

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K/T

(Mark One)

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

or

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

For the transition period from April 25, 2015 to December 31, 2015

Commission file number: 001-37599

LivaNova

LivaNova PLC

(Exact name of registrant as specified in its charter)

England and Wales
*(State or other jurisdiction of
incorporation or organization)*

98-1268150
*(I.R.S. Employer
Identification No.)*

**5 Merchant Square, North Wharf Road
London, United Kingdom
W2 1AY**
*(Address of principal executive offices)
(Zip Code)*

**Registrant's telephone number, including area code:
(44) 800 975 8080**

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

Title of Each Class of Stock

Name of Each Exchange on Which Registered

Ordinary Shares — £1.00 par value per share

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/T or any amendment to this Form 10-K/T. ☐

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.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of October 18, 2015, the last business day of the most recently completed, transitional second fiscal quarter of Cyberonics, Inc. (the predecessor registrant to LivaNova PLC) and as of December 31, 2015, the last business day of the registrant's most recently completed transitional year, based upon the last sales price reported for such dates on the NASDAQ Global Market was approximately \$1,035 million and \$2,039 million, respectively. For purposes of this disclosure, ordinary shares held by persons who hold more than 5% of the outstanding ordinary shares and shares held by executive officers and directors of the registrant have been excluded as such persons may be deemed to be affiliates.

As of February 24, 2016, 48,876,465 ordinary shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement of LivaNova PLC for the 2016 Annual Meeting of Stockholders, which will be filed within 120 days of December 31, 2015, are incorporated by reference into Part III of this Report on Form 10-K/T.

EXPLANATORY NOTE

LivaNova PLC (formerly known as Sand Holdco PLC and Sand Holdco Limited), is a public limited company incorporated under the laws of England and Wales ("LivaNova"). LivaNova was formed, along with its wholly owned subsidiary, Cypher Merger Sub, Inc., a Delaware corporation ("Merger Sub"), on February 20, 2015, for the purpose of facilitating the business combination of Cyberonics, Inc., a Delaware corporation ("Cyberonics"), and Sorin S.p.A., a joint stock company organized under the laws of Italy ("Sorin").

On October 19, 2015, as further described herein, and pursuant to the terms of a definitive Transaction Agreement entered into by LivaNova, Cyberonics, Sorin and Merger Sub, dated March 23, 2015, Sorin merged with and into LivaNova, with LivaNova continuing as the surviving company, immediately followed by the merger of Merger Sub with and into Cyberonics, with Cyberonics continuing as the surviving company and as a wholly owned subsidiary of LivaNova. As a result of these mergers, LivaNova became the holding company of the combined businesses of Cyberonics and Sorin. On October 19, 2015, LivaNova's ordinary shares were listed for trading on the NASDAQ Global Market and admitted to listing on the standard segment of the United Kingdom Financial Conduct Authority's Official List and to trading on the Main Market of the London Stock Exchange under the trading symbol "LIVN."

In this Report on Form 10-K/T, LivaNova, as the successor company to Cyberonics, is reporting (in accordance with generally accepted accounting principles in the United States) the results for Cyberonics and its consolidated subsidiaries for the period April 25, 2015 to October 18, 2015 and the consolidated results of LivaNova's combined businesses through December 31, 2015, which reflecting the reverse acquisition of Sorin (for accounting purposes) on October 19, 2015, includes the results of Sorin and its consolidated subsidiaries following completion of the Mergers.

LIVANOVA PLC

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In this Report on Form 10-K/T, “LivaNova,” “the Company,” “we,” “us” and “our” refer to LivaNova PLC and its consolidated subsidiaries.

This report contains references to proprietary intellectual property, including among others:

- Trademarks for our VNS therapy systems, the VNS Therapy® System, the VITARIA™ System and our proprietary Pulse generators products: Model 102 (Pulse™), Model 102R (Pulse Duo™), Model 103 (Demipulse®), Model 104 (Demipulse Duo®), Model 105 (AspireHC®) and the Model 106 (AspireSR®).
- Trademarks for our Oxygenators product systems: Inspire™, Heartlink™ and Connect™.
- Trademarks for our line of surgical tissue and mechanical valve replacements and repair products: Mitroflow™, Crown PRT™, Solo Smart™, Crown PRT™, Solo Smart™, Perceval™, Carbomedics Standard™, Top Hat™, Reduced Series Aortic Valves™, Carbomedics Carbo-Seal™, Carbo-Seal Valsalva™, Carbomedics Standard™, Orbis™ and Optiform™, and Mitral valve repair products: Memo 3D™, Memo 3D ReChord™, AnnuloFlo™ and AnnuloFlex™.
- Trademarks for our implantable cardiac pacemakers and associated services: REPLY 200™, ESPRIT™, KORA 100™, SafeR™, the REPLY CRT-P™ and the **remede®** System.
- Trademarks for our Implantable Cardioverter Defibrillators and associated technologies: the INTENSIA™, PLATINIUM™, and PARADYM™ product families.

- Trademarks for our cardiac resynchronization therapy devices, technologies services: SonR™, SonRtip™, SonR CRT™, the INTENSIA™, PARADYM RF™ and PARADYM 2™ product families and the Respond CRT™ clinical trial.
- The trademarks for heart failure treatment product, Equilia™.

These trademarks and tradenames are the property of LivaNova or the property of our consolidated subsidiaries and are protected under applicable intellectual property laws. Solely for convenience, our trademarks and tradenames referred to in this Report on Form 10-K/T may appear without the ® or ™ symbols, but such references are not intended to indicate in any way that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and tradenames.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this Report on Form 10-K/T, other than purely historical information, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements include, but are not limited to, statements about the benefits of the business combination of Sorin and Cyberonics, LivaNova’s plans, objectives, strategies, financial performance and outlook, trends, the amount and timing of future cash distributions, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “seek,” “guidance,” “predict,” “potential,” “likely,” “believe,” “will,” “should,” “expect,” “anticipate,” “estimate,” “plan,” “intend,” “forecast,” “foresee” or variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by LivaNova and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements. There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Report on Form 10-K/T. Such risks, uncertainties and other important factors include, among others: the risks, uncertainties and factors set forth in the “Risk Factors” section of this Report on Form 10-K/T, the Registration Statement on Form S-4, previous or future Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K as well as other documents that have been or will be filed with the SEC by LivaNova; business and financial risks inherent to the industries in which LivaNova operates; our ability to hire and retain key personnel; our ability to attract new customers and retain existing customers in the manner anticipated; the reliance on and integration of information technology systems; changes in legislation or governmental regulations affecting LivaNova; changes relating to competitive factors in the industries in which LivaNova operates; international, national or local economic, social or political conditions that could adversely affect LivaNova, its partners or its customers; conditions in the credit markets; risks associated with assumptions made in connection with critical accounting estimates and legal proceedings; our organizational and governance structure; risks that the businesses of legacy Cyberonics and Sorin (together, the “combined companies”) will not be integrated successfully or that the combined companies will not realize estimated cost savings, value of certain tax assets, synergies and growth, or that such benefits may take longer to realize than expected; the inability of LivaNova to meet expectations regarding the timing, completion and accounting of tax treatments; risks relating to unanticipated costs of integration, including operating costs, customer loss or business disruption being greater than expected; reductions in customer spending, a slowdown in customer payments and changes in customer demand for products and services; LivaNova’s international operations, which are subject to the risks of currency fluctuations and foreign exchange controls; and the potential of international unrest, economic downturn or effects of currencies, tax assessments, tax adjustments, anticipated tax rates, raw material costs or availability, benefit or retirement plan costs or other regulatory compliance costs.

These factors are not necessarily all of the important factors that could cause our actual financial results, performance, achievements or prospects to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made, and we do not undertake or assume any obligation to update publicly any of these forward-looking statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

The following discussion and analysis should be read in conjunction with and are qualified in their entirety by reference to the discussions included in Item 1A. Risk Factors, Item 7. Management’s Discussion & Analysis of Financial Condition and Results of Operations and elsewhere in this Report on Form 10-K/T.

PART I

Item 1. *Business*

Overview

LivaNova (formerly known as Sand Holdco PLC and Sand Holdco Limited) is a public limited company incorporated under the laws of England and Wales. Headquartered in London, United Kingdom (“U.K.”), LivaNova, is a global medical device company focused on the development and delivery of important therapeutic solutions for the benefit of patients, healthcare professionals and healthcare systems throughout the world. Working closely with medical professionals in the fields of Cardiac Surgery, Neuromodulation and Cardiac Rhythm Management, we design, develop, manufacture and sell innovative therapeutic solutions that are consistent with our mission to improve our patients’ quality of life, increase the skills and capabilities of healthcare professionals and minimize healthcare costs.

The Mergers

LivaNova was formed, along with its wholly owned subsidiary, Cypher Merger Sub, Inc., a Delaware corporation (“Merger Sub”), on February 20, 2015 for the purpose of facilitating the business combination of Cyberonics, Inc., a Delaware corporation (“Cyberonics”), and Sorin S.p.A., a joint stock company organized under the laws of Italy (“Sorin”). On October 19, 2015, pursuant to the terms of a definitive transaction agreement entered into by LivaNova, Cyberonics, Sorin and Merger Sub, dated March 23, 2015 (the “Merger Agreement”), Sorin merged with and into LivaNova, with LivaNova continuing as the surviving company (the “Sorin Merger”), immediately followed by the merger of Merger Sub with and into Cyberonics, with Cyberonics continuing as the surviving company and as a wholly owned subsidiary of LivaNova (the “Cyberonics Merger,” and together with the Sorin Merger, the “Mergers”).

As a result of the Mergers, LivaNova became the holding company of the combined businesses of Cyberonics and Sorin. On October 19, 2015, LivaNova’s ordinary shares were listed for trading on the NASDAQ Global Market (“NASDAQ”) and admitted to listing on the standard segment of the U.K. Financial Conduct Authority’s Official List and to trading on the Main Market of the London Stock Exchange (the “LSE”) under the trading symbol “LIVN.” As a result of the Mergers, on October 19, 2015, LivaNova issued 48.8 million ordinary shares.

Prior to the Mergers, shares of Cyberonics common stock were registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (as amended (the “Exchange Act”), and listed on NASDAQ, and Sorin ordinary shares were listed on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. (the “Italian Stock Exchange”). Shares of Cyberonics common stock and the Sorin ordinary shares were suspended from trading on NASDAQ and the Italian Stock Exchange, respectively, prior to the opening of trading on October 19, 2015. NASDAQ filed a Form 25 on Cyberonics’ behalf to provide notice to the United States Securities and Exchange Commission (the “SEC”) regarding the withdrawal of shares of Cyberonics common stock from listing and to terminate the registration of such shares under Section 12(b) of the Exchange Act.

The issuance of LivaNova ordinary shares in connection with the Mergers was registered under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to the Registration Statement on Form S-4 (File No. 333-203510), as amended, filed with the SEC by LivaNova and declared effective on August 19, 2015. Further, pursuant to Rule 12g-3(a) under the Exchange Act, LivaNova is deemed to be a “successor” issuer to Cyberonics. As such, the ordinary shares of LivaNova are deemed to be registered under Section 12(b) of the Exchange Act, and LivaNova is subject to the informational requirements of the Exchange Act and the rules and regulations promulgated thereunder.

On October 19, 2015, each ordinary share of Sorin was converted into the right to receive 0.0472 ordinary shares, par value £1.00 per share, of LivaNova (each an “Ordinary Share” and, collectively the “Ordinary Shares”), and each share of common stock of Cyberonics was converted into the right to receive one Ordinary Share. Based on the number of outstanding shares of Sorin and Cyberonics as of October 19, 2015, former Sorin and Cyberonics shareholders held approximately 46 percent and 54 percent, respectively, of LivaNova’s Ordinary Shares immediately after giving effect to the Mergers.

The Mergers were accounted for as a reverse acquisition under the acquisition method of accounting for business combinations, with Cyberonics treated as the acquiring company in the Mergers for accounting purposes. Upon the consummation of the Mergers, the historical financial statements of Cyberonics became our historical financial statements.

The Mergers are expected to provide revenue enhancements, cost savings, opportunities for synergies and to increase the size and scale of LivaNova’s revenue, provide greater geographic and product diversity and to enhance growth opportunities in three emerging markets in the areas of heart failure, sleep apnea and percutaneous mitral valves. The Mergers are also expected to allow LivaNova to utilize and integrate certain Sorin technologies into its existing and future product lines for epilepsy treatments.

Business Units and the New Ventures

Upon completion of the Mergers, we reorganized our reporting structure and aligned our segments and the underlying divisions and businesses. LivaNova is now comprised of three principal Business Units: Neuromodulation, Cardiac Surgery and Cardiac Rhythm Management, corresponding to three main therapeutic areas. These Business Units represent a strategic combination of the historic business operations of legacy Cyberonics and Sorin, aligned to best serve our customers and capitalize upon the benefits of the Mergers. The historic Cyberonics operations are included under the Neuromodulation Business Unit, and the historical Sorin businesses are included in our Cardiac Surgery and Cardiac Rhythm Management Business Units. Corporate activities include corporate business development (New Ventures). New Ventures is focused on new growth platforms and identification of other opportunities for expansion.

We currently function in three reportable segments that primarily manufacture and sell device-based medical therapies. Our operating segments with each of their reported net sales for fiscal year 2015, along with their related divisions and businesses, are as follows:

- Cardiac Surgery (Transitional Period 2015 net sales of \$148 million)
 - Cardiopulmonary
 - Heart Valves
- Cardiac Rhythm Management (Transitional Period 2015 net sales of \$52 million)
- Neuromodulation (Transitional Period 2015 net sales of \$215 million)

For further information regarding the Mergers, our business segments, historical financial information and our methodology for the presentation of financial results, please refer to the consolidated financial statements and accompanying notes beginning on page F-1 of this Report on Form 10-K/T.

Neuromodulation

Our Neuromodulation Business Unit designs, develops and markets neuromodulation-based medical devices for the treatment of epilepsy and depression.

VNS Therapy System

Our seminal neuromodulation product, the VNS Therapy® System, is an implantable device authorized for the treatment of drug-resistant epilepsy and treatment-resistant depression (“TRD”). The VNS Therapy System consists of: an implantable pulse generator and connective lead that work to stimulate the vagus nerve; surgical equipment to assist with the implant procedure; equipment and instruction manuals enabling a treating physician to set parameters for a patient’s pulse generator; and magnets to manually suspend or induce nerve stimulation. The VNS Therapy pulse generator and lead are surgically implanted in a subcutaneous pocket in the upper left chest area, generally during an out-patient procedure; the lead (which does not need to be removed to replace a generator battery) is connected to the pulse generator and tunneled under the skin to the vagus nerve in the lower left side of the patient’s neck.

VNS for the treatment of epilepsy. Globally, there are several broad types of treatment available to persons with epilepsy: multiple seizure medications, various forms of the ketogenic diet, vagus nerve stimulation, resective brain surgery, trigeminal nerve stimulation, responsive intracranial neurostimulation and deep brain stimulation. Seizure medications typically serve as a first-line treatment and are prescribed for virtually all patients diagnosed with epilepsy. After two seizure medications fail to deliver seizure control, the epilepsy is defined as drug-resistant, at which point, adjunctive non-drug options are considered, including VNS therapy, brain surgery and a ketogenic diet.

In the United States (“U.S.”), our VNS Therapy System was the first medical device treatment approved by the U.S. Food and Drug Administration (the “FDA”) for refractory drug resistant epilepsy in adults and adolescents over 12 years of age and is indicated for use as an adjunctive therapy in reducing the frequency of seizures. Other worldwide regulatory bodies have also approved the VNS Therapy System for the treatment of epilepsy, many without age restrictions or seizure-type limitations. Patients with epilepsy can also use a small, handheld magnet provided with our VNS Therapy System to activate or inhibit stimulation manually. We sell a number of VNS product models for the treatment of epilepsy, including our Model 102 (Pulse™), Model 102R (Pulse Duo™), Model 103 (Demipulse®), Model 104 (Demipulse Duo®) and Model 105 (AspireHC®) pulse generators. To date, an estimated 92,000 patients have been treated with VNS Therapy System for epilepsy.

In addition to these models, we also offer the Model 106 (AspireSR[®]) generator in Europe and other international markets. Our Aspire SR generator provides the benefits of VNS therapy, with an additional feature: automatic stimulation in response to detection of changes in heart rate indicative of a seizure. The AspireSR generator is capable of delivering additional stimulation automatically by responding to a patient's relative heart-rate changes that exceed certain variable thresholds. Heart-rate changes accompany seizure activity in certain patients. The thresholds are programmed by the patient's physician and can be adjusted to suit the patient's level of physical activity or for other reasons. On June 2, 2015, we announced FDA approval of the AspireSR generator for sale in the United States and sales have commenced.

VNS for the treatment of TRD. Major depressive disorder is one of the most prevalent and serious illnesses in the United States. It affects nearly 19 million Americans 18 years of age or older every year. In July 2005, the FDA approved our VNS Therapy System for the adjunctive long-term treatment of chronic or recurrent depression for patients 18 years of age or older who have not had an adequate response to multiple anti-depressant treatments. Regulatory bodies in the European Economic Authority ("EEA"), Canada, Brazil, Mexico, Australia, Israel and certain other international markets have approved our VNS Therapy products for the treatment of chronic or recurrent depression in patients who are in a treatment-resistant or treatment-intolerant depressive episode. To date, an estimated 4,100 patients worldwide have been treated with the VNS Therapy System for depression.

Customers and Competitors-Neuromodulation Products

The primary medical professionals who use Neuromodulation products are neurologists and neurosurgeons, although customers are hospitals and healthcare systems, and in some cases, government health departments. Primary medical device competitors in the Neuromodulation product group are NeuroPace, Inc. and Medtronic Global.

Neuromodulation Recent Developments

Our epilepsy product development efforts are directed toward improving the VNS Therapy System, improving its efficacy, and developing new products that provide additional features and functionality. We are conducting ongoing product development activities to enhance the VNS Therapy System pulse generator, lead and programming software and to introduce new products. We support studies for our product development efforts and to build clinical evidence for the VNS Therapy System. We will be required to obtain appropriate U.S. and international regulatory approvals, and clinical studies may be a prerequisite to regulatory approvals for some products. Our research and development ("R&D") efforts will require significant funding to complete and may not be successful. Even if successful, additional clinical studies may be needed to achieve regulatory approval and to commercialize any or all new or improved products.

In June 2015, the FDA approved AspireSR[™] for commercialization in the United States. Growth of VNS Therapy products has been strong during the period following this approval. Acceptance of the new product, as evidenced by the proportion of generators sold, has been high, and pricing obtained for the product is higher than for previously released products.

Several development projects have been either terminated or halted during the last year, including the planned development of a wirelessly enabled generator, and an external device planned to be used to warn or notify patients of impending or actual seizures. The temporary or permanent change in development priorities has been due to both technological issues as well as the possible advantages arising from the Mergers, which could allow for adoption of technologies previously developed by Sorin.

We invested approximately \$5.1 million in Cerbomed GmbH ("Cerbomed"), a privately held, European development-stage company developing a transcutaneous vagus nerve stimulation (t-VNS) device for several indications, including the treatment of drug-resistant epilepsy. Cerbomed received Conformité Européenne ("CE") Mark approval for its device for the treatment of epilepsy and depression in March 2010, and has completed a clinical study in Germany to study outcomes in the treatment of refractory epilepsy. During the quarter ended January 23, 2015, we invested an additional €1.0 million, or \$1.2 million, in convertible preferred stock. During the transitional period April 25, 2015 to December 31, 2015, we determined that our investment in Cerbomed was fully impaired and we recorded a loss of \$5.1 million.

In May 2007, the Centers for Medicare and Medicaid Services ("CMS") issued a national determination of non-coverage within the United States with respect to reimbursement of the VNS Therapy System for patients with TRD, significantly limiting access to this therapeutic option for most patients. As the result of lack of access following this determination, we have not engaged in active commercial efforts with respect to TRD in any of our markets, however, in the future we intend to re-engage in limited commercial efforts in certain international markets. As a result of new clinical evidence, including the completion of a post-approval dosing study and other studies that have resulted in more than five recent publications in peer-reviewed journals, we submitted a formal request to CMS for reconsideration of VNS therapy for TRD. CMS declined our request for reconsideration in May 2013. In October 2013, two Medicare beneficiaries appealed the lack of coverage by Medicare through the Departmental Appeals Board ("DAB") of the Department of Health and Human Services. In January

2015, DAB concluded that the record relating to the non-coverage conclusion by CMS is complete and adequately supports the non-coverage determination.

Cardiac Surgery Business Unit

LivaNova's Cardiac Surgery ("CS") Business Unit is engaged in the development, production and sale of cardiovascular surgery products, including oxygenators, heart-lung machines, perfusion tubing systems, cannulae and accessories, and systems for autotransfusion and autologous blood washing, as well as implantable prostheses for the replacement or repair of heart valves.

Cardiopulmonary Products

During conventional coronary artery bypass graft procedures and heart valve surgery, the patient's heart is temporarily stopped, or arrested. The patient is placed on an extracorporeal circulatory support system that temporarily functions as the patient's heart and lungs and provides blood flow to the body. Our products include systems to enable cardiopulmonary bypass, including heart-lung machines, oxygenators, perfusion tubing sets, cannulae and accessories, as well as related equipment and disposables for autotransfusion and autologous blood washing, for neonatal, pediatric and adult patients. Our primary cardiopulmonary products include:

Heart-lung machines. The heart-lung machine ("HLM") product group includes heart-lung machines, heater-coolers, related cardiac surgery equipment and maintenance services.

Oxygenators and perfusion tubing systems. The oxygenators product group, which includes oxygenators and other disposable devices for extracorporeal circulation, also achieved significant growth, especially in the United States, Europe and Japan, largely driven by the successful rollout of the new Inspire™, Heartlink™ and Connect™ system. The Inspire range of products, comprised of 12 models, will enable perfusionists to replace the existing oxygenator lines with more advanced systems capable of delivering better performance and greater flexibility. The total modularity of this new range of products will also help reduce production time and costs, providing perfusionists with a more customized approach to further benefit patients.

Connect™. Connect™ is our innovative and intuitive perfusion charting system. Focused on real time and retrospective calculations and trending tools, Connect™ assists perfusionists with data management during and after cardiopulmonary bypass. Inspire™, Heartlink™ and Connect™ products can all be integrated with our HLM machines to deliver a unique perfusion solution combining hardware components, disposable devices and data management systems.

Autotransfusion systems. One of the key elements for a complete blood management strategy is autotransfusion, which involves the collection, processing and reinfusion of the patient's own blood that is lost at the surgical site during the peri-operative period.

Cannulae. Our cannulae product family, which is part of the oxygenator product group, are perfusion tubing sets used to connect the extracorporeal circulation to the heart of the patient during cardiac surgery.

Customers and Competitors-Cardiopulmonary Products

The primary medical professionals who use our cardiopulmonary products are perfusionists and cardiac surgeons. Primary competitors in the cardiopulmonary product group are Terumo Medical Corporation, Maquet Medical Systems, Medtronic Global and Haemonetics Corporation.

Cardiopulmonary Developments

In December 2015, we received an FDA Warning Letter (the "Warning Letter") alleging certain violations of FDA regulations applicable to medical device manufacturers at the Munich, Germany and Arvada, Colorado manufacturing facilities. The Warning Letter included an immediate prohibition on the importation of 3T Heater Cooler devices to the United States, though the Warning Letter did not request that existing users cease using the 3T Heater Cooler device. We take these matters seriously and are working diligently to resolve the concerns raised by the FDA and to reduce any adverse impact this import restriction will have on existing U.S. customers of 3T Heater Cooler devices. We believe that the FDA's concerns can be resolved without a material impact on our financial results. Manufacturing and shipment of all of the Company's products other than the 3T Heater Cooler are unaffected by this limitation at the present time and will continue as normal. For further information, please refer to "Note 16. Commitments and Contingencies - *Litigation and Regulatory Proceedings*" in our consolidated financial statements included in this Report on Form 10-K/T.

Heart Valves and Repair Products

We offer a comprehensive line of products to treat a variety of heart valve disorders, including a complete line of surgical tissue and mechanical valve replacements and repair products for damaged or diseased heart valves. Our heart valves and repair product offerings include:

Tissue heart valves. Our tissue valves include the Mitroflow™ aortic pericardial tissue valve with phospholipid reduction treatment (“PRT”) which is designed to mitigate valve calcification, and the Crown PRT™ and Solo Smart™ aortic pericardial tissue valves. Crown PRT™ is the latest advancement in stented aortic bioprosthesis technology, featuring surgeon-friendly design, PRT technology, and state-of-the-art hemodynamic and durability performance. Crown PRT™ enables intuitive intraoperative handling through a short rinse time, enhanced ease of implant through visible markers and improved radiographic visualization through dedicated X-ray markers. Our Solo Smart™ aortic pericardial tissue valve is an innovative, completely biological aortic heart valve with no synthetic material and a removable stent. Solo Smart™ provides the ease of implantation of a stented valve with the hemodynamic performance of a stentless valve.

Self-anchoring tissue heart valves. Perceval™ is LivaNova’s sutureless bioprosthesis device designed to replace a diseased native valve or a malfunctioning prosthetic aortic valve using either traditional or minimally invasive heart surgery techniques. Perceval™ incorporates a unique technology that allows 100% sutureless positioning and anchoring at the implantation site. This, in turn, offers the potential benefit of reducing the time the patient spends in cardiopulmonary bypass. To date, over 12,000 patients worldwide benefit from the Perceval™ valve.

Mechanical heart valves. Our wide range of mechanical valve offerings includes the Carbomedics Standard™, Top Hat™ and Reduced Series Aortic Valves™, as well as the Carbomedics Carbo-Seal™ and Carbo-Seal Valsalva™ aortic prostheses. We also offer the Carbomedics Standard™, Orbis™ and Optiform™ mechanical mitral valves.

Heart valve repair products. Mitral valve repair is a well-established solution for patients suffering from a leaky mitral valve, or mitral regurgitation. LivaNova offers a wide range of mitral valve repair products, including the Memo 3D™ and Memo 3D ReChord™, AnnuloFlo™ and AnnuloFlex™.

Customers and Competitors-Heart Valves

The primary medical professionals who use our heart valve products are cardiac surgeons. Primary competitors in the heart valve business are Edwards Lifesciences, St. Jude Medical and Medtronic Global.

Heart Valve Developments

In January 2016, we announced FDA approval of both our Perceval valve and Crown PRT valve, and we will begin commercial distribution of the device in the United States over the coming year.

In the production area, we entered into a supply agreement in March 2013 for the production of components for the Lotus™ system, Boston Scientific Corporation’s second-generation device for transcatheter aortic valve replacement (“TAVR”). Under the terms of the agreement, LivaNova continues to perform some of the stages of production of the tissue valve at our manufacturing facility in Vancouver, Canada.

Cardiac Rhythm Management Business Unit

The Cardiac Rhythm Management (“CRM”), Business Unit develops, manufactures and markets products for the diagnosis, treatment, and management of heart rhythm disorders and heart failure. These products include implantable devices, leads and delivery systems and information systems for the management of patients with CRM devices.

Cardiac Rhythm Management Products

The following are the principal products offered by the CRM Business Unit:

Implantable Cardiac Pacemakers. A pacemaker is a battery-powered device implanted in the chest that delivers electrical impulses to treat bradycardia, a condition of abnormally slow heart rhythms or unsteady heart rhythms that cause symptoms such as dizziness, fainting, fatigue and shortness of breath. Our pacemakers include the REPLY™ and ESPRIT™ models, which have received both FDA clearance and CE mark certification, and the KORA 100™ model which has received CE mark certification. In 2015, we launched in Europe Kora 250™ pacemakers. LivaNova’s latest generation of pacemaker systems is compatible with certain MRI machines.

Implantable Cardioverter Defibrillators. Implantable Cardioverter Defibrillators (“ICDs”) continually monitor the heart and deliver therapy when an abnormal heart rhythm, such as tachyarrhythmia, or rapid heart rhythm, occurs and leads to sudden cardiac arrest. Our latest generation ICD is the PLATINIUM™, which has CE mark certification and which features industry leading battery longevity, advanced shock reduction technology and a contoured shape with thin, smooth, edges that better fits inside the body. Other ICDs include the PARADYM™ family of ICDs. PLATINIUM was approved in Europe in the second quarter of 2015 and in Japan in the fourth quarter of 2015.

Implantable Cardiac Resynchronization Therapy Devices. Implantable Cardiac Resynchronization Therapy devices (“CRT-Ds”) treat heart failure patients by altering the abnormal electrical sequence of cardiac contractions by sending tiny electrical impulses to the lower chambers of the heart to help them beat in a more synchronized fashion. Our latest generations of CRT-Ds use the SonR™ technology that provides heart failure patients with automatic and frequent hemodynamic CRT optimization both at rest and exercise using a unique hemodynamic sensor embedded in the SonRtip™ atrial sensing/pacing lead. SonR™ technology is found in INTENSIA™, PARADYM RF™, PARADYM 2™ and the most recent PLATINIUM™ families of CRT-Ds. We have FDA approval for the PARADYM RF™ CRT-D.

Patient Management Tools. Our Smartview system enables remote monitoring of patients with certain Sorin ICDs and CRT-Ds, by enabling transmission of data from the patient’s ICD or CRT-D to their healthcare provider using a portable monitor that is connected to the patient’s telephone line.

Customers and Competitors-Cardiac Rhythm Management

The primary medical specialists who use our CRM products include electrophysiologists, implanting cardiologists, heart failure specialists and cardiac surgeons. Primary competitors in the CRM business are Medtronic Global, St. Jude Medical, Boston Scientific and Biotronik.

Cardiac Rhythm Management Developments

In November 2015, we launched the PLATINIUM ICD referred to above in Europe. During 2015, we continued the development of our IS4 PLATINIUM CRTD with SonR dedicated to the use of quadripolar left ventricular catheters with IS-4 compatibilities. The development of new ranges of leads for defibrillation and left ventricular stimulation also enjoyed significant progress with the completion of the pre-qualification phase.

