Agreement (each a "Change of Control").

9.3. Rights of Parties on Expiration or Termination. The following provisions shall apply on the expiration or termination of this Agreement.

(a) In the event of expiration (but not termination) of this Agreement or termination by Distributor under Section 9.2(a) or termination for a Change of Control under Section 9.2(c), Distributor shall have the non-exclusive right, for ninety (90) days after the expiration or termination (the "Sell-Off Period"), to sell the Products in Distributor's inventory in accordance with the terms and conditions set forth in this Agreement. Distributor shall deliver to Obalon, at the end of the Sell-Off Period, a list of Products in Distributor's inventory, and Obalon shall have the right (but not the obligation) to buy any or all of the Products in Distributor's inventory at the then-current transfer price, as determined in accordance with Section 4.1. Any Products remaining in Distributor's inventory at the conclusion of the Sell Off Period which Obalon elects not to purchase pursuant to the foregoing terms, shall be, at Obalon's discretion, either destroyed by Distributor or donated, at Distributor's expense, to a charitable organization selected by Obalon. In the event that this Agreement is terminated by Obalon under Sections 9.2(a) or 9.2(b), Distributor may not sell or distribute the Products after the effective date of termination (and Distributor shall destroy its inventory of Products) unless (i) Obalon, in writing and in its sole discretion, permits Distributor to sell or distribute Distributor's inventory of Products or (ii) Obalon instructs Distributor to donate, at Distributor's expense, Distributor's inventory of Products to a charitable organization selected by Obalon.

(b) At the time Distributor may no longer distribute or sell the Products in accordance with Section 9.3(a), Distributor promptly shall:

(i) remove from its property and immediately discontinue all use, directly or indirectly, of trademarks, designs, and markings owned or licensed exclusively by Obalon, or any word, title, expression, trademark, design, or marking that is confusingly similar thereto;

(ii) promptly deliver to Obalon all records, files, data and information whatsoever relating in any way to the sale, distribution, marketing or promotion of the Products in the Territory, including, without limitation, all Product and Customer information maintained by Distributor under Section 2.13 to enable Obalon to implement Product recalls; and

(iii) provide to Obalon a final report containing all information required under Section 2.10 and which has not been previously provided to Obalon.

(c) If Obalon terminates this Agreement pursuant to Section 9.2(c) after a Change of Control, then as Distributor' sole and exclusive remedy for such termination, within ninety (90) days after termination Obalon shall pay to Distributor an amount equal to Distributor's Gross Margin Profit for the twelve (12) months immediately prior to the date of termination calculated as follows: Gross Margin Profit = number of Product sold during twelve (12) month period (multiplied by) the actual net amount received by Distributor from Customers for such Product (minus) the transfer price paid to Obalon for such Product. Promptly following the termination Distributor shall provide to Obalon a true and correct accounting of the sales for the prior twelve (12) month periods to allow Obalon to calculate the Gross Margin Profit.

(d) The following Sections shall survive any termination or expiration of this Agreement: 2.4(b), 5.2, 5.3, 6, 7.1, 7.2, 8, 9.3 and 10.

10. GENERAL PROVISIONS.

10.1. Governing Law; Venue. This Agreement shall be construed and enforced in accordance with the laws of the State of California, U.S.A., without regard to the conflicts of law principles thereof, and shall not be governed by the United Nations Convention on Contracts for the International Sale of Goods. The parties hereby submit to the jurisdiction of, and venue in, the state and federal courts located in San Diego County, California, U.S.A.

10.2. Language. The English language version of this Agreement shall govern and control any translations of this Agreement into any other language.

10.3. Notices. All consents, notices or reports required or permitted to be given or made by one party to the other under this Agreement shall be in writing and addressed to the other party at its address indicated above, or to such other address as the addressee shall have last furnished in writing to the addressor, and shall be effective upon receipt by the addressee.

10.4. Assignment. Distributor may not assign this Agreement or any of its rights, duties and obligations hereunder without the prior written consent of Obalon. Any purported assignment in violation of the foregoing shall be void. Any permitted assignee shall assume all obligations of Distributor under this Agreement. Obalon may assign this Agreement, in full or in part, without Distributor's consent.

10.5. Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof. All express or implied representations, agreements and understandings with respect to the subject matter hereof, either oral or written, heretofore made are expressly superseded by this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by both parties.

10.6. Headings. The captions to the several Sections hereof are not a part of this Agreement, but are merely guides or labels to assist in locating and reading the several Sections hereof.

10.7. Independent Contractors. Each party hereby acknowledges that the parties shall be independent contractors and that the relationship between the parties shall not constitute a partnership, joint venture or agency. Neither party shall have the authority to make any statements, representations or commitments of any kind, or to take any action, that shall be binding on the other party, without the prior consent of the other party to do so.

10.8. Waiver. The failure of Obalon at any time to require performance by Distributor of any of the provisions herein shall not operate as a waiver of the right of Obalon to request strict performance of the same or like provisions or any other provisions hereof, at a later time.

10.9. Force Majeure. Obalon shall use its reasonable efforts to fill orders, but Obalon shall not be liable for nonperformance or delays caused by a shortage of raw materials, labor problems, acts of regulatory agencies, acts of God or other causes beyond its reasonable control.

10.10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.11. Severability. In the event that any one or more provisions contained herein shall be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby and the parties agree to replace such invalid, illegal or unenforceable term or provision with an enforceable and valid arrangement that, in its economic effect, shall be as close as possible to the invalid, illegal or unenforceable term or provision.

IN WITNESS WHEREOF, Obalon and Distributor have caused this Agreement to be executed by their duly authorized representatives, as of the Effective Date.

OBALON THERAPEUTICS, INC.	BADER SULTAN & BROS CO W.L.L.
By: /s/ ANDREW RASDAL	By: /s/ Emad Al Zaben
Name: ANDREW RASDAL	Name: Emad Al Zaben
Title: CEO	Title: General Manager

EXHIBIT A

CUSTOMERS

"Customers" shall mean any customers located in the Territory.

TERRITORY

"Territory" shall mean the following countries: Saudia Arabia, Kuwait, United Arab Emirates, Qatar, Oman, Bahrain, Iraq and Lebanon.

MINIMUM QUANTITY

A "Calendar Quarter" is defined as the three month period commencing on January 1, April 1, July 1 and October 1 for each year. A "Contract Year" is the one year period commencing on the earlier of (a) the date of receipt of marketing approval from the applicable regulatory authority in the first country within the Territory or (b) September 1, 2013 (the "Contract Year Commencement Date"), and each one year period commencing on the anniversary of the Contract Year Commencement Date. The first Calendar Quarter for the first Contract Year is the Calendar Quarter in which the Contract Year Commencement Date falls.

Contract Year	Calendar Quarter	Minimum Quantity
One	First	[*] Balloons
One	Second	[*] Balloons
One	Third	[*] Balloons
One	Fourth	[*] Balloons
	Yearly Total:	**1,000 Balloons**
Two	First	[*] Balloons
Two	Second	[*] Balloons
Two	Third	[*] Balloons
Two	Fourth	[*] Balloons
	Yearly Total:	**2,500 Balloons**
Three	First	[*] Balloons
Three	Second	[*] Balloons
Three	Third	[*] Balloons
Three	Fourth	[*] Balloons
	Yearly Total:	**5,000 Balloons**
Four	First	[*] Balloons
Four	Second	[*] Balloons
Four	Third	[*] Balloons
Four	Fourth	[*] Balloons
	Yearly Total:	**7,500 Balloons**

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Contract Year	Calendar Quarter	Minimum Quantity
Five	First	[*] Balloons
Five	Second	[*] Balloons
Five	Third	[*] Balloons
Five	Fourth	[*] Balloons
	Yearly Total:	**10,000 Balloons**

The Minimum Quantity for a Contract Year beyond Contract Year Five shall be negotiated prior to expiration of the Initial Term.

PRODUCTS AND PRICE

Product Code	Description	Price
OGB-02-005	Five (5) Pack Obalon Balloon Systems (Each Individually Packed System Contains One Balloon, One Balloon Kit (PN-7000) and One Balloon Accessory Kit (PN-6000)	$ [*] USD
EZD-02-001	One (1) Obalon EZ Fill Dispenser	$ [*] USD
EZC-02-010	Ten (10) Obalon EZ Fill Canisters	$ [*] USD
PBO-02-50	Fifty (50) Placebo Capsules	$ [*] USD

***Confidential Treatment Requested.**

EXHIBIT B

MINIMUM INVENTORY QUANTITIES

Not including the initial stocking month for the Company products, Distributor agrees to order and have on hand a minimum of stock equal to [*] the number of individual units shipped to customers during the previous month.

These levels will be monitored and verified on a quarterly or as needed basis.

***Confidential Treatment Requested.**

EXHIBIT C

INITIAL ROLLING FORECAST AND PURCHASE ORDER

[None.]

EXHIBIT D

LIST OF TRADEMARKS

Obalon®

Additional trademarks and copyright materials may be added by the company to this Exhibit at any time, with notice to Distributor, carrying similar agreements and protections defined within this contract.

AMENDMENT NO. 1

TO DISTRIBUTION AGREEMENT

This Amendment No. 1 to the Distribution Agreement (this "Amendment") effective as of December 19, 2014 (the "Amendment Date"), is entered into between OBALON THERAPEUTICS, INC. ("Obalon"), and BADER SULTAN & BROS CO W.L.L. ("Distributor").

WHEREAS, the parties previously entered into that certain Distribution Agreement dated as of June 26, 2013 (the "Agreement");

WHEREAS, the parties wish to amend the Agreement in certain respects on the terms and conditions set forth herein.