In June 2015, we announced the European launch of a full body MRI conditional pacemaker, the KORA 250. The KORA 250 is equipped with our proprietary Automatic MRI mode. In addition, the device is designed to proactively manage comorbidities, including a pacing mode that manages all types of atrioventricular block (“AV”), referred to as “SafeR”, and the ability to monitor patients for severe sleep apnea using Sleep Apnea Monitoring (“SAM”). The KORA 250 has now been approved for sale in Japan and is being launched in Japan in the first quarter of 2016.

In June 2013, following FDA approval to initiate a clinical trial under an Investigational Device Exemption (“IDE”), the first patients were enrolled in the United States in the Respond CRT clinical trial. The purpose of this trial is to assess the safety and effectiveness of the SonR CRT™ system in patients affected by advanced heart failure. Respond CRT™ is a multi-center, prospective, randomized, two-arm, double-blind trial, with more than 1,000 patients in the United States and other countries. In October 2014, we announced having completed enrollment in the Respond CRT™ clinical trial, enrolling 1,039 patients in the study. The results of this clinical trial are expected to be published in 2016.

During 2014, we executed a joint venture with MicroPort Scientific Corporation to enter China's CRM market, and in the same year also completed the acquisition of Ocor Inc.'s CRM leads business, including a manufacturing facility in the Dominican Republic. In particular, the joint venture agreement with MicroPort Scientific Corporation to market and develop CRM devices in China will enable LivaNova to establish a local presence in China and accelerate its penetration of the rapidly growing Chinese market. The joint venture is based in Shanghai and became operational in the first half of 2014. MicroPort owns 51% of the joint venture, and LivaNova owns the remaining 49%.

New Ventures - Heart Failure, Sleep Apnea and Mitral Regurgitation

Overview

LivaNova's New Ventures ("New Ventures") group, or corporate business development, was created to evaluate growth opportunities and new potential areas of investment for the Company to expand our product portfolio to meet emerging patient needs.

In particular, New Ventures now focuses on innovative technologies to treat three main pathologies: heart failure, sleep apnea and mitral valve regurgitation, areas of unmet clinical need where there is no optimal therapeutic solution for the majority of patients. New Ventures partners with public and private institutions and medical startups to develop future therapeutic solutions in these areas, focusing in particular on neurostimulation to treat heart failure and percutaneous valve repair or replacement to treat mitral regurgitation.

Heart failure occurs when the heart is no longer able to pump enough blood to meet the needs of the body. This may result from narrowed arteries or high blood pressure, which gradually leave the heart too weak to fill and pump efficiently. It is a chronic, progressive disease. Treatment depends on the heart failure stage and severity. ICDs or CRT-Ds may be indicated at a certain stage. There is also ample clinical proof that heart failure accompanies autonomic imbalance, demonstrating increased sympathetic activity and a reduced parasympathetic activation, which overstress and fatigue the heart. Stimulation of the vagus nerve (parasympathetic) could counterbalance the sympathetic system overactivation in heart failure.

Mitral regurgitation occurs when the heart's mitral valve does not close tightly, which allows blood to flow backwards in the heart. This reduces the amount of blood that flows to the rest of the body, making the patient feel tired or out of breath. Treatment depends on the nature and the severity of mitral regurgitation. In certain cases, heart surgery may be needed to repair or replace the valve. Left untreated, severe mitral valve regurgitation can cause heart failure or heart rhythm problems (arrhythmias).

Sleep apnea is a serious sleep disorder that occurs when a person's breathing is interrupted during sleep. People with untreated sleep apnea stop breathing repeatedly during sleep, sometimes hundreds of times per night. This disrupts oxygen supply to the brain and other parts of the body and, if left untreated, can lead to serious health consequences such as heart failure and other cardiac disorders, hypertension, stroke, and diabetes. There are two main kinds of sleep apnea: central sleep apnea ("CSA") and obstructive sleep apnea ("OSA"). These have different causes, as well as different treatments.

Therapies and Projects

Heart failure. In the heart failure area, New Ventures is currently managing three internal neurostimulation projects: Equilia, VITARIA and Intense, each aimed at treating heart failure through vagus nerve stimulation. Equilia is a first-generation device that benefited from our acquisition of the Belgian company Neurotech SA in 2012, which enhanced our technical expertise and intellectual property in the field of neurostimulation. The successful implantation of the first Equilia™ neurostimulation system device occurred in February 2015 as part of the Vanguard (Vagal Nerve Stimulation Safeguarding Heart Failure) clinical trial. The aim of the system is to treat heart failure through stimulation of the vagus nerve.

In February 2015, we also received CE Mark approval of our VITARIA System for patients who have moderate to severe heart failure (New York Heart Association Class II/III) with left ventricular dysfunction (ejection fraction < 40%) and who remain symptomatic despite stable, optimal heart failure drug therapy. The VITARIA System provides a specific method of VNS called autonomic regulation therapy ("ART"), and it includes the same elements as the VNS Therapy System - pulse generator, lead, programming wand and software, programming computer, tunneling tool and accessory pack - without the patient kit with magnets. We conducted a pilot study, ANTHEM-HF, outside the United States, which concluded during the quarter ended October 24, 2014. The study results support the safety and efficacy of ART delivered by the VITARIA System. We submitted the results to our European Notified Body, DEKRA, and on February 20, 2015, we received CE Mark approval. We commenced a limited market launch in Europe of the VITARIA System, with the first commercial implant in early June 2015. The VITARIA System is not available in the U.S. During the quarter ended October 24, 2014, we also initiated a second pilot study, ANTHEM-HFpEF, to study ART in patients experiencing symptomatic heart failure with preserved ejection fraction. This pilot study is currently underway outside the United States.

The other principal New Ventures heart failure initiative, Intense, is a broader project that is partially subsidized by the French government through Banque Publique d'Investissement ("BPI"). In the Intense project, LivaNova is, as was Sorin, the leader of a consortium consisting of academic, clinical, and business partners. The objective of this project is to bring to market a second-generation device that is capable of customizing treatment based on automation and selectivity features.

With the completion of the Mergers, the New Ventures is continuing to evaluate the appropriate course of action for future development. This will include further evaluation of each product and possible additional clinical trials designed to determine efficacy of this treatment.

Sleep apnea. In 2014, we completed a \$20 million minority investment in Respicardia, a U.S.-based developer of implantable therapies designed to improve respiratory and cardiovascular health. Respicardia has developed the first fully implantable device for the treatment of CSA. CSA is a type of sleep-disordered breathing that disturbs the normal breathing pattern during sleep, adversely affects patients' overall cardiovascular health and affects over five million patients worldwide. Over one-third of heart failure patients suffer from CSA, with many patients experiencing a worsening of heart failure symptoms and an increased risk of death. Today there is a significant unmet clinical need for more effective therapeutic solutions to better manage patients with CSA.

Respicardia's **remed[®]** System is a pacemaker-like device that delivers electrical pulses to the phrenic nerve via an implantable transvenous lead, which restores a more natural, less disrupted breathing pattern. The **remed[®]** System received CE mark certification in 2010 and is currently being evaluated in a U.S. randomized, controlled IDE pivotal trial. Our initial investment in Respicardia has financed ongoing clinical testing of the technology and represents an ideal complement to our innovative therapeutic solutions for heart failure patients. Under the terms of this transaction, we also acquired the exclusive right to distribute the **remed[®]** System in selected European countries and an exclusive option to acquire Respicardia in the future. Respicardia expects to complete a U.S. clinical trial in the first half of 2016, and if the trial is successful, apply for FDA approval in the second half of 2016.

We have also invested \$12.0 million in ImThera Medical, Inc. ("ImThera"), a privately held, emerging-sector, company developing an implantable neurostimulation device system for the treatment of obstructive sleep apnea. In November 2014, ImThera announced that the FDA approved an IDE for their targeted hypoglossal neurostimulation pivotal clinical study and patient enrollment has commenced.

Mitral valve regurgitation. LivaNova has also invested in three mitral valve startups. Cardiosolutions Inc., a startup headquartered in the United States in which we have held an interest since 2012, is developing an innovative Spacer technology for treating mitral regurgitation. In addition, Highlife S.A.S. ("Highlife"), headquartered in France, and Caisson Interventional LLC ("Caisson"), headquartered in the United States, are two external companies focused on developing devices for treating mitral regurgitation through percutaneous replacement of the native mitral valve. Although both ventures are focused on mitral valve replacement, their devices differ significantly in both the delivery system (transapical versus transfemoral) and the anchoring system. In February 2015, we made further investments of €2.8 million (\$3.1 million) and \$7.5 million, respectively, in HighLife and Caisson, to achieve certain development milestones.

Research and Development

The markets in which LivaNova participates are subject to rapid technological advances. Product improvement and innovation are necessary to maintain market leadership. Our research and development efforts are directed toward maintaining or achieving technological leadership in each of the markets LivaNova serves to help ensure that patients using our devices and therapies receive the most advanced and effective treatment possible. We remain committed to developing technological enhancements and new uses for existing products and less invasive and new technologies for new and emerging markets to address unmet patient needs. That commitment leads us to initiate and participate in many clinical trials each fiscal year as the demand for clinical and economic evidence remains high. We also expect our development activities to help reduce patient care costs and the length of hospital stays in the future.

Approximately 16% of our employees work in research and development. Our research and development activities include improving existing products and therapies, expanding their uses and applications and developing new products. We continue to focus on optimizing innovation and continue to assess LivaNova's research and development programs based on their ability to deliver economic value to the customer.

During the transitional period April 25, 2015 to December 31, 2015, and fiscal years ending April 24, 2015 and April 25, 2014 and April 26, 2013, we spent \$52 million, \$43 million, \$47 million and \$42 million on research and development, respectively.

For additional information, please refer to our "Consolidated Statement of Income (Loss)" in our consolidated financial statements, along with accompanying notes, included in this Report on Form 10-K/T at page F-4, below.

Acquisitions and Investments

Our strategy of providing a broad range of therapies requires a wide variety of technologies, products and capabilities. The rapid pace of technological development in the medical industry and the specialized expertise required in different areas of medicine make it difficult for one company alone to develop a broad portfolio of technological solutions. In addition to internally-generated growth through research and development efforts, LivaNova has historically relied, and expects to continue to rely, upon acquisitions, investments and alliances to provide access to new technologies in both new and existing markets.

LivaNova expects to further its strategic objectives and strengthen its existing businesses by making future acquisitions investments or in areas that it believes it can acquire or stimulate the development of new technologies and products. Mergers and acquisitions of medical technology companies are inherently risky and no assurance can be given that any of our previous or future acquisitions will be successful or will not materially adversely affect our consolidated operations, financial condition, and/or cash flows.

Patents and Licenses

We rely on a combination of patents, trademarks, copyrights, trade secrets, and non-disclosure and non-competition agreements to establish and protect our proprietary technology. We have a portfolio of over 2,000 patents, and regularly file patent applications worldwide in a continuing effort to establish and protect proprietary technology rights. U.S. patents typically have a 20-year term from the application date; patent protection outside the United States varies by country. In addition, we have entered into exclusive and non-exclusive licenses for a wide array of third-party technologies. We have also obtained certain trademarks and trade names for our products, and maintain certain details about our processes, products and strategies as trade secrets. In the aggregate, these intellectual property assets and licenses are considered to be of material importance to our business segments and operations. We regularly review third-party patents and patent applications in an effort to protect our intellectual property and avoid disputes over proprietary rights.

Further information, please refer to Item 1A. Risk Factors of this Report on Form 10-K/T, under the section entitled “*Risk Factors Relating to LivaNova’s Business-We are substantially dependent on patent and other proprietary rights and failing to protect such rights or to be successful in litigation related to our rights or the rights of others may result in our payment of significant monetary damages and/or royalty payments, negatively impact our ability to sell current or future products, or prohibit us from enforcing its patent and other proprietary rights against others.*”

Markets and Distribution Methods

The three largest markets for our medical devices are Europe, the United States and Japan. Emerging markets are an area of increasing focus and opportunity. We sell most of our medical devices through direct sales representatives in the United States and a combination of direct sales representatives and independent distributors in markets outside the United States.

Our marketing and sales strategy is focused on rapid, cost-effective delivery of high-quality products to a diverse group of customers worldwide - including physicians, perfusionists, hospitals and other medical institutions and healthcare providers. To achieve this objective, we maintain a highly knowledgeable and dedicated sales staff that is able to foster strong relationships with physicians, perfusionists, hospitals and other customers. We maintain excellent working relationships with professionals in the medical industry, which provides us with a detailed understanding of therapeutic and diagnostic developments, trends, and emerging opportunities and enables it to respond quickly to the changing needs of providers and patients. We actively participate in medical meetings and conduct comprehensive training and educational activities in an effort to enhance our presence in the medical community, and believe that these activities also contribute to healthcare professional expertise.

Due to the emphasis on cost-effectiveness in healthcare delivery, the current trend among hospitals and other medical device customers is to consolidate into larger purchasing groups in order to enhance purchasing power. As a result, customer transactions have become increasingly complex. Enhanced purchasing power may also lead to pressure on pricing and an increase in the use of preferred vendors. Our customer base continues to evolve to reflect such economic changes across the geographic markets it serves.

Competition and Industry

We compete in the medical device market in over 5,000 hospitals in more than 100 countries. This market is characterized by rapid change resulting from technological advances and scientific discoveries. Our competitors, across our product portfolio, range from large manufacturers with multiple business lines to small manufacturers offering a limited selection of specialized products. In addition, we face competition from providers of alternative medical therapies. Competitors for each of our business segments are discussed below:

- Cardiac Surgery:
 - Cardiopulmonary Products: All Cardiopulmonary products face competition from at least two other large companies, and some regional competitors, although not all competitors are present in all product lines. All products are sold in a competitive market where pricing can be a relevant factor.
- Heart Valves: We compete with three large competitors, and pricing is a significant factor.
- CRM: We compete with four large competitors, and features offered and pricing are significant competitive factors.
- Neuromodulation: We face competition from a large competitor in Europe and a smaller competitor in the United States.

Product problems, physician advisories, safety alerts and publications about our products can cause major shifts in industry market share, reflecting the importance of product quality, product efficacy and quality systems in the medical device industry. In addition, because of developments in managed care, economically-motivated customers, consolidation among healthcare providers, increased competition, and declining reimbursement rates, we may be increasingly required to compete on the basis of price. In order to continue to compete effectively, we must continue to create or acquire advanced technology, incorporate this technology into proprietary products, obtain regulatory approvals in a timely manner, maintain high-quality manufacturing processes and successfully market these products.

Financial Information about LivaNova, Our Business Units and Geographic Areas

Following the Mergers, we operate our business as three segments, which we call Business Units. The historical Cyberonics operations are included in the Neuromodulation Business Unit and the historical Sorin business activities are included in the CS and CRM Business Units. Our New Ventures group was created with contributions from both Cyberonics and Sorin. This Report on Form 10-K/T is a transition report as a result of the change from Cyberonics' fiscal year ending the last Friday in April to a calendar year ending December 31, which impacts the comparability of the prior fiscal year ended April 24, 2015 to the transitional year ended December 31, 2015. For a full analysis of our financial information, refer to the consolidated financial statements and accompanying notes beginning on page F-1 and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Report on Form 10-K/T. Refer to "Note 22. Geographic and Segment Information" to the consolidated financial statements for specific information regarding our net sales and long-lived assets broken down by geographic area.

Our worldwide operations are accompanied by certain financial and other risks. Relationships with customers and effective terms of sale vary by country; often with longer-term receivables than are typical in the United States. Currency exchange rate fluctuations can affect revenues, net of expenses, and cash flows from operations worldwide. For additional information, refer to "Item 1A. Risk Factors," Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes included in this Report on Form 10-K/T.

Production and Availability of Raw Materials

We manufacture a majority of our products at ten manufacturing facilities located in Italy, France, Germany, the United States, Canada, Brazil, Costa Rica and the Dominican Republic. We purchase many of the components and raw materials used in manufacturing these products from numerous suppliers in various countries. For quality assurance, sole source availability or cost effectiveness purposes, we may procure certain components and raw materials from a sole supplier. We work closely with our suppliers to ensure continuity of supply while maintaining high quality and reliability. Due to the regulatory requirements regarding manufacturing of our products, we may not be able to quickly establish additional or replacement sources for certain components or materials. Generally, we have been able to obtain adequate supplies of such raw materials and components. However, a sudden or unexpected reduction or interruption in supply, and an inability to develop alternative sources for such supply, could adversely affect our operations.

The quality systems we utilize in the design, production, warehousing and distribution of our products are designed to ensure that our products are safe and effective. Some of the governmental agencies and quality system regulations with which we are required to comply are as follows:

- The FDA's Quality System Regulation ("QSR") under section 520 of the federal Food, Drug and Cosmetic Act ("FDCA") and its implementing regulations at 21 C.F.R. Part 820.
- The International Standards Organization - ("ISO") EN ISO 13485:2012, Medical devices - Quality management systems.
- The Independent certification bodies, DEKRA, LNE/G-MED and TUV SUD act as our notified bodies to ensure that our manufacturing quality systems comply with ISO 13485:2003.
- The European Council Directives 93/42/EEC and 90/385/EEC, ISO 13485, which relates to medical devices and active implantable medical devices.

In addition, we utilize environmental management systems and safety programs to protect the environment and our employees. Some of the regulations and governmental agencies with which we comply are as follows:

- The U.S. Environmental Protection Agency ("EPA") for the regulation environmental and employee health and the Occupational Health and Safety Assessment System ("OSHAS").
- The European Union Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH").
- Italian regulations under the Integrated Environmental Authorization acts
- ISO 14001 certification

Government Regulation and Other Considerations

Our medical devices are subject to regulation by numerous government agencies, including the FDA and similar agencies outside the United States. To varying degrees, each of these agencies require LivaNova to comply with laws and regulations governing the research, development, testing, manufacturing, labeling, pre-market clearance or approval, marketing, distribution, advertising, promotion, recordkeeping, reporting, tracking, and importing and exporting of its medical devices. Our business is also affected by patient privacy and security laws, cost containment initiatives, and environmental health and safety laws and regulations worldwide. The primary laws and regulations that affect our business are described below.

The laws applicable to LivaNova are subject to change and subject to evolving interpretations. If a governmental authority were to conclude that we are not in compliance with applicable laws and regulations, LivaNova and its officers and employees could be subject to severe criminal and civil penalties, including substantial fines and damages, and exclusion from participation as a supplier of product to beneficiaries covered by government programs, among other potential enforcement actions.

United States

Each medical device LivaNova seeks to commercially distribute in the United States must first receive 510(k) clearance or pre-market approval from the FDA, unless specifically exempted by the agency. Under the FDCA, 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 ensure safety and effectiveness. Devices deemed to pose lower risk are categorized as either Class I or II, which requires the manufacturer to submit to the FDA a 510(k) pre-market notification requesting clearance of the device for commercial distribution in the United States. Some low-risk devices are exempted from this requirement. Devices deemed by the FDA to pose the greatest risk, such as life sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously 510(k)-cleared device, are categorized as Class III, requiring approval of a pre-market approval ("PMA") application.

510(k) Clearance Process

To obtain 510(k) clearance, LivaNova must submit a pre-market notification to the FDA demonstrating that the proposed device is substantially equivalent to a previously-cleared 510(k) device, a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for the submission of approval PMA application, or a device that has been reclassified from Class III to either Class II or I. In rare cases, Class III devices may be cleared through the 510(k) process. The FDA's 510(k) clearance process usually takes three to twelve months from the date the application is submitted and filed with the FDA, but may take significantly longer and clearance is never assured. Although many 510(k) pre-market notifications are cleared without clinical data, in some cases, the FDA requires significant clinical data to support substantial equivalence. In reviewing a pre-market notification submission, the FDA may request additional information, including clinical data, which may significantly prolong the review process.

After a device receives 510(k) clearance, any subsequent modification of the device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, will require a new 510(k) clearance or could require a PMA. The FDA requires each manufacturer to make this determination initially, but the FDA may review any such decision and may disagree with a manufacturer's determination. If the FDA disagrees with a manufacturer's determination, the FDA may require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or approval of a PMA is obtained. Under these circumstances, the FDA may also subject a manufacturer to significant regulatory fines or other penalties. In addition, the FDA is currently evaluating the 510(k) process and may make substantial changes to industry requirements, including which devices are eligible for 510(k) clearance, the ability to rescind previously granted 510(k)s and additional requirements that may significantly impact the process.

Pre-market Approval Process

A PMA application must be submitted if the medical device is in Class III (although the FDA has the discretion to continue to allow certain pre-amendment Class III devices to use the 510(k) process) or cannot be cleared through the 510(k) process. A PMA application must be supported by, among other things, extensive technical, preclinical and clinical trials, and manufacturing and labeling data to demonstrate to the FDA's satisfaction the safety and effectiveness of the device.

After a PMA application is submitted and filed, the FDA begins an in-depth review of the submitted information, which typically takes between one and three years, but may take significantly longer. During this review period, the FDA may request additional information or clarification of information already provided. Also during the review period, an advisory panel of experts from outside the FDA will usually be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. In addition, the FDA will conduct a pre-approval inspection of the manufacturing facility to ensure compliance with the QSR, which imposes elaborate design development, testing, control, documentation and other quality assurance procedures in the design and manufacturing process. The FDA may approve a PMA application with post-approval conditions intended to ensure the safety and effectiveness of the device including, among other things, restrictions on labeling, promotion, sale, and distribution and collection of long-term follow-up data from patients in the clinical study that supported approval. Failure to comply with the conditions of approval can result in materially adverse enforcement action, including, among other things, the loss or withdrawal of the approval. New PMA applications or supplements are required for significant modifications to the manufacturing process, labeling of the product and design of a device that is approved through the PMA process. PMA supplements often require submission of the same type of information as an original PMA application, except that the supplement is limited to information needed to support any changes from the device covered by the original PMA application, and may not require as extensive clinical data or the convening of an advisory panel.

Clinical Studies

One or more clinical trials may be required to support a 510(k) application and are almost always required to support a PMA application. Clinical trials of unapproved or uncleared medical devices or devices being studied for uses for which they are not approved or cleared (investigational devices) must be conducted in compliance with FDA requirements. If human clinical trials of a device are required and the device presents a significant risk, the sponsor of the trial must file an investigational device exemption, or IDE, application prior to commencing human clinical trials. The IDE application must be supported by data, typically including the results of animal and/or laboratory testing. If the IDE application is approved by the FDA and one or more institutional review boards ("IRBs"), human clinical trials may begin at a specific number of institutional investigational sites with the specific number of patients approved by the FDA. If the device presents a non-significant risk to the patient, a sponsor may begin the clinical trial after obtaining approval for the trial by one or more IRBs without separate approval from the FDA. During the trial, the sponsor must comply with the FDA's IDE requirements including, for example, investigator selection, trial monitoring, adverse event reporting and recordkeeping. The investigators must obtain patient informed consent, rigorously follow the investigational plan and trial protocol, control the disposition of investigational devices and comply with reporting and recordkeeping requirements. LivaNova, the FDA and the IRB at each institution at which a clinical trial is being conducted may suspend a clinical trial at any time for various reasons, including a belief that the subjects are being exposed to an unacceptable risk.

Continuing Regulation

After a device is cleared or approved for marketing in the United States, numerous and pervasive regulatory requirements continue to apply and LivaNova will continue to be subject to inspection by the FDA to determine its compliance with these requirements, as will its suppliers, contract manufacturers and contract testing laboratories. These requirements include, among others:

- the QSR, which governs, among other things, how manufacturers design, test, manufacture, modify, label, exercise quality control over and document manufacturing and quality issues regarding their products;
- Establishment Registration, which requires establishments involved in the production and distribution of medical devices, intended for commercial distribution in the United States, to register with the FDA;
- Medical Device Listing, which requires manufacturers to list the devices they have in commercial distribution with the FDA;
- labeling and claims regulations, which require that all advertising and promotion of devices be truthful, not misleading and fairly balanced and provide adequate directions for use, and that all claims be substantiated;
- prohibition of marketing devices for off-label uses, including requirements relating to dissemination of articles and information and responding to unsolicited requests for off-label information;
- medical device reporting (“MDR”) regulations, which requires reporting to the FDA if a device may have caused or contributed to a death or serious injury, or if a device has malfunctioned and would be likely to cause or contribute to a death or serious injury if the malfunction were to recur;
- reporting and record keeping for certain corrections or removals initiated by a manufacturer to reduce a risk to health posed by a device or to remedy a violation of the FDCA caused by the device that may present a risk to health;
- new statutory and regulatory requirements for Unique Device Identifiers (“UDIs”) on devices and submission of certain information about each device to the FDA’s Global Unique Device Identification Database (“GUDID”); and
- in some cases, ongoing monitoring and tracking of a device’s performance and periodic reporting to the FDA of such performance results.

The FDA enforces these requirements by inspection and market surveillance. The FDA periodically inspects our manufacturing facilities, which potentially includes our suppliers. If the FDA observes conditions that may constitute violations, we must correct the conditions or satisfactorily demonstrate the absence of the violations. The FDA also has the authority to request repair, replacement or refund of the cost of any device manufactured or distributed by us. Recently, the FDA has placed an increased emphasis on enforcement of the QSR and other post-market regulatory requirements. We continue to expend resources to maintain compliance with our obligations under the FDA’s regulations. Failure to comply with applicable regulatory requirements may result in enforcement action by the FDA, which may include one or more of the following sanctions:

- untitled letters or warning letters;
- fines, injunctions and civil penalties;
- mandatory recall or seizure of our products;
- administrative detention or banning of our products;
- operating restrictions, partial suspension or total shutdown of production;
- refusing our request for 510(k) clearance or pre-market approval of new product versions;
- revocation of 510(k) clearance or pre-market approvals previously granted; and
- criminal prosecution and penalties.

In December 2015, LivaNova received an FDA Warning Letter alleging certain violations of FDA regulations applicable to our 3T Heater Cooler devices and our Munich, Germany and Arvada, Colorado manufacturing facilities. For further information, please refer to “Note 16. Commitments and Contingencies - *Litigation and Regulatory Proceedings*” in our consolidated financial statements included in this Report on Form 10-K/T.

International

Outside the United States, LivaNova is subject to government regulation in the countries in which it operates. Although many of the regulations applicable to our products in these countries are similar to those of the FDA, these regulations vary significantly from country to country and with respect to the nature of the particular medical device. The time required to obtain foreign approvals to market our products may be longer or shorter than the time required in the United States, and requirements for such approvals may differ from FDA requirements. In the European Economic Area (which is composed of the 28 Member States of the European Union (“EU”) plus Norway, Liechtenstein and Iceland), a single regulatory approval process exists, and conformity with the legal requirements is represented by the CE mark. To obtain CE mark certification, defined products must meet minimum standards of performance, safety and quality (i.e., the essential requirements) set out in the EU Medical Devices Directives (Council Directive 93/42/EEC on Medical Devices and Council Directive 90/385/EEC on Active Implantable Medical Devices). To demonstrate compliance with the essential requirements we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low-risk medical devices (Class I with no measuring function and which are not sterile), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the EU Medical Devices Directives, a conformity assessment procedure requires the intervention of an organization accredited by a Member State of the EEA to conduct conformity assessments, or a Notified Body. Depending on the relevant conformity assessment procedure, the Notified Body would typically audit and examine the technical file and the quality system for the manufacture, design and final inspection of our devices. Following successful completion of a conformity assessment procedure the Notified Body issues a certification that entitles the manufacturer to affix the CE mark to its medical devices after having prepared and signed a related EC Declaration of Conformity. Manufacturers with CE marked devices are subject to regular inspections by Notified Bodies to monitor continued compliance with the essential requirements.

As a general rule, demonstration of conformity of medical devices and their manufacturers with the essential requirements must be based, among other things, on the evaluation of clinical data supporting the safety and performance of the products during normal conditions of use. Specifically, a manufacturer must demonstrate that the device achieves its intended performance during normal conditions of use, that the known and foreseeable risks, and any adverse events, are minimized and acceptable when weighed against the benefits of its intended performance, and that any claims made about the performance and safety of the device (e.g., product labeling and instructions for use) are supported by suitable evidence.

In the EEA, clinical trials for medical devices usually require the approval of an ethics review board and approval by or notification to the national regulatory authorities. Both regulators and ethics committees also typically require the submission of adverse event reports during a study and may request a copy of the final study report.

In September 2012, the European Commission published proposals for the revision of the EU regulatory framework for medical devices. The proposal would replace the Medical Devices Directive and the Active Implantable Medical Devices Directive with a new regulation (the Medical Devices Regulation). Unlike the Directives that must be implemented into national laws, the Regulation would be directly applicable in all EEA Member States and so is intended to eliminate current national differences in regulation of medical devices.

In October 2013, the European Parliament approved a package of reforms to the European Commission’s proposals. Under the revised proposals, only designated “special notified bodies” would be entitled to conduct conformity assessments of high-risk devices, such as active implantable devices. These special notified bodies will need to notify the European Commission when they receive an application for a conformity assessment for a new high-risk device. The European Commission will then forward the notification and the accompanying documents on the device to the Medical Devices Coordination Group (“MDCG”), (a new, yet to be created, body chaired by the European Commission, and representatives of Member States) for an opinion. These new procedures may result in the re-assessment of our existing medical devices, or a longer or more burdensome assessment of our new products.

If finally adopted, the Medical Devices Regulation is expected to enter into force sometime in 2016 and become applicable three years thereafter. In its current form it would, among other things, also impose additional reporting requirements on manufacturers of high risk medical devices, impose an obligation on manufacturers to appoint a “qualified person” responsible for regulatory compliance, and provide for more strict clinical evidence requirements.

The competent authorities of the EEA countries, generally in the form of their ministries or departments of health, oversee the clinical research for medical devices and are responsible for market surveillance of products once they are placed on the market. We are required to report device failures and injuries potentially related to product use to these authorities in a timely manner. Various penalties exist for non-compliance with the laws setting forth the medical device directives.

The FDA enforces these requirements by inspection and market surveillance. The FDA periodically inspects our manufacturing facilities, which potentially includes our suppliers. If the FDA observes conditions that may constitute violations, we must correct the conditions or satisfactorily demonstrate the absence of the violations; if we are unable to do so, we may face regulatory action. Non-compliance with applicable FDA requirements can result in, among other things, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure of the FDA to grant marketing approvals, withdrawal of marketing approvals, a recommendation by the FDA to disallow us to enter into government contracts, and criminal prosecutions. The FDA also has the authority to request repair, replacement or refund of the cost of any device manufactured or distributed by us. Recently, the FDA has placed an increased emphasis on enforcement of the QSR and other post-market regulatory requirements. We continue to expend resources to maintain compliance with our obligations under the FDA's regulations.

To be sold in Japan, most medical devices must undergo thorough safety examinations and demonstrate medical efficacy before they are granted approval, or "shonin". The Japanese government, through the Ministry of Health, Labour and Welfare ("MHLW"), regulates medical devices under the Pharmaceutical Affairs Law ("PAL"). Oversight for medical devices is conducted with participation by the Pharmaceutical and Medical Devices Agency ("PMDA"), a quasi-government organization performing many of the review functions for MHLW. Penalties for a company's noncompliance with PAL could be severe, including revocation or suspension of a company's business license and criminal sanctions. MHLW and PMDA also assess the quality management systems of the manufacturer and the product conformity to the requirements of the PAL. LivaNova is subject to inspection for compliance by these agencies.

Many countries in which we operate (outside of the EU, United States, or Japan) have their own regulatory requirements for medical devices. Most countries outside of the EU, United States or Japan require that product approvals be recertified on a regular basis, generally every five years. The recertification process requires that we evaluate any device changes and any new regulations or standards relevant to the device and, where needed, conduct appropriate testing to document continued compliance. Where recertification applications are required, they must be approved in order to continue selling our products in those countries. Because export control and economic sanctions laws and regulations are complex and constantly changing, we cannot ensure that laws and regulations may not be enacted, amended, enforced or interpreted in a manner materially impacting our ability to sell or distribute its products.

Our global regulatory environment is becoming increasingly stringent and unpredictable, which could increase the time, cost and complexity of obtaining regulatory approvals for our products. Several countries that did not have regulatory requirements for medical devices have established such requirements in recent years and other countries have expanded, or plan to expand, existing regulations. Certain regulators are requiring local clinical data in addition to global clinical data. While harmonization of global regulations has been pursued, requirements continue to differ significantly among countries. We expect that this global regulatory environment will continue to evolve, which could impact our ability to obtain future approvals for our products, or could increase the cost and time to obtain such approvals in the future. We cannot ensure that any new medical devices it develops will be approved in a timely or cost-effective manner, or approved at all.

Promotional Restrictions

Both before and after a product is commercially released, LivaNova has ongoing responsibilities under various laws and regulations governing medical devices. In addition to FDA regulatory requirements, the FDA and other U.S. regulatory bodies (including the Federal Trade Commission, the Office of the Inspector General of the Department of Health and Human Services, the Department of Justice and various state Attorneys General) monitor the manner in which we promote and advertise our products. Although physicians are permitted to use their medical judgment to employ medical devices for indications other than those cleared or approved by the FDA, we are prohibited from promoting products for such "off-label" uses and can only market its products for cleared or approved uses.

Governmental Trade Regulations

The sale and shipment of our products and services across international borders, as well as the purchase of components and products from international sources, subjects LivaNova to extensive governmental trade regulations. A variety of laws and regulations apply to the sale, shipment and provision of goods, services and technology across international borders. Many countries control the export and re-export of goods, technology and services for reasons including public health, national security, regional stability, antiterrorism policies and other reasons. Some governments may also impose economic sanctions against certain countries, persons or entities. In certain circumstances, approval from governmental authorities may be required before goods, technology or services are exported or re-exported to certain destinations, to certain end-users and for certain end-uses. Because LivaNova is subject to extensive regulations in the countries in which it operates, we are subject to the risk that laws and regulations could change in a way that would expose it to additional costs, penalties or liabilities. These laws and regulations govern, among other things, our import and export activities.

In addition to our need to comply with such regulations in connection with its direct export activities, we also sell and provide goods, technology and services to agents, representatives and distributors who may export such items to customers and end-users. If these third parties violate applicable export control and economic sanctions laws and regulations when engaging in transactions involving our products, we may be subject to varying degrees of liability dependent upon our participation in the transaction. The activities of our third parties may cause disruption or delays in the distribution and sales of our products, or result in restrictions being placed upon our international distribution and sales of products, which may materially impact LivaNova's business activities.

Patient Privacy and Security Laws

Various laws worldwide protect the confidentiality of certain patient health information, including patient medical records, and restrict the use and disclosure of patient health information by healthcare providers. Privacy standards in Europe and Asia are becoming increasingly strict, enforcement action and financial penalties related to privacy in the EU are growing, and new laws and restrictions are being passed. The management of cross-border transfers of information among and outside of EU member countries is becoming more complex, which may complicate our clinical research activities, as well as product offerings that involve transmission or use of clinical data. We will continue our efforts to comply with those requirements and to adapt our business processes to those standards.

With respect to the United States, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended by the Health Information Technology and Clinical Health Act ("HITECH") and their respective implementing regulations, including the final omnibus rule published on January 25, 2013, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys new general authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance efforts. LivaNova potentially operates as a business associate to covered entities in a limited number of instances. In those cases, the patient data that we receive may include protected health information, as defined under HIPAA. Enforcement actions can be costly and interrupt regular operations of our business. Nonetheless, these requirements affect a limited subset of our business. While LivaNova has not been named in any such suits, if a substantial breach or loss of data from our records were to occur, LivaNova could become a target of such litigation.

Cost Containment Initiatives

Government and private sector initiatives to limit the growth of healthcare costs, including price regulation, competitive pricing, bidding and tender mechanics, coverage and payment policies, comparative effectiveness of therapies, technology assessments, and managed-care arrangements, are continuing in many countries where LivaNova does business. These changes are causing the marketplace to put increased emphasis on the delivery of more cost-effective medical devices and therapies. Government programs, private healthcare insurance and managed-care plans have attempted to control costs by limiting the extent of coverage or amount of reimbursement available for particular procedures or treatments, tying reimbursement to outcomes, shifting to population health management, and other mechanisms designed to constrain utilization and contain costs. Hospitals, which purchase implants, are also seeking to reduce costs through a variety of mechanisms, including, for example, creating centralized purchasing functions that set pricing and in some cases limit the number of vendors that can participate in the purchasing program. Hospitals are also aligning their interests with physicians' through employment and other arrangements, such as gainsharing, whereby a hospital agrees with physicians to share certain realized cost savings resulting from the physicians' collective change in practice patterns, such as standardization of devices where medically appropriate, and participation in affordable care organizations. Such alignment has created increasing levels of price sensitivity among customers for our products.

Some third-party payers must also approve coverage and set reimbursement levels for new or innovative devices or therapies before they will reimburse healthcare providers who use the medical devices or therapies. Even though a new medical device may be cleared for commercial distribution, we may find limited demand for the device until coverage and sufficient reimbursement levels have been obtained from governmental and private third-party payers. In addition, some private third-party payers require that certain procedures or the use of certain products be authorized in advance as a condition of coverage.

In the United States, the implementation of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively, the “Affordable Care Act”), for example, has the potential to substantially change healthcare financing and delivery by both governmental and private insurers, and significantly impact the pharmaceutical and medical device industries. The Affordable Care Act imposed, among other things, a new federal excise tax on the sale of certain medical devices, which due to subsequent legislative amendments, has been suspended from January 1, 2016 to December 31, 2017, and, absent further legislative action, will be reinstated starting January 1, 2018. In addition, the Affordable Care Act provided incentives to programs that increase the federal government’s comparative effectiveness research. The Affordable Care Act also implemented payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. On August 2, 2011, President Obama signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals on spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, triggering the legislation’s automatic reduction of several government programs. These included reductions to Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013, and, due to subsequent legislative amendments, will stay in effect through 2025 unless additional Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals.

International examples of cost containment initiatives and healthcare reforms in markets significant to our business include Japan, where the government reviews reimbursement rate benchmarks every two years, such reviews may significantly reduce reimbursement for procedures using our medical devices or result in the denial of coverage for those procedures. As a result of our manufacturing efficiencies, cost controls and other cost-savings initiatives, we believe we are well-positioned to respond to changes resulting from this worldwide trend toward cost-containment; however, uncertainty remains as to the nature of any future legislation or other reforms, making it difficult for LivaNova to predict the potential impact of cost-containment trends on future operating results.

Applicability of Anti-Corruption Laws and Regulations

Our worldwide business is subject to the U.S. Foreign Corrupt Practices Act of 1977 (the “FCPA”), the United Kingdom Bribery Act of 2010 (the “U.K. Bribery Act”) and other anti-corruption laws and regulations applicable in the jurisdictions where it operates and is therefore subject to the same significant risks as described under the heading *“Risk Factors-Risk Factors Relating to the Combined Company Following Completion of the Mergers-The combined company will be exposed to significant risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programs”*.

Health Care Fraud and Abuse Laws

LivaNova is also subject to healthcare regulation and enforcement by the states, the federal government and foreign governments in which it conducts its business. These laws include, without limitation, state and federal anti-kickback, fraud and abuse, false claims and physician sunshine laws and regulations.

The federal Anti-Kickback Statute (“Anti-Kickback Statute”) prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, to induce either the referral of an individual for an item or service or the purchasing or ordering of a good or service, for which payment may be made under federal healthcare programs such as Medicare and Medicaid. The Anti-Kickback Statute is subject to evolving interpretations. In the past, the government has enforced the Anti-Kickback Statute to reach large settlements with healthcare companies based on sham consulting and other financial arrangements with physicians. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act (“False Claims Act”). The majority of states also have anti-kickback laws which establish similar prohibitions, and in some cases may apply to items or services reimbursed by any third-party payor, including commercial insurers.

Additionally, the civil False Claims Act prohibits knowingly presenting or causing the presentation of a false, fictitious or fraudulent claim for payment to the United States government. Actions under the False Claims Act may be brought by the Attorney General or as a qui tam action by a private individual in the name of the government. Violations of the False Claims Act can result in very significant monetary penalties and treble damages. The federal government is using the False Claims Act, and the accompanying threat of significant financial liability, in its investigation and prosecution of device and biotechnology companies throughout the country, for example, in connection with the promotion of products for unapproved uses and other sales and marketing practices. The government has obtained multi-million and multi-billion dollar settlements under the False Claims Act in addition to individual criminal convictions under applicable criminal statutes. Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws.

HIPAA also created new federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors; knowingly and willfully embezzling or stealing from a healthcare benefit program; willfully obstructing a criminal investigation of a healthcare offense; and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

There has also been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers. The Affordable Care Act, among other things, imposes new reporting requirements on certain device manufacturers for payments made by them to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit required information may result in civil monetary penalties of up to an aggregate of \$150,000 per year (or up to an aggregate of \$1 million per year for "knowing failures"), for all payments, transfers of value, or ownership or investment interests that are not timely, accurately and completely reported in an annual submission. Device manufacturers must submit reports to the government by the 90th day of each calendar year. Certain states also mandate implementation of compliance programs, impose restrictions on device manufacturer marketing practices and/or require the tracking and reporting of gifts, compensation and other remuneration to physicians.

The shifting commercial compliance environment and the need to build and maintain robust systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that a healthcare company may violate one or more of the requirements. If our operations are found to be in violation of any of such laws or any other governmental regulations that apply to it, it may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of its operations, exclusion from participation in federal and state healthcare programs and imprisonment, any of which could adversely affect its ability to operate its business and its financial results.

In addition, the FCPA can be used to prosecute companies in the United States for arrangements with physicians, or other parties outside the United States, if the physician or party is a government official of another country and the arrangement violates the law of that country. There are similar laws and regulations applicable to LivaNova outside the United States, all of which are subject to evolving interpretations.

Environmental Health and Safety Laws

LivaNova is also subject to various environmental health and safety laws and regulations worldwide. Like other medical device companies, our manufacturing and other operations involve the use and transportation of substances regulated under environmental health and safety laws including those related to the transportation of hazardous materials. To the best of our knowledge at this time, LivaNova does not expect that compliance with environmental protection laws will have a material impact on its consolidated results of operations, financial position or cash flows.

Patent Litigation Risks

LivaNova operates in an industry characterized by extensive patent litigation. Patent litigation can result in significant damage awards and injunctions that could prevent the manufacture and sale of affected products or result in significant royalty payments in order to continue selling the products. Although we are not currently a party to any patent litigation, we have in the past been involved as both a plaintiff and a defendant in patent infringement actions. While it is not possible to predict the outcome of patent litigation incident to our business, LivaNova believes the costs associated with future litigation of this type could have a material adverse impact on its consolidated results of operations, financial position or cash flows.

Product Liability and Insurance

The development, manufacture and sale of our products subject us to the risk of product liability claims. We are currently named as a defendant in one or more product liability lawsuits. As the manufacturer of medical devices, we likely will be named in the future as a defendant in other product liability lawsuits. We do not believe that our products involved in the current lawsuits are defective; however, the outcome of litigation is inherently unpredictable and could result in an adverse judgment and an award of substantial and material damages against us. Although we maintain product liability insurance in amounts that we believe to be reasonable, coverage limits may prove to be inadequate in some circumstances. Product liability insurance is expensive and in the future may only be available at significantly higher premiums or not available on acceptable terms, if at all. A successful claim brought against us in excess of our insurance coverage could severely harm our business and consolidated results of operations and financial position. We have undertaken field corrections to address product defects, and there can be no assurance that we will not be required to perform field corrections and product recalls or removals in the future.

We have sent safety alert letters and recommendations and published field notifications for our products. All of our FDA related field notifications and safety alerts affecting a significant patient population are available on our website, www.livanova.com. Any such current or future product defects may result in legal claims with material adverse consequences to our business.

We endeavor to maintain executive and organization liability insurance in a form and with aggregate coverage limits that we believe are adequate for our business purposes, but our coverage limits may prove not to be adequate in some circumstances. In addition, executive and organization liability insurance is expensive and in the future may be available only at significantly higher premiums or not be available on acceptable terms, if at all. Further, insurance companies may be unable to meet their obligations under the policies they have issued or will issue in the future.

For a description of our material pending legal and regulatory proceedings and settlements, refer to “Note 16. Commitments and Contingencies - *Litigation and Regulatory Proceedings*” in our consolidated financial statements included in this Report on Form 10-K/T.

Working Capital Practices

Our goal is to carry sufficient levels of inventory to ensure adequate supply of raw materials from suppliers and meet the product delivery needs of our customers. To meet the operational demands of our customers, we also provide payment terms to customers in the normal course of business and rights to return product under warranty.

Employees

As of December 31, 2015, LivaNova employed approximately 4,700 employees worldwide. Our employees are vital to our success, and we are engaged in an ongoing effort to identify, hire, manage and maintain the talent necessary to meet our business objectives. We believe that we have thus far been successful in attracting and retaining qualified personnel in a highly-competitive labor market due, in large part to our competitive compensation and benefits and our rewarding work environment, fostering employee professional training and development and providing employees with opportunities to contribute to LivaNova’s continued growth and success.

Seasonality

For all product segments, the number of medical procedures incorporating our product sales is generally lower during summer months due to summer vacation schedules. This is particularly relevant to European countries.

Website and Availability of Public Filings with the SEC

Our website address is www.livanova.com. We make available free of charge on or through our website our Proxy Statements on Schedule 14A, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, and reports relating to beneficial ownership of our securities filed or furnished pursuant to Section 16 of the Exchange Act, as soon as reasonably practicable after electronically filing such material with the SEC. Our website also contains the charters for each standing committee of our Board of Directors and our Code of Business Conduct and Ethics.

Materials we file with the SEC may be read and copied at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding our company, filed electronically with the SEC.

We may from time to time provide important disclosures to investors by posting them in the Investor Relations section of our website, as allowed by SEC rules. Information on our website is not incorporated into this Form 10-K/T.

Item 1A: Risk Factors

Risk Factors Relating to LivaNova's Business

Our share price constantly changes.

LivaNova's ordinary shares are traded on the NASDAQ Global Market and the Main Market of the London Stock Exchange under the ticker symbol "LIVN." Our share price may be affected by a number of factors, some of which are beyond our control, including, without limitation:

- changes in the general condition of the economy and other factors unrelated to our operating performance, including the valuation of the British pound versus other currencies, people's expectations (favorable or unfavorable) as to our likely growth, or other factors;
- regulatory activities and announcements, including activities related to the FDA quality system regulation;
- uncertainties associated with governmental and regulatory inquiries and investigations;
- the introduction of new products or product enhancements by us or our competitors;
- national and regional coverage determinations by third-party payors, including private insurance companies, Medicare, state Medicaid programs and other international bodies responsible for coverage determinations;
- results of studies regarding the safety and efficacy of our products;
- results of studies regarding the safety and efficacy of drugs or devices that are competitive or potentially competitive to our products;
- clinical trial results and/or regulatory approvals regarding devices that are potential competitors to our products;
- annual and quarterly variations in our sales and operating results;
- announcements of significant contracts, mergers, acquisitions or capital commitments;
- our ability to obtain and maintain favorable coverage and reimbursement for our products;
- our ability to find licensees for some of our technology and the terms of any licenses we grant;
- security analyst expectations and predictions;
- changes in financial estimates by securities analysts;
- additions or departures of key management or other personnel;
- the potential identification of material weaknesses in our internal controls over financial reporting;
- disputes or other developments with respect to intellectual property rights or other potential legal actions;
- uncertainties associated with litigation; and
- false or misleading reports published by investors intended to drive our stock price up or down for the purpose of profiting from transactions in our stock.

Our annual and quarterly operating results may fluctuate in the future, which may cause our share price to decline.

Our net sales, expenses and operating results may vary significantly from year to year and quarter to quarter for several reasons, including, without limitation:

- The ability of our sales force to effectively market and promote our products, and the extent to which those products gain market acceptance;
- the existence and timing of any approvals, changes, or non-coverage determinations for reimbursement by third-party payors;
- the rate and size of expenditures incurred on our clinical, manufacturing, sales, marketing and product development efforts;
- our ability to obtain and retain qualified personnel;

- the availability of key components, materials and contract services, which depends on our ability to forecast sales, among other things;
- investigations of our business and business-related activities by regulatory or other governmental authorities;
- variations in timing and quantity of product orders;
- temporary manufacturing interruptions or disruptions;
- the timing and success of new product and new market introductions, as well as delays in obtaining domestic or foreign regulatory approvals for such introductions;
- increased competition, patent expirations or new technologies or treatments;
- product recalls or safety alerts;
- litigation, including product liability, patent, employment, securities class action, stockholder derivative, general commercial and other lawsuits;
- the financial health of our customers, and their ability to purchase our products in the current economic environment; and
- other unusual or non-operating expenses, such as expenses related to mergers or acquisitions, may cause operating result variations.

As a result of any of these factors, our consolidated results of operations may fluctuate significantly, which may in turn cause our share price to fluctuate.

Global healthcare policy changes, including U.S. healthcare reform legislation, may have a material adverse effect on LivaNova.

In response to perceived increases in healthcare costs, there have been and continue to be proposals by governments, regulators and third-party payers to control these costs. The adoption of some or all of these proposals could have a material adverse effect on our financial position and results of operations. These proposals have resulted in efforts to reform the U.S. healthcare system which may lead to pricing restrictions, limits on the amounts of reimbursement available for our products and could limit the acceptance and availability of our products.

In the United States, the federal government enacted legislation, including the Affordable Care Act to overhaul the nation's healthcare system. While one goal of healthcare reform is to expand coverage to more individuals, it also involves increased government price controls, additional regulatory mandates and other measures designed to constrain medical costs. Among other things, the Affordable Care Act:

- imposes an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States. Due to subsequent legislative amendments, the excise tax has been suspended from January 1, 2016 to December 31, 2017, and, absent further legislative action, will be reinstated starting January 1, 2018;
- establishes a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical effectiveness research in an effort to coordinate and develop such research; and
- implements payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models.

In addition, other legislative changes have been proposed and adopted in the United States since the Affordable Care Act was enacted. On August 2, 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of 2% per fiscal year, which went into effect in April 2013, and, due to subsequent legislative amendments to the statute, will remain in effect through 2025 unless additional Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals. We cannot predict what healthcare programs and regulations will be ultimately implemented at the federal

or state level, or the effect of any future legislation or regulation. However, any changes that lower reimbursement for our products or reduce medical procedure volumes could adversely affect our business and results of operations.

The Affordable Care Act also focuses on a number of Medicare provisions aimed at decreasing costs. It is uncertain at this point what unintended consequences these provisions will have on patient access to new technologies. The Medicare provisions include value-based payment programs, increased funding of comparative effectiveness research, reduced hospital payments for avoidable readmissions and hospital-acquired conditions, and pilot programs to evaluate alternative payment methodologies that promote care coordination (such as bundled physician and hospital payments). Additionally, the law includes a reduction in the annual rate of inflation for hospitals that began in 2011 and the establishment of an independent payment advisory board to recommend ways of reducing the rate of growth in Medicare spending beginning in 2014. We cannot predict what healthcare programs and regulations will be implemented at the global level or the U.S. federal or state level, or the effect of any future legislation or regulation. However, any changes that lower reimbursement for our products or reduce medical procedure volumes could adversely affect our business and results of operations.

The Italian Parliament introduced new rules for entities that supply goods and services to the Italian National Healthcare System. The new healthcare law is expected to impact the business and financial reporting of companies operating in the medical technology sector that sell medical devices in Italy. A key provision of the law is a ‘payback’ measure, requiring companies selling medical devices in Italy to make payments to the Italian state if medical device expenditures exceed regional maximum ceilings. Companies are required to make payments equal to a percentage of expenditures exceeding maximum regional caps. There is considerable uncertainty about how the law will operate and what the exact timeline is for finalization. Our current assessment of the Italian Medical Device Payback involves significant judgment regarding the expected scope and actual implementation terms of the measure as the latter have not been clarified to date by Italian authorities. We account for the estimated cost of the Medical Device Payback as a deduction from revenue.

Outside of the United States, reimbursement systems vary significantly by country. Many foreign markets have government-managed healthcare systems that govern reimbursement for medical devices and procedures. Additionally, some foreign reimbursement systems provide for limited payments in a given period and therefore result in extended payment periods. If adequate levels of reimbursement from third-party payors outside of the United States are not obtained, international sales of our products may decline.

In addition, in the United States, certain state governments and the federal government have enacted legislation aimed at increasing transparency of LivaNova’s interactions with healthcare providers, for example, federal “sunshine” requirements imposed by the Affordable Care Act on certain manufacturers of devices for which payment is available under Medicare, Medicaid, or the Children’s Health Insurance Program regarding any “transfer of value” made or distributed to physicians and teaching hospitals. Failure to submit required information may result in civil monetary penalties of up to an aggregate of \$150,000 per year (or up to an aggregate of \$1 million per year for “knowing failures”), for all payments, transfers of value or ownership or investment interests that are not timely, accurately, and completely reported in an annual submission. Manufacturers must submit reports by the 90th day of each calendar year.

Similar laws exist outside the United States, such as in France, which adopted the “Physician Payments Sunshine Act” in 2011. The French act requires companies to publicly disclose agreements with, and certain benefits provided to, certain French healthcare professionals. Other countries are considering or may enact laws or regulations comparable to those implemented in the United States and France. Any failure to comply with these legal and regulatory requirements could impact our business. In addition, we may continue to devote substantial additional time and financial resources to further develop and implement policies, systems, and processes to comply with enhanced legal and regulatory requirements, which may also impact our business. We anticipate that governmental authorities will continue to scrutinize our industry closely, and that additional regulation may increase compliance and legal costs, exposure to litigation, and other adverse effects to our operations.

The success and continuing development of our products depend upon maintaining strong relationships with physicians and healthcare professionals.

If we fail to maintain our working relationships with physicians, our products may not be developed and marketed in line with the needs and expectations of the professionals who use and support our products. The research, development, marketing and sales of many of our new and improved products is dependent upon our working relationships with physicians. We rely on these professionals to provide us with considerable knowledge and experience regarding our products and the marketing of our products. Physicians assist us as researchers, marketing consultants, product consultants, inventors and public speakers. If we are unable to maintain our strong relationships with these professionals and continue to receive their advice and input, the

development and marketing of our products could suffer, which could have a material adverse effect on our consolidated financial condition and results of operations.

We may be unable to obtain and maintain adequate third-party reimbursement on our products, which could have a significant negative impact on our future operating results.

Our ability to commercialize our products is dependent, in large part, on whether third-party payors, including private healthcare insurers, managed care plans, governmental programs and others agree to cover the costs and services associated with our products and related procedures in the United States and internationally.

Our products are purchased principally by healthcare providers that typically bill various third-party payors, such as governmental programs (e.g., Medicare and Medicaid in the United States), private insurance plans and managed care plans, for the healthcare services provided to their patients. The ability of customers to obtain appropriate reimbursement for their services and the products they provide from government and third-party payors is critical to the success of medical technology companies. The availability of adequate reimbursement affects which procedures customers perform, the products customers purchase and the prices customers are willing to pay. Reimbursement varies from country to country and can significantly impact the acceptance of new technology. After we develop a promising new product, we may find limited demand for the product unless reimbursement approval is obtained from private and governmental third-party payors. In addition, periodic changes to reimbursement methodologies could have an adverse impact on our business.

We may also experience decreasing prices for our goods and services due to pricing pressure experienced by customers from governmental payors, managed care organizations and other third-party payors, increased market power of our customers as the medical device industry consolidates and increased competition among medical engineering and manufacturing services providers. If the prices for goods and services decrease and we are unable to reduce expenses, our results of operations will be adversely affected.

Cost-containment pressures and legislative or administrative reforms resulting in restrictive reimbursement practices of third-party payors or preferences for alternate therapies could decrease the demand for products purchased by our customers, the prices they are willing to pay for those products and the number of procedures using our devices.

Major third-party payors for healthcare provider services continue to work to contain healthcare costs. The introduction of cost containment incentives, combined with closer scrutiny of healthcare expenditures by both private health insurers and employers, could result in increased discounts and contractual adjustments to healthcare provider charges for services performed and in the shifting of services between inpatient and outpatient settings. Initiatives to limit the growth of healthcare costs, including price regulation, are also underway in several countries in which we do business. Implementation of healthcare reforms in the United States and in significant overseas markets such as Germany, Italy, France, Japan and other countries may limit the price of, or the level at which, reimbursement is provided for our products and adversely affect both our pricing flexibility and the demand for our products. Healthcare providers may respond to such cost-containment pressures by substituting lower cost products or other therapies for our products.

The continuing efforts of governmental authorities, insurance companies, and other payors of healthcare costs to contain or reduce these costs could lead to patients being unable to obtain approval for payment from these payors. If payment approval cannot be obtained by patients, sales of finished medical devices or those that use our components may decline significantly, and our customers may reduce or eliminate purchases of our products and/or components. This could have a material or adverse impact on our results of earnings and cash flows.

Patient confidentiality and federal and state privacy and security laws and regulations in the United States may adversely impact our selling model.

U.S. HIPAA establishes federal rules protecting the privacy and security of personal health information. The privacy and security rules address the use and disclosure of individual healthcare information and the rights of patients to understand and control how such information is used and disclosed. HIPAA provides both criminal and civil fines and penalties for covered entities or business associates that fail to comply. If we fail to comply with the applicable regulations, we could suffer civil penalties up to or exceeding \$50,000 per violation, with a maximum of \$1.5 million for multiple violations of an identical requirement during a calendar year and criminal penalties with fines up to \$250,000 and potential imprisonment.

In addition to HIPAA, virtually every state has enacted one or more laws to safeguard privacy, and these laws vary significantly from state to state and change frequently. Even if our business model is compliant with the HIPAA Privacy and Security Rule and the privacy laws of the states we operate in, it may not be compliant with the privacy laws of all states. Because the operation of our business involves the collection and use of substantial amounts of “protected health information,” we endeavor to conduct our business as a “covered entity” under the HIPAA Privacy and Security Rule and consistent with the state privacy laws, obtaining HIPAA-compliant patient authorizations where required to support our use and disclosure of patient information. We also sometimes act as a “business associate” for a covered entity. The Office for Civil Rights of the Department of Health and Human Services or another government enforcement agency may determine that our business model or operations are not in compliance with the HIPAA Privacy and Security Rules, which could subject us to penalties, could severely limit our ability to market and sell our products under our existing business model and could harm our business growth and consolidated financial position.

Our information technology systems may be vulnerable to hacker intrusion, malicious viruses and other cybercrime attacks, which may harm our business and expose the company to liability.

Our operations depend to a great extent on the reliability and security of our information technology system, software and network, which are subject to damage and interruption caused by human error, problems relating to the telecommunications network, software failure, natural disasters, sabotage, viruses and similar events. Any interruption in our systems could have a negative effect on the quality of products and services offered and, as a result, on customer demand and therefore volume of sales.

Our product sales are subject to regulatory clearance or approval and our business is subject to extensive regulatory requirements. If we fail to maintain regulatory clearances and approvals, or are unable to obtain, or experience significant delays in obtaining, such clearances or approvals for future products or product enhancements, our ability to commercially distribute and market these products could suffer.

LivaNova’s medical device products and operations are subject to extensive regulation by the FDA and various other federal, state and foreign government authorities. Government regulation of medical devices is meant to assure their safety and effectiveness and includes regulation of, among other things:

- design, development and manufacturing;
- testing, labeling, packaging, content and language of instructions for use, and storage;
- clinical trials;
- product safety;
- pre-market clearance and approval;
- marketing, sales and distribution (including making product claims);
- advertising and promotion;
- product modifications;
- recordkeeping procedures;
- reports of corrections, removals, enhancements, recalls and field corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;
- complying with the new federal law and regulations requiring Unique Device Identifiers on devices and also requiring the submission of certain information about each device to the FDA’s Global Unique Device Identification Database; and
- product import and export laws.