NOW THEREFORE, capitalized terms not defined in this Amendment shall have the meaning ascribed in the Agreement, and the parties hereby agree as follows:

1. Amendment. Section 3 of the Agreement is hereby amended by adding the following new Section 3.5 immediately following the end of Section 3.4:

3.5 2015 Forecast and Ordering. Notwithstanding the terms of Sections 3.1 and 3.2 above, for calendar year 2015, the following terms shall apply with respect to the forecasting and ordering of Product. Attached to Amendment No. 1 to this Agreement as Appendix 1 is the forecast for Distributor's Product purchase requirements for calendar year 2015, broken down by calendar month (the "2015 Forecast"). Each calendar month during 2015, Distributor shall order the applicable quantity of Product for such calendar month as set forth on the 2015 Forecast. Distributor shall not have the right to change the 2015 Forecast, and shall not withhold or delay placing any purchase order for a calendar month in accordance with the 2015 Forecast, in each case without Obalon's prior written consent. Within five (5) days following the date of Amendment No. 1 to this Agreement, Distributor shall pay to Obalon a deposit fee of one million two hundred eighty-two thousand five hundred U.S. Dollars (USD $1,282,500) (the "Deposit"). If Distributor places in full the monthly orders in accordance with the 2015 Forecast, then Obalon shall apply the Deposit against Distributor's final orders for Product in 2015. If Distributor does not place in full the monthly orders in accordance with the 2015 Forecast then Obalon shall have the right to keep the Deposit as liquidated damages for such failure. If at the end of 2015 Obalon was unable to manufacture the quantity of Product ordered by Distributor in accordance with

the 2015 Forecast, then Obalon shall refund the Deposit to Distributor (subject to Obalon's right to deduct from the Deposit any then-outstanding amounts owed by Distributor to Obalon).

2. Miscellaneous. This Amendment shall be effective for all purposes as of the Amendment Date. Except as expressly modified herein, the Agreement shall continue to remain in full force and effect in accordance with its terms. This Amendment may be executed in counterparts, each of which shall be deemed to be an original and together shall be deemed to be one and the same document.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective duly authorized representatives effective as of the Amendment Date.

OBALON THERAPEUTICS, INC.	BADER SULTAN & BROS CO W.L.L.
By: /s/ ANDY RASDAL	By: /s/ EMAD AL ZABEN
Name: ANDY RASDAL	Name: EMAD AL ZABEN
Title: CEO	Title: GENERAL MANAGER

Appendix 1

<u>2015 Forecast</u>

Item	Item Number	Quantity	Unit Cost USD	Total Price USD	Deliver Date
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
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[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
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[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]

***Confidential Treatment Requested.**

Item	Item Number	Quantity	Unit Cost USD	Total Price USD	Deliver Date
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]

***Confidential Treatment Requested.**

AMENDMENT NO. 2

TO DISTRIBUTION AGREEMENT

This Amendment No. 2 to the Distribution Agreement (this "Amendment") effective as of January 1, 2015 (the "Amendment Date"), is entered into between OBALON THERAPEUTICS, INC. ("Obalon"), and BADER SULTAN & BROS CO W.L.L. ("Distributor").

WHEREAS, the parties previously entered into that certain Distribution Agreement dated as of June 26, 2013 (as amended, the "Agreement");

WHEREAS, the parties wish to amend the Agreement in certain respects on the terms and conditions set forth herein.

NOW THEREFORE, capitalized terms not defined in this Amendment shall have the meaning ascribed in the Agreement, and the parties hereby agree as follows:

1. Amendments.

(a) The first sentence of Section 9.1 of the Agreement is hereby amended and restated in its entirety as follows:

"Unless terminated as provided in Section 9.2 below or by mutual written consent, this Agreement shall continue in full force and effect for an initial term expiring December 31, 2019 (the "Initial Term")."

(b) The definition of "Territory" on Exhibit A is hereby amended and replaced as follows:

"Territory" shall mean the following countries: Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Oman, Bahrain, Iraq, Lebanon, Morocco, Algeria, Libya, Tunisia, Sudan, South Sudan, Egypt, Iran, Turkey, Jordan, Palestine, Syria, Muratenia, Djibouti and Yemen.

(c) The "Products and Price" portion of Exhibit A is hereby amended and replaced with the Products and Price attached as Appendix 1 to this Amendment.

(d) The "Minimum Quantity" section of Exhibit A is hereby amended and replaced in its entirety as follows

Calendar Year	Minimum Quantity
2015	4,000 Balloons
2016	7,500 Balloons
2017	12,000 Balloons
2018	[*] Balloons
2019	[*] Balloons

2. Miscellaneous. This Amendment shall be effective for all purposes as of the Amendment Date. Except as expressly modified herein, the Agreement shall continue to remain in full force and effect in accordance with its terms. This Amendment may be executed in counterparts, each of which shall be deemed to be an original and together shall be deemed to be one and the same document.

***Confidential Treatment Requested.**

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective duly authorized representatives effective as of the Amendment Date.

OBALON THERAPEUTICS, INC.

By: /s/ ANDY RASDAL

Name: ANDY RASDAL

Title: CEO

BADER SULTAN & BROS CO W.L.L.

By: /s/ EMAD AL ZABEN

Name: EMAD AL ZABEN

Title: GENERAL MANAGER

Appendix 1

Products and Price

Product code	Description	Price
OGB-03-005	Five (5) Pack Obalon Balloon Systems (Each Individually Packed System Contains One Balloon, One Balloon Kit (PN-7000) and One Balloon Accessory Kit (PN-6000)	$ [*] USD
EZD-02-001	One (1) Obalon EZ Fill Dispenser	$ [*] USD
EZC-02-010	Ten (10) Obalon EZ Fill Canisters	$ [*] USD
PBO-01-050	Fifty (50) Placebo Capsules	$ [*] USD

***Confidential Treatment Requested.**

AMENDMENT NO. 3

TO DISTRIBUTION AGREEMENT

This Amendment No. 3 to the Distribution Agreement (this "Amendment") effective as of August 1, 2015 (the "Amendment Date"), is entered into between OBALON THERAPEUTICS, INC. ("Obalon"), and BADER SULTAN & BROS CO W.L.L. ("Distributor").

WHEREAS, the parties previously entered into that certain Distribution Agreement dated as of June 26, 2013 (as amended, the "Agreement");

WHEREAS, the parties wish to amend the Agreement in certain respects on the terms and conditions set forth herein.

NOW THEREFORE, capitalized terms not defined in this Amendment shall have the meaning ascribed in the Agreement, and the parties hereby agree as follows:

1. Amendment. Section 3.5 of the Agreement is hereby amended and restated in its entirety as follows:

3.5 2015/2016 Forecast and Ordering. Notwithstanding the terms of Sections 3.1 and 3.2 above, for calendar year 2015 and 2016, the following terms shall apply with respect to the forecasting and ordering of Product. Attached to Amendment No. 3 to this Agreement as Appendix 1 is the forecast for Distributor's Product purchase requirements for the remaining months of calendar year 2015 and calendar year 2016, broken down by calendar month (the "2015/2016 Forecast"). Each calendar month during the 2015/2016 Forecast, Distributor shall order the applicable quantity of Product for such calendar month as set forth on the 2015/2016 Forecast. Distributor shall not have the right to change the 2015/2016 Forecast, and shall not withhold or delay placing any purchase order for a calendar month in accordance with the 2015/2016 Forecast, in each case without Obalon's prior written consent. The parties acknowledge that pursuant to Amendment No. 1 to this Agreement Distributor paid to Obalon a deposit fee of one million two hundred eighty-two thousand five hundred U.S. Dollars (USD $1, 282,500) (the "Deposit"). If Distributor places in full the monthly orders in accordance with the 2015/2016 Forecast, then Obalon shall apply the Deposit against Distributor's orders for Product in the remaining calendar months of 2015 and the calendar months of 2016 until the Deposit has been fully credited. If Distributor does not place in full the monthly orders in accordance with the 2015/2016 Forecast then Obalon shall have the right to keep the Deposit as liquidated damages for such failure.

2. Miscellaneous. This Amendment shall be effective for all purposes as of the Amendment Date. Except as expressly modified herein, the Agreement shall continue to remain in full force and effect in accordance with its terms. This Amendment may be executed in counterparts, each of which shall be deemed to be an original and together shall be deemed to be one and the same document.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective duly authorized representatives effective as of the Amendment Date.

OBALON THERAPEUTICS, INC.

By: /s/ ANDY RASDAL

Name: ANDY RASDAL

Title: CEO

BADER SULTAN & BROS CO W.L.L.

By: /s/ EMAD AL ZABEN

Name: EMAD AL ZABEN

Title: GENERAL MANAGER

Appendix 1

2015/2016 Forecast

2015	Balloon Units
August	[*]
September	[*]
October	[*]
November	[*]
December	[*]

2016	Balloon Units
January	[*]
February	[*]
March	[*]
April	[*]
May	[*]
June	[*]
July	[*]
August	[*]
September	[*]
October	[*]
November	[*]
December	[*]

***Confidential Treatment Requested.**

AMENDMENT NO. 4

TO DISTRIBUTION AGREEMENT

This Amendment No. 4 to the Distribution Agreement (this "Amendment") effective as of July 26, 2016 (the "Amendment Date"), is entered into between OBALON THERAPEUTICS, INC. ("Obalon"), and BADER SULTAN & BROS CO W.L.L. ("Distributor").

WHEREAS, the parties previously entered into that certain Distribution Agreement dated as of June 26, 2013 (as amended, the "Agreement");

WHEREAS, the parties wish to amend the Agreement in certain respects on the terms and conditions set forth herein.

NOW THEREFORE, capitalized terms not defined in this Amendment shall have the meaning ascribed in the Agreement, and the parties hereby agree as follows:

1. Amendment. Section 1.2(a) of the Agreement is hereby amended to add the following sentence immediately to the end of Section 1.2(a):

Distributor acknowledges that Iran, Sudan and Syria are not included within the Territory, and Distributor represents, warrants and covenants that since the Effective Date of this Agreement Distributor has not, and during the Term Distributor shall not, distribute or sell any Products into Iran, Sudan and Syria.

2. Miscellaneous. This Amendment shall be effective for all purposes as of the Amendment Date. Except as expressly modified herein, the Agreement shall continue to remain in full force and effect in accordance with its terms. This Amendment may be executed in counterparts, each of which shall be deemed to be an original and together shall be deemed to be one and the same document.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective duly authorized representatives effective as of the Amendment Date.