Before a new medical device, or a new use of, or claim for, an existing medical device can be marketed in the United States, the FDA must first grant either premarket clearance under Section 510(k) of the Federal Food, Drug and Cosmetic Act or approval of a premarket approval application unless an exemption applies. In the 510(k) clearance process, the FDA must determine that the proposed device is “substantially equivalent” to a device legally on the market, known as a “predicate” device. To establish

substantial equivalence, the applicant must demonstrate that: (i) the device has the same intended use; (ii) the device has the same technological characteristics; and (iii) to the extent the technological characteristics are different, that they do not raise different questions of safety and effectiveness. Clinical data is sometimes required to support substantial equivalence, though the 510(k) pathway generally requires less data and a shorter review period than a PMA approval. The PMA pathway requires an applicant to demonstrate reasonable assurance of safety and effectiveness of the device for its intended use based, in part, on extensive data including, but not limited to, technical, preclinical, clinical trial, manufacturing and labeling data. The PMA process is typically required for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices.

The 510(k) and PMA processes can be expensive, lengthy and sometimes unpredictable. The processes also entail significant user fees, unless exempt. The FDA's 510(k) clearance process usually takes from six to 18 months, but may take longer if more data is needed. The PMA pathway is much more costly and uncertain than the 510(k) clearance process and it generally takes from one to five years, or even longer, from the time the application is filed with the FDA until an approval is obtained. The process of obtaining regulatory clearances or approvals to market a medical device can be costly and time-consuming, and we may not be able to obtain these clearances or approvals on a timely basis, if at all.

In our Neuromodulation Business, for example, the FDA required us to conduct a post-approval patient dosing study and a patient registry as a condition of approval for the depression indication. The results of the dosing study have been included in our product labeling, and the results of the patient registry may be included in our product labeling. If we fail to complete the patient registry in a timely manner, we may be subject to regulatory action, including withdrawal of our depression indication approval. Any adverse regulatory action, depending on its breadth, may be detrimental to our business.

Modifications to our marketed products may require new clearances or approvals, and may require LivaNova to cease marketing or recall the modified products until required clearances or approvals are obtained.

An element of our strategy is to continue to upgrade our products, add new features and expand clearance or approval of our current products to new indications. In the United States, any modification to a PMA-approved device generally requires additional approval by the FDA. Similarly, any modification to a 510(k)-cleared device that could significantly affect its safety or efficacy, or that would constitute a major change in its intended use, technology, materials, packaging and certain manufacturing processes, may require a new 510(k) clearance or, possibly, PMA approval. The FDA requires every manufacturer to make the determination regarding the need for a new 510(k) clearance or PMA approval in the first instance; but the FDA may (and often does) review the manufacturer's decision, and, where the FDA does not agree, may retroactively require the manufacturer to submit a 510(k) or PMA, and may require recall of the affected device until clearance or approval is obtained. LivaNova and its subsidiaries have made modifications to our products in the past and may make additional modifications in the future that we believe do not or will not require additional clearances or approvals. No assurance can be given that the FDA would agree with any of our decisions not to seek 510(k) clearance or PMA approval.

If the FDA requires us to cease marketing and recall a modified device until it obtains a new 510(k) clearance or PMA approval, our business, financial condition, operating results and future growth prospects could be materially adversely affected. Any recall or FDA requirement that we seek additional approvals or clearances could result in significant delays, fines, increased costs associated with modification of a product, loss of revenue and potential operating restrictions imposed by the FDA.

Furthermore, the FDA's ongoing review of the 510(k) clearance process may make it more difficult for us to make modifications to our previously cleared products, either by imposing more strict requirements on when a new 510(k) notification for a modification to a previously cleared product must be submitted, or applying more onerous review criteria to such submissions. For example, the FDA is currently reviewing its guidance describing when it believes a manufacturer is obligated to submit a new 510(k) for modifications or changes to a previously cleared device. The FDA is expected to issue revised guidance to assist device manufacturers in making this determination. It is unclear whether the FDA's approach in this new guidance will result in substantive changes to existing policy and practice regarding the assessment of whether a new 510(k) is required for changes or modifications to existing devices. The FDA continues to review its 510(k) clearance process, which could result in additional changes to regulatory requirements or guidance documents, which could increase the costs of compliance or restrict our ability to maintain current clearances.

Outside of the United States, our medical devices must comply with the laws and regulations of the foreign countries in which they are marketed, and compliance may be costly and time-consuming. Failure to obtain and maintain regulatory approvals in jurisdictions outside the United States will prevent LivaNova from marketing our products in such jurisdictions.

LivaNova currently markets, and intends to continue to market, our products outside the United States. To market and sell products in countries outside the United States, we must seek and obtain regulatory approvals, certifications or registrations and comply with the laws and regulations of those countries. These laws and regulations, including the requirements for approvals, certifications or registrations and the time required for regulatory review, vary from country to country. Obtaining and maintaining foreign regulatory approvals, certifications or registrations are expensive, and we cannot be certain that we will receive regulatory approvals, certifications or registrations in any foreign country in which we plan to market our products. The regulatory approval process outside the United States may include all of the risks associated with obtaining FDA clearance or approval in addition to other risks.

In order for LivaNova to market its products in the Member States of the EEA, our devices are required to comply with the essential requirements of the EU Medical Devices Directives (Council Directive 93/42/EEC of 14 June 1993 concerning medical devices, as amended, and Council Directive 90/385/EEC of 20 June 1990 relating to active implantable medical devices, as amended). Compliance with these requirements entitles LivaNova to affix the CE conformity mark to our medical devices, without which they cannot be commercialized in the EEA. In order to demonstrate compliance with the essential requirements and obtain the right to affix the CE conformity mark, an applicant must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I non-sterile, non-measuring devices), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the Medical Devices Directives, a conformity assessment procedure requires the intervention of a Notified Body, which is an organization accredited by a Member State of the EEA, to conduct conformity assessments. The Notified Body would typically audit and examine the quality system for the manufacture, design and final inspection of the device before issuing a certification demonstrating compliance with the essential requirements. Based on this certification, we can draw up an EC Declaration of Conformity, which allows us to affix the CE mark to our products.

In September 2012, the European Commission published proposals for the revision of the EU regulatory framework for medical devices. The proposal would replace the Medical Devices Directive with a new regulation (the "Medical Devices Regulation"). Unlike the Directives that must be implemented into national laws, the Medical Devices Regulation would be directly applicable in all EEA Member States and so is intended to eliminate current national differences in regulation of medical devices. In October 2013, the European Parliament approved a package of reforms to the European Commission's proposals. Under the revised proposals, only designated "special notified bodies" would be entitled to conduct conformity assessments of high-risk devices. These special notified bodies will need to notify the European Commission when they receive an application for a conformity assessment for a new high-risk device. The European Commission will then forward the notification and the accompanying documents on the device to the MDCG for an opinion.

If finally adopted, the Medical Devices Regulation is expected to enter into force in 2016 and become applicable three years thereafter. The adoption of the Medical Devices Regulation may, however, be materially delayed. In its current form it would, among other things, also impose additional reporting requirements on manufacturers of high risk medical devices, impose an obligation on manufacturers to appoint a "qualified person" responsible for regulatory compliance, and provide for more strict clinical evidence requirements. These new rules and procedures may result in increased regulatory oversight of our devices and this may, in turn, increase the costs, time and requirements that need to be met in order to maintain or place such devices on the EEA market.

LivaNova may not be able to obtain regulatory approvals or certifications outside the United States on a timely basis, if at all. Clearance or approval by the FDA does not ensure approval or certification by regulatory authorities or Notified Bodies in other countries, and approval or certification by one foreign regulatory authority or Notified Body does not ensure approval by regulatory authorities in other countries or by the FDA. We may be required to perform additional pre-clinical or clinical studies even if the FDA clearance or approval, or the right to bear the CE mark, has been obtained. If we fail to obtain or maintain regulatory approvals, certifications or registrations in any foreign country in which we plan to market our products, our business, financial condition and operating results could be adversely affected.

If LivaNova's marketed medical devices are defective or otherwise pose safety risks, the FDA and similar foreign governmental authorities could require their recall, or we may initiate a recall of our products voluntarily.

The FDA and similar foreign governmental authorities may require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture or in the event that a product poses an unacceptable risk to health. Manufacturers, on their own initiative, may recall a product if any material deficiency in a device is found. We have initiated voluntary product recalls in the past.

A government-mandated or voluntary recall by us or one of our sales agencies could occur as a result of an unacceptable risk to health, component failures, manufacturing errors, design or labeling defects or other deficiencies and issues. Recalls of any of our products would divert managerial and financial resources and have an adverse effect on its financial condition and operating results. Any recall could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. We also may be required to bear other costs or take other actions that may have a negative impact on our future revenue and the ability to generate profits. We may initiate voluntary actions to withdraw or remove or repair our products in the future that we determine do not require notification of the FDA as a recall. If the FDA disagrees with our determinations, it could require us to report those actions as recalls. In addition, the FDA could take enforcement action for failing to report the recalls when they were conducted.

In addition, depending on the corrective action we take to redress a product's deficiencies or defects, the FDA may require, or we may decide, that we will need to obtain new approvals or clearances for the device before we may market or distribute the corrected device. Seeking such approvals or clearances may delay our ability to replace the recalled devices in a timely manner. Moreover, if we do not adequately address problems associated with our devices, we may face additional regulatory enforcement action, including FDA warning letters, product seizure, injunctions, administrative penalties, or civil or criminal fines.

In the EEA, our European operations must comply with the EU Medical Device Vigilance System, the purpose of which is to improve the protection of health and safety of patients, users and others by reducing the likelihood of reoccurrence of incidents related to the use of a medical device. Under this system, incidents must be reported to the Competent Authorities of the Member States of the EEA. An incident is defined as any malfunction or deterioration in the characteristics and/or performance of a device, as well as any inadequacy in labeling or instructions that may, directly or indirectly, lead or have led to death or serious health deterioration of a patient. Incidents are evaluated by the EEA Competent Authorities to whom they have been reported, and where appropriate, information is disseminated between them in the form of National Competent Authority Reports ("NCARs"). The Medical Device Vigilance System is further intended to facilitate a direct, early and harmonized implementation of Field Safety Corrective Actions ("FSCAs"), across the Member States of the EEA where the device is in use. An FSCA is an action taken by a manufacturer to reduce a risk of death or serious deterioration in the state of health associated with the use of a medical device that is already placed on the market. An FSCA may include the recall, modification, exchange, destruction or retrofitting of the device. FSCAs must be communicated by the manufacturer or its legal representative to its customers and/or to the end users of the device through Field Safety Notices.

A future recall announcement in the United States, EEA or elsewhere could harm our reputation with customers and negatively affect our revenue.

If our products cause or contribute to a death or a serious injury, or malfunction in certain ways, we will be subject to medical device reporting regulations, which can result in voluntary corrective actions or agency enforcement actions.

Under the FDA MDR regulations, we are required to report to the FDA any incident in which our products have or 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. If we fail to report these events to the FDA within the required timeframes, or at all, the FDA could take enforcement action against us. Any adverse event involving our products could result in future voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending against any potential lawsuits, will require the dedication of our time and capital, distract management from operating the business, and may harm our reputation and financial results.

Regulatory action or concern over Bovine Spongiform Encephalopathy ("BSE") may limit our ability to market products containing bovine material.

Certain of our products, including our Perceval, Crown PRT, Solo Smart and Mitroflow tissue valves, are manufactured using bovine tissue. Concerns relating to the potential transmission of BSE, commonly known as "mad cow disease," from cows to humans may result in reduced acceptance of products containing bovine materials. Some medical device regulatory agencies have considered and are considering whether to continue to permit the sale of medical devices that incorporate certain animal material. While we are not aware of any reported cases of transmission of BSE through medical products, the suspension or revocation of authority to manufacture, market or distribute products containing bovine material, or the imposition of a regulatory requirement that we procure material for these products from alternate sources, could result in lost market opportunities, harm the continued commercialization and distribution of such products and impose additional costs on us. We

have not experienced any significant adverse impact on our sales as a result of concerns regarding BSE, but no assurance can be given that such an impact may not occur in the future.

Our manufacturing operations require us to comply with the FDA's and other governmental authorities' laws and regulations regarding the manufacture and production of medical devices, which is costly and could subject us to enforcement action.

LivaNova and certain of its third-party manufacturers are required to comply with the FDA's current Good Manufacturing Practice ("GMP") requirements, as embodied in the QSR which covers the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of medical device products in the United States. LivaNova and certain of its suppliers also are subject to the regulations of foreign jurisdictions regarding the manufacturing process for products marketed outside of the United States. The FDA enforces the QSR through periodic announced (routine) and unannounced (for cause or directed) inspections of manufacturing facilities, during which the FDA may issue Forms FDA-483 listing inspectional observations which, if not addressed to the FDA's satisfaction, can result in further enforcement action. Similar inspections are carried out in the EEA by Notified Bodies and EEA Competent Authorities. The failure by LivaNova or one of our suppliers to comply with applicable statutes and regulations administered by the FDA and other regulatory bodies, or the failure to timely and adequately respond to any adverse inspectional observations or product safety issues could result in:

- untitled letters, warning letters, fines, injunctions or consent decrees;
- customer notifications or repair, replacement, refund, recall, detention or seizure of products;
- operating restrictions or partial suspension or total shutdown of production;
- refusal to grant or delay in granting 510(k) clearance or PMA approval of new products or modified products;
- withdrawing 510(k) clearances or PMA approvals that have already been granted;
- refusal to grant export approval for our products; or
- civil penalties or criminal prosecution.

Any of these actions could impair our ability to produce our products in a cost-effective and timely manner in order to meet customers' demands. We also may be required to bear other costs or take other actions that may have a negative impact on our future revenue and ability to generate profits. Furthermore, our key component suppliers may not currently be or may not continue to be in compliance with all applicable regulatory requirements, which could result in failure to produce products on a timely basis and in the required quantities, if at all.

LivaNova is subject to substantial post-market government regulation and any adverse regulatory action may materially adversely affect our financial condition and business operations.

Our medical devices remain subject to regulation by numerous government agencies following clearance or approval, including the global device regulatory bodies. To varying degrees, each of these agencies requires us to comply with laws and regulations governing manufacturing, labeling, marketing, distribution, reporting, importing and exporting of our medical devices. In recent years, the FDA in particular has significantly increased its oversight of companies subject to its regulations, including medical device companies, by hiring new investigators and stepping up inspections of manufacturing facilities. The FDA has recently also significantly increased the number of warning letters issued to companies.

In December 2015, we received an FDA Warning Letter alleging certain violations of FDA regulations applicable to our 3T Heater Cooler devices and our Munich, Germany and Arvada, Colorado manufacturing facilities. The Warning Letter included an immediate prohibition on the importation of 3T Heater Cooler devices to the United States. We take these matters seriously and are working diligently to resolve the concerns raised by the FDA and to reduce any adverse impact this import restriction will have on existing U.S. customers of 3T Heater Cooler devices. We believe that the FDA's concerns can be resolved without a material impact on our financial results. Manufacturing and shipment of all of the Company's products other than the 3T Heater Cooler are unaffected by this limitation at the present time and will continue as normal. For further information, please refer to "Note 16. Commitments and Contingencies - *Litigation and Regulatory Proceedings*" in our consolidated financial statements included in this Report on Form 10-K/T.

Device manufacturers are permitted to promote products solely for the uses and indications set forth in the approved product labeling. A number of enforcement actions have been taken against manufacturers that promote products for "off-label" uses,

including actions alleging that federal healthcare program reimbursement of products promoted for “off-label” uses are false and fraudulent claims to the government. The failure to comply with “off-label” promotion restrictions can result in significant administrative obligations and costs, and potential penalties from, and/or agreements with, the federal government.

We use many distributors and independent sales representatives in certain territories and thus rely upon their compliance with applicable laws and regulations, such as the FDCA, the Anti-Kickback Statute, the False Claims Act, the Physician Payments Sunshine Act, similar laws under countries located outside the United States and other applicable federal, state or international laws. If a global regulatory body were to conclude that we are not in compliance with applicable laws or regulations, or that any of our medical devices are ineffective or pose an unreasonable health risk, it could ban such medical devices, detain or seize adulterated or misbranded medical devices, order a recall, repair, replacement, or refund of such devices, refuse to grant pending pre-market approval applications or require certificates of foreign governments for exports, and/or require us to notify healthcare professionals and others that the devices present unreasonable risks of substantial harm to the public health. The global device regulatory bodies may also impose operating restrictions on a company-wide basis, enjoin and/or restrain certain conduct resulting in violations of applicable law pertaining to medical devices, and assess civil or criminal penalties against, or recommend prosecution of, our officers, employees, or our company itself. Any adverse regulatory action, depending on its magnitude, may restrict us from effectively marketing and selling its products.

LivaNova is also subject to various environmental laws and regulations worldwide. Our operations involve the use of substances regulated under environmental laws, primarily those used in manufacturing and sterilization processes. We cannot guarantee that compliance with environmental protection laws and regulations will not have a material impact on our consolidated earnings, financial condition, and/or cash flows.

In addition to the above-referenced laws and regulations, any governmental law or regulation imposed in the future may have a material adverse effect on us. From time to time, legislation is drafted and introduced that could significantly change the statutory provisions governing the clearance or approval, manufacture and marketing of medical devices. In addition, global regulatory bodies’ regulations and guidance can be revised or reinterpreted in ways that may significantly affect our business and products. It is impossible to predict whether legislative changes will be enacted or regulations, guidance or interpretations changed, and what the impact of such changes, if any, may be.

Quality problems with our processes, goods, and services could harm our reputation for producing high-quality products and erode our competitive advantage, sales, and market share.

Quality is extremely important to us and our customers due to the serious and costly consequences of product failure. Our quality certifications are critical to the marketing success of our goods and services. If we fail to meet these standards, our reputation could be damaged, we could lose customers, and our revenue and results of operations could decline. Aside from specific customer standards, our success depends generally on our ability to manufacture to exact tolerances precision-engineered components, subassemblies, and finished devices from multiple materials. If our components fail to meet these standards or fail to adapt to evolving standards, our reputation as a manufacturer of high-quality components will be harmed, our competitive advantage could be damaged, and we could lose customers and market share.

Product liability claims could adversely impact our consolidated financial condition and our earnings and impair our reputation.

Our business exposes us to potential product liability risks that are inherent in the design, manufacture and marketing of medical devices. In addition, many of the medical devices we manufacture and sell are designed to be implanted in the human body for long periods of time. Component failures, manufacturing defects, design flaws or inadequate disclosure of product-related risks or product-related information with respect to these or other products we manufacture or sell could result in an unsafe condition or injury to, or death of, a patient. The occurrence of such an event could result in product liability claims or a recall of, or safety alert relating to, one or more of our products. We have elected to self-insure with respect to a portion of our product liability risks and hold global insurance policies in amounts we believe are adequate to cover future losses. Product liability claims or product recalls in the future, regardless of their ultimate outcome, could have a material adverse effect on our business and reputation and on our ability to attract and retain customers for our products.

Our failure to comply with rules relating to healthcare fraud and abuse, false claims and privacy and security laws may subject us to penalties and adversely impact our reputation and business operations.

Our devices and therapies are subject to regulation regarding quality and cost by various governmental agencies worldwide responsible for coverage, reimbursement and regulation of healthcare goods and services. In the United States, for example, federal government healthcare laws apply when a customer submits a claim for an item or service that is reimbursable under a U.S. federal government-funded healthcare program, such as Medicare or Medicaid. The principal U.S. federal laws implicated include:

- the Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying 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 the Medicare and Medicaid programs. A person or entity does not need to have actual knowledge of the Anti-Kickback Statute or specific intent to violate it to have committed a violation; in addition, the government may assert that a claim including items or services resulting from a violation of the Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- federal civil and criminal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other federal third-party payors that are false or fraudulent. Private individuals can file suits on behalf of the government under the False Claims Act, known as “qui tam” actions and such individuals, commonly known as “whistleblowers,” may share in any amounts paid by the entity to the government in fines or settlement. 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 for each separate false claim;
- the federal Civil Monetary Penalties Law, which prohibits, among other things, offering or transferring remuneration to a federal healthcare beneficiary that a person knows or should know is likely to influence the beneficiary’s decision to order or receive items or services reimbursable by the government from a particular provider or supplier;
- federal criminal laws that prohibit executing a scheme to defraud any federal healthcare benefit program or making false statements relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information;
- the federal Physician Payment Sunshine Act, which requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children’s Health Insurance Program (with certain exceptions) to report annually to the Centers for Medicare & Medicaid Services (“CMS”) information related to payments or other “transfers of value” made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and requires applicable manufacturers and group purchasing organizations to report annually to the government ownership and investment interests held by the physicians described above and their immediate family members and payments or other “transfers of value” to such physician owners. Manufacturers are required to submit reports to CMS by the 90th day of each calendar year;
- the FCPA, which prohibits corporations and individuals from paying, offering to pay or authorizing the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity; the U.K. Bribery Act, which prohibits both domestic and international bribery, as well as bribery across both public and private sectors; and bribery provisions contained in the German Criminal Code, which, pursuant to draft legislation being prepared by the German government, may make the corruption and corruptibility of physicians in private practice and other healthcare professionals a criminal offense; and
- analogous state and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require device companies to comply with the industry’s voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws that require device manufacturers to report information related to payments and other transfers of value to physicians and other

healthcare providers or marketing expenditures; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

The risk of LivaNova being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available under such laws, it is possible that some of our business activities, including our relationships with surgeons and other healthcare providers, some of whom recommend, purchase and/or prescribe our devices, group purchasing organizations and our independent sales agents and distributors, could be subject to challenge under one or more of such laws. LivaNova is also exposed to the risk that our employees, independent contractors, principal investigators, consultants, vendors, independent sales agents and distributors may engage in fraudulent or other illegal activity. While we have policies and procedures in place prohibiting such activity, misconduct by these parties could include, among other infractions or violations, intentional, reckless and/or negligent conduct or unauthorized activity that violates FDA regulations, including those laws that require the reporting of true, complete and accurate information to the FDA, manufacturing standards, federal and state healthcare fraud and abuse laws and regulations, laws that require the true, complete and accurate reporting of financial information or data or other commercial or regulatory laws or requirements. It is not always possible to identify and deter misconduct by our employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting LivaNova from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations.

There are similar laws and regulations applicable to LivaNova outside the United States, all of which are subject to evolving interpretations. Global enforcement of anti-corruption laws has increased substantially in recent years, with more frequent voluntary self-disclosures by companies, aggressive investigations and enforcement proceedings by governmental agencies, and assessment of significant fines and penalties against companies and individuals. Our operations create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents, or distributors because these parties are not always subject to our control. It is our policy to implement safeguards to discourage these practices. However, our existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants, sales agents, or distributors may engage in conduct for which we might be held responsible. Any alleged or actual violations of these regulations may subject us to government scrutiny, severe criminal or civil sanctions and other liabilities, including exclusion from government contracting or government healthcare programs, and could negatively affect our business, reputation, operating results, and financial condition. In addition, a governmental authority may seek to hold us liable for successor liability violations committed by any companies in which we invest or that we acquire.

If a governmental authority were to conclude that we are not in compliance with applicable laws and regulations, we and our officers and employees could also be subject to exclusion from participation as a supplier of product to beneficiaries. If we are excluded from participation based on such an interpretation it could adversely affect our reputation and business operations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

Our insurance policies may not be adequate to cover future losses.

Our insurance policies (including general and products liability) provide insurance in such amounts and against such risks we have reasonably determined to be prudent in accordance with industry practices or as is required by law or regulation. Although, based on historical loss trends, we believe that our insurance coverage will be adequate to cover future losses; we cannot guarantee that this will remain true. Historical trends may not be indicative of future losses, and losses from unanticipated claims could have a material adverse impact on our consolidated earnings, financial condition, and/or cash flows.

Consolidation in the healthcare industry could have an adverse effect on our revenue and results of operations.

Many healthcare industry companies, including medical device companies, are consolidating to create new companies with greater market power. As the healthcare industry consolidates, competition to provide goods and services to industry participants will become more intense. These industry participants may try to use their market power to negotiate price concessions or reductions for medical devices that incorporate components we produce. Increasing pricing pressures as a result of industry consolidation could have an adverse effect on our revenue, results of operations, financial position and cash flows.

We are substantially dependent on patent and other proprietary rights and failing to protect such rights or to be successful in litigation related to our rights or the rights of others may result in our payment of significant monetary damages and/or royalty payments, negatively impact our ability to sell current or future products, or prohibit us from enforcing its patent and other proprietary rights against others.

We operate in an industry characterized by extensive patent litigation. Patent litigation against LivaNova could result in significant damage awards and injunctions that could prevent our manufacture and sale of affected products or require us to pay significant royalties in order to continue to manufacture or sell affected products.

We also rely on a combination of patents, trade secrets, and non-disclosure and non-competition agreements to protect our proprietary intellectual property, and we will continue to do so. While we intend to defend against any threats to our intellectual property, these patents, trade secrets, or other agreements may not adequately protect our intellectual property. Further, pending patent applications may not result in patents being issued to us. Patents issued to or licensed by us in the past or in the future may be challenged or circumvented by competitors and such patents may be found invalid, unenforceable or insufficiently broad to protect our technology and may limit our competitive advantage. Third parties could obtain patents that may require us to negotiate licenses to conduct our business, and the required licenses may not be available on reasonable terms or at all. We also rely on non-disclosure and non-competition agreements with certain employees, consultants, and other parties to protect, in part, trade secrets and other proprietary rights. We cannot be certain that these agreements will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information, or that third parties will not otherwise gain access to our trade secrets or proprietary knowledge.

In October 2009 for example, we entered into a license arrangement with Flint Hills Scientific, L.L.C. (“Flint Hills”), which was amended in January 2011 and January 2015. The license relates to the ability of the AspireSR generator to, among other things, provide additional stimulation automatically by responding to a patient’s relative heart-rate changes that exceed variable thresholds. The license provides for a royalty fee in the low single digit percentages as it relates to AspireSR sales. Failure to protect such a license arrangement could have a material adverse effect on the Neuromodulation Business Unit.

In addition, the laws of certain countries in which we market our products are not uniform and may not protect our intellectual property rights equally. If we are unable to protect our intellectual property in particular countries, it could have a material adverse effect on our business, financial condition or results of operations.

Our research and development efforts rely upon investments and investment collaborations, and we cannot guarantee that any previous or future investments or investment collaborations will be successful.

Our strategy to provide a broad range of therapies to restore patients to fuller, healthier lives requires a wide variety of technologies, products, and capabilities. The rapid pace of technological development in the medical industry and the specialized expertise required in different areas of medicine make it difficult for one company alone to develop a broad portfolio of technological solutions. In addition to internally generated growth through our research and development efforts, we rely upon investments and investment collaborations to provide us access to new technologies both in areas served by our existing or legacy businesses as well as in new areas.

We expect to make future investments where we believe that we can stimulate the development of, or acquire new technologies and products to further our strategic objectives and strengthen our existing businesses. Investments and investment collaborations in and with medical technology companies are inherently risky, and we cannot guarantee that any of our previous or future investments or investment collaborations will be successful or will not materially adversely affect our consolidated earnings, financial condition and/or cash flows.

Our products are the subject of clinical trials conducted by LivaNova, our competitors, or other third parties, the results of which may be unfavorable, or perceived as unfavorable, and could have a material adverse effect on our business, financial condition, and results of operations.

As a part of the regulatory process of obtaining marketing clearance or approval for new products and modifications to or new indications for existing products, we conduct and participate in numerous clinical trials with a variety of study designs, patient populations, and trial endpoints. Unfavorable or inconsistent clinical data from existing or future clinical trials conducted by LivaNova, by our competitors, or by third parties, or the market’s or global regulatory bodies’ perception of this clinical data, may adversely impact our ability to obtain product clearances or approvals, our position in, and share of, the markets in which we participate, and our business, financial condition, and results of operations. Success in pre-clinical testing and early clinical

trials does not always ensure that later clinical trials will be successful, and we cannot be sure that later trials will replicate the results of prior trials and studies. Clinical studies must also be conducted in compliance with Good Clinical Practice (“GCP”) requirements administered by the FDA and other foreign regulatory authorities, and global regulatory bodies may undertake enforcement action against us based on a failure to adhere to these requirements. Any delay or termination of our clinical trials will delay the filing of product submissions and, ultimately, our ability to commercialize new products or product modifications. It is also possible that patients enrolled in clinical trials will experience adverse side effects that are not currently part of the product’s profile, which could inhibit further marketing and development of such products.

The global medical device industry is highly competitive and LivaNova may be unable to compete effectively.

In the product lines in which we compete, we face a mixture of competitors ranging from large manufacturers with multiple business lines to small manufacturers that offer a limited selection of specialized products. Development by other companies of new or improved products, processes, or technologies, as discussed above, may make our products or proposed products less competitive. In addition, we face competition from providers of alternative medical therapies such as pharmaceutical companies. We face increasing competition for our indication specific patents for certain products. Competitive factors include:

- product quality, reliability and performance;
- product technology;
- breadth of product lines and product services;
- ability to identify new market trends;
- customer support;
- price;
- capacity to recruit engineers, scientists and other qualified employees; and
- reimbursement approval from governmental payors and private healthcare insurance providers.