OBALON THERAPEUTICS, INC.

By: /s/ Andrew Rasdal

Name: Andrew Rasdal

Title: CEO

BADER SULTAN & BROS CO W.L.L.

By: /s/ EMAD AL ZABEN

Name: EMAD AL ZABEN

Title: GENERAL MANAGER

Exhibit 10.11

OBALON THERAPEUTICS, INC.

BONUS PLAN

INTRODUCTION

1. Effective Date; Objective. This Bonus Plan ("Plan") shall be effective upon the day immediately prior to the date the Company's Registration Statement on Form S-1 filed in connection with the Company's initial public offering becomes effective, and is effective for calendar year 2017 and each year thereafter (each, an "Eligibility Period"), unless otherwise amended or terminated by Obalon Therapeutics, Inc. ("Obalon Therapeutics" or the "Company") in accordance with the Plan. The Plan supersedes all prior bonus plans. The objective of the Plan is to financially incentivize and reward employees based upon the Company's performance and for their individual contributions to the success of Obalon Therapeutics.

2. Administration. The Plan shall be administered by the Compensation Committee of the Board of Directors (the "Plan Administrator"), which shall have the discretionary authority to interpret and administer the Plan, including all terms defined herein, and to adopt rules and regulations to implement the Plan, as it deems necessary. In addition, the Plan Administrator hereby delegates to the Company's Chief Financial Officer and Vice President of Finance (such individuals, the "Executive Administrators" and together with the Plan Administrator, the "Administrators") the day-to-day implementation and interpretation of the Plan, including the approval of individual payouts under the Plan to employees other than Obalon Therapeutics' executive management team. Notwithstanding the foregoing, the approval of the Plan Administrator shall be required for the approval of the Plan itself and any material amendments to the Plan; approval of the aggregate payout under the Plan; and approval of individual payouts under the Plan to Obalon Therapeutics' "executive officers" (as determined by the Board of Directors for purposes of Section 16 under the Securities Exchange Act of 1934). All of the foregoing may also be approved by the Board of Directors; however, for covered employees within the meaning of Internal Revenue Code ("Code") Section 162(m), the Plan Administrator may choose to take applicable actions in conformance with the requirements of Code Section 162(m). Any action that requires the approval of the Executive Administrators must be approved unanimously, and any action that requires the approval of the Executive Administrators may instead also be approved by the Plan Administrator. The decisions of the Administrators are final and binding and shall be given the maximum deference permitted by law.

3. Participants. Participation in the Plan is limited to Full-Time regular and Part-Time regular Obalon Therapeutics employees who are employed by Obalon Therapeutics on or before the start of the applicable Eligibility Period who are not covered by any other bonus, commission, or incentive plan ("Participants"). Participation in the Plan is effective on the later of January 1, 2016 or the applicable subsequent calendar year or the day the Participant commences as a Full-Time/Part-Time regular employee of Obalon Therapeutics. A Participant may be considered ineligible for the Plan at any time and for any reason at the Administrators' discretion regardless of whether he or she remains an employee of the Company. This Plan is intended to compensate individuals for performance as well as encourage employee retention through and until the date the bonus is paid; retention is therefore a key component of Plan eligibility. This Plan excludes employees who are not expressly classified by Obalon Therapeutics as "regular," including but not limited to temporary employees.

4. Changes in Plan. The Company reserves the right, in its sole discretion, to modify or terminate the Plan in total or in part, at any time. Any such change must be in writing and approved by the Plan Administrator. However, no modification or termination shall apply retroactively as to cause a forfeiture of an earned Bonus.

5. Interpretation of Plan. In the event of a question or dispute involving the interpretation or administration of the Plan, the Plan Administrator will interpret and administer the Plan. The decision of the Plan Administrator shall be made based upon its sole discretion, and shall be final and binding. All inquiries should be in writing to the VP of Human Resources, who will forward the inquiry to the Plan Administrator for consideration and decision within 30 business days.

6. Entire Agreement. This Plan is the entire plan between Obalon Therapeutics and Participants and supersedes all prior compensation or incentive plans or any written or verbal representations regarding the subject matter of this Plan.

BONUS PLAN ELEMENTS

7. Bonus Pool. Each Eligibility Period, the Plan Administrator, in its sole discretion, will establish a Bonus Pool, which may be established before, during or after the applicable Eligibility Period. Actual awards will be paid from the Bonus Pool.

8. Discretion to Determine Criteria. The Plan Administrator will, in its sole discretion, determine the performance goals applicable to any award which shall be selected from the Performance Factors set forth in the 2016 Equity Incentive Plan. The goals may be on the basis of any such factors the Plan Administrator determines relevant, and may be on an individual, divisional, business unit or Company-wide basis. Performance goals may be measured over the period of time determined by the Plan Administrator in its sole discretion. An Eligibility Period may be divided into one or more shorter periods if, for example, but not by way of limitation, the Plan Administrator desires to measure some performance criteria over 12 months and other criteria over fewer months. The performance goals may differ from Participant to Participant and from award to award. Failure to meet the goals will result in a failure to earn the award, except as provided herein. As determined by the Plan Administrator, the performance goals may be based on GAAP or non-GAAP results and any actual results may be adjusted by the Plan Administrator for one-time items, unbudgeted or unexpected items, acquisition-related activities or changes in applicable accounting rules when determining whether the performance goals have been met. It is within the sole discretion of the Plan Administrator to make or not make any such equitable adjustments.

9. Eligible Earnings are defined as base salary ("Eligible Earnings"), prorated for hire date, base salary rate changes, bonus target percent changes and leaves of absence (proration based on 365 days in the year) that occur in the Eligibility Period. Eligible earnings exclude Company payments that are in addition to base salary including but not limited to payments for moving or relocation allowances, or other bonuses or commissions. Changes to base salary throughout the calendar year will be reflected in final wages used to calculate the bonus.

10. Bonus Target. Is the percentage of Eligible Earnings to be paid out at 100% performance achievement, determined by each Participant's position and communicated at the time of hire or as amended in writing. The bonus may be weighted based on Individual Performance to measurable objectives and Company Performance. The bonus can provide for payout above target for performance in excess of the Individual Performance factors and/or Company Performance factors.

For covered employees within the meaning of Code Section 162(m), the Plan Administrator may choose to approve performance goals intended to constitute pre-established performance goals within the meaning of Section 162(m). The Plan Administrator reserves the right, in its sole discretion, to reduce or eliminate the amount of a bonus payment otherwise payable to a Participant. In addition, with respect to bonus payments issued to Participants who are not subject to the limitations of Code Section 162(m), the Plan Administrator reserves the right, in its sole discretion, to increase the amount of an incentive payment otherwise payable to a Participant with respect to any period.

11. Bonus Vesting and Payments. Bonuses are earned on the date of payment and not sooner, either in whole or in part. Bonuses will be paid in cash. Bonuses will be paid as soon as practicable after the Company announces its financial results for the fiscal year, which generally occurs in the first quarter of the succeeding year. Bonuses, if any, will be paid before March 15 of such succeeding calendar year. All bonus payments will be made net of applicable withholding taxes.

12. Transfers: Employees who participate in the Plan and who transfer to a new position not covered by this Plan and instead covered by another bonus, sales or incentive plan may be considered for a Bonus calculated on a pro-rata basis for the applicable period. The Administrators will coordinate and administer this Plan with the other bonus, sales, or incentive plan and his/her/its determinations shall be final and binding.

13. Inactive Employees. Employees on leave of absence, extended vacation or out of the office will be considered for a prorated Bonus for both the Company Performance and Individual Performance (based upon their level of performance and contribution while actively employed during the plan year). The proration will be calculated based on the percentage of the year worked. The Administrators will determine the appropriate proration and his/her determinations shall be final and binding.

14. Termination of Employment Before Date of Payment. A Participant who terminates employment before the date the bonus is earned, whether termination is voluntary or involuntary, shall earn no Bonus.

15. Employment at Will. The employment of all Participants at Obalon Therapeutics is for an indefinite period of time and is terminable at will, at any time by either party, with or without cause being shown or advance notice by either party. This Plan shall not be construed to create a contract of employment for a specified period of time between Obalon Therapeutics and any Participant, or to change the at-will employment status of any Participant.

16. General Provisions. Bonus payments represent unfunded and unsecured obligations of the Company and a holder of any right hereunder in respect of any incentive payment shall have no rights other than those of a general unsecured creditor to the Company. No Participant will have the right to alienate, pledge or encumber his or her interest in this Plan, and such interest will not (to the extent permitted by law) be subject in any way to the claims of the Participant's creditors or to attachment, execution or other process of law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan, and any bonus payment shall be determined in accordance with the laws of the State of California (without giving effect to principles of conflicts of laws thereof) and applicable Federal law. No incentive payment made under the Plan shall be intended to be deferred compensation under Section 409A of the Code and will be interpreted accordingly. The Plan is intended to be a "bonus program" as defined under U.S. Department of Labor regulation 2510.3-2(c) and will be construed and administered in accordance with such intention.

Exhibit 10.12

RETENTION AGREEMENT

This Retention Agreement (the "**Agreement**") is entered into by and between [Name] (the "**Executive**") and Obalon Therapeutics, Inc., a Delaware corporation (the "**Company**"), on , 2016, and is effective on the first date on which a registration statement covering the initial public offering of the common stock of the Company is declared effective by the United States Securities and Exchange Commission (the "**Effective Date**").

1. **Term of Agreement.**

Except to the extent renewed as set forth in this Section 1, this Agreement shall terminate the earlier of the third (3rd) anniversary of the Effective Date (the "**Expiration Date**") or the date the Executive's employment with the Company terminates for a reason other than a Qualifying Termination or CIC Qualifying Termination; *provided however*, if a definitive agreement relating to a Change in Control has been signed by the Company on or before Expiration Date, then this Agreement shall remain in effect through the earlier of:

(a) The date the Executive's employment with the Company terminates for a reason other than a Qualifying Termination or CIC Qualifying Termination, or

(b) The date the Company has met all of its obligations under this Agreement following a termination of the Executive's employment with the Company due to a Qualifying Termination or CIC Qualifying Termination.

This Agreement shall renew automatically and continue in effect for three (3) year periods measured from the initial Expiration Date, unless the Company provides Executive notice of non-renewal at least three (3) months prior to the date on which this Agreement would otherwise renew. For the avoidance of doubt, and notwithstanding anything to the contrary in Section 2 or 3 below, the Company's non-renewal of this Agreement shall not constitute a Qualifying Termination or CIC Qualifying Termination, as applicable.

2. **Qualifying Termination.** If the Executive is subject to a Qualifying Termination, then, subject to Sections 4, 9, and 10 below, Executive will be entitled to the following benefits:

(a) **Severance Benefits.** The Company shall pay the Executive [twelve (12)][1] / [six (6)][2] months of his or her monthly base salary (at the rate in effect immediately prior to the actions that resulted in the Qualifying Termination). The Executive will receive his or her severance payment in a cash lump-sum in accordance with the Company's standard payroll procedures which will be made on the first business day occurring after the sixtieth (60th) day following the Separation, *provided that* the Release Conditions have been satisfied.

(b) **Continued Employee Benefits**. If Executive timely elects continued coverage under the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), the Company shall pay the full amount of Executive's COBRA premiums on behalf of the Executive for the Executive's continued coverage under the Company's health, dental and vision plans, including coverage for the Executive's eligible dependents, for the [twelve (12)][3] / [six (6)][4] month period following the Executive's Separation or, if earlier, until Executive is eligible to be covered under another substantially equivalent medical insurance plan by a subsequent employer. Notwithstanding the foregoing, if the Company, in its sole discretion,

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1 CFO

2 Executive officers who are not CEO or CFO

3 CFO

4 Executive officer who are not CEO or CFO

determines that it cannot provide the foregoing subsidy of COBRA coverage without potentially violating or causing the Company to incur additional expense as a result of noncompliance with applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue the group health coverage in effect on the date of the Separation (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made regardless of whether Executive elects COBRA continuation coverage and shall commence on the later of (i) the first day of the month following the month in which Executive experiences a Separation and (ii) the effective date of the Company's determination of violation of applicable law, and shall end on the earlier of (x) the effective date on which Executive becomes covered by a health, dental or vision insurance plan of a subsequent employer, and (y) the last day of the period twelve (12)][5] / [six (6)][6] months after the Separation, *provided that*, any taxable payments under Section 2(b) will not be paid before the first business day occurring after the sixtieth (60th) day following the Separation and, once they commence, will include any unpaid amounts accrued from the date of Executive's Separation (to the extent not otherwise satisfied with continuation coverage). However, if the period comprising the sum of the sixty (60)-day period described in the preceding sentence and the ten (10)-day period described in Section 7(e)(3) below spans two calendar years, then the payments which constitute deferred compensation subject to Section 409A will not in any case be paid in the first calendar year. Executive shall have no right to an additional gross-up payment to account for the fact that such COBRA premium amounts are paid on an after-tax basis.

3. **CIC Qualifying Termination.** If the Executive is subject to a CIC Qualifying Termination, then, subject to Sections 4, 9, and 10 below, Executive will be entitled to the following benefits:

(a) **Severance and Bonus Payments**. The Company or its successor shall pay the Executive (i) twelve (12) months of his or her monthly base salary (at the rate in effect immediately prior to the actions that resulted in the Separation) and (ii) a pro rata portion (based on number of months worked in the Company's fiscal year of the Separation) of Executive's then-current target bonus opportunity. Such payment shall be paid in a cash lump sum payment in accordance with the Company's standard payroll procedures, which payment will be made on the first business day occurring after the sixtieth (60th) day following the Separation, *provided that* the Release Conditions have been satisfied.

(b) **Equity.**

(i) Post-IPO Equity Awards. Each of Executive's then-outstanding Post-IPO Equity Awards, including awards that would otherwise vest only upon satisfaction of performance criteria, shall accelerate and become vested and exercisable as to 100% of the then unvested shares subject to the Equity Award. "**Post-IPO Equity Awards**" means all options to purchase shares of Company common stock that are granted on or after the Effective Date, as well as any and all other stock-based awards granted to the Executive, including but not limited to stock bonus awards, restricted stock, restricted stock units or stock appreciation rights that are granted on or after the Effective Date. Subject to Section 4, the accelerated vesting described above shall be effective as of the Separation.

(ii) Pre-IPO Equity Awards. For clarity, except as explicitly provided in Section 3(b)(iii) below, any options to purchase shares of Company common stock that were granted prior to the Effective Date, regardless of whether or not exercised prior to the Effective Date ("**Pre-IPO Equity Awards**"), shall not be affected by or subject to this Agreement, and such Pre-IPO Equity Awards shall continue to be governed by the vesting and acceleration provisions contained in the grant agreements for the Pre-IPO Equity Awards and, if applicable, any separate letter

5 CFO

6 Executive officers who are not CEO or CFO

agreement pertaining to vesting acceleration of Pre-IPO Equity Awards entered into between the Company and Executive (such agreements, collectively, the "**Pre-IPO Equity Award Agreements**").

(iii) Non-Assumption of Equity Awards. Notwithstanding anything to the contrary, if the successor or acquiring corporation (if any) of the Company refuses to assume, convert, replace or substitute Executive's unvested Equity Awards, as provided in Section 2.1.1 of the Plan, in connection with a Corporate Transaction (as defined in the Plan), then notwithstanding any other provision in this Agreement, the Plan or any Pre-IPO Equity Award Agreement to the contrary, each of Executive's then-outstanding and unvested Equity Awards that are not assumed, converted, replaced or substituted, including awards that would otherwise vest only upon satisfaction of performance criteria (measured at 100% of target), shall accelerate and become vested and exercisable as to 100% of the then unvested shares subject to the Equity Award effective immediately prior to the Corporate Transaction.

(c) **Pay in Lieu of Continued Employee Benefits**. If Executive timely elects continued coverage under the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), the Company or its successor shall pay the full amount of Executive's COBRA premiums on behalf of the Executive for the Executive's continued coverage under the Company's health, dental and vision plans, including coverage for the Executive's eligible dependents, for the twelve (12) month period following the Executive's Separation or, if earlier, until Executive is eligible to be covered under another substantially equivalent medical insurance plan by a subsequent employer. Notwithstanding the foregoing, if the Company, in its sole discretion, determines that it cannot provide the foregoing subsidy of COBRA coverage without potentially violating or causing the Company to incur additional expense as a result of noncompliance with applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue the group health coverage in effect on the date of the Separation (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made regardless of whether Executive elects COBRA continuation coverage, shall commence on the later of (i) the first day of the month following the month in which Executive experiences a Separation and (ii) the effective date of the Company's determination of violation of applicable law, and shall end on the earlier of (x) the effective date on which Executive becomes covered by a health, dental or vision insurance plan of a subsequent employer, and (y) the last day of the period twelve (12) months after the Separation, *provided that*, any taxable payments under Section 3(c) will not be paid before the first business day occurring after the sixtieth (60th) day following the Separation and, once they commence, will include any unpaid amounts accrued from the date of Executive's Separation (to the extent not otherwise satisfied with continuation coverage). However, if the period comprising the sum of the sixty (60)-day period described in the preceding sentence and the ten (10)-day period described in Section 7(e)(3) below spans two calendar years, then the payments which constitute deferred compensation subject to Section 409A will not in any case be paid in the first calendar year. Executive shall have no right to an additional gross-up payment to account for the fact that such COBRA premium amounts are paid on an after-tax basis.

4. **General Release.** Any other provision of this Agreement notwithstanding, the benefits under Section 2 and 3 shall not apply unless the Executive (i) has executed a general release (in a form prescribed by the Company) of all known and unknown claims that he or she may then have against the Company or persons affiliated with the Company and such release has become effective and (ii) has agreed not to prosecute any legal action or other proceeding based upon any of such claims. The release must be in the form prescribed by the Company, without alterations (this document effecting the foregoing, the "**Release**"). The Company will deliver the form of Release to the Executive within thirty (30) days after the Executive's Separation. The Executive must execute and return the Release within the time period specified in the form.

5. **Accrued Compensation and Benefits.** Notwithstanding anything to the contrary in Section 2 and 3 above, in connection with any termination of employment (whether or not a Qualifying Termination or CIC Qualifying Termination), the Company shall pay Executive's earned but unpaid base salary and other vested but unpaid cash entitlements for the period through and including the termination of employment, including unused earned vacation pay and unreimbursed documented business expenses incurred by Executive through and including the date of termination (collectively "**Accrued Compensation and Expenses**"), as required by law and the applicable Company plan or policy. In addition, Executive shall be entitled to any other vested benefits earned by Executive for the period through and including the termination date of Executive's employment under any other employee benefit plans and arrangements maintained by the Company, in accordance with the terms of such plans and arrangements, except as modified herein (collectively "**Accrued Benefits**"). Any Accrued Compensation and Expenses to which the Executive is entitled shall be paid to the Executive in cash as soon as administratively practicable after the termination and, in any event, no later than two and one-half (2-1/2) months after the end of the taxable year of the Executive in which the termination occurs or at such earlier time as may be required by Section 10 below or to such lesser extent as may be mandated by Section 9 below. Any Accrued Benefits to which the Executive is entitled shall be paid to the Executive as provided in the relevant plans and arrangements.

6. **Covenants.**

(a) **Non-Competition**. The Executive agrees that, during his or her employment with the Company, he or she shall not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company.

(b) **Cooperation and Non-Disparagement**. The Executive agrees that, during the six (6) month period following his or her cessation of employment, he or she shall cooperate with the Company in every reasonable respect and shall use his or her best efforts to assist the Company with the transition of Executive's duties to his or her successor. The Executive further agrees that, during this six-month period, he or she shall not in any way or by any means disparage the Company, the members of the Company's Board of Directors or the Company's officers and employees.