Shifts in industry market share can occur in connection with product issues, physician advisories, safety alerts, and publications about our products reflecting the importance of product quality, product efficacy, and quality systems in the medical device industry. In the current environment of managed care, consolidation among healthcare providers, increased competition, and declining reimbursement rates, we are increasingly required to compete on the basis of price. In order to continue to compete effectively, we must continue to create, invest in, or acquire advanced technology, incorporate this technology into our proprietary products, obtain regulatory approvals in a timely manner, and manufacture and successfully market our products. Additionally, we may experience design, manufacturing, marketing or other difficulties that could delay or prevent our development, introduction or marketing of new products or new versions of our existing products. As a result of such difficulties and delays, our development expenses may increase and, as a consequence, our results of operations could suffer.

For example, in our Neuromodulation business, our indication-specific patent protection for the VNS Therapy System for epilepsy and depression indications has expired. As a result, we could be subject to wider competition from medical devices without legal recourse to challenge our competitors based on patent infringement. For example, in November 2013, the FDA approved NeuroPace, Inc.’s responsive neurostimulation device for the treatment of refractory epilepsy. This device includes electrodes placed in pre-determined areas in the brain where seizures are thought to originate. NeuroPace has commenced commercial activity in the United States. In addition, a company based in Europe, Neurotech, SA, which is now owned by Sorin, has obtained authorization to affix the CE Mark to market a device capable of vagus nerve stimulation, and CerebralRx Ltd., based in Israel also has CE Mark approval for an implantable device capable of vagus nerve stimulation. CerebralRx Ltd. has engaged in tender offers in Italy, subjecting us to competition in that market. As a practical matter, we are always subject to competition from new and existing drugs. In the future, we expect to be subject to competition from both medical devices and drugs in the United States and other countries, which may reduce our sales and earnings or limit our growth. In addition, we believe that a company in China may be developing an implantable device that provides neuromodulation therapy to the vagus nerve; however we are not privy to details regarding any such device, including its commercial launch.

If we experience decreasing prices for our goods and services and we are unable to reduce our expenses, the results of our operations will suffer.

We may experience decreasing prices for our goods and services due to pricing pressure experienced by our customers from governmental payors, managed care organizations and other third-party payors, increased market power of our customers as the

medical device industry consolidates and increased competition among medical engineering and manufacturing services providers. If the prices for our goods and services decrease and we are unable to reduce expenses, the results of our operations will be adversely affected.

We are subject to the risks of international economic and political conditions.

Our international operations are subject to risks that are inherent in conducting business overseas and under foreign laws, regulations and customs. These risks include possible nationalization, expropriation, importation limitations, violations of U.S. or local laws, including, but not limited to, the U.S. FCPA, pricing restrictions, and other restrictive governmental actions. Any significant changes in the competitive, political, legal, regulatory, reimbursement or economic environment where we conduct international operations may have a material impact on our business and our consolidated financial condition or results of operations.

Since 2008, the global economy has been impacted by the sequential effects of an ongoing global financial crisis. This global financial crisis, including the European sovereign debt crisis, has caused extreme disruption in the financial markets, including severely diminished liquidity and credit availability. There can be no assurance that there will not be further deterioration in the global economy. Customers and vendors may experience financial difficulties or be unable to borrow money to fund their operations, which may adversely impact their ability to purchase our products or to pay for our products on a timely basis, if at all. As with our customers and vendors, these economic conditions make it more difficult for us to accurately forecast and plan future business activities. In addition, a significant amount of our trade receivables are either with third party intermediaries marketing, selling and distributing our products or with national healthcare systems in many countries, and repayment of these receivables is dependent upon the financial stability of the economies of those countries.

In light of these global economic fluctuations, we continue to monitor the creditworthiness of all of our customers worldwide. Failure to receive payment of all or a significant portion of receivables could adversely affect results of operations and cash flows. Deterioration in the creditworthiness of the Eurozone countries, the withdrawal of one or more member countries from the EU or the failure of the euro as a common European currency could adversely affect our revenue, financial condition or results of operations.

We intend to continue to pursue growth opportunities in sales worldwide, including in emerging markets outside Europe and the United States, which could expose us to greater risks associated with sales and operations in these regions. Emerging economies have less mature product regulatory systems and can have more volatile financial markets. Our profitability and operations are, and will continue to be, subject to a number of risks and potential costs, including:

- local product preferences and product requirements;
- longer-term receivables than are typical in the EU or the United States;
- fluctuations in foreign currency exchange rates;
- less intellectual property protection in some countries outside the EU or the United States;
- trade protection measures and import and export licensing requirements;
- workforce instability;
- political and economic instability;
- the FCPA, which prohibits corporations and individuals from paying, offering to pay or authorizing the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity; the U.K. Bribery Act, which prohibits both domestic and international bribery, as well as bribery across both public and private sectors; and bribery provisions contained in the German Criminal Code, which, pursuant to draft legislation being prepared by the German government, may make the corruption and corruptibility of physicians in private practice and other healthcare professionals a criminal offense; and
- analogous state and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require device companies to comply with the industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws that require device

manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

LivaNova is exposed to foreign currency exchange risk.

We transact business in numerous countries around the world and expect that a significant portion of our business will continue to take place in international markets. Consolidated financial statements are prepared in our functional currency, while the financial statements of each of our subsidiaries are prepared in the functional currency of that entity.

Accordingly, fluctuations in the exchange rate of the functional currencies of our foreign currency entities against the functional currency of LivaNova will impact our results of operations and financial condition. Several of our subsidiaries conduct transactions in currencies different than their functional currency. As such, it is expected that our revenue and earnings will continue to be exposed to the risks that may arise from fluctuations in foreign currency exchange rates, which could have a material adverse effect on our business, results of operation or financial condition. Although we may elect to hedge certain foreign currency exposure, we cannot be certain that the hedging activity will eliminate our currency risk.

We are exposed to significant risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programs.

LivaNova does business on a worldwide basis, which requires us to comply with the laws and regulations of various jurisdictions. Our international operations are subject to anti-corruption laws and regulations, such as the FCPA, the U.K. Bribery Act and economic sanctions programs, including those administered by the United Nations, the EU and the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”) and regulations set forth under the Comprehensive Iran Accountability Divestment Act. The FCPA prohibits providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. The provisions of the U.K. Bribery Act extend beyond the bribery of foreign public officials and are more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties. Economic sanctions programs restrict our business dealings with certain sanctioned countries.

As a result of doing business in foreign countries, we are exposed to a risk of violating anti-corruption laws and sanctions regulations applicable in those countries where we, our partners or agents operate. Some of the international locations in which we operate, often in emerging markets, lack a developed legal system and have high levels of corruption. Our continued expansion and worldwide operations, including in developing countries, our development of joint venture relationships worldwide and the employment of local agents in the countries in which we operate increases the risk of violations of anti-corruption laws, OFAC regulations or similar laws. Violations of anti-corruption laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on our reputation and consequently on our ability to win future business.

While we believe we have a strong culture of compliance and adequate systems of control, we will seek to continuously improve our systems of internal controls and to remedy any weaknesses identified. There can be no assurance, however, that the policies and procedures will be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents or partners and, as a result, we may be subject to penalties and material adverse consequences on our business, financial condition or results of operations.

In many of the international markets in which we do business, including certain parts of Europe, Asia and Latin America, we sell our products through distributors who may misrepresent our products.

Selling our products through distributors, particularly in public tenders, may expose us to a higher degree of risk. Our distributors are third parties retained by us to sell our products in different markets. However, our agents and distributors are independent contractors. If they misrepresent our products, do not provide appropriate service and delivery, or commit a violation of local or U.S. law, our reputation could be harmed, and we could be subject to fines, sanctions or both.

Changes in tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition and results of operations.

LivaNova is subject to income taxes as well as non-income based taxes, in the United States, the EU and various jurisdictions. We are also subject to ongoing tax audits in various other foreign jurisdictions. Tax authorities may disagree with certain positions we have taken and assess additional taxes. We believe that our accruals reflect the probable outcome of known contingencies. However, there can be no assurance that we will accurately predict the outcomes of ongoing audits, and the actual outcomes of these audits could have a material impact on our consolidated net income or financial condition. Changes in tax laws or tax rulings could materially impact our effective tax rate or results of operations.

LivaNova is subject to lawsuits.

LivaNova is or has been a defendant in a number of lawsuits for, among other things, alleged products liability and suits alleging patent infringement, and could be subject to additional lawsuits in the future. Given the uncertain nature of litigation generally, we are not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation (including tax litigation) to which we are a party. Any such future losses, individually or in the aggregate, could have a material adverse effect on our results of operations and cash flows.

For a description of our material pending legal and regulatory proceedings and settlements, refer to “Note 16. Commitments and Contingencies - *Litigation and Regulatory Proceedings*” in our consolidated financial statements included in this Report on Form 10-K/T.

Laws and/or collective bargaining agreements relating to employees may impact LivaNova’s flexibility to redefine and/or strategically reposition our activities.

In many of the countries where we operate, employees are covered by various laws and/or collective bargaining agreements that endow them, through their local or national representatives, with the right to be consulted in relation to specific issues, including the downsizing or closing of departments and staff reductions. The laws and/or collective bargaining agreements that are applicable to these agreements could have an impact on our flexibility, as they apply to programs to redefine and/or strategically reposition our activities, which could occur antecedent to the completion of the Mergers or in the ordinary course of business. Our ability to implement staff downsizing programs or even temporary interruptions of employment relationships is predicated on the approval of government entities and the consent of labor unions. Union-organized work stoppages by employees could have a negative impact on our business.

Risks related to management’s performance.

To a large extent, our success is predicated on the ability of its management team to effectively manage LivaNova and the individual businesses that it operates. The loss of the services of a senior manager or other key employee without an adequate replacement or the inability to attract and retain new and qualified resources could have a negative impact on our business outlook, activities and operating and financial results.

Risks related to access to financial resources.

The credit lines provided by our lenders are governed by clauses, commitments and covenants. The failure to comply with these provisions can constitute a failure to perform a contractual obligation, which authorizes the lender banks to demand the immediate repayment of the facilities, making it difficult to obtain alternative resources.

Changes in our financial position are the result of a number of factors, specifically including the achievement of budgeted objectives and the trends shaping general economic conditions, and the financial markets and the industry within which we operate. We expect to generate the resources needed to repay maturing indebtedness and fund scheduled investments from the cash flow produced by our operations, our available liquidity, the renewal or refinancing of bank borrowings and possibly, access to the capital markets. Even under current market conditions, we expect that our operations will generate adequate financial resources. Nevertheless, given the volatility in current financial markets, the possibility that problems in the banking and monetary markets could hinder the normal handling of financial transactions cannot be excluded.

Certain of our debt instruments will require us to comply with certain affirmative covenants and specified financial covenants and ratios.

Certain restrictions in our debt instruments could affect our ability to operate and may limit our ability to react to market conditions or to take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control such as prevailing economic, financial, regulatory and industry conditions. If any of these restrictions or covenants is breached, we could be in default under one or more of our debt instruments, which, if not cured or waived, could result in acceleration of the indebtedness under such agreements and cross defaults under its other debt instruments. Any such actions could result in the enforcement of our lenders' security interests and/or force us into bankruptcy or liquidation, which could have a material adverse effect on our financial condition and results of operations.

As an English public limited company, certain capital structure decisions will require shareholder approval which may limit LivaNova's flexibility to manage its capital structure.

LivaNova is a public limited company incorporated under the laws of England and Wales. English law provides that a board of directors may only allot shares (or rights to subscribe for or convertible into shares) with the prior authorization of shareholders, such authorization being up to the aggregate nominal amount of shares and for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. This authorization would need to be renewed by LivaNova's shareholders prior to or upon its expiration (i.e., at least every five years). The LivaNova articles of association authorize the allotment of additional shares for a period of five years from the date of the adoption of the LivaNova articles up to an aggregate nominal amount of 9,764,463 ordinary shares, representing 20% of the number of shares in the capital of LivaNova as of October 19, 2015, the date of the adoption of the LivaNova articles, which authorization will need to be renewed upon expiration but may be sought more frequently for additional five-year terms (or any shorter period) and/or may be sought to allot a larger number of shares than specified in the existing authorization.

English law also generally provides shareholders with pre-emptive rights when new shares are issued for cash; however, it is possible for the LivaNova articles, or shareholders in general meeting, to exclude or disapply pre-emptive rights. Such an exclusion or disapplication of pre-emptive rights may be for a maximum period of up to five years from the date of adoption of the LivaNova articles, if the exclusion is contained in the LivaNova articles, or from the date of the shareholder resolution, if the exclusion is by shareholder resolution; in either case, this exclusion would need to be renewed by LivaNova's shareholders prior to or upon its expiration (i.e., at least every five years). The LivaNova articles exclude pre-emptive rights in relation to an allotment of shares for cash pursuant to the authority referred to above for a period of five years following the date of the adoption of the LivaNova articles, which exclusion will need to be renewed upon expiration (i.e., at least every five years) to remain effective, but may be sought more frequently for additional five-year terms (or any shorter period) and/or may be sought to apply a larger number of shares than specified in the existing, disapplication authority.

English law also generally prohibits a public company from repurchasing its own shares without the prior approval of shareholders by ordinary resolution, being a resolution passed by a simple majority of votes cast, and other formalities. Such approval may be valid for a maximum period of up to five years.

Risks related to the reduction or interruption in supply and an inability to develop alternative sources for supply may adversely affect our manufacturing operations and related product sales.

LivaNova maintains manufacturing operations in 9 countries located throughout the world and purchases many of the components and raw materials used in manufacturing these products from numerous suppliers in various countries. Some of these companies are highly unionized. A close collaborative relationship between a manufacturer and its suppliers is typical in the medical device industry. While this approach can produce economic benefits in terms of lower costs, it also causes us to rely heavily on our suppliers. As a result, any problem affecting a supplier (whether due to external or internal causes) could have a negative impact on LivaNova.

In addition, we manufacture our products at our own facilities or through subcontractors located in various countries, purchasing the components and materials used to manufacture these products from numerous suppliers in various countries. However, in a few limited cases, specific components and raw materials are purchased from primary or main suppliers (or in some cases, a single supplier) for reasons related to quality assurance, cost-effectiveness ratio and availability. While we work closely with our suppliers to ensure supply continuity, we cannot guarantee that our efforts will always be successful. Moreover, due to strict standards and regulations governing the manufacture and marketing of our products, we may not be able to quickly locate new supply sources in response to a supply reduction or interruption, with negative effects on its ability to manufacture its products effectively and in a timely fashion.

We manufacture our products at production facilities in Italy, France, Costa Rica, Germany, the United States, Canada, Brazil, Australia and the Dominican Republic, all of which are exposed to the risk of production stoppages caused by exceptional or accidental events (fires, shutdowns of access roads, etc.) or natural calamities (floods, earthquakes, etc.). Even though we have implemented what we believe to be appropriate preventive actions and insurance coverage, the possibility that the occurrence of events of exceptional severity or duration could have an impact on our performance cannot be excluded.

Natural disasters, war, acts of terrorism and other events could adversely affect our future revenue and operating income.

Natural disasters (including pandemics), war, terrorism, labor disruptions and international conflicts, and actions taken by governmental entities or by our customers or suppliers in response to such events, could cause significant economic disruption and political and social instability in the areas in which we operate. These events could result in decreased demand for our products, adversely affect our manufacturing and distribution capabilities, or increase the costs for or cause interruptions in the supply of materials from our suppliers.

LivaNova's inability to integrate recently acquired businesses or to successfully complete future acquisitions could limit our future growth or otherwise be disruptive to our ongoing business.

From time to time, we expect to pursue acquisitions in support of our strategic goals. In connection with any such acquisitions, we face significant challenges in managing and integrating any expanded or combined operations, including acquired assets, operations and personnel. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all, or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions. Our success in implementing this strategy will depend to some degree upon the ability of management to identify, complete and successfully integrate commercially viable acquisitions. Acquisition transactions may disrupt our ongoing business and distract management from other responsibilities.

The success of any acquisition, investment or alliance may be affected by a number of factors, including our ability to properly assess and value the potential business opportunity or to successfully integrate any businesses we may acquire into our existing business. The integration of the operations of acquired businesses requires significant efforts, including the coordination of information technologies, research and development, sales and marketing, operations, manufacturing and finance. These efforts result in additional expenses and involve significant amounts of management's time that cannot then be dedicated to other projects. Failure to successfully manage and coordinate the growth of the combined company could also have an adverse impact on our business. In addition, we cannot be certain that our investments, alliances and acquired businesses will become profitable or remain so. If our investments, alliances or acquisitions are not successful, we may record unexpected impairment charges. Factors that could affect the success of potential future acquisitions include:

- the presence or absence of adequate internal controls and/or significant fraud in the financial systems of acquired companies;
- adverse developments arising out of investigations by governmental entities of the business practices of acquired companies;
- any decrease in customer loyalty and product orders caused by dissatisfaction with the combined companies' product lines and sales and marketing practices, including price increases;
- our ability to retain key employees; and
- the ability of the combined company to achieve synergies among its constituent companies, such as increasing sales of the combined company's products, achieving cost savings and effectively combining technologies to develop new products.

Risks Relating to LivaNova Following Completion of the Mergers

LivaNova may not realize the cost savings, synergies and other benefits that are anticipated as a result of the Mergers.

The combination of two independent companies is a complex, costly and time-consuming process. As a result of the completed Mergers, we will be required to devote significant management attention and resources to integrating the business practices and operations of Sorin and Cyberonics. The integration process may disrupt LivaNova's business operations and, if implemented ineffectively, could preclude realization of the full benefits expected to be realized in connection with the Mergers. Our failure to meet the challenges involved in successfully integrating the operations of Sorin and Cyberonics or otherwise to realize the anticipated benefits of the Mergers could cause an interruption of the company's activities and could seriously harm our results of operations. In addition, the overall integration of the two companies may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of client relationships and diversion of management's attention, and may cause the

combined company's stock price to decline. The difficulties of combining the operations of the companies include, among others:

- managing a significantly larger company;
- coordinating geographically separate organizations;
- the potential diversion of management focus and resources from other strategic opportunities and from operational matters;
- retaining existing customers and attracting new customers;
- maintaining employee morale and retaining key management and other employees;
- integrating two unique business cultures, which may prove to be incompatible;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- coordinating distribution and marketing efforts;
- integrating information technology, communications and other systems;
- changes in applicable laws and regulations;
- managing tax costs or inefficiencies associated with integrating the operations of the combined company;
- unforeseen expenses associated with the Mergers; and
- effecting actions that may be required in connection with obtaining regulatory approvals.

Many of these factors are outside of our control and any one of them could result in increased costs, decreased revenue and diversion of management's time and energy, which could materially impact LivaNova's business, financial condition and results of operations. In addition, even if the operations of Sorin and Cyberonics are integrated successfully, LivaNova may not realize the full benefits of the Mergers, including the synergies, cost savings or sales or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all. As a result, LivaNova cannot assure our stockholders that the combination of Sorin and Cyberonics will result in the realization of the full benefits anticipated.

Our business relationships may be subject to disruption due to uncertainty associated with the Mergers.

Parties with which we do business may experience uncertainty associated with the Mergers. Our business relationships may be subject to disruption as customers, distributors, suppliers, vendors and others may attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than LivaNova and our subsidiaries. These disruptions could have an adverse effect on our business, financial condition, and/or results of operations or prospects, including an adverse effect on our ability to realize the anticipated benefits of the Mergers.

We may have difficulty attracting, motivating and retaining executives and other key employees due to uncertainty associated with the recent Mergers.

Since the Mergers are complete, LivaNova's success will depend in part upon our ability to retain key employees of Sorin and Cyberonics and hire new personnel. Competition for qualified personnel can be intense. Current and prospective LivaNova employees may experience uncertainty about the effect of the Mergers, which may impair our ability to attract, retain and motivate key management, sales, marketing, technical and other personnel.

In addition, pursuant to change-in-control provisions in our employment and transition agreements, certain of our key employees are entitled to receive severance payments upon a constructive termination of employment. Certain of our key employees potentially could terminate their employment following specified circumstances set forth in the applicable employment or transition agreement, including certain changes in such key employees' title, status, authority, duties, responsibilities or compensation, and collect severance. Such circumstances could occur in connection with the Mergers as a result of changes in roles and responsibilities. If our key employees depart, the continued integration of Sorin's and Cyberonics' businesses may be more difficult and LivaNova's operations may be harmed. Furthermore, we may have to incur significant costs in identifying, hiring and retaining replacements for departing employees and may lose significant expertise and talent relating to the businesses of Sorin or Cyberonics, and LivaNova's ability to realize the anticipated benefits of the Mergers may

be adversely affected. In addition, there could be disruptions to or distractions for the workforce and management associated with activities of labor unions or works councils or integrating employees into the combined company. Accordingly, no assurance can be given that we will be able to attract or retain key employees to the same extent that the legacy Sorin and Cyberonics companies were able to attract or retain employees in the past.

We have and will continue to incur certain transaction and merger-related costs in connection with the Mergers.

We have incurred and expect to incur a number of non-recurring direct and indirect costs associated with the Mergers. These costs and expenses include fees paid to financial, legal and accounting advisors, filing fees, printing expenses and other related charges as well as ongoing expenses related to facilities and systems consolidation costs, severance payments and other potential employment-related costs, including payments remaining to be made to certain Sorin and Cyberonics executives. In the transitional period April 25, 2015 to December 31, 2015, we incurred \$42.1 million in expenses related to the Mergers and expect additional expenses in future for the integration of the two merged businesses. In addition, we incurred \$13.7 million and \$11.3 million in integration and restructuring expenses, respectively, during the prior year, of which integration expenses related to systems integration, organization structure integration, finance, synergy and tax planning, transitioning of accounting methodologies, our listing on the LSE and certain re-branding efforts, and restructuring efforts related to our intent to leverage economies of scale, eliminate overlapping corporate expenses and streamline distributions, logistics and office functions in order to reduce overall costs. While we assumed a certain level of expenses in connection with the terms of the Transaction Agreement, there are many factors beyond our control, including unanticipated costs that could affect the total amount or the timing of these expenses. Although we expect that the benefits of the Mergers will offset the transaction expenses and implementation costs over time, this net benefit may not be achieved in the near term or at all.

The IRS may not agree with the conclusion that LivaNova should be treated as a foreign corporation for U.S. federal tax purposes, and LivaNova may be required to pay substantial U.S. federal income taxes.

LivaNova believes that under current law, it is treated as a foreign corporation for U.S. federal tax purposes because it is a U.K. incorporated entity. Although LivaNova is incorporated in the U.K., the IRS may assert that it should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes pursuant to Section 7874 of the Code. For U.S. federal tax purposes, a corporation is considered a tax resident in the jurisdiction of its organization or incorporation, except as provided under Section 7874. Subject to the discussion of Section 7874 below, because LivaNova is a U.K. incorporated entity, it would be classified as a foreign corporation (and, therefore, a non-U.S. tax resident) under these rules. Section 7874 provides an exception under which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal tax purposes.

For LivaNova to be treated as a foreign corporation for U.S. federal tax purposes under Section 7874, in connection with the Mergers completed on October 19, 2015, either (i) the former stockholders of Cyberonics must own (within the meaning of Section 7874) less than 80% (by both vote and value) of LivaNova ordinary shares by reason of holding shares of Cyberonics common stock, or (ii) LivaNova must have substantial business activities in the U.K. after the Mergers (taking into account the activities of LivaNova's expanded affiliated group). For purposes of Section 7874, "expanded affiliated group" ("EAG") means a foreign corporation and all subsidiaries in which the foreign corporation, directly or indirectly, owns more than 50% of the shares by vote and value. LivaNova does not expect to have substantial business activities in the U.K. within the meaning of these rules.

LivaNova believes that because the former stockholders of Cyberonics own (within the meaning of Section 7874) less than 80% (by both vote and value) of LivaNova ordinary shares by reason of holding shares of Cyberonics common stock, the test set forth above to treat LivaNova as a foreign corporation was satisfied in connection with the Mergers completed on October 19, 2015. However, the IRS may disagree with the calculation of the percentage of the LivaNova ordinary shares deemed held by former holders of Cyberonics common stock by reason of being former holders of Cyberonics common stock due to the calculation provisions laid out under Section 7874 and accompanying guidance (the "Section 7874 Percentage"). The rules relating to calculating the Section 7874 Percentage are new and subject to uncertainty, and thus it cannot be assured that the IRS will agree that the ownership requirements to treat LivaNova as a foreign corporation were met. In addition, there have been legislative proposals to expand the scope of U.S. corporate tax residence, including by potentially causing LivaNova to be treated as a U.S. corporation if the management and control of LivaNova and its affiliates were determined to be located primarily in the United States. There have also been recent IRS publications expanding the application of Section 7874 and there could be prospective or retroactive changes to Section 7874 or the U.S. Treasury Regulations promulgated thereunder that could result in LivaNova being treated as a U.S. corporation.

The IRS may not agree with the conclusion that Section 7874 does not limit Cyberonics’ and its U.S. affiliates’ ability to utilize their U.S. tax attributes and does not impose an excise tax on gain recognized by certain individuals.

If the Section 7874 Percentage is calculated to be at least 60% but less than 80%, Section 7874 imposes a minimum level of tax on any “inversion gain” of a U.S. corporation (and any U.S. person related to the U.S. corporation) after the acquisition. Inversion gain is defined as (i) the income or gain recognized by reason of the transfer of property to a foreign related person during the 10-year period following the Cyberonics merger, and (ii) any income received or accrued during such period by reason of a license of any property by the U.S. corporation to a foreign related person. The effect of this provision is to deny the use of certain U.S. tax attributes (including net operating losses and certain tax credits) to offset U.S. tax liability, if any, attributable to such inversion gain. In addition, the IRS and the U.S. Treasury Department have issued guidance that has further limited benefits of certain post-combination transactions for combinations resulting in a Section 7874 Percentage of at least 60% but less than 80%, and have announced the intention to issue future guidance that could potentially limit benefits of interest deductions from intercompany debt or other deductions deemed to inappropriately “strip” U.S. source earnings.

Additionally, if the Section 7874 Percentage is calculated to be at least 60% but less than 80%, Section 7874 and rules related thereto would impose an excise tax under Section 4985 of the Code (“Section 4985 Excise Tax”) on the gain recognized by certain “disqualified individuals” (including officers and directors of Cyberonics) on certain Cyberonics stock-based compensation held thereby at a rate equal to 15%. If the Section 4985 Excise Tax is applicable, the compensation committee of the Cyberonics board has determined that it is appropriate to provide such individuals with a payment with respect to the excise tax, so that, on a net after-tax basis, they would be in the same position as if no such excise tax had been applied.

LivaNova believes the Section 7874 Percentage following the combination of Cyberonics and Sorin was less than 60%. As a result, LivaNova believes that (i) Cyberonics and its U.S. affiliates will be able to utilize their U.S. tax attributes to offset their U.S. tax liability, if any, resulting from certain subsequent specified taxable transactions, and (ii) “disqualified individuals” will not be subject to the Section 4985 Excise Tax. However, the rules relating to calculating the Section 7874 Percentage are new and subject to uncertainty, and thus it cannot be assured that the IRS will agree that the Section 7874 Percentage following the combination of Cyberonics and Sorin was less than 60%.

LivaNova’s status as a foreign corporation for U.S. federal income tax purposes could be affected by a change in law.

LivaNova believes that under current law, it is treated as a foreign corporation for U.S. federal tax purposes because it is a U.K. incorporated entity. However, changes to the inversion rules in Section 7874 of the Code or the U.S. Treasury Regulations promulgated thereunder could adversely affect our status as a foreign corporation for U.S. federal tax purposes, and any such changes could have prospective or retroactive application to LivaNova and its respective stockholders, shareholders and affiliates. In addition, recent legislative proposals and IRS guidance have aimed to expand the scope of U.S. corporate tax residence, including by reducing the Section 7874 Percentage threshold at or above which LivaNova would be treated as a U.S. corporation or by determining LivaNova’s U.S. corporate tax residence based on the location of the management and control of LivaNova and its affiliates. Any such changes to Section 7874 or other such legislation, if passed, could have a significant adverse effect on LivaNova’s financial results.

Future changes to U.S. and foreign tax laws could adversely affect LivaNova.

The U.S. Congress, the U.K. Government, the Organisation for Economic Co-operation and Development and other government agencies in jurisdictions where LivaNova and its affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of “base erosion and profit shifting,” where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. Additionally, recent legislative, treaty and regulatory proposals in the United States would impose certain earnings stripping limitations, among others, on LivaNova and its affiliates including if at least 60% of the LivaNova ordinary shares (by vote or value) are considered to be held by former holders of Cyberonics common stock by reason of their holding Cyberonics common stock for purposes of Section 7874. In addition, other recent legislative proposals would treat LivaNova as a U.S. corporation if the management and control of LivaNova and its affiliates were determined to be located primarily in the United States and/or would reduce the Section 7874 Percentage threshold at or above which LivaNova would be treated as a U.S. corporation. Furthermore, the 2016 U.S. Model Income Tax Convention recently released by the U.S. Treasury Department would reduce potential tax benefits with respect to LivaNova and its affiliates if the Section 7874 Percentage were calculated to be at least 60% but less than 80% by imposing full withholding taxes on payments pursuant to certain financing structures, distributions from U.S. subsidiaries and payments pursuant to certain licensing arrangements. Thus, the tax laws in the United States, the

U.K. and other countries in which LivaNova and its affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect LivaNova.

LivaNova may not qualify for benefits under the tax treaty entered into between the U.K. and the United States.

LivaNova believes that it operates in a manner such that it is eligible for benefits under the tax treaty entered into between the U.K. and the United States. However, LivaNova's ability to qualify for such benefits will depend upon the requirements contained in such treaty.

The failure by LivaNova or its subsidiaries to qualify for benefits under the tax treaty entered into between the U.K. and the United States could result in adverse tax consequences to LivaNova and its subsidiaries.