7. **Definitions.**

(a) **"Cause"** means: (i) Executive's conviction for, or guilty plea to, a felony involving moral turpitude; (ii) a willful refusal by Executive to comply with the lawful and reasonable instructions of the Company, or to otherwise perform Executive's duties as lawfully and reasonably determined by the Company, in each case that is not cured by Executive (if such refusal is of a type that is capable of being cured) within 15 days of written notice being given to Executive of such refusal; (iii) any willful act or acts of dishonesty undertaken by Executive and intended to result in Executive's (or any other person's) material gain or personal enrichment at the expense of the Company or any of its customers, partners, affiliates, or employees; or (iv) any willful act of gross misconduct by Executive which is injurious to the Company.

(b) "**Code**" means the Internal Revenue Code of 1986, as amended.

(c) **"Change in Control."** For all purposes under this Agreement, a Change in Control shall mean a "Corporate Transaction," as such term is defined in the Plan, *provided that* the transaction (including any series of transactions) also qualifies as a change in control event under U.S. Treasury Regulation 1.409A-3(i)(5).

(d) **"CIC Qualifying Termination"** means a Separation (i) within twelve (12) months following a Change in Control or (ii) within three (3) months preceding a Change in Control (but as to part (ii), only if the Separation occurs after a Potential Change in Control) resulting, in either case (i) or (ii), from (A) the Company or its successor terminating the Executive's employment for any reason other than Cause or (B) the Executive voluntarily resigning his or her employment for Good Reason. A termination or resignation due to the Executive's death or disability shall not constitute a CIC Qualifying Termination. A

"**Potential Change in Control**" means the date of execution of a legally binding and definitive agreement for a corporate transaction which, if consummated, would constitute the applicable Change in Control (which for the avoidance of doubt, would include a merger agreement, but not a term sheet for a merger agreement). In the case of a termination following a Potential Change in Control and before a Change in Control, solely for purposes of benefits under this Agreement, the date of Separation will be deemed the date the Change in Control is consummated.

(e) **"Good Reason"** means, without the Executive's consent, (i) a reduction in Executive's then-current base salary (except for a reduction that is part of a proportional reduction of the base salaries of all Company executives), bonus opportunity or commissions opportunity; (ii) the offices of the Company that Executive is required to report to being moved such that Executive's usual commuting distance is increased by more than ten (10) miles; or (iii) [a material and adverse change to Executive's duties or responsibilities, or if there is a change to Executive's title and role after which Executive does not have the title and role of Chief Financial Officer of the top-level acquiring entity whose stock is publicly traded][7] / [a material and adverse change to Executive's title, duties or responsibilities][8]; provided, however, that a resignation by Executive shall not be considered to be for a "Good Reason" unless (i) Executive provides written notice to the Company's Chief Executive Officer of the occurrence of the event which Executive contends constitutes Good Reason within ninety (90) days of the date such event occurs, which notice states Executive's intention to resign for a "Good Reason" under this Agreement as a result thereof, (ii) the Company does not effect a cure with respect to such event within thirty (30) days of receipt of such written notice, and (iii) Executive thereafter resigns and ceases to perform services as an employee of the Company within ten (10) days of the expiration of the Company's cure period.

(f) "**Plan**" means the Company's 2016 Equity Incentive Plan, as may be amended from time to time.

(g) "**Release Conditions**" mean the following conditions: (i) Company has received the Executive's executed Release and (ii) any rescission period applicable to the Executive's executed Release has expired.

(h) **"Qualifying Termination"** means a Separation that is not a CIC Qualifying Termination, but which results from (i) the Company terminating the Executive's employment for any reason other than Cause or (ii) the Executive voluntarily resigning his or her employment for Good Reason. A termination or resignation due to the Executive's death or disability shall not constitute a Qualifying Termination.

(i) **"Separation**" means a "separation from service," as defined in the regulations under Section 409A of the Code.

8. **Successors.**

(a) **Company's Successors**. The Company shall require any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets, by an agreement in substance and form satisfactory to the Executive, to assume this Agreement and to agree expressly to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets or which becomes bound by this Agreement by operation of law.

(b) **Executive's Successors**. This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7 CFO

8 Executive officers who are not CEO or CFO

9. **Golden Parachute Taxes.**

(a) **Best After-Tax Result**. In the event that any payment or benefit received or to be received by Executive pursuant to this Agreement or otherwise ("**Payments**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this subsection (a), be subject to the excise tax imposed by Section 4999 of the Code, any successor provisions, or any comparable federal, state, local or foreign excise tax ("**Excise Tax**"), then, subject to the provisions of Section 10, such Payments shall be either (A) provided in full pursuant to the terms of this Agreement or any other applicable agreement, or (B) provided as to such lesser extent which would result in no portion of such Payments being subject to the Excise Tax ("**Reduced Amount**"), whichever of the foregoing amounts, taking into account the applicable federal, state, local and foreign income, employment and other taxes and the Excise Tax (including, without limitation, any interest or penalties on such taxes), results in the receipt by Executive, on an after-tax basis, of the greatest amount of payments and benefits provided for hereunder or otherwise, notwithstanding that all or some portion of such Payments may be subject to the Excise Tax. Unless the Company and Executive otherwise agree in writing, any determination required under this Section shall be made by independent tax counsel designated by the Company and reasonably acceptable to Executive ("**Independent Tax Counsel'**), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required under this Section, Independent Tax Counsel may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code; *provided that* Independent Tax Counsel shall assume that Executive pays all taxes at the highest marginal rate. The Company and Executive shall furnish to Independent Tax Counsel such information and documents as Independent Tax Counsel may reasonably request in order to make a determination under this Section. The Company shall bear all costs that Independent Tax Counsel may reasonably incur in connection with any calculations contemplated by this Section. In the event that Section 9(a)(ii)(B) above applies, then based on the information provided to Executive and the Company by Independent Tax Counsel, Executive may, in Executive's sole discretion and within thirty (30) days of the date on which Executive is provided with the information prepared by Independent Tax Counsel, determine which and how much of the Payments (including the accelerated vesting of equity compensation awards) to be otherwise received by Executive shall be eliminated or reduced (as long as after such determination the value (as calculated by Independent Tax Counsel in accordance with the provisions of Sections 280G and 4999 of the Code) of the amounts payable or distributable to Executive equals the Reduced Amount). If the Internal Revenue Service (the "**IRS**") determines that any Payment is subject to the Excise Tax, then Section 9(b) hereof shall apply, and the enforcement of Section 9(b) shall be the exclusive remedy to the Company.

(b) **Adjustments**. If, notwithstanding any reduction described in Section 9(a) hereof (or in the absence of any such reduction), the IRS determines that Executive is liable for the Excise Tax as a result of the receipt of one or more Payments, then Executive shall be obligated to surrender or pay back to the Company, within one-hundred twenty (120) days after a final IRS determination, an amount of such payments or benefits equal to the "**Repayment Amount**." The Repayment Amount with respect to such Payments shall be the smallest such amount, if any, as shall be required to be surrendered or paid to the Company so that Executive's net proceeds with respect to such Payments (after taking into account the payment of the Excise Tax imposed on such Payments) shall be maximized. Notwithstanding the foregoing, the Repayment Amount with respect to such Payments shall be zero (0) if a Repayment Amount of more than zero (0) would not eliminate the Excise Tax imposed on such Payments or if a Repayment Amount of more than zero would not maximize the net amount received by Executive from the Payments. If the Excise Tax is not eliminated pursuant to this Section 9(b), Executive shall pay the Excise Tax.

10. **Miscellaneous Provisions.**

(a) **Section 409A**. To the extent (i) any payments to which Executive becomes entitled under this Agreement, or any agreement or plan referenced herein, in connection with Executive's termination of employment with the Company constitute deferred compensation subject to Section 409A of the Code and (ii) Executive is deemed at the time of such termination of employment to be a "specified" employee under Section 409A of the Code, then such payment or payments shall not be made or commence until the earlier of (i) the expiration of the six (6)-month period measured from the Executive's Separation; or (ii) the date of Executive's death following such Separation; *provided, however*, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including (without limitation) the additional twenty percent (20%) tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to Executive or Executive's beneficiary in one lump sum (without interest). Except as otherwise expressly provided herein, to the extent any expense reimbursement or the provision of any in-kind benefit under this Agreement (or otherwise referenced herein) is determined to be subject to (and not exempt from) Section 409A of the Code, the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the expenses eligible for reimbursement or in kind benefits to be provided in any other calendar year, in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which Executive incurred such expenses, and in no event shall any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit. To the extent that any provision of this Agreement is ambiguous as to its exemption or compliance with Section 409A, the provision will be read in such a manner so that all payments hereunder are exempt from Section 409A to the maximum permissible extent, and for any payments where such construction is not tenable, that those payments comply with Section 409A to the maximum permissible extent. To the extent any payment under this Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this Agreement (or referenced in this Agreement) are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the regulations under Section 409A.

(b) **Other Arrangements**. This Agreement supersedes any and all cash severance arrangements and vesting acceleration arrangements on change in control under any agreement governing Equity Awards, severance and salary continuation arrangements, programs and plans which were previously offered, or may be offered on the Effective Date or thereafter, by the Company to the Executive, including change in control severance arrangements and vesting acceleration arrangements pursuant to an agreement governing Equity Awards, employment agreement or offer letter, and Executive hereby waives Executive's rights to such other benefits, provided that this Agreement shall not supersede the acceleration of vesting arrangements of any Pre-IPO Equity Awards (except as explicitly provided in Section 3(b)(iii) hereof). In no event shall any individual receive cash severance benefits under both this Agreement and any other vesting acceleration arrangement, severance pay or salary continuation program, plan or other arrangement with the Company, provided that this Agreement shall not supersede the acceleration of vesting arrangements of any Pre-IPO Equity Awards (except as explicitly provided in Section 3(b)(iii) hereof). For the avoidance of doubt, in no event shall Executive receive (i) payment under both Section 2 and Section 3 and/or (ii) acceleration of Equity Award vesting under both (a) Section 3(b)(iii) and (b) Section 3(b)(i) and/or Section 3(b)(ii), as applicable, in each case with respect to Executive's Separation.

(c) **Dispute Resolution**. To ensure rapid and economical resolution of any and all disputes that might arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, and causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation, will be resolved solely and exclusively by final, binding, and confidential arbitration, by a single arbitrator, in San Diego County, and conducted by Judicial Arbitration & Mediation Services, Inc. ("**JAMS**") under its then-existing employment rules and

procedures. Nothing in this section, however, is intended to prevent either party from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Each party to an arbitration or litigation hereunder shall be responsible for the payment of its own attorneys' fees.

(d) **Notice**. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid or deposited with Federal Express Corporation, with shipping charges prepaid. In the case of the Executive, mailed notices shall be addressed to him or her at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(e) **Waiver**. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(f) **Withholding Taxes**. All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(g) **Severability**. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(h) **No Retention Rights**. Nothing in this Agreement shall confer upon the Executive any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or any subsidiary of the Company or of the Executive, which rights are hereby expressly reserved by each, to terminate his or her service at any time and for any reason, with or without Cause.

(i) **Choice of Law**. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California (other than its choice-of-law provisions).

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

EXECUTIVE

[Name]

OBALON THERAPEUTICS, INC.

By:
Title:

Exhibit 10.13

RETENTION AGREEMENT

This Retention Agreement (the "**Agreement**") is entered into by and between [Name] (the "**Executive**") and Obalon Therapeutics, Inc., a Delaware corporation (the "**Company**"), on , 2016, and is effective on the first date on which a registration statement covering the initial public offering of the common stock of the Company is declared effective by the United States Securities and Exchange Commission (the "**Effective Date**").

1. **Term of Agreement.**

Except to the extent renewed as set forth in this Section 1, this Agreement shall terminate the earlier of the third (3rd) anniversary of the Effective Date (the "**Expiration Date**") or the date the Executive's employment with the Company terminates for a reason other than a Qualifying Termination or CIC Qualifying Termination; *provided however*, if a definitive agreement relating to a Change in Control has been signed by the Company on or before Expiration Date, then this Agreement shall remain in effect through the earlier of:

(a) The date the Executive's employment with the Company terminates for a reason other than a Qualifying Termination or CIC Qualifying Termination, or

(b) The date the Company has met all of its obligations under this Agreement following a termination of the Executive's employment with the Company due to a Qualifying Termination or CIC Qualifying Termination.

This Agreement shall renew automatically and continue in effect for three (3) year periods measured from the initial Expiration Date, unless the Company provides Executive notice of non-renewal at least three (3) months prior to the date on which this Agreement would otherwise renew.

2. **Qualifying Termination.** If the Executive is subject to a Qualifying Termination, then, subject to Sections 4, 9, and 10 below, Executive will be entitled to the following benefits:

(a) **Severance Benefits.** The Company shall pay the Executive twelve (12) months of his or her monthly base salary (at the rate in effect immediately prior to the actions that resulted in the Qualifying Termination). The Executive will receive his or her severance payment in a cash lump-sum in accordance with the Company's standard payroll procedures which will be made on the first business day occurring after the sixtieth (60th) day following the Separation, *provided that* the Release Conditions have been satisfied.

(b) **Equity.** Each of Executive's then-outstanding and unvested Equity Awards (as defined below), including awards that would otherwise vest only upon satisfaction of performance criteria (measured at 100% of target), shall accelerate and become vested and exercisable as to 100% of the then unvested shares subject to the Equity Award effective immediately prior to the Separation.

(c) **Continued Employee Benefits**. If Executive timely elects continued coverage under the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), the Company shall pay the full amount of Executive's COBRA premiums on behalf of the Executive for the Executive's continued coverage under the Company's health, dental and vision plans, including coverage for the Executive's eligible dependents, for the twelve (12) month period following the Executive's Separation or, if earlier, until Executive is eligible to be covered under another substantially equivalent medical insurance plan by a subsequent employer. Notwithstanding the foregoing, if the Company, in its sole discretion, determines that it cannot provide the foregoing subsidy of COBRA coverage without potentially violating or causing the Company to incur additional expense as a result of noncompliance with applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue the group health coverage in effect on the date of the Separation (which amount shall be based on the premium for the first month of COBRA coverage), which payments

shall be made regardless of whether Executive elects COBRA continuation coverage and shall commence on the later of (i) the first day of the month following the month in which Executive experiences a Separation and (ii) the effective date of the Company's determination of violation of applicable law, and shall end on the earlier of (x) the effective date on which Executive becomes covered by a health, dental or vision insurance plan of a subsequent employer, and (y) the last day of the period twelve (12) months after the Separation, *provided that*, any taxable payments under Section 2(b) will not be paid before the first business day occurring after the sixtieth (60th) day following the Separation and, once they commence, will include any unpaid amounts accrued from the date of Executive's Separation (to the extent not otherwise satisfied with continuation coverage). However, if the period comprising the sum of the sixty (60)-day period described in the preceding sentence and the ten (10)-day period described in Section 7(e)(3) below spans two calendar years, then the payments which constitute deferred compensation subject to Section 409A will not in any case be paid in the first calendar year. Executive shall have no right to an additional gross-up payment to account for the fact that such COBRA premium amounts are paid on an after-tax basis.

3. **CIC Qualifying Termination.** If the Executive is subject to a CIC Qualifying Termination, then, subject to Sections 4, 9, and 10 below, Executive will be entitled to the following benefits:

(a) **Severance and Bonus Payments**. The Company or its successor shall pay the Executive (i) twelve (12) months of his or her monthly base salary (at the rate in effect immediately prior to the actions that resulted in the Separation) and (ii) a pro rata portion (based on number of months worked in the Company's fiscal year of the Separation) of Executive's then-current target bonus opportunity. Such payment shall be paid in a cash lump sum payment in accordance with the Company's standard payroll procedures, which payment will be made on the first business day occurring after the sixtieth (60th) day following the Separation, *provided that* the Release Conditions have been satisfied.

(b) **Equity.**

(i) Post-IPO Equity Awards. Each of Executive's then-outstanding Post-IPO Equity Awards, including awards that would otherwise vest only upon satisfaction of performance criteria, shall accelerate and become vested and exercisable as to 100% of the then unvested shares subject to the Equity Award. "**Post-IPO Equity Awards**" means all options to purchase shares of Company common stock that are granted on or after the Effective Date, as well as any and all other stock-based awards granted to the Executive, including but not limited to stock bonus awards, restricted stock, restricted stock units or stock appreciation rights that are granted on or after the Effective Date. Subject to Section 4, the accelerated vesting described above shall be effective as of the Separation.

(ii) Pre-IPO Equity Awards. For clarity, except as explicitly provided in Section 3(b)(iii) below, any options to purchase shares of Company common stock that were granted prior to the Effective Date, regardless of whether or not exercised prior to the Effective Date ("**Pre-IPO Equity Awards**"), shall not be affected by or subject to this Agreement, and such Pre-IPO Equity Awards shall continue to be governed by the vesting and acceleration provisions contained in the grant agreements for the Pre-IPO Equity Awards and, if applicable, any separate letter agreement pertaining to vesting acceleration of Pre-IPO Equity Awards entered into between the Company and Executive (such agreements, collectively, the "**Pre-IPO Equity Award Agreements**").

(iii) Non-Assumption of Equity Awards. Notwithstanding anything to the contrary, if the successor or acquiring corporation (if any) of the Company refuses to assume, convert, replace or substitute Executive's unvested Equity Awards, as provided in Section 2.1.1 of the Plan, in connection with a Corporate Transaction (as defined in the Plan), then notwithstanding any other provision in this Agreement, the Plan or any Pre-IPO Equity Award Agreement to the contrary,

each of Executive's then-outstanding and unvested Equity Awards that are not assumed, converted, replaced or substituted, including awards that would otherwise vest only upon satisfaction of performance criteria (measured at 100% of target), shall accelerate and become vested and exercisable as to 100% of the then unvested shares subject to the Equity Award effective immediately prior to the Corporate Transaction.

(iv) Death or Disability. Notwithstanding anything to the contrary herein, in the event Executive has a Separation due to Executive's death or Disability and such Separation occurs (i) within twelve (12) months following a Change in Control or (ii) within three (3) months preceding a Change in Control (but as to part (ii), only if the Separation occurs after a Potential Change in Control), each of Executive's then-outstanding and unvested Equity Awards, including awards that would otherwise vest only upon satisfaction of performance criteria (measured at 100% of target), shall accelerate and become vested and exercisable as to 100% of the then unvested shares subject to the Equity Award effective immediately prior to the Separation.

(c) **Pay in Lieu of Continued Employee Benefits**. If Executive timely elects continued coverage under the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), the Company or its successor shall pay the full amount of Executive's COBRA premiums on behalf of the Executive for the Executive's continued coverage under the Company's health, dental and vision plans, including coverage for the Executive's eligible dependents, for the twelve (12) month period following the Executive's Separation or, if earlier, until Executive is eligible to be covered under another substantially equivalent medical insurance plan by a subsequent employer. Notwithstanding the foregoing, if the Company, in its sole discretion, determines that it cannot provide the foregoing subsidy of COBRA coverage without potentially violating or causing the Company to incur additional expense as a result of noncompliance with applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue the group health coverage in effect on the date of the Separation (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made regardless of whether Executive elects COBRA continuation coverage, shall commence on the later of (i) the first day of the month following the month in which Executive experiences a Separation and (ii) the effective date of the Company's determination of violation of applicable law, and shall end on the earlier of (x) the effective date on which Executive becomes covered by a health, dental or vision insurance plan of a subsequent employer, and (y) the last day of the period twelve (12) months after the Separation, *provided that*, any taxable payments under Section 3(c) will not be paid before the first business day occurring after the sixtieth (60th) day following the Separation and, once they commence, will include any unpaid amounts accrued from the date of Executive's Separation (to the extent not otherwise satisfied with continuation coverage). However, if the period comprising the sum of the sixty (60)-day period described in the preceding sentence and the ten (10)-day period described in Section 7(e)(3) below spans two calendar years, then the payments which constitute deferred compensation subject to Section 409A will not in any case be paid in the first calendar year. Executive shall have no right to an additional gross-up payment to account for the fact that such COBRA premium amounts are paid on an after-tax basis.