The 2016 U.S. Model Income Tax Convention recently released by the U.S. Treasury Department would reduce potential tax benefits with respect to LivaNova and its affiliates if the Section 7874 Percentage is calculated to be at least 60% but less than 80% by imposing full withholding taxes on payments pursuant to certain financing structures, distributions from U.S. subsidiaries and payments pursuant to certain licensing arrangements. If the proposed treaty is enacted with applicability to LivaNova or its affiliates, it would result in material reductions in the benefit of qualifying for a treaty. See also the section entitled "Future changes to U.S. and foreign tax laws could adversely affect LivaNova."

LivaNova believes that it operates so as to be treated exclusively as a resident of the U.K. for tax purposes, but the relevant tax authorities may treat it as also being a resident of another jurisdiction for tax purposes.

LivaNova is a company incorporated in the U.K. Current U.K. law provides that LivaNova will be regarded as being a U.K. resident for tax purposes from incorporation and shall remain so unless (a) it is concurrently resident in another jurisdiction (applying the tax residence rules of that jurisdiction) that has a double tax treaty with the U.K. and (b) there is a tiebreaker provision in that tax treaty which allocates exclusive residence to that other jurisdiction.

Based upon LivaNova's management and organizational structure, LivaNova believes that it should be regarded as resident exclusively in the U.K. from its incorporation for tax purposes. However, because this analysis is highly factual and may depend on future changes in LivaNova's management and organizational structure, there can be no assurance regarding the final determination of LivaNova's tax residence. Should LivaNova be treated as resident in a country or jurisdiction other than the U.K., it could be subject to taxation in that country or jurisdiction on its worldwide income and may be required to comply with a number of material and formal tax obligations, including withholding tax and/or reporting obligations provided under the relevant tax law, which could result in additional costs and expenses for LivaNova, as well as its shareholders, lenders and/or bondholders.

The effective tax rate that will apply to LivaNova is uncertain and may vary from expectations.

No assurances can be given as to what LivaNova's worldwide effective corporate tax rate will be because of, among other things, uncertainty regarding the tax policies of the jurisdictions where it operates. LivaNova's actual effective tax rate may vary from our expectations and that variance may be material. Additionally, tax laws or their implementation and applicable tax authority practices could change in the future.

English law requires that LivaNova meet certain additional financial requirements before it declares dividends or repurchases shares following the Mergers.

Under English law, LivaNova is only able to declare dividends, make distributions or repurchase shares out of "distributable profits". "Distributable profits" are a company's accumulated, realized profits, so far as not previously utilized by distribution or capitalization, less its accumulated, realized losses, so far as not previously written off in a reduction or reorganization of capital duly made. In addition, LivaNova, as a public company, may only make a distribution if the amount of its net assets is not less than the aggregate of its called-up share capital and undistributable reserves and if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate total. Neither the capitalization nor the reduction will impact shareholders' relative interests in the capital of LivaNova. The LivaNova articles permits LivaNova, by ordinary resolution of the shareholders, to declare dividends, provided that the directors have made a recommendation as to its amount. The dividend shall not exceed the amount recommended by the directors. The directors may also decide to pay interim dividends if it appears to them that the profits available for distribution justify the payment. When recommending or declaring

the payment of a dividend, the directors shall be required under English law to comply with their duties, including considering LivaNova's future financial requirements.

The LivaNova articles provide that the courts of England and Wales have exclusive jurisdiction to determine any and all disputes brought by a LivaNova shareholder (whether in its own name or in the name of LivaNova) against LivaNova and/or the LivaNova board and/or any of the directors of LivaNova.

The LivaNova articles provide that the courts of England and Wales shall have exclusive jurisdiction to determine any and all disputes brought by a member in that member's capacity (whether in its own name or in the name of LivaNova) as such against LivaNova and/or the LivaNova board and/or any of the directors of LivaNova individually or collectively in connection with the LivaNova articles. Under English law, the proper claimant for wrongs committed against LivaNova, including by our directors, is considered to be LivaNova itself. Also, English law only permits a shareholder to initiate a lawsuit on behalf of a company such as LivaNova in limited circumstances, and requires court permission to do so.

Transfers of LivaNova ordinary shares may be subject to U.K. stamp duty or U.K. stamp duty reserve tax ("SDRT").

U.K. stamp duty and/or SDRT are imposed in the U.K. on certain transfers of or agreements to transfer chargeable securities (which include shares in companies incorporated in the U.K.) at a rate of 0.5% of the consideration paid for the transfer. Certain issues or transfers of shares to depositaries or into clearance services, as discussed below, are charged at a higher rate of 1.5%.

Transfers of shares or agreements to transfer shares held in book entry form through the Depository Trust & Clearing Corporation ("DTC") should not be subject to U.K. stamp duty or SDRT in the U.K. A transfer of title in the shares or an agreement to transfer the shares from within the DTC system out of DTC and any subsequent transfers or agreements to transfer that occur entirely outside the DTC system, including repurchase by LivaNova, will generally be subject to U.K. stamp duty or SDRT at a rate of 0.5% of any consideration, which is payable by the transferee of the shares. Any such duty must be paid (and the relevant transfer document stamped by Her Majesty's Revenue & Customs ("HMRC")) before the transfer can be registered in the books of LivaNova. If such shares are redeposited into the DTC system, the redeposit will attract U.K. stamp duty or SDRT at the higher 1.5% rate.

LivaNova has put in place arrangements to require that shares held in certificated form cannot be transferred into the DTC system until the transferor of the shares has first delivered the shares to a depository specified by LivaNova so that U.K. stamp duty or SDRT may be collected in connection with the initial delivery to the depository. Any such shares will be evidenced by a receipt issued by the depository. Before the transfer can be registered in the books of LivaNova, the transferor will also be required to put the depository in funds to settle the applicable U.K. stamp duty or SDRT, which will be charged at a rate of 1.5% of the value of the shares.

In HMRC's most recent guidance published on July 23, 2014, in response to the decisions in certain recent cases, HMRC has confirmed that it will no longer seek to apply the 1.5% U.K. stamp duty or SDRT charge when new shares of companies incorporated in the U.K. are first issued to a clearance service (or its nominee) or depository (or its nominee or agent) anywhere in the world or are transferred to such an entity anywhere in the world as an integral part of an issue of share capital. Accordingly, it is not currently expected that U.K. stamp duty and/or SDRT would be imposed under current U.K. tax law and HMRC practice on a future issue of shares by LivaNova. However, it is possible that the U.K. government may change the relevant law in response to the cases referenced above, and that this may have a material effect on the cost of share issues by LivaNova and potentially on the cost of dealing in LivaNova shares. If LivaNova ordinary shares are not eligible for deposit and clearing within the facilities of DTC, then transactions in its securities may be disrupted.

The facilities of DTC are a widely-used mechanism that allow for rapid electronic transfers of securities between the participants in the DTC system, which include many large banks and brokerage firms. LivaNova ordinary shares are at present, subject to certain conditions, generally eligible for deposit and clearing within the DTC system. However, DTC generally has discretion to cease to act as a depository and clearing agency for LivaNova ordinary shares. If DTC determines at any time that LivaNova ordinary shares are not eligible for continued deposit and clearance within its facilities, then LivaNova believes that its ordinary shares would not be eligible for continued listing on a U.S. securities exchange and trading in LivaNova ordinary shares would be disrupted. While LivaNova would pursue alternative arrangements to preserve the listing and maintain trading, any such disruption could have a material adverse effect on the trading price of LivaNova ordinary shares.

LivaNova has also put in place certain depository arrangements to give holders of LivaNova ordinary shares the option to settle and pay for interests in LivaNova ordinary shares through CREST. CREST is the system for the electronic settlement of trades

in securities operated by Euroclear UK & Ireland Limited. CREST allows securities to be transferred from one CREST account to another without the need to use share certificates or written instruments of transfer. Under the current depositary arrangements put in place by LivaNova, settlement of LivaNova ordinary shares in CREST takes place through domestic depositary interests (“DDIs”) issued by Computershare Investor Services PLC acting as depositary. The underlying LivaNova ordinary shares remain in the DTC system in the participant account of a Computershare affiliate and Computershare Investor Services PLC issues the DDIs representing such LivaNova ordinary shares that settle through CREST on a one-for-one basis. LivaNova ordinary shares themselves are not enabled for direct settlement through CREST. Transfers of DDIs representing underlying LivaNova ordinary shares through CREST are generally liable to SDRT, rather than U.K. stamp duty, at the 0.5% rate. CREST is required to collect SDRT on relevant transactions settled within the CREST system. LivaNova has received confirmation from HMRC that the issue and deposit into CREST, and any subsequent cancellation, of DDIs representing underlying LivaNova ordinary shares should not give rise to any liability to U.K. stamp duty or SDRT.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive office is located in the United Kingdom and is leased by us. Our business unit headquarters are located in France, Italy and the United States, wherein the location in France is leased by us and the locations in Italy and United States are owned by us. Manufacturing and research facilities are located in Belgium, Brazil, British Columbia, Costa Rica, Dominican Republic, France, Germany, Italy, The People's Republic of China and the United States. Our total manufacturing and research facilities are approximately 1,662,178 square feet, of which approximately 32 percent are located within the United States. Approximately 60 percent of the manufacturing or research facilities are owned by us and the balance is leased.

We also maintain 21 primary administrative offices in 15 countries. Most of these locations are leased. We are using substantially all of our currently available productive space to develop, manufacture, and market our products. Our facilities are in good operating condition, suitable for their respective uses, and adequate for current needs. We currently are evaluating our properties for additional cost savings and efficiencies, due to the Mergers.

Item 3. Legal Proceedings

For a description of our material pending legal and regulatory proceedings and settlements, refer to “Note 16. Commitments and Contingencies – *Litigation and Regulatory Proceedings*” in our consolidated financial statements included in this Report on Form 10-K/T.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our ordinary shares are quoted on the NASDAQ Global Market and on the Main Market of the London Stock Exchange (as a standard listing) under the symbol "LIVN." Prior to the Mergers, our common stock was quoted on the NASDAQ Global Market under the symbol "CYBX." Immediately following the consummation of the Mergers, on October 19, 2015, we delisted "CYBX" and commenced trading under "LIVN." The share prices shown in the table below prior to the Mergers have not been restated, since the "CYBX" shares were exchanged one for one for "LIVN" shares in accordance with the Merger Agreement.

The high and low sale prices for our common/ordinary shares during the fiscal years 2014, 2015 and the transitional period April 25, 2015 to December 31, 2015 are set forth below. Price data reflect actual transactions, but do not reflect mark-ups, mark-downs or commissions.

	<u>High</u>	<u>Low</u>
Fiscal Year Ended April 25, 2014		
First Quarter	\$ 54.00	\$ 42.50
Second Quarter	59.24	49.65
Third Quarter	71.93	56.30
Fourth Quarter	73.52	59.43
Fiscal Year Ended April 24, 2015		
First Quarter	\$ 64.08	\$ 55.27
Second Quarter	62.68	49.23
Third Quarter	59.29	48.19
Fourth Quarter	76.48	54.46
Transitional Period Ended December 31, 2015		
First Quarter - April 25, 2015 to July 24, 2015	\$ 69.88	\$ 56.15
Transitional Quarter - July 25, 2015 to October 18, 2015	71.20	57.90
Transitional Period - October 19, 2015 to December 31, 2015	77.00	53.13

As of February 24, 2016, according to data provided by our transfer agent, there were 16 stockholders of record.

Recent Sales of Unregistered Securities

During the past fiscal year, we did not issue any securities that were not registered under the Securities Act.

Dividend Policy

We have not declared or paid any cash dividends. We intend to retain future earnings primarily to fund the development and growth of our business and therefore do not anticipate paying cash dividends within the foreseeable future. Any future payment of dividends will be determined by our Board of Directors and will depend on our consolidated financial position and results of operations and other factors deemed relevant by our Board of Directors.

Issuer Purchases of Securities

The table below presents purchases of equity securities by us and our affiliated purchasers:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased under the Plans or Programs ⁽³⁾
April 25 - May 29, 2015	—	\$ —	—	—
May 30 - June 26, 2015	36,110	61.7600	—	—
June 27 - July 24, 2015	—	—	—	—
July 25 - August 28, 2015	—	—	—	—
August 29 - September 25, 2015	—	—	—	—
September 26 - October 18, 2015 ⁽³⁾	73,193	69.9475	—	—
Totals	109,303	\$ 67.2426	—	—

⁽¹⁾ Shares were purchased to cover employees' minimum tax withholding obligations related to vested share-based compensation grants.

⁽²⁾ Shares are purchased at market price.

⁽³⁾ On October 19, 2015, all treasury shares were canceled as part of the Mergers. No ordinary shares have been repurchased and held in treasury since the cancellation.

Item 6. *Selected Financial Data*

The following table summarizes certain selected financial data and is qualified by reference to, and should be read in conjunction with, the consolidated financial statements and related notes and with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Report on Form 10-K/T. The selected financial data and the related notes for the transitional period April 25, 2015 to December 31, 2015 and for the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013 are derived from audited consolidated financial statements that are included in this Report on Form 10-K/T. LivaNova, as the successor company to Cyberonics, is reporting the results for Cyberonics and its consolidated subsidiaries for the period April 25, 2015 to December 31, 2015 and the consolidated results of LivaNova, which includes the results of Sorin and its subsidiaries, for the period October 19, 2015 to December 31, 2015. The selected financial data and the related notes for the fiscal years ended April 27, 2012 and April 29, 2011 are derived from audited consolidated financial statements that are not included in this Report on Form 10-K/T.

Consolidated Statements of Operations Data⁽¹⁾	Transitional Period April 25, 2015 to	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	For the Year Ended	For the Year Ended
(In thousands, except per share data)	December 31, 2015	April 24, 2015	April 25, 2014	April 26, 2013	April 27, 2012	April 29, 2011
Net sales	\$ 415,707	\$ 291,558	\$ 282,014	\$ 254,320	\$ 218,503	\$ 190,464
Cost of sales	149,181	27,311	27,355	21,907	19,657	23,020
Gross profit	266,526	264,247	254,659	232,413	198,846	167,444
Operating expenses:						
Selling, general and administrative	173,065	123,619	120,642	112,515	102,569	89,654
Research and development	51,931	43,284	46,562	41,552	35,335	28,603
Merger related expenses ⁽¹⁾	42,098	8,692	—	—	—	—
Integration expenses	13,689	—	—	—	—	—
Restructuring expenses	11,323	—	—	—	—	—
Litigation settlement	—	—	7,443	—	—	—
Total operating expenses	292,106	175,595	174,647	154,067	137,904	118,257
Income (loss) from operations	(25,580)	88,652	80,012	78,346	60,942	49,187
Interest income (expense), net	(1,117)	163	162	(35)	30	(135)
Impairment of investment	(5,062)	—	—	(4,059)	—	—
Gain on warrants' liability	—	—	—	1,326	—	—
Other expense, net	(7,522)	479	(295)	(303)	(550)	(387)
Income (loss) before income taxes	(39,281)	89,294	79,879	75,275	60,422	48,665
Income tax (benefit) expense ⁽²⁾	(12,976)	31,446	24,989	28,917	24,344	1,939
Income (loss) from equity method investments	(3,308)	—	—	—	—	—
Net income (loss)	\$ (29,613)	\$ 57,848	\$ 54,890	\$ 46,358	\$ 36,078	\$ 46,726
Basic income (loss) per share	\$ (0.90)	\$ 2.19	\$ 2.02	\$ 1.68	\$ 1.30	\$ 1.67
Diluted income (loss) per share	\$ (0.90)	\$ 2.17	\$ 2.00	\$ 1.66	\$ 1.28	\$ 1.64
Shares used in computing basic income (loss) per share	32,741	26,391	27,143	27,604	27,827	28,051
Shares used in computing diluted income (loss) per share	32,741	26,626	27,466	28,009	28,307	28,610
Consolidated Balance Sheet Data (at year end):						
Cash, cash equivalent and short-term investments	\$ 119,610	\$ 151,207	\$ 128,328	\$ 135,709	\$ 96,654	\$ 89,314
Working capital	314,293	209,272	190,532	178,333	138,066	122,466
Total assets	2,558,739	315,944	294,191	264,043	211,908	211,469
Convertible Notes	—	—	—	—	4	7,048
Long-term debt obligations	91,791	—	—	—	—	—
Retained earnings (deficit)	48,214	77,827	19,979	(34,911)	(81,268)	(117,346)
Stockholders' equity	\$ 1,811,462	\$ 276,574	\$ 259,100	\$ 229,568	\$ 183,469	\$ 175,453

- (1) On October 19, 2015, the Mergers of Cyberonics and Sorin were consummated. Cyberonics was considered the accounting acquirer and LivaNova became the successor organization to Cyberonics. Historical data presented is Cyberonics' data. Sorin's data, as the accounting acquiree of LivaNova following completion of the Mergers, is included for the period October 19, 2015 to December 31, 2015.
- (2) During fiscal year 2011, we reduced our valuation allowance on our U.S. net operating loss carryforward deferred tax asset and recorded income tax benefits of \$8.9 million. In addition, during fiscal year 2011, we recorded an income tax benefit of \$9.0 million related to claiming a worthless stock deduction with respect to the shares we own in Cyberonics Europe BVBA.
- (3) During fiscal year 2011, we repurchased our Senior Subordinated Convertible Notes ("Convertible Notes") that were issued in September 2005 in privately negotiated transactions. During fiscal year 2012, in connection with the settlement of litigation relating to the Convertible Notes, we were required to retire the Convertible Notes that were tendered at par.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis together with Part I of this Report on Form 10-K/T, including the matters set forth in "Cautionary Statement About Forward-Looking Statements," "Item 1A. Risk Factors" and our consolidated financial statements and the related notes included elsewhere in this Form 10-K/T as of and for the transitional period ended December 31, 2015 and as of and for each of the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013.

Understanding Our Financial Information

The following discussion and analysis provides information management believes to be relevant to understanding the financial condition and results of operations of the Company and its subsidiaries.

This Report on Form 10-K/T is a transition report as a result of the change from Cyberonics' fiscal year ending the last Friday in April to a calendar year ending December 31, which impacts the comparability of the prior fiscal year ended April 24, 2015 to the transitional year ended December 31, 2015. The transitional period is April 25, 2015 to December 31, 2015, and we have, therefore, provided an unaudited equivalent prior period of April 26, 2014 to December 26, 2014 for comparison. The equivalent prior period is based on historical Cyberonics data and is matched to the current transitional year as closely as possible. In addition, the transitional year ended December 31, 2015 includes Sorin activity for the period October 19, 2015 to December 31, 2015, and we address the impact of Sorin activity separately in our analysis.

The Mergers

Overview. On October 19, 2015, Sorin merged with and into LivaNova, with LivaNova continuing as the surviving company. Following the completion of the Mergers, LivaNova became the holding company of the combined businesses of Cyberonics and Sorin.

Based on the structure of the Mergers, management determined that Cyberonics is considered to be the acquirer and predecessor for accounting purposes. The Mergers were accounted for as a reverse acquisition with financial results reflecting the Mergers as an acquisition of Sorin by Cyberonics.

Looking forward. The Mergers are expected to provide revenue enhancements, cost savings and synergy opportunities to increase the size and scale of LivaNova's revenues, provide greater geographic and product diversity and enhance growth opportunities in three emerging technologies in the areas of heart failure, sleep apnea and percutaneous mitral valves. The Mergers are also expected to allow LivaNova to utilize and integrate certain Sorin technologies into its existing and future product lines for epilepsy.

For further information regarding the acquisition, refer to "Item 1. Business" and "Note 3. Business Combinations" to the consolidated financial statements included in this Report on Form 10-K/T.

Overview

LivaNova is a public limited company incorporated under the laws of England and Wales. Headquartered in London, U.K., LivaNova is a global medical device company focused on the development and delivery of important therapeutic solutions for the benefit of patients, healthcare professionals and healthcare systems throughout the world. Working closely with medical professionals in the fields of Cardiac Surgery, Neuromodulation and Cardiac Rhythm Management, we design, develop, manufacture and sell innovative therapeutic solutions that are consistent with our mission to improve our patients' quality of life, increase the skills and capabilities of healthcare professionals and minimize healthcare costs.

Segments

Upon completion of the Mergers, we reorganized our reporting structure and aligned our segments and the underlying divisions and businesses. The historical Cyberonics operations are included in the Neuromodulation segment, and the Sorin business activities are included in the Cardiac Surgery and Cardiac Rhythm Management ("CRM") segments. You should read the following discussion and analysis together with Part I of this Form 10-K/T, including the matters set forth in "Cautionary Statement About Forward-Looking Statements," "Item 1A. Risk Factors" and our consolidated financial statements and the related notes included elsewhere in this Report on Form 10-K/T as of and for the transitional period April 25, 2015 to December 31, 2015 and as of and for each of the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013.

The Neuromodulation Business Unit:

The Neuromodulation Business Unit designs, develops and markets neuromodulation therapy for the treatment of drug-resistant epilepsy and treatment resistant depression. Through this segment, we market our proprietary implantable VNS Therapy Systems that deliver vagus nerve stimulation therapy for the treatment of epilepsy and depression.

Recent Developments

Research and Development updates. Following an internal review of our R&D activities, we decided to terminate certain R&D projects during the transitional period ended December 31, 2015, including the ProGuardian™ System project and the recharge technology project, for a loss of \$2.2 million, which was recorded as a charge to R&D in our consolidated statement of income (loss).

Product updates. The AspireSR generator was launched in Europe in February 2014 and in the United States in June 2015. The AspireSR generator delivers programmable passive stimulation comparable to other VNS Therapy generators and is the first and only VNS Therapy System to automatically provide additional stimulation in response to a patient's relative heartrate changes exceeding certain variable thresholds. Heartrate changes accompany seizure activity in certain patients, and the thresholds are programmed by the patient's physician and can be customized to suit individual patient needs. By December 31, 2015, sales of AspireSR accounted for approximately 70% of our VNS Therapy generator sales.

Investments. From September 2012 to January 2015, we invested approximately \$5.1 million in Cerbomed GmbH ("Cerbomed"), a privately held European company developing a transcutaneous vagus nerve stimulation ("t-VNS") device for several indications, including the treatment of drug-resistant epilepsy. However, during the transitional period April 25, 2015 to December 31, 2015, we fully impaired our investment in Cerbomed for a \$5.1 million loss recorded as a non-operating Impairment of Investments on our consolidated statement of income (loss).

Cardiac Surgery Business Unit:

The Cardiac Surgery segment develops, manufactures and markets disposable implantable prostheses to treat a variety of heart valve disorders, including a complete line of surgical tissue and mechanical valve replacements and repair products, systems to enable extracorporeal circulation during cardiopulmonary bypass surgery (including heart-lung machines, oxygenators, perfusion tubing systems, cannulae and accessories), as well as related equipment and disposables for autotransfusion and autologous blood washing for neonatal, pediatric and adult patients.

Recent Developments

Research and Development updates. On October 5, 2015, we announced the initiation of PERSIST-AVR, the first international, prospective post-market randomized multi-center trial evaluating the Perceval sutureless aortic valve compared to standard sutured bioprostheses in patients with aortic valve disease.

The study is expected to enroll 1,234 patients within a two-year enrollment period and patients will be followed until five years post procedure.

Product updates. In January 2016, we announced FDA approval of the Perceval sutureless valve. Perceval is a surgical aortic valve with a unique self-anchoring frame that enables the surgeon to replace the diseased valve without suturing it into place. We will begin commercial distribution of the device in the United States over the coming quarter. In early February 2016, we also announced FDA approval of the CROWN PRT valve for the treatment of aortic valve disease. The CROWN PRT is a stented aortic bioprosthesis technology and features a surgeon-friendly design, with optimized hemodynamics with patented PRT, designed to enhance valve durability.

FDA Warning Letter. We received a Warning Letter dated December 29, 2015, from the FDA alleging certain violations of FDA regulations applicable to medical device manufacturers at our Munich, Germany and Arvada, Colorado facilities. We believe that less than 1% of 2016 consolidated sales could be impacted by this Warning Letter, and that the FDA's concerns can be resolved without a material impact on the Company's financial results. For further information, please refer to "Note 16. Commitments and Contingencies - *Litigation and Regulatory Proceedings*" in our consolidated financial statements included in this Report on Form 10-K/T.

Cardiac Rhythm Management Business Unit:

The CRM segment develops, manufactures and markets implantable devices, monitoring systems and accessories, for the diagnosis, treatment and management of heart rhythm disorders and heart failure. We offer implantable cardiac defibrillators and pacemakers, as well as systems for cardiac resynchronization treatment ("CRT"), patient management and cardiac arrhythmia assessment.

Recent Developments

Research and Development updates. In October 2014, we announced that we reached the target enrollment for RESPOND CRT, a clinical trial under an Investigational Device Exemption (“IDE”) protocol. The purpose of this trial is to assess the safety and effectiveness of the SonR CRT system (described below) in patients affected by advanced heart failure. RESPOND CRT is an ongoing multi-center, prospective, randomized, two-arm, double-blind trial, with more than 1,000 patients in the United States and other countries. During 2015, we also continued the development of implantable defibrillators dedicated to the use of quadripolar left ventricular leads with IS-4 compatibilities.

Product updates. In November 2015, we introduced a high voltage product line with the launch of the PLATINIUM family, a new range of implantable cardiac defibrillators (“ICDs”) and CRT-Ds that offers service lives under standard functioning conditions of over 14 years for the single-chamber ICD model, over 13 years for the dual-chamber ICD model and over ten years for the CRT-D devices. PLATINIUM devices also feature an arrhythmia discrimination algorithm, a pacing mode which preserves natural heart conduction (“SafeR”) and a hemodynamic sensor that automatically optimizes CRT settings (“SonR”).

In January 2016, we announced that we received regulatory approval to market the KORA 250 in Japan. The KORA 250 is full body MRI conditional pacemaker and is equipped with our proprietary Automatic MRI mode. In addition, the device is designed to proactively manage comorbidities, including SafeR and the ability to monitor patients for severe sleep apnea using Sleep Apnea Monitoring (“SAM”).

Corporate and New Ventures:

Corporate activities include shared services for finance, legal, human resources and information technology, together with corporate business development (“New Ventures”). New Ventures is focused on new growth platforms and identification of other opportunities for expansion.

Recent Developments

Research and Development updates. The ANTHEM clinical study tested the VITARIA System in 60 reduced ejection fraction patients followed for 24 months. The study confirmed the VITARIA System was safe and demonstrated improved efficacy on a number of relevant heart failure metrics. The ANTHEM results give us the confidence to take this program into the next stage of development, which will involve a more rigorous randomized, controlled clinical study. The patients enrolled in the ANTHEM study continue to be followed in a follow-up study for a period of 18 months. In addition, the Company is testing the VITARIA System in a single arm trial of preserved ejection fraction patients. For further information, please refer to the New Ventures section in “Item 1. Business” included in this Report on Form 10-K/T.

Product updates. Since the completion of the Mergers, our New Ventures has been engaged in a review of heart failure products, including VITARIA, Equilia and Intense, developed by the legacy companies. This portfolio review is ongoing and may result in changes to the development and commercialization path for one or more of these products, including a reprioritization of existing development plans, a focus on near term opportunities and a scaling back of those products with a longer development pathway.

Significant Accounting Policies and Critical Accounting Estimates

We have adopted various accounting policies to prepare the consolidated financial statements in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). Our most significant accounting policies are disclosed in “Note 2. Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies” in the consolidated financial statements. New accounting pronouncements are disclosed in “Note 24. New Accounting Pronouncements” in the consolidated financial statements.

To prepare our consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that may affect the reported amounts of our assets and liabilities, the disclosure of contingent liabilities as of the date of our consolidated financial statements and the reported amounts of our revenue and expenses during the reporting period. Our actual results may differ from these estimates. We consider estimates to be critical if we are required to make assumptions about material matters that are uncertain at the time of estimation, or if materially different estimates could have been made or it is reasonably likely that the accounting estimate will change from period to period. The following are areas requiring management’s judgment that we consider critical:

Business Combinations. We allocate the amounts we pay for each acquisition to the assets we acquire and liabilities we assume based on their fair values at the dates of acquisition, including identifiable intangible assets and in-process research and development which either arise from a contractual or legal right or are separable from goodwill. We base the fair value of identifiable intangible assets acquired in a business combination, including in-process research and development, on detailed valuations that use information and assumptions provided by management, which consider management's best estimates of inputs and assumptions that a market participant would use. We allocate any excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired to goodwill. Transaction costs associated with these acquisitions are expensed as incurred and are reported as operating expenses.

Merger, Integration and Restructuring Charges. As a result of the Mergers, we incurred merger, integration and restructuring charges and reported them separately as operating expenses in the consolidated statement of income (loss).

Merger Expenses. Merger expenses consisted of expenses directly related to the Mergers, such as professional fees for legal services, accounting services, due diligence, a fairness opinion and the preparation of registration and regulatory filings in the United States and Europe, as well as investment banking fees.

Integration Expenses. Integration expenses consisted primarily of professional fees related to planning the post-merger organization structure and synergy planning.

Restructuring Expenses. After the consummation of the Mergers between Cyberonics with Sorin in October 2015, we initiated several restructuring plans (the "Restructuring Plans") to combine our business operations. We identify costs incurred and liabilities assumed for the Restructuring Plans. The Restructuring Plans are intended to leverage economies of scale, streamline distribution, logistics and office functions in order to reduce overall costs.

Intangible Assets. Intangible assets shown on the consolidated balance sheet are finite-lived assets. Developed technology rights consist primarily of purchased patents, related know-how and licensed patent rights. Trademarks and tradenames include the Sorin trade name acquired as part of the Mergers. Customer relationships consist of relationships with hospitals and physicians in the countries where we operate. We amortize our intangible assets over their useful lives using the straight-line method.

Amortization expense for developed technology is recorded in research and development and cost of goods sold. When the product is marketed we amortize the remaining carrying value of the intangible asset to cost of goods sold. Amortization expense for trade name and customer relationship is recorded in selling, general and administrative expense. We evaluate our intangible assets each reporting period to determine whether events and circumstances indicate either a different useful life or impairment. If we change our estimate of the useful life of an asset, we amortize the carrying amount over the revised remaining useful life.