4. **General Release.** Any other provision of this Agreement notwithstanding, the benefits under Section 2 and 3 shall not apply unless the Executive (i) has executed a general release (in substantially the form attached hereto as Exhibit A) of all known and unknown claims that he or she may then have against the Company or persons affiliated with the Company and such release has become effective and (ii) has agreed not to prosecute any legal action or other proceeding based upon any of such claims. The release must be in the form prescribed by the Company, without alterations (this document effecting the foregoing, the "**Release**"). The Company will deliver the form of Release to the Executive within thirty (30) days after the Executive's Separation. The Executive must execute and return the Release within the time period specified in the form.

5. **Accrued Compensation and Benefits.** Notwithstanding anything to the contrary in Section 2 and 3 above, in connection with any termination of employment (whether or not a Qualifying Termination or CIC Qualifying Termination), the Company shall pay Executive's earned but unpaid base salary and other vested but unpaid cash entitlements for the period through and including the termination of employment, including unused earned vacation pay and unreimbursed documented business expenses incurred by Executive through and including the date of termination (collectively "**Accrued Compensation and Expenses**"), as required by law and the applicable Company plan or policy. In addition, Executive shall be entitled to any other vested benefits earned by Executive for the period through and including the termination date of Executive's employment under any other employee benefit plans and arrangements maintained by the Company, in accordance with the terms of such plans and arrangements, except as modified herein (collectively "**Accrued Benefits**"). Any Accrued Compensation and Expenses to which the Executive is entitled shall be paid to the Executive in cash as soon as administratively practicable after the termination and, in any event, no later than two and one-half (2-1/2) months after the end of the taxable year of the Executive in which the termination occurs or at such earlier time as may be required by Section 10 below or to such lesser extent as may be mandated by Section 9 below. Any Accrued Benefits to which the Executive is entitled shall be paid to the Executive as provided in the relevant plans and arrangements.

6. **Covenants.**

(a) **Non-Competition**. The Executive agrees that, during his or her employment with the Company, he or she shall not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company.

(b) **Cooperation and Non-Disparagement**. The Executive agrees that, during the six (6) month period following his or her cessation of employment, he or she shall cooperate with the Company in every reasonable respect and shall use his or her best efforts to assist the Company with the transition of Executive's duties to his or her successor. The Executive further agrees that, during this six-month period, he or she shall not in any way or by any means disparage the Company, the members of the Company's Board of Directors or the Company's officers and employees. The Company agrees that, during this six-month period, none of the members of its Board of Directors or its executive officers will disparage Executive.

7. **Definitions.**

(a) **"Cause"** means: (i) Executive's conviction for, or guilty plea to, a felony involving moral turpitude; (ii) a willful refusal by Executive to comply with the lawful and reasonable instructions of the Company, or to otherwise perform Executive's duties as lawfully and reasonably determined by the Company, in each case that is not cured by Executive (if such refusal is of a type that is capable of being cured) within 15 days of written notice being given to Executive of such refusal; (iii) any willful act or acts of dishonesty undertaken by Executive and intended to result in Executive's (or any other person's) material gain or personal enrichment at the expense of the Company or any of its customers, partners, affiliates, or employees; or (iv) any willful act of gross misconduct by Executive which is injurious to the Company.

(b) "**Code**" means the Internal Revenue Code of 1986, as amended.

(c) **"Change in Control"** For all purposes under this Agreement, a Change in Control shall mean a "Corporate Transaction," as such term is defined in the Plan, *provided that* the transaction (including any series of transactions) also qualifies as a change in control event under U.S. Treasury Regulation 1.409A-3(i)(5).

(d) **"CIC Qualifying Termination"** means a Separation (i) within twelve (12) months following a Change in Control or (ii) within three (3) months preceding a Change in Control (but as to part (ii), only if the Separation occurs after a Potential Change in Control) resulting, in either case (i) or (ii), from (A) the Company or its successor terminating the Executive's employment for any reason other than

Cause or (B) the Executive voluntarily resigning his or her employment for Good Reason. A termination or resignation due to the Executive's death or disability shall not constitute a CIC Qualifying Termination; provided, however, that, solely for purposes of Section 3(b)(iv) hereof, Executive's Separation due to Executive's death or Disability shall constitute a CIC Qualifying Termination. A "**Potential Change in Control**" means the date of execution of a legally binding and definitive agreement for a corporate transaction which, if consummated, would constitute the applicable Change in Control (which for the avoidance of doubt, would include a merger agreement, but not a term sheet for a merger agreement). In the case of a termination following a Potential Change in Control and before a Change in Control, solely for purposes of benefits under this Agreement, the date of Separation will be deemed the date the Change in Control is consummated.

(e) "**Disability**" means the total and permanent disability of Executive as defined by, or determined under, the Company's (or, if applicable, the Company's successor or acquiring corporation's (if any)) long-term disability benefit plan as in effect at the time of Separation.

(f) **"Good Reason"** means, without the Executive's consent, (i) a reduction in Executive's then-current base salary (except for a reduction that is part of a proportional reduction of the base salaries of all Company executives), bonus opportunity or commissions opportunity; (ii) the offices of the Company that Executive is required to report to being moved such that Executive's usual commuting distance is increased by more than ten (10) miles; (iii) a material and adverse change to Executive's duties or responsibilities (iv) a change to Executive's title and/or role, after which Executive is not both the Chief Executive Officer of the top-level acquiring entity whose stock is publicly traded and a voting member of its Board of Directors; (v) Executive is not, so long as Executive is Chief Executive Officer of the Company, a voting member of the Company's Board of Directors; or (vi) the Company provides notice that this Agreement will not be renewed, as set forth in Section 1 hereof; provided, however, that a resignation by Executive shall not be considered to be for a "Good Reason" unless (i) Executive provides written notice to the Company's Board of Directors of the occurrence of the event which Executive contends constitutes Good Reason within ninety (90) days of the date such event occurs, which notice states Executive's intention to resign for a "Good Reason" under this Agreement as a result thereof, (ii) the Company does not effect a cure with respect to such event within thirty (30) days of receipt of such written notice, and (iii) Executive thereafter resigns and ceases to perform services as an employee of the Company within ten (10) days of the expiration of the Company's cure period.

(g) "**Plan**" means the Company's 2016 Equity Incentive Plan, as may be amended from time to time.

(h) "**Release Conditions**" mean the following conditions: (i) Company has received the Executive's executed Release in the form attached hereto as Exhibit A and (ii) any rescission period applicable to the Executive's executed Release has expired.

(i) **"Qualifying Termination"** means a Separation that is not a CIC Qualifying Termination, but which results from (i) the Company terminating the Executive's employment for any reason other than Cause or (ii) the Executive voluntarily resigning his or her employment for Good Reason. A termination or resignation due to the Executive's death or disability shall not constitute a Qualifying Termination.

(j) **"Separation**" means a "separation from service," as defined in the regulations under Section 409A of the Code.

8. **Successors.**

(a) **Company's Successors**. The Company shall require any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets, by an agreement in substance and form

satisfactory to the Executive, to assume this Agreement and to agree expressly to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets or which becomes bound by this Agreement by operation of law.

(b) **Executive's Successors**. This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. **Golden Parachute Taxes.**

(a) **Best After-Tax Result**. In the event that any payment or benefit received or to be received by Executive pursuant to this Agreement or otherwise ("**Payments**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this subsection (a), be subject to the excise tax imposed by Section 4999 of the Code, any successor provisions, or any comparable federal, state, local or foreign excise tax ("**Excise Tax**"), then, subject to the provisions of Section 10, such Payments shall be either (A) provided in full pursuant to the terms of this Agreement or any other applicable agreement, or (B) provided as to such lesser extent which would result in no portion of such Payments being subject to the Excise Tax ("**Reduced Amount**"), whichever of the foregoing amounts, taking into account the applicable federal, state, local and foreign income, employment and other taxes and the Excise Tax (including, without limitation, any interest or penalties on such taxes), results in the receipt by Executive, on an after-tax basis, of the greatest amount of payments and benefits provided for hereunder or otherwise, notwithstanding that all or some portion of such Payments may be subject to the Excise Tax. Unless the Company and Executive otherwise agree in writing, any determination required under this Section shall be made by independent tax counsel designated by the Company and reasonably acceptable to Executive ("**Independent Tax Counsel'**), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required under this Section, Independent Tax Counsel may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code; *provided that* Independent Tax Counsel shall assume that Executive pays all taxes at the highest marginal rate. The Company and Executive shall furnish to Independent Tax Counsel such information and documents as Independent Tax Counsel may reasonably request in order to make a determination under this Section. The Company shall bear all costs that Independent Tax Counsel may reasonably incur in connection with any calculations contemplated by this Section. In the event that Section 9(a)(ii)(B) above applies, then based on the information provided to Executive and the Company by Independent Tax Counsel, Executive may, in Executive's sole discretion and within thirty (30) days of the date on which Executive is provided with the information prepared by Independent Tax Counsel, determine which and how much of the Payments (including the accelerated vesting of equity compensation awards) to be otherwise received by Executive shall be eliminated or reduced (as long as after such determination the value (as calculated by Independent Tax Counsel in accordance with the provisions of Sections 280G and 4999 of the Code) of the amounts payable or distributable to Executive equals the Reduced Amount). If the Internal Revenue Service (the "**IRS**") determines that any Payment is subject to the Excise Tax, then Section 9(b) hereof shall apply, and the enforcement of Section 9(b) shall be the exclusive remedy to the Company.

(b) **Adjustments**. If, notwithstanding any reduction described in Section 9(a) hereof (or in the absence of any such reduction), the IRS determines that Executive is liable for the Excise Tax as a result of the receipt of one or more Payments, then Executive shall be obligated to surrender or pay back to the Company, within one-hundred twenty (120) days after a final IRS determination, an amount of such payments or benefits equal to the "**Repayment Amount**." The Repayment Amount with respect to such Payments shall be the smallest such amount, if any, as shall be required to be surrendered or paid to the Company so that Executive's net proceeds with respect to such Payments (after taking into account the payment of the Excise Tax imposed on such Payments) shall be maximized. Notwithstanding the foregoing, the Repayment Amount with respect to such Payments shall be zero (0) if a Repayment Amount of more than zero (0) would not eliminate the Excise Tax imposed on such Payments or if a

Repayment Amount of more than zero would not maximize the net amount received by Executive from the Payments. If the Excise Tax is not eliminated pursuant to this Section 9(b), Executive shall pay the Excise Tax.

10. **Miscellaneous Provisions.**

(a) **Section 409A**. To the extent (i) any payments to which Executive becomes entitled under this Agreement, or any agreement or plan referenced herein, in connection with Executive's termination of employment with the Company constitute deferred compensation subject to Section 409A of the Code and (ii) Executive is deemed at the time of such termination of employment to be a "specified" employee under Section 409A of the Code, then such payment or payments shall not be made or commence until the earlier of (i) the expiration of the six (6)-month period measured from the Executive's Separation; or (ii) the date of Executive's death following such Separation; *provided, however*, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Executive, including (without limitation) the additional twenty percent (20%) tax for which Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to Executive or Executive's beneficiary in one lump sum (without interest). Except as otherwise expressly provided herein, to the extent any expense reimbursement or the provision of any in-kind benefit under this Agreement (or otherwise referenced herein) is determined to be subject to (and not exempt from) Section 409A of the Code, the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the expenses eligible for reimbursement or in kind benefits to be provided in any other calendar year, in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which Executive incurred such expenses, and in no event shall any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit. To the extent that any provision of this Agreement is ambiguous as to its exemption or compliance with Section 409A, the provision will be read in such a manner so that all payments hereunder are exempt from Section 409A to the maximum permissible extent, and for any payments where such construction is not tenable, that those payments comply with Section 409A to the maximum permissible extent. To the extent any payment under this Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this Agreement (or referenced in this Agreement) are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the regulations under Section 409A.

(b) **Other Arrangements**. This Agreement supersedes any and all cash severance arrangements and vesting acceleration arrangements on change in control under any agreement governing Equity Awards, severance and salary continuation arrangements, programs and plans which were previously offered, or may be offered on the Effective Date or thereafter, by the Company to the Executive, including change in control severance arrangements and vesting acceleration arrangements pursuant to an agreement governing Equity Awards, employment agreement or offer letter, and Executive hereby waives Executive's rights to such other benefits, provided that this Agreement shall not supersede the acceleration of vesting arrangements of any Pre-IPO Equity Awards (except as explicitly provided in Section 3(b)(iii) hereof). In no event shall any individual receive cash severance benefits under both this Agreement and any other vesting acceleration arrangement, severance pay or salary continuation program, plan or other arrangement with the Company, provided that this Agreement shall not supersede the acceleration of vesting arrangements of any Pre-IPO Equity Awards (except as explicitly provided in Section 3(b)(iii) hereof). For the avoidance of doubt, in no event shall Executive receive (i) payment under both Section 2 and Section 3 and/or (ii) acceleration of Equity Award vesting under (a) both Section 2 and 3 or (b) any combination of (x) Section 3(b)(iii), (y) Section 3(b)(i) and/or Section 3(b)(ii) and/or (z) Section 3(b)(iv), as applicable, in each case with respect to Executive's Separation.

(c) **Dispute Resolution**. To ensure rapid and economical resolution of any and all disputes that might arise in connection with this Agreement, Executive and the Company agree that any and all

disputes, claims, and causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation, will be resolved solely and exclusively by final, binding, and confidential arbitration, by a single arbitrator, in San Diego County, and conducted by Judicial Arbitration & Mediation Services, Inc. ("**JAMS**") under its then-existing employment rules and procedures. Nothing in this section, however, is intended to prevent either party from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Each party to an arbitration or litigation hereunder shall be responsible for the payment of its own attorneys' fees.

(d) **Notice**. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid or deposited with Federal Express Corporation, with shipping charges prepaid. In the case of the Executive, mailed notices shall be addressed to him or her at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(e) **Waiver**. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(f) **Withholding Taxes**. All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(g) **Severability**. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(h) **No Retention Rights**. Nothing in this Agreement shall confer upon the Executive any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or any subsidiary of the Company or of the Executive, which rights are hereby expressly reserved by each, to terminate his or her service at any time and for any reason, with or without Cause.

(i) **Choice of Law**. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California (other than its choice-of-law provisions).

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

EXECUTIVE

[Name]

OBALON THERAPEUTICS, INC.

By:
Title:

EXHIBIT A

GENERAL RELEASE OF ALL CLAIMS AND COVENANT NOT TO SUE

This General Release of All Claims and Covenant Not to Sue (the " Release") is entered into between [Name] ("Executive") and Obalon Thereapeutics, Inc. (the "Company") (collectively, "the parties").

WHEREAS, on , Executive and the Company entered into a Retention Agreement with the Company (the "Retention Agreement," to which this Release is attached as Exhibit A);

WHEREAS, on , Executive's employment with the Company terminated (the "Separation Date");

WHEREAS, this agreement serves as the Release, pursuant to the Retention Agreement; and

WHEREAS, Executive and the Company desire to mutually, amicably and finally resolve and compromise all issues and claims surrounding Executive's employment and separation from employment with the Company;

NOW THEREFORE, in consideration for the mutual promises and undertakings of the parties as set forth below, Executive and the Company hereby enter into this Release.

1. Acknowledgment of Payment of Wages: By his signature below, Executive acknowledges that, on the Separation Date, the Company paid him for all wages, salary, bonuses, commissions, reimbursable expenses, accrued but unused vacation and any similar payments due him from the Company as of the Separation Date. By signing below, Executive acknowledges that the Company does not owe him any other amounts, except as may become payable under the Retention Agreement and the Release.

2. Return of Company Property: Executive hereby warrants to the Company that he has returned to the Company all property or data of the Company of any type whatsoever that has been in his possession, custody or control.

3. Consideration: In exchange for Executive's agreement to this Release and his other promises in the Retention Agreement and herein, and pursuant to the Retention Agreement, the Company agrees to provide Executive with the consideration set forth in Section of the Retention Agreement. By signing below, Executive acknowledges that he is receiving the consideration in exchange for waiving his rights to claims referred to in this Release.

4. General Release and Waiver of Claims:

a. The payments and promises set forth in this Release are in full satisfaction of all accrued salary, vacation pay, bonus and commission pay, profit-sharing, stock, stock options, restricted stock units or other ownership interest in the Company, termination benefits or other compensation to which Executive may be entitled by virtue of his employment with the Company or his separation from the Company, including pursuant to the Retention Agreement. To the fullest extent permitted by law, Executive hereby releases and waives any other claims he may have against the Company and its owners, agents, officers, shareholders, employees, directors, attorneys, subscribers, subsidiaries, affiliates, successors and assigns (collectively "Releasees"), whether known or not known, including, without limitation, claims under any employment laws, including, but not limited to, claims of unlawful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, physical injury, emotional distress, claims for additional compensation or benefits arising out of his employment or separation of employment, including pursuant to the Offer Letter, claims under Title VII of the 1964 Civil Rights Act, as amended, the California Fair Employment and Housing Act and any other laws and/or regulations relating to employment or employment discrimination, including, without limitation, claims based on age or under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act, and/or claims based on disability or under the Americans with Disabilities Act.

b. By signing below, Executive expressly waives any benefits of Section 1542 of the Civil Code of the State of California, which provides as follows:

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

c. Executive and the Company do not intend to release claims that he may not release as a matter of law, including but not limited to claims for indemnity under California Labor Code Section 2802, or any claims for enforcement of this Release. To the fullest extent permitted by law, any dispute regarding the scope of this general release shall be determined by an arbitrator under the procedures set forth in the Dispute Resolution section set forth in the Retention Agreement.

5. Covenant Not to Sue:

a. To the fullest extent permitted by law, at no time subsequent to the execution of this Release will Executive pursue, or cause or knowingly permit the prosecution, in any state, federal or foreign court, or before any local, state, federal or foreign administrative agency, or any other tribunal, of any charge, claim or action of any kind, nature and character whatsoever, known or unknown, which he may now have, have ever had, or may in the future have against Releasees, which is based in whole or in part on any matter released by this Release.

b. Nothing in this paragraph shall prohibit Executive from filing a charge or complaint with a government agency where, as a matter of law, the parties may not restrict his right to file such administrative complaints. However, Executive understands and agrees that, by entering into this Release, he is releasing any and all individual claims for relief, and that any and all subsequent disputes between Executive and the Company shall be resolved through arbitration as provided in the Retention Agreement.

c. Nothing in this paragraph shall prohibit or impair Executive or the Company from complying with all applicable laws, nor shall this Release be construed to obligate either party to commit (or aid or abet in the commission of) any unlawful act.

6. Review of Release: Executive understands that he may take up to twenty-one (21) days to consider this Release and, by signing below, affirms that he was advised to consult with an attorney prior to signing this Release. Executive also understands that he may revoke this Release within seven (7) days of signing this document and that the consideration to be provided to him pursuant to Paragraph 2(c) of the Retention Agreement will be provided only at the end of that seven (7) day revocation period.

7. Effective Date: This Release is effective on the eighth (8th) day after Executive signs it, provided he has not revoked it as of that time.

[Remainder of page intentionally left blank.]

8. Other Terms of Retention Agreement Incorporated Herein: All other terms of the Retention Agreement to the extent not inconsistent with the terms of this Release are hereby incorporated in this Release as though fully stated herein and apply with equal force to this Release, including, without limitation, the provisions on Non-Competition, Cooperation and Non-Disparagement, Section 409A, Dispute Resolution and Choice of Law.

Dated: _____

_____
Name:
Title:
For the Company

Dated: _____

_____
Name:

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Obalon Therapeutics, Inc.:

We consent to the use of our report included herein and to the reference to our firm under the heading “Experts” in the prospectus.

/s/ KPMG LLP

San Diego, California
September 23, 2016