Impairment of Property and Equipment and Intangible Assets. We review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level. If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate the goodwill and indefinite-lived intangible assets for impairment at least annually on October 1st and whenever other facts and circumstances indicate that the carrying amounts of goodwill and other indefinite-lived intangible assets may not be recoverable. For impairment evaluations with respect to both goodwill and other indefinite-lived intangibles, we first make a qualitative assessment to determine if the goodwill or other indefinite-lived intangible may be impaired. In the case of goodwill, if it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). Our operating segments are deemed to be a reporting unit because the components below the operating segment are aggregated as they have similar economic characteristics. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. With respect to indefinite-lived intangible assets, if it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value, we then estimate its fair value and any excess of the carrying value over the fair value of the indefinite-lived intangible asset is also charged to operations as an impairment loss.

Derivatives. U.S. GAAP requires companies to recognize all derivatives as assets and liabilities on the balance sheet and to measure the instruments at fair value through earnings unless the derivative qualifies for hedge accounting. If the derivative qualifies for hedge accounting, depending on the nature of the hedge and hedge effectiveness, changes in the fair value of the derivative will either be recognized immediately in earnings or recorded in other comprehensive income (loss) until the hedged item is recognized in earnings upon settlement/termination. The changes in the fair value of the derivative are intended to offset the change in fair value of the hedged asset, liability or probable commitment. We evaluate hedge effectiveness at inception and on an ongoing basis. If a derivative is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in earnings. Cash flows from derivative contracts are reported as operating activities in the consolidated statements of cash flows.

We use currency exchange rate derivative contracts and interest rate derivative instruments, to manage the impact of currency exchange and interest rate changes on earnings and cash flows. In order to minimize earnings and cash flow volatility resulting from currency exchange rate changes, we enter into derivative instruments, principally forward currency exchange rate contracts. These contracts are designed to hedge anticipated foreign currency transactions and changes in the value of specific assets and liabilities and of some revenue. At inception of the forward contract, the derivative is designated as either a freestanding derivative or a cash flow hedge. We do not enter into currency exchange rate derivative contracts for speculative purposes. All derivative instruments that qualify for hedge accounting are recorded at fair value on the consolidated balance sheets, as financial asset or liabilities (current or non-current) depending upon the gain or loss position of the contract and contract maturity date.

Forward contracts designated as cash flow hedges are designed to hedge the variability of cash flows associated with forecasted transactions denominated in a foreign currency that will take place in the future. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings to offset exchange differences originated by the hedged item or to adjust the value of operating income (expense).

We use freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency. These derivatives are not designated as hedges, and therefore changes in the value of these forward contracts are recognized in earnings, thereby offsetting the current earnings effect of the related change in value of foreign currency denominated assets and liabilities.

We use interest rate derivative instruments designated as cash flow hedges to manage the exposure to interest rate movements and to reduce the risk of increase of borrowing costs by converting floating-rate debt into fixed-rate debt. Under these agreements, we agree to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to agreed-upon notional principal amounts. The interest rate swaps are structured to mirror the payment terms of the underlying loan. The fair value of the interest rate swaps is reported in the consolidated balance sheets financial assets or liabilities (current or non-current) depending upon the gain or loss position of the contract and the maturity of the future cash flows of the fair value of each contract. The effective portion of the gain or loss on these derivatives is reported as a component of accumulated other comprehensive income. The noneffective portion is reported in interest expense in consolidated statement of income (loss).

Investments

Short-Term Investments. Our short-term investments consisted of certificates of deposit and commercial paper that are considered held-to-maturity debt securities and carried at cost and accrued interest, which approximated fair value.

Cost and Equity Method Investments. Certain of the Company's investments in equity and other securities are strategic investments in companies that are in varied stages of development. These investments are included in Investments on the consolidated balance sheets. The Company accounts for these investments under the cost or the equity method of accounting, as appropriate. The valuation of equity and other securities accounted for under the cost method considers all available financial information related to the investee, including valuations based on recent third-party equity investments in the investee. If an unrealized loss for any investment is considered to be other-than-temporary, the loss is recognized in the consolidated statements of income in the period the determination is made. Equity securities accounted for under the equity method are initially recorded at the amount of the Company's investment and are adjusted each period for the Company's share of the investee's income or loss and dividends paid. Equity securities accounted for under both the cost and equity methods are reviewed quarterly for changes in circumstance or the occurrence of events that suggest the Company's investment may not be recoverable.

Stock-Based Compensation

Stock Option Awards and Stock Appreciation Rights. Our stock option awards and stock appreciation rights compensation expense is based on the fair market value of our awards and is amortized ratably over the award vesting period. The fair market value is determined using the Black-Scholes option pricing methodology at the grant date. This methodology takes into account variables such as the future expected volatility of our stock price, the amount of time expected to elapse between the date of grant and the date of exercise and a risk-free interest rate. Fair values of stock option awards and stock appreciation rights issued in the future may vary significantly from fair values recorded in the current period depending on our estimates, and judgments regarding these variables, and therefore expense in future periods, may differ significantly from current-period expense. Refer to "Note 2. Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies" accompanying the consolidated financial statements for further information related to key assumptions.

Income Taxes. We are a U.K. corporation, and we operate through our various subsidiaries in a number of countries throughout the world. Our provision for income taxes is based on the tax laws and rates applicable in the jurisdictions in which we operate and earn income. We use significant judgment and estimates in accounting for our income taxes. This involves assessing changes in temporary differences resulting from differing treatment of events for tax and accounting purposes. These assessments result in deferred tax assets and liabilities, which 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. Actual tax expense may significantly differ from our expectations if, for example, judicial interpretations of tax law, tax regulations or tax rates change.

We file federal and local tax returns in many jurisdictions throughout the world and are subject to income tax examinations for our fiscal year 1992 and subsequent years, with certain exceptions. Tax authorities may disagree with certain positions we have taken and assess additional taxes and as a result, we establish reserves for uncertain tax positions, which require a significant degree of management judgment. We regularly assess the likely outcomes of our tax positions in order to determine the appropriateness of our reserves for uncertain tax positions; however, the actual outcome of an audit can be significantly different than our expectations, which could have a material impact on our tax provision. The total amount of unrecognized tax benefit, as of December 31, 2015, if recognized, would reduce our income tax expense by approximately \$20.2 million.

We are required to periodically assess the recoverability of our deferred tax assets by considering whether it is more likely than not that some or all of the actual benefit of those assets will be realized. To the extent that realization does not meet the "more-likely-than-not" criterion, we establish a valuation allowance. We periodically review the adequacy and necessity of the valuation allowance by considering significant positive and negative evidence relative to our ability to recover deferred tax assets and to determine the timing and amount of valuation allowance that should be released. Changes in our assessment of the factors related to the recoverability of our deferred tax assets could result in materially different income tax provisions. As of December 31, 2015, we have valuation allowances of \$50.1 million that are primarily related to net operating losses in certain jurisdictions and a capital loss carryforward. If the valuation allowances related to these items were to be released, our tax provision would be reduced by \$50.1 million.

Results of Operations

The merger of Cyberonics and Sorin was considered a business combination using the acquisition method of accounting, with Cyberonics considered the acquirer of Sorin. As a result, as at the merger date of October 19, 2015, Cyberonics' assets and liabilities are combined at their pre-combination amounts, and Sorin's assets and liabilities are combined at their estimated fair values. In addition, LivaNova became the holding company of the combined businesses of Cyberonics and Sorin and the "successor" company to Cyberonics for accounting and Exchange Act reporting purposes. LivaNova is reporting in this Report on Form 10-K/T results for Cyberonics and its consolidated subsidiaries for the period April 25, 2015 to December 31, 2015 and consolidated results for LivaNova, including Sorin's business, for the period October 19, 2015 to December 31, 2015.

Upon completion of the Mergers we reorganized our reporting structure and aligned our segments and the underlying divisions and businesses. The Cyberonics operations and historical data are included in the Neuromodulation segment, and the Sorin businesses activities are included in the Cardiac Surgery and the CRM segments. Refer to "Note 22. Geographic and Segment Information" to the consolidated financial statements included in this Report on Form 10-K/T for additional discussion related to our segment reporting.

Net Sales

Transitional Period Comparisons

The table below illustrates net sales by operating segment for the transitional period April 25, 2015 to December 31, 2015 as compared to the equivalent prior period which uses historical Cyberonics data (in thousands):

	Transitional Period April 25, 2015 to December 31, 2015	Equivalent Prior Period April 26, 2014 to December 26, 2014 (unaudited)	% Change
Net revenues			
Neuromodulation	\$ 214,761	\$ 181,641	18.2%
Cardiac Surgery	147,635	—	
Cardiac Rhythm Management	52,470	—	
Corporate and New Venture	841	—	
Total	<u>\$ 415,707</u>	<u>\$ 181,641</u>	

The Cardiac Surgery and CRM segment sales occurred from October 19, 2015 to December 31, 2015 following the accounting acquisition of Sorin as a result of the Mergers.

Neuromodulation net sales for the transitional period April 25, 2015 to December 31, 2015 increased \$33.1 million, or 18.2%, as compared to the equivalent prior period, due to increased generator unit sales volume of 10.9% and an increased average selling price of 7.4%. The transitional period April 25, 2015 to December 31, 2015 included three working days not included in the equivalent prior period ended December 26, 2014. The generator unit growth rate was due to an increase of 10.3% in the U.S. market and a 13.5% increase in non-U.S. markets. The increase in the average selling price was due to an increase in the U.S. market of 12.0% offset by a decrease of 13.2% in non-U.S. markets. The increase in the average selling price in the U.S. market was primarily due to increased market penetration of the higher priced AspireSR generator. The decrease in the average selling price in our non-U.S. markets was primarily due to an approximately \$4.3 million unfavorable foreign currency exchange expense due to strengthening of the U.S. dollar against the euro and the British pound and by an increase in sales through lower margin distributors, partially offset by increased sales of the higher priced AspireSR generator. On a constant currency basis, total Neuromodulation revenues would have increased by \$3.0 million, or 20.0%.

The table below illustrates net sales by market geography for the transitional period ended December 31, 2015 as compared to the equivalent prior period using historical Cyberonics data (in thousands):

	Transitional Period April 25, 2015 to December 31, 2015				Equivalent Prior Period April 26, 2014 to December 26, 2014
	Neuromodulation	Cardiac Surgery	Cardiac Rhythm Management	New Ventures and Corporate	Neuromodulation
United States	\$ 180,764	\$ 48,960	\$ 2,537	\$ —	\$ 147,984
Europe ⁽¹⁾	21,081	40,272	43,188	242	25,882
Rest of World	12,916	58,403	6,745	599	7,775
Total	<u>\$ 214,761</u>	<u>\$ 147,635</u>	<u>\$ 52,470</u>	<u>\$ 841</u>	<u>\$ 181,641</u>

(1) Includes those countries in Europe where LivaNova has a direct sales presence. Countries where sales are made through distributors are included in Rest of World.

Annual Period Comparisons

The table below illustrates comparative revenues and unit sales by geographic area for historical Cyberonics operations for the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, (in thousands except units) (sales geography follows shipped-to destination):

				Fiscal Year Ended April 2014 vs. Fiscal Year Ended April 2015 % Change	Fiscal Year Ended April 2013 vs. Fiscal Year Ended April 2014 % Change
	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013		
Net Sales					
U.S. product sales ⁽¹⁾	\$ 235,712	\$ 225,455	\$ 208,859	4.5 %	7.9 %
U.S. licensing revenue ⁽²⁾	—	1,468	1,494	(100.0)%	(1.7)%
Total U.S. revenue	<u>\$ 235,712</u>	<u>\$ 226,923</u>	<u>\$ 210,353</u>		
Europe product revenue	41,484	38,293	32,177		
Other product revenue	14,362	16,798	11,790		
Total international revenue	<u>\$ 55,846</u>	<u>\$ 55,091</u>	<u>\$ 43,967</u>	1.4 %	25.3 %
Total Sales	<u>\$ 291,558</u>	<u>\$ 282,014</u>	<u>\$ 254,320</u>	3.4 %	10.9 %

Unit Sales ⁽¹⁾					
United States	9,850	9,714	9,340	1.4 %	4.0 %
Europe	3,169	2,793	2,373		
Other	1,496	1,475	1,225		
Total international	<u>4,665</u>	<u>4,268</u>	<u>3,598</u>	9.3 %	18.6 %
Total unit sales	<u>14,515</u>	<u>13,982</u>	<u>12,938</u>	3.8 %	8.1 %

(1) Product sales represent revenue from sales of generators, leads and other items related to the VNS Therapy System. Unit sales are based on the number of generators sold.

(2) Licensing revenue represents the amortization of a \$9.5 million upfront payment received for certain intellectual property in fiscal year ended April 25, 2008.

U.S. net product sales for the historical Cyberonics operations for the fiscal year ended April 24, 2015 increased \$10.3 million, or 4.5%, as compared to the fiscal year ended April 25, 2014, due to an increased generator unit sales volume of 1.4% and an increased average selling price of 3.1%. The decreased generator unit growth rate of 1.4% as compared to the prior year unit growth rate of 4.0% was primarily due to a lower adoption rate for new patients. The average selling price increased 3.1% as compared to the prior fiscal year's price increase of 3.9%. The decrease in the growth rate was primarily due to the unfavorable effect of a decline in lead sales as a percent of generator sales.

U.S. net product sales for the historical Cyberonics operations for the fiscal year ended April 25, 2014 increased \$16.6 million, or 7.9%, as compared to the fiscal year ended April 26, 2013, due to increased unit sales of 4.0% and an increased average selling price of 3.9%. The average selling price increased due to continued higher market penetration of our higher-priced AspireHC generator and price increases effective January 1, 2013 and January 1, 2014. The unit sales increase in the United States was 4.0%, which was less than the prior fiscal year's growth rate of 10.5%, due in part to certain circumstances occurring in the third quarter (ended January 24, 2014), including a combination of holidays that fell in the middle of the week, inclement weather that disrupted hospital and patient schedules and the disruptive effects of health insurance coverage changes. FDA approval of a competitive implantable neuromodulation device for epilepsy treatment in November 2013 may also have contributed to the decrease in the growth rate. In addition, our generator-only replacement growth rate declined as compared to the prior fiscal year.

International net product sales for the historical Cyberonics operations for the fiscal year ended April 24, 2015 increased by \$0.8 million, or 1.4%, as compared to the fiscal year ended April 25, 2014, due to a generator unit sales volume increase of 9.3%, offset by a 7.9% decreased average selling price. Generator unit sales increased in most of our international markets. The unit growth rate of 9.3% decreased as compared to the prior fiscal year unit growth rate of 18.6% due to one particular customer order that accounted for a significant part of the prior year's volume growth. There has not been no comparable order from this customer since then. If this order is excluded from the prior fiscal year's sales, this year's unit growth rate would have been 15.4%. The average selling price decreased by 7.9% as compared to the prior fiscal year, due to a 5.4% unfavorable foreign currency effect, a 0.7% unfavorable effect due to a decline in lead sales as a percent of generator sales and the effect of an increase in sales through lower margin distributors, partially offset by a favorable impact from increasing sales of the higher priced AspireSR generator. On a constant currency basis, international revenue would have increased by \$3.0 million, or 6.8%, and if we also exclude the one customer order from the prior fiscal year, international revenue would have grown by 16.9%. Overall sales, both domestic and international, on a constant currency basis and excluding the one customer order from prior year results, would have grown by 6.8%.

International net product sales for the historical Cyberonics operations, for the fiscal year ended April 25, 2014, increased by \$11.1 million, or 25.3%, as compared to the fiscal year ended April 26, 2013, due to increased unit sales of 18.6% and an increased average selling price of 6.7%. Unit sales increased in the majority of our international markets, and the average selling price increased due to the mix of sales by country; however, two related shipments to one customer accounted for a significant part of our international growth. Without this customer, our international unit growth was 12.3%, and our average selling price growth was 2.2%. In addition, we experienced a favorable foreign currency impact on international revenue of \$1.0 million due to the strengthening of the euro against the U.S. dollar and British pound. On a constant currency basis, international revenue would have increased by \$1.0 million, or 22.9%, and if we also exclude the one significant customer from the results, international revenue would have grown by 12.1%. Overall sales, both domestic and international, on a constant currency basis and excluding the one significant customer from prior year results, would have grown by 8.7%.

Our license revenue has consisted of the amortization of deferred license revenue generated from a one-time up-front receipt of \$9.5 million in December 2007 for the licensing of certain of our patent and patent applications. During the fiscal year ended April 25, 2014, all deferred revenue was fully amortized, and we have not received any additional license revenue.

Cost of Sales and Expenses

Transitional Period Comparisons

The table below illustrates our cost of sales and major expenses as a percentage of sales for the transitional period April 25, 2015 to December 31, 2015, as compared to the equivalent prior period April 26, 2014 to December 26, 2014. We developed the equivalent prior period data using unaudited historical Cyberonics' data:

	Transitional Period April 25, 2015 to December 31, 2015	Equivalent Prior Period April 26, 2014 to December 26, 2014	% Change
Cost of sales	35.9%	9.3%	26.6 %
Selling, general and administrative	41.6%	45.7%	(4.1)%
Research and development	12.5%	15.5%	(3.0)%
Merger related expenses	10.1%	—%	10.1 %
Integration expenses	3.3%	—%	3.3 %
Restructuring expenses	2.7%	—%	2.7 %
Litigation settlement	—%	—%	— %

Annual Period Comparisons

The table below illustrates our comparative cost of sales and major expenses as a percentage of net sales for historical Cyberonics operations:

	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013	Fiscal Year Ended April 2014 vs Fiscal Year Ended April 2015 % Change	Fiscal Year Ended April 2013 vs Fiscal Year Ended April 2014 % Change
Cost of sales	9.4%	9.7%	8.6%	(0.3)%	1.1 %
Selling, general and administrative	42.4%	42.8%	44.2%	(0.4)%	(1.4)%
Research and development	14.8%	16.5%	16.3%	(1.7)%	0.2 %
Merger related expenses	3.0%	—%	—%	3.0 %	— %
Litigation settlement	—%	2.6%	—%	(2.6)%	2.6 %

Cost of Sales

Cost of sales consisted primarily of direct labor, allocated manufacturing overhead, the acquisition cost of raw materials and components and the medical device excise tax (“MDET”). MDET began January 1, 2013 and has been suspended for the period January 1, 2016 to December 31, 2017.

Our cost of sales as a percentage of net sales increased to 35.9% for the transitional period April 25, 2015 to December 31, 2015, as compared to 9.3% in the equivalent prior period. This increase was primarily due to the inclusion of Sorin’s business activities after the Mergers due to their combined cost of sales; the cost of sales for the combined Cardiac Surgery and CRM segments was 61.0% of net sales during the period October 19, 2015 to December 31, 2015. The Neuromodulation segment’s cost of sales as a percentage of net sales increased to 12.4% as a result of increased production costs due to higher royalty costs for the AspireSR generator, the first quarter 2015 launch of the programming tablet associated with the AspireSR generator and other factors, including the Costa Rica manufacturing facility that is not yet operating at full capacity, as well as stock-based compensation and severance payments triggered by the Mergers.

Our cost of sales as a percentage of net sales for the historical Cyberonics operations for fiscal year ended April 24, 2015 of 9.4% was not materially different from prior fiscal year’s rate of 9.7%, whereas our cost of sales as a percentage of net sales for fiscal year 2014 increased by 1.1% to 9.7% as compared to fiscal year 2013. This increase was primarily the result of the MDET on devices sold domestically after January 1, 2013, which added an incremental \$2.3 million, or 0.8%, to the cost of sales.

Looking ahead. We expect the cost of sales as a percentage of net sales in fiscal year 2016 will be approximately the same as the transitional period April 25, 2015 to December 31, 2015.

Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses are comprised of sales, marketing, general and administrative activities. SG&A expenses exclude expenses incurred in connection with the merger between Cyberonics and Sorin, integration costs after the Mergers and restructuring costs under the Restructuring Plans initiated after the Mergers.

SG&A expenses as a percentage of net sales for the transitional period April 25, 2015 to December 31, 2015 decreased by 4.1% to 41.6% as compared to the equivalent prior period April 26, 2014 to December 26, 2014. This decrease was primarily due to lower costs in the segments, Cardiac Surgery and CRM, as compared to the Neuromodulation segment. Increased expenses due to the Mergers and the Restructuring Plans were offset by more efficient use of our sales and marketing expenditures.

SG&A expenses decreased by 1.4% to 42.8% as a percentage of net sales when comparing Cyberonics’ fiscal year 2014 to fiscal year 2013, primarily due to more efficient use of our sales and marketing expenditures and a reduction in stock-based compensation expense.

Looking ahead: Our SG&A expenses in future fiscal years could be favorably impacted by synergies from our Restructuring Plans.

Research and Development (“R&D”) Expenses

R&D expenses consist of product design and development efforts, clinical trial programs and regulatory activities. R&D expenses as a percentage of net sales were 12.5% for the transitional period April 25, 2015 to December 31, 2015, as compared to 15.5% for the equivalent prior period ended April 26, 2014 to December 26, 2014. This percentage decrease was not significant. The Neuromodulation segment decreased R&D spending due the completion or reduction of R&D work, as a result of our ongoing review of projects and priorities. This decrease in spending was offset by the impairment of \$2.2 million of certain technology-based intangible assets, which no longer factored into our product plans, and stock-based compensation and severance payments triggered by the Mergers.

R&D expenses as a percentage of net sales for historical Cyberonics operations decreased by 3.0% to 12.5% for the fiscal year ended April 24, 2015 as compared to the prior fiscal year ended April 25, 2014. R&D spending decreased due to completion of work, adaption to longer developmental schedules or cancellation of work. These decreases were partially offset by \$2.1 million of impairment losses related to our Centro generator project and certain other R&D projects.

R&D expenses as a percentage of net sales for fiscal year 2014 increased by 0.2% to 16.5%, as compared to fiscal year 2013. This increase was due to our ongoing product development efforts for the treatment of refractory epilepsy and our clinical development efforts with respect to the VITARIA System for the treatment of chronic heart failure.

Looking ahead. Our R&D expenditures could be affected by future impairment of intangible assets utilized in R&D projects that may be canceled or by the delay or cancellation of a project based on our review and product priorities. Ongoing projects include opportunities in the area of heart failure.

Merger Related Expenses

In the transitional period April 25, 2015 to December 31, 2015, we incurred \$42.1 million in expenses related to the Mergers. These expenses consisted of professional fees for legal services, accounting services, due diligence, a fairness opinion and the preparation of registration and regulatory filings in the United States and Europe, as well as investment banking fees. We reported these expenses as a separate operating expense in our consolidated statement of income (loss). Stock-based compensation triggered by the Mergers are included under merger related expenses.

Looking ahead. We expect merger related expenses to be significantly reduced in fiscal year 2016.

Integration Expenses

We incurred \$13.7 million in the period April 25, 2015 to December 31, 2015 in integration expenses related to the Mergers. These expenses consisted primarily of consultation with regard to: our systems integration, organization structure integration, finance, synergy and tax planning, the transition to U.S. GAAP for Sorin activity, our London Stock Exchange listing and certain re-branding efforts. We reported these expenses as a separate operating expense in our consolidated statement of income (loss).

Looking ahead. We expect integration expenses to continue to be material in fiscal year 2016.

Restructuring Expenses

We incurred \$11.3 million in the period April 25, 2015 to December 31, 2015 in restructuring expenses, which we reported as a separate operating expense in our consolidated statement of income (loss). Termination payments triggered by the Mergers are included in restructuring expenses. We initiated several restructuring plans (the “Restructuring Plans”) after the consummation of the Mergers in October 2015. The Restructuring Plans are intended to leverage economies of scale, eliminate duplicate corporate expenses and streamline distributions, logistics and office functions in order to reduce overall costs.

Looking ahead. We expect Restructuring Plans expenses to increase in fiscal year 2016.

Interest Expense

We incurred interest expense of \$1.5 million for the transitional period April 25, 2015 to December 31, 2015, primarily from our outstanding borrowings, amortization of debt issuance costs and debt discounts and interest accrued on unrealized tax benefits.

Looking ahead. We expect interest expense to increase in fiscal year 2016.

Impairment of Investments

We fully impaired a cost-method equity investment in Cerbomed, a European company developing a t-VNS device for epilepsy treatment, for a loss of \$5.1 million.

Foreign Exchange and Other Income (Expense), Net

Foreign exchange and other expense of \$7.5 million recognized during the transitional period April 25, 2015 to December 31, 2015 included loss of \$5.6 million from both realized and unrealized foreign currency hedges. These derivative contracts were established to hedge against exchange rate movements on the loan from the European Investment Bank and other loans, which are denominated in euros. The loss on the hedge was recorded in our consolidated income statement, whereas the hedged instrument’s gain was recorded in comprehensive income in our consolidated financial statements. Other losses included net foreign currency transaction losses of \$1.9 million. For further details, refer to “Note 15. Derivatives and Foreign Currency Risk Management” accompany the consolidated financial statements.

Other income (expense), net of \$0.5 million, \$(0.3) million and \$(0.3) million in the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, respectively, consisted primarily of foreign currency transaction gains and losses. During these fiscal years representing historical Cyberonics operations, we operated in a number of international markets and were exposed to the impact of foreign currency exchange rate movements, particularly with respect to the U.S. dollar versus the euro. The positions and transactions were not hedged.

Income Taxes

Our effective tax rate for the transitional period April 25, 2015 to December 31, 2015 was 30.5%, primarily due to the foreign tax rate differential between the U.K. tax rate and the non-U.K. tax rates, of \$11.6 million in the jurisdictions in which we operate; unfavorable effect of change in tax rate of \$3.3 million, the tax benefit of notional interest deduction of \$3.1 million; non-deductible transaction costs of \$5.4 million; a U.S. research and development tax credit of \$1.6 million; unfavorable change in valuation allowances of \$2.2 million; and other permanent differences, including U.S. IRC subpart F income, U.S. domestic manufacturing deduction and other non-deductible expenses.

Our effective tax rate for the historical Cyberonics fiscal year ended April 24, 2015 was 35.2%, primarily due to our U.S. federal income tax, state and foreign income taxes and permanent differences. Permanent differences relate to transactions that are reported for U.S. GAAP purposes but are not reported for income tax purposes in accordance with the Internal Revenue Code. Permanent differences for fiscal year 2015 included: (i) the domestic production activities deduction of \$2.6 million, which resulted in a 2.9% reduction to the effective tax rate, (ii) \$3.2 million of federal and state R&D tax credits, which included the recognition of prior year unrecognized R&D tax credits for a 3.6% reduction to the effective tax rate, and (iii) other permanent differences, such as non-deductible officer’s compensation, subpart F income incurred by our European subsidiary, Cyberonics Europe, BVBA, adjustments related to a change in international structure and non-deductible meals and entertainment, which resulted in an increase in the effective tax rate of 2.5%.

We file federal and local tax returns in many jurisdictions throughout the world and are subject to income tax examinations for our fiscal year 1992 and subsequent years, with certain exceptions. Tax authorities may disagree with certain positions we have taken and assess additional taxes, and as a result we establish reserves for uncertain tax positions, which requires a significant degree of management judgment. We regularly assess the likely outcomes of our tax positions in order to determine the appropriateness of our reserves for uncertain tax positions. The total amount of unrecognized tax benefit as of December 31, 2015, if recognized, would reduce our income tax expense by approximately \$20.2 million. We are unable to estimate the amount of change the majority of our unrecognized tax benefits over the next 12 months; however, approximately \$0.9 million will be resolved over the next 12 months due to the expected completion of an audit.

As of the transaction close date, there were several investments in subsidiaries where the book basis was greater than the tax basis, whereby the deferred tax liability was recognized through the acquisition method of accounting. The deferred tax liability recognized through purchase accounting related to these subsidiaries was approximately \$17.9 million. No further provision has been made for income taxes on undistributed earnings of foreign subsidiaries as of December 31, 2015, because it is our intention to indefinitely reinvest undistributed earnings of our foreign subsidiaries. In the event of the distribution of those earnings in the form of dividends, a sale of the subsidiaries or certain other transactions, we may be liable for income taxes. There should be no material tax liability on future distributions as most jurisdictions with undistributed earnings have various participation exemptions or no withholding tax. As of December 31, 2015, it was not practicable to determine the amount of the income tax liability related to those investments.

Losses from Equity Method Investments

We recognized a loss of \$3.3 million from our share of the losses at our equity method investments during the transitional period April 25, 2015 to December 31, 2015, primarily due to losses at Highlife, Caisson, Respicardia and MicroPort Sorin CRM. Refer to “Note 12. Investments” in the consolidated financial statements in this Report on Form 10-K/T for additional information.

Looking ahead. Our share of our investees’ losses during the transitional period April 25, 2015 to December 31, 2015 were incurred during the period October 19, 2015 to December 31, 2015. In fiscal year 2016, our share of our investees’ losses will be incurred for the period January 1, 2016 to December 31, 2016, and we expect the losses to be significantly greater.

Liquidity and Capital Resources

Based on our current business plan, we believe that our existing cash, investments and future cash generated from operations will be sufficient to fund our expected operating needs, working capital requirements, R&D opportunities, capital expenditures and debt service requirements over the next 12 months. We regularly review our capital needs and consider various investing and financing alternatives to support our requirements. Refer to “Note 14. Financing Arrangements” in the consolidated financial statements in this Report on Form 10-K/T for additional information regarding our debt. Our liquidity could be adversely affected by the factors affecting future operating results, including those referred to in “Item 1A. Risk Factors” above.

Cash Flows

Net cash and cash equivalents provided by (used in) operating, investing and financing activities and the net increase (decrease) in the balance of cash and cash equivalents were as follows (in thousands):

	Transitional Period April 25, 2015 to December 31, 2015	Equivalent Prior Period April 26, 2014 to December 26, 2015 (unaudited)	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Operating activities	\$ (9,288)	\$ 59,370	\$ 79,676	\$ 54,196	\$ 79,054
Investing activities	16,182	(4,627)	(9,765)	(34,412)	(35,993)
Financing activities	(18,127)	(36,720)	(48,256)	(37,267)	(18,850)
Effect of exchange rate changes on cash and cash equivalents	(341)	(540)	(767)	73	(157)
Net increase (decrease)	\$ (11,574)	\$ 17,483	\$ 20,888	\$ (17,410)	\$ 24,054

Operating Activities

Cash utilized in our consolidated operating activities during the transitional period April 25, 2015 to December 31, 2015 was \$9.3 million. Operating cash provided by the Neuromodulation Business Unit for the transitional period before merger, integration and restructuring costs was \$101.3 million, and net of those expenses, was \$34.2 million. Comparatively, in the equivalent prior period April 26, 2014 to December 26, 2014, Cyberonics’ cash flow provided by operations was \$59.4 million.

During the transitional period April 25, 2015 to December 31, 2015, cash flow from operating activities benefited from a cash inflow of \$36.3 million primarily due to the reduction of Sorin’s inventory that was acquired in the Mergers. We acquired \$233.8 million of Sorin inventory as of October 19, 2015. In addition, during the transitional period April 25, 2015 to December 31, 2015, accounts payable and accrued liabilities decreased by \$32.8 million, primarily due to payment of accrued merger costs.

Cash provided by operating activities for the historical Cyberonics fiscal year ended April 24, 2015 increased as compared to fiscal year ended April 25, 2014 by \$25.5 million to \$79.7 million, primarily due to a \$3.0 million increase in net income, an increase in non-cash operating expenses of \$17.9 million and a decrease in cash outflow from operating assets and liabilities of \$4.6 million. The increase in non-cash expenses as compared to the prior fiscal year was due primarily to the increase in the utilization of deferred tax assets of \$14.6 million. The utilization of deferred tax assets related to (i) the usage of tax credits and net operating losses in Europe, (ii) an adjustment to deferred tax assets related to filing tax accounting method changes and (iii) an adjustment related to changes in the ownership structure in Europe. The decrease in cash outflow from operating assets and liabilities was primarily the result of our improved cash flow from accounts receivable and operating liabilities, offset by inventory build-up. Accounts receivable improved cash flows by \$8.0 million, due to the collection of \$3.8 million from a single international customer in fiscal year 2015, in addition to the effect of slower sales growth in the final quarter of fiscal year 2015 as compared to fiscal year 2014. Payables and accrued liabilities added \$5.5 million to operating cash flow due to increased balances in these accounts as compared to fiscal year 2014. Accruals for accounting and legal fees increased due to, at that time, the upcoming Mergers, the effects of which were partially offset by a reduction to our bonus compensation accruals at year end as compared to the prior year end. This cash flow improvement from operating assets and liabilities was partially offset by increased inventory purchases of \$7.4 million, as compared to the equivalent prior period, which was primarily due to increased purchases to ensure an adequate supply of our new programming tablets and increased inventory levels at our new Costa Rica manufacturing plant.

Cash provided by operating activities during fiscal year 2014 decreased as compared to fiscal year 2013 by \$24.9 million to \$54.2 million, primarily due to a decrease in non-cash operating expenses of \$29.9 million, an increase in operating cash assets of \$1.0 million and a decrease in operating cash liabilities of \$4.5 million, offset by increased net income of \$8.5 million. Non-cash operating expenses decreased in fiscal year 2014, primarily due to the decrease in the utilization of deferred tax benefit from net operating losses of \$27.6 million. The cash flow decrease from operating assets was primarily due to prepayment of our fiscal year 2015 federal income tax in fiscal year 2014. The cash flow decrease from operating liabilities was primarily due to lower incentive compensation accruals for fiscal year 2014 as compared to fiscal year 2013.

Investing Activities

Cash provided by investing activities of \$16.2 million during the transitional period April 25, 2015 to December 31, 2015 was due to the transfer of \$20.0 million to cash and cash equivalents from short-term investments and an increase in cash of \$12.5 million obtained in the business acquisition, offset by net investment activity of \$16.4 million.

Cash used in investing activities decreased by \$24.6 million to \$9.8 million during the Cyberonics fiscal year ended April 24, 2015 as compared to fiscal year ended April 25, 2014. Over the comparative periods, our funding of short-term investments fell by \$8.0 million due to our having nearly reached our preferred level of investment in short-term securities last fiscal year. During fiscal year 2015, we moved an additional \$1.9 million from cash to commercial paper. Our short-term securities mature six months from purchase date. Our property, plant and equipment (“PP&E”) investments fell by \$8.5 million fiscal year 2014 to fiscal year 2015, primarily due to completion of our new Costa Rica manufacturing facility, a decrease in our headquarters building improvements and a decrease in our software systems infrastructure spending. In fiscal year 2015, we invested an additional €1.0 million, or approximately \$1.2 million, in Cerbomed, which was fully impaired during the transitional year ended December 31, 2015.

Cash used in investing activities was \$34.4 million in fiscal year 2014 compared to \$36.0 million for fiscal year 2013. Our PP&E investments increased \$5.5 million to \$15.2 million due to increased investments in our headquarters, our software systems infrastructure and our Costa Rica manufacturing facility. These increases were partially offset by a decrease in expenditures for short-term investments in certificates of deposit of \$5.0 million. We purchased \$3.8 million in technology-based intangible assets during fiscal 2014 and \$4.6 million in fiscal year 2013 primarily related to patents focused on sleep apnea treatment, the integration of magnetic resonance imaging compatibility for our leads and the development of our cardiac-based seizure detection capabilities. In fiscal 2014, we invested €1.0 million, or \$1.4 million, in preferred stock of Cerbomed and \$4.0 million in ImThera Medical, Inc. ImThera Medical, Inc. is developing an implantable neurostimulation device system for the treatment of obstructive sleep apnea.

Financing Activities

We utilized cash of \$18.1 million for financing activities during the transitional period April 25, 2015 to December 31, 2015, which included the repayment of long-term debt \$32.0 million, and the purchase of treasury shares for \$7.3 million, partially offset by cash proceeds from net short-term debt borrowing of \$11.1 million and stock based compensation activities of \$8.8 million. In the equivalent prior period, we utilized cash for treasury stock repurchases of \$41.6 million, while stock-based compensation activity provided \$4.9 million for a net utilization of \$36.7 million.

Cash used in financing activities during the Cyberonics historical fiscal year ended April 24, 2015 increased by \$11.0 million as compared to fiscal year 2014 to \$48.3 million. Financing cash inflows decreased by \$21.9 million due to decreased excess tax benefits from the utilization of equity-based net operating loss carry-forwards and \$6.6 million in proceeds from the exercise of options for common stock. These effects were partially offset by the decreased cash outflow of \$17.3 million for purchased treasury stock. On November 18, 2014, the Board authorized the repurchase of one million shares; however, in February 2015, our treasury stock purchase plan under Rule 10b5-1 of the Exchange Act (the “Plan”), entered into under the authority of the Board of Directors, terminated, and we stopped repurchasing shares of our stock.

Cash used in financing activities during fiscal year 2014 increased by \$18.4 million as compared to fiscal year 2013. This increase was primarily due to increased treasury stock purchases of \$39.3 million, partially offset by increased cash inflow from excess tax benefits derived from the utilization of equity-based net operating loss carry-forward of \$22.3 million.

Debt and Capital

Our capital structure consists of debt and equity. As of December 31, 2015, our total debt of \$174.3 million was 9.6% of total equity of \$1,811.5 million.

Debt Acquired in the Mergers. At the consummation of the Mergers on October 19, 2015, LivaNova acquired all of the outstanding debt of Sorin in the aggregate principal amount of \$203.0 million payable to various financial and non-financial institutions. Prior to the Mergers Cyberonics had no debt.

Debt - Post Mergers. During the period October 18, 2015 and December 31, 2015, we repaid \$32.0 million of long-term debt and borrowed \$11.1 million against short-term credit facilities.

Factoring. As of December 31, 2015, we include an obligation of \$24.5 million related to advances on customer receivables in Accrued Liabilities in the consolidated balance sheet. We expect to reduce or eliminate this form of financing in fiscal year 2016.

Contractual Obligations

A summary of contractual and contingent obligations as of December 31, 2015 is as follows (in thousands):

	Less Than One Year	One to Three Years	Three to Five Years	Over Five Years	Total Contractual Obligations
Contingent obligations					
Guarantees on governmental bids ⁽¹⁾	\$ 25,879	\$ —	\$ —	\$ —	\$ 25,879
Guarantees - commercial ⁽²⁾	5,010	—	—	—	5,010
Guarantees to tax authorities ⁽³⁾	11,163	—	—	—	11,163
	<u>\$ 42,052</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 42,052</u>
Contractual obligations related to off-balance sheet arrangements:					
Operating leases obligations ⁽⁴⁾	\$ 17,798	\$ 33,429	\$ 20,139	\$ 29,300	\$ 100,666
Interest payments ⁽⁵⁾	1,364	1,751	768	61	3,944
Minimum royalty obligations ⁽⁶⁾	50	100	100	50	300
Inventory purchase commitments	30,147	3,828	51	214	34,240
	<u>\$ 49,359</u>	<u>\$ 39,108</u>	<u>\$ 21,058</u>	<u>\$ 29,625</u>	<u>\$ 139,150</u>
Long-term debt, including current portion	\$ 82,513	\$ 42,124	\$ 39,649	\$ 10,018	\$ 174,304
Capital leases	4	—	—	—	4
Derivatives and other	1,815	1,414	368	11	3,608
	<u>\$ 84,332</u>	<u>\$ 43,538</u>	<u>\$ 40,017</u>	<u>\$ 10,029</u>	<u>\$ 177,916</u>
Total ⁽⁷⁾	<u>\$ 175,743</u>	<u>\$ 82,646</u>	<u>\$ 61,075</u>	<u>\$ 39,654</u>	<u>\$ 359,118</u>

(1) Government bid guarantees include such items as unconditional bank guarantees, irrevocable letters of credit and bid bonds.

(2) Commercial guarantees include our Canadian production site lease guarantee of \$4.1 million.

(3) Tax guarantees include the Milan VAT Authority security of €10.2 million.

(4) Operating lease commitments include facilities, office equipment and automobiles.

(5) Interest payments reflect the contractual interest due on our outstanding debt and exclude the impact of interest rate swap agreements. Refer to “Note 14. Financing Arrangements” in our consolidated financial statements included in this Report on Form 10-K/T.

(6) Minimum royalty fees are payable to Flint Hills L.L.C. for cardiac-based seizure detection intellectual property. Other royalty payments are not disclosed as they cannot be determined at this time.

(7) Unrecognized tax benefits of \$20.2 million are not reflected in the above schedule due to our inability to make a reasonably reliable estimate of the timing of any income tax payments.

Factors Affecting Future Operating Results and Ordinary Share Price

The factors affecting our future operating results and ordinary share prices are disclosed in “Item 1A. Risk Factors” included in this Report on Form 10-K/T.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks as part of our ongoing business operations, including risks from foreign currency exchange rates, interest rate risks and concentration of procurement suppliers that could adversely affect our consolidated balance sheet, net income and cash flow. We manage these risks through regular operating and financing activities and, at certain times, derivative financial instruments.

Foreign Currency Exchange Rate Risk

Due to the global nature of our operations, we are exposed to foreign currency exchange rate fluctuations. We generally utilize foreign exchange forward contracts that are designed to hedge the variability of material cash flows associated with forecast revenue and costs denominated in a currency different from the functional currency of the consolidated statement of income (loss) that will take place in the future.

We do not enter into currency exchange rate derivative instruments for speculative purposes.

Based on our exposure to foreign currency exchange rate risk, a sensitivity analysis indicates that if the U.S. dollar had uniformly weakened or strengthened by 10% against the Pound Sterling and the Yen the effect on our unrealized income or expense for our derivatives outstanding at December 31, 2015 would have been approximately \$2.3 million.

Any gains and losses on the fair value of derivative contracts would generally be offset by gains and losses on the underlying transactions. These offsetting gains and losses are not reflected in the above analysis.

Interest Rate Risk

We are subject to interest rate risk on our investments and debt. We manage a portion of our interest rate risk with contracts that swap floating-rate interest payments for fixed rate interest payments. If interest rates were to increase or decrease by 0.5%, the effects on our consolidated statement of income (loss) would have been immaterial.

Concentration of Credit Risk

Our trade accounts receivable represent potential concentrations of credit risk. This risk is limited due to the large number of customers and their dispersion across a number of geographic areas, as well as our efforts to control our exposure to credit risk by monitoring our receivables and the use of credit approvals and credit limits. In addition, we have historically had strong collections and minimal write-offs. While we believe that our reserves for credit losses are adequate, essentially all of our trade receivables are concentrated in the hospital and healthcare sectors worldwide, and accordingly, we are exposed to their respective business, economic and country-specific variables. Although we do not currently foresee a concentrated credit risk associated with these receivables, repayment is dependent on the financial stability of these industry sectors and the respective countries' national economies and healthcare systems.

Item 8. Financial Statements and Supplementary Data

The information required by this Item is incorporated by reference to the consolidated financial statements beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. This information is also accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Our management, under the supervision and with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Form 10-K/T. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2015.

(b) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). Management's assessment included an evaluation of the design and testing of the operational effectiveness of our internal control over financial reporting. Based on that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2015.

The scope of management's assessment of internal control over financial reporting excluded Sorin because the Mergers were accounted for as a reverse acquisition under the acquisition method of accounting for business combinations, with Cyberonics treated as the acquiring company and Sorin as the acquired business in the Mergers for accounting purposes. Total assets and net sales of Sorin represented 33% and 48% of our total assets and total net sales, respectively, as reported in our consolidated financial statements for the period April 25, 2015 to December 31, 2015.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers S.p.A., an independent registered public accounting firm. Their report, dated March 4, 2016, is included in "Item 15. Exhibits, Financial Statement Schedules" in this Report on Form 10-K/T.

(c) Changes in Internal Control Over Financial Reporting

On October 19, 2015, the Mergers were consummated between Cyberonics and Sorin. The Company has incorporated internal controls over significant processes to the extent that it believes appropriate and necessary considering the level of integration during the period since the Mergers. As a result of the Mergers, the internal control over financial reporting utilized by Cyberonics prior to the Mergers became the internal control over financial reporting of our company, and we are currently in the process of evaluating and integrating Sorin's historical internal controls over financial reporting with ours.

Except for the paragraph above, no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-5(f) under the Exchange Act) occurred during the period ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Pursuant to general instruction G to Form 10-K, we incorporate by reference into this item the information to be disclosed in our definitive proxy statement for our 2016 Annual Meeting of Stockholders.

Item 11. *Executive Compensation*

Pursuant to general instruction G to Form 10-K, we incorporate by reference into this Item the information to be disclosed in our definitive proxy statement for our 2016 Annual Meeting of Stockholders.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Pursuant to general instruction G to Form 10-K, we incorporate by reference into this Item the information to be disclosed in our definitive proxy statement for our 2016 Annual Meeting of Stockholders.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Pursuant to general instruction G to Form 10-K, we incorporate by reference into this Item the information to be disclosed in our definitive proxy statement for our 2016 Annual Meeting of Stockholders.

Item 14. *Principal Accounting Fees and Services*

Pursuant to general instruction G to Form 10-K, we incorporate by reference into this Item the information to be disclosed in our definitive proxy statement for our 2016 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(1) Financial Statements

The Consolidated Financial Statements of LivaNova PLC and its subsidiaries and the Report of Independent Registered Public Accounting Firms are included in this Form 10-K/T beginning on page F-1:

Description	Page No.
Reports of Independent Registered Public Accounting Firms	F-2
Consolidated Statements of Income (Loss)	F-4
Consolidated Statements of Comprehensive Income (Loss)	F-5
Consolidated Balance Sheets	F-6
Consolidated Statements of Stockholders' Equity	F-7
Consolidated Statements of Cash Flows	F-8
Notes to Consolidated Financial Statements	F-10

(2) Financial Statement Schedules

All schedules required by Regulation S-X have been omitted as not applicable or not required, or the information required has been included in the notes to the consolidated financial statements.

(3) Index to Exhibits

The exhibits marked with the asterisk symbol (*) are filed or furnished (in the case of Exhibit 32.1) with this Form 10-K/T. The exhibits marked with the cross symbol (†) are management contracts or compensatory plans or arrangements filed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

Exhibit Number	Document Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
2.1	Transaction Agreement, dated March 23, 2015, by and among LivaNova PLC (f/k/a Sand Holdco Limited), Cyberonics, Inc., Sorin S.p.A. and Cypher Merger Sub, Inc.	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	2.1
3.1	Articles of Association of LivaNova PLC	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on October 19, 2015		3.1
10.1	Service Agreement, dated September 8, 2015, between LivaNova PLC and Vivid Sehgal	LivaNova PLC Current Report on Form 8-K, 333-203510 filed on September 14, 2015		10.1
10.2	Amendment and Restatement Agreement, dated October 2, 2015, by and among LivaNova PLC, Sorin S.p.A., Sorin CRM S.A.S., Sorin Group Italia S.r.l. and the European Investment Bank	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on October 19, 2015		10.1
10.3	Amended and Restated Finance Contract, dated October 19, 2015, by and among LivaNova PLC, Sorin CRM S.A.S., Sorin Group Italia S.r.l. and the European Investment Bank	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on October 19, 2015		10.2
10.4	Form of Deed of Indemnification (Directors), each effective October 19, 2015	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on October 19, 2015		10.3
10.5	Form of Deed of Indemnification (Officers), each effective October 19, 2015	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on October 19, 2015		10.4
10.6	LivaNova PLC 2015 Incentive Award Plan and related Sub-Plan for U.K. Participants, adopted on October 16, 2015	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.1

10.7	Form of Stock Appreciation Right Grant Notice and Stock Appreciation Right Agreement under the LivaNova PLC 2015 Incentive Award Sub-Plan (Non-U.S. Form)	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.2
10.8	Form of Stock Appreciation Right Grant Notice and Stock Appreciation Right Agreement under the LivaNova PLC 2015 Incentive Award Plan (U.S. Form)	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.3
10.9†	LivaNova PLC Non-Employee Director Compensation Policy, adopted on October 19, 2015	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.4
10.10†	Director Appointment Letters for Non-Employee Directors, dated the dates indicated therein	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.5
10.11†	Form of Director Restricted Stock Unit Award Grant Notice and Director Restricted Stock Unit Award Agreement under the LivaNova PLC 2015 Incentive Award Plan (Non-Employee Directors)	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.6
10.12†	Service Agreement, dated October 19, 2015, between LivaNova PLC and André-Michel Ballester	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.7
10.13†	Side Letter, dated October 19, 2015, issued to André-Michel Ballester	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.8
10.14†	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the LivaNova PLC 2015 Incentive Award Sub-Plan (André-Michel Ballester)	LivaNova PLC Current Report on Form 8-K, filed on November 24, 2015	001-37599	10.1
10.15	Support Agreement, dated February 26, 2015, by and among Cyberonics, Inc., Mittel S.p.A., Equinox Two S.c.a., Tower 6 S.à.r.l., Ghea S.r.l., Bios S.p.A. and Tower 6Bis S.à.r.l.	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	Annex A-2
10.16	Support Agreement, dated February 26, 2015, between Cyberonics, Inc. and André-Michel Ballester	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	Annex A-3
10.17	Support Agreement, dated February 26, 2015, between Cyberonics, Inc. and Rosario Bifulco	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	Annex A-4
10.18	Support Agreement, dated February 26, 2015, between Sorin S.p.A. and Daniel J. Moore	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	Annex A-5
10.19	Support Agreement, dated February 26, 2015, between Sorin S.p.A. and Hugh M. Morrison	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	Annex A-6
10.20*	Joint Venture Contract, dated January 9, 2014 between Sorin CRM Holdings SAS and Shanghai MicroPort Medical (Group) Co., Ltd.			
10.21*	Capital Increase and Accession Agreement in relation to MicroPort WeiBo Medical Devices (Shanghai) Co. Ltd., dated January 9, 2014, by and among Shanghai MicroPort Medical (Group) Co., Ltd., Sorin CRM Holdings SAS and MicroPort WeiBo Medical Devices (Shanghai) Co. Ltd.			
10.22*	Amendment Agreement, dated May 19, 2014, to the Joint Venture Contract and Articles of Association in respect of MicroPort Sorin CRM (Shanghai) Co., Ltd.			

10.23*	Amendment Agreement (2), dated 9 January 2014 to the Joint Venture Contract in respect of MicroPort Sorin CRM (Shanghai) Co., Ltd.			
10.24*†	Employment Letter, dated January 12, 2016, to R. Jason Richey			
10.25*	Gruppo Sorin R&D Finance Contract, dated May 6, 2014, between the European Investment Bank and Sorin S.p.A., Sorin CRM S.A.S. and Sorin Group Italia S.r.l.			
10.26*†	Amendment to Restricted Stock Unit Agreement, dated February 17, 2016, between LivaNova PLC and André-Michel Ballester			
10.27	Cyberonics, Inc. 2009 Stock Plan, as amended,	Cyberonics, Inc. Proxy Statement on Schedule 14A, filed on August 2, 2012	000-19806	App. A
10.28	Amended and Restated Cyberonics, Inc. New Employee Equity Inducement Plan, as amended	Cyberonics, Inc. Quarterly Report on Form 10-Q for the Cyberonics, Inc. fiscal quarter ended October 24, 2008	000-19806	10.3
10.29*†	Letter regarding Change In Control Severance Payment, dated February 26, 2015, to Edward Andrie			
10.30*†	2015 Amendment to Employment Contract, dated February 4, 2008, between Sorin Groupe France SAS and Michel Darnaud			
10.31*†	2015 Amendment to the Employment Contract, dated July 15, 2005, between Sorin CRM SAS and Stéfano Di Lullo, executed in 2015			
10.32*†	Letter regarding Change in Control Severance Payment, dated February 26, 2015, to Jacques Gutedel			
10.33*†	Letter regarding Change in Control Severance Payment, dated February 26, 2015, to Pritpal Shinmar			
10.34*†	Letter regarding Termination of Employment and Compensation, dated February 26, 2015, to Brian Sheridan			
10.35*†	Severance Agreement, dated September 30, 2002, between Cyberonics, Inc. and R. Jason Richey			
10.36*†	Amendment to Severance Agreement, dated 23 December 2008, between Cyberonics, Inc. and R. Jason Richey			
10.37*†	Employment Letter, dated August 30, 2010 to Edward Andrie			
10.38*†	Expatriate Assignment Letter, dated December 29, 2010 to Edward Andrie			
10.39*†	Extension of Expatriate Assignment Letter, dated July 23, 2014 to Edward Andrie			
10.40*†	Employment Letter, dated January 2013, to Pritpal Shinmar			
10.41*†	Employment Agreement effective March 1, 2009, between Sorin Group International SA and Jacques Gutedel			
10.42*†	Employment Letter, dated November 14, 2003, to Brian Sheridan			

10.43*†	Employment Agreement, effective January 1, 2015 between David S. Wise and Cyberonics, Inc.
10.44*†	Employment Agreement, effective November 1, 2005, between Ela Medical SAS and Stéfano di Lullo
10.45*†	Employment Agreement Amendment letter, dated 23 December 2008, to Stéfano Di Lullo
10.46*†	Employment Letter, dated 28 January 2008, to Michel Darnaud
10.47*†	Employment Letter, dated June 20, 2008 to Piero Vecchi
21.1*	List of Subsidiaries of LivaNova PLC
23.1*	Consent of Independent Registered Public Accounting Firm
23.2*	Consent of Independent Registered Public Accounting Firm
24.1*	Power of Attorney (included on the Signature Page to this Report on Form 10-K/T)
31.1*	Certification of the Chief Executive Officer of LivaNova PLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer of LivaNova PLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
101*	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statement of Income for the transitional period ended December 31, 2015 and the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, (ii) the Consolidated Statement of Comprehensive Income for the transitional period ended December 31, 2015 and the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, (iii) the Consolidated Balance Sheet as of December 31, 2015, April 24, 2015 and April 25, 2014, (iv) the Consolidated Statement of Stockholders' Equity for the transitional period ended December 31, 2015 and the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, (v) the Consolidated Statement of Cash Flows for the transitional period ended December 31, 2015 and the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, and (vi) the Notes to the Condensed Consolidated Financial Statements.

SIGNATURES

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

LIVANOVA PLC

By: /s/ VIVID SEHGAL

Vivid Sehgal

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Date: March 4, 2016

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints André-Michel Ballester and Vivid Sehgal, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K/T, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ DANIEL J. MOORE</u> Daniel J. Moore	Chairman of the Board of Directors	March 4, 2016
<u>/s/ ANDRÉ- MICHEL BALLESTER</u> André-Michel Ballester	Director, Chief Executive Officer (Principal Executive Officer)	March 4, 2016
<u>/s/ VIVID SEHGAL</u> Vivid Sehgal	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 4, 2016
<u>/s/ FRANCESCO BIANCHI</u> Francesco Bianchi	Director	March 4, 2016
<u>/s/ STEFANO GIANOTTI</u> Stefano Gianotti	Director	March 4, 2016
<u>/s/ HUGH M. MORRISON</u> Hugh M. Morrison	Director	March 4, 2016
<u>/s/ ALFRED J. NOVAK</u> Alfred J. Novak	Director	March 4, 2016
<u>/s/ SHARON O'KANE</u> Sharon O'Kane, Ph.D.	Director	March 4, 2016
<u>/s/ ARTHUR ROSENTHAL</u> Arthur Rosenthal, Ph.D.	Director	March 4, 2016

CONSOLIDATED FINANCIAL STATEMENTS

For the transitional period ended December 31, 2015, and the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013

TOGETHER WITH REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
LivaNova PLC:

In our opinion, the accompanying consolidated balance sheet as of December 31, 2015 and the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity and cash flows present fairly, in all material respects, the financial position of LivaNova PLC and its subsidiaries at December 31, 2015, and the results of their operations and their cash flows for the transitional period from April 25, 2015 to December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinions.

As discussed in Note 20 to the consolidated financial statements, the Company changed the manner in which it classifies deferred income taxes in 2015.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Sorin from its assessment of internal control over financial reporting as of December 31, 2015 because the Mergers consummated on October 19, 2015, were accounted for as a reverse acquisition under the acquisition method of accounting for business combinations, Cyberonics treated as the acquiring company and Sorin as the acquired business in the Mergers for accounting purposes. Sorin total assets and total revenues represent 33 percent and 48 percent, respectively, of the related consolidated financial statement amounts as of and for the period from April 25, 2015 to December 31, 2015.

/s/ PricewaterhouseCoopers SpA
Milan, Italy
March 4, 2016

Report of Independent Registered Public Accounting Firm

Cyberonics, Inc.:

We have audited the accompanying consolidated balance sheets of Cyberonics, Inc. and subsidiaries as of April 24, 2015 and April 25, 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the fifty-two weeks ended April 24, 2015, April 25, 2014, and April 26, 2013. 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 Cyberonics, Inc. and subsidiaries as of April 24, 2015 and April 25, 2014, and the results of their operations and their cash flows for each of the fifty-two weeks ended April 24, 2015, April 25, 2014, and April 26, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Houston, Texas

June 15, 2015

LIVANOVA PLC AND SUBSIDIARIES'
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(In thousands, except share and per share amounts)

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Net sales	\$ 415,707	\$ 291,558	\$ 282,014	\$ 254,320
Cost of sales	149,181	27,311	27,355	21,907
Gross profit	266,526	264,247	254,659	232,413
Operating expenses:				
Selling, general and administrative	173,065	123,619	120,642	112,515
Research and development	51,931	43,284	46,562	41,552
Merger related expenses	42,098	8,692	—	—
Integration expenses	13,689	—	—	—
Restructuring expenses	11,323	—	—	—
Litigation settlement	—	—	7,443	—
Total operating expenses	292,106	175,595	174,647	154,067
Income (loss) from operations	(25,580)	88,652	80,012	78,346
Interest income	392	184	182	84
Interest expense	(1,509)	(21)	(20)	(119)
Impairment of investment	(5,062)	—	—	(4,059)
Gain on warrants' liability	—	—	—	1,326
Foreign exchange and other	(7,522)	479	(295)	(303)
Income (loss) before income taxes	(39,281)	89,294	79,879	75,275
Income tax expense (benefit)	(12,976)	31,446	24,989	28,917
Income (loss) from equity method investments	(3,308)	—	—	—
Net income (loss)	\$ (29,613)	\$ 57,848	\$ 54,890	\$ 46,358
Basic income (loss) per share	\$ (0.90)	\$ 2.19	\$ 2.02	\$ 1.68
Diluted income (loss) per share	\$ (0.90)	\$ 2.17	\$ 2.00	\$ 1.66
Shares used in computing basic income (loss) per share	32,741,357	26,391,064	27,142,597	27,604,006
Shares used in computing diluted income (loss) per share	32,741,357	26,625,721	27,466,474	28,008,960

See accompanying notes to the consolidated financial statements
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LIVANOVA PLC AND SUBSIDIARIES'
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Net income (loss)	\$ (29,613)	\$ 57,848	\$ 54,890	\$ 46,358
Other comprehensive income (loss):				
Net change in unrealized gain (loss) on derivatives	1,274	—	—	—
Tax effect	(386)	—	—	—
	888	—	—	—
Foreign currency translation adjustment, net of tax	(51,715)	(3,856)	287	(254)
Total other comprehensive income (loss)	(50,827)	(3,856)	287	(254)
Total comprehensive income (loss)	<u>\$ (80,440)</u>	<u>\$ 53,992</u>	<u>\$ 55,177</u>	<u>\$ 46,104</u>

See accompanying notes to the consolidated financial statements
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LIVANOVA PLC AND SUBSIDIARIES'
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	<u>December 31, 2015</u>	<u>April 24, 2015</u>	<u>April 25, 2014</u>
ASSETS			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 112,613	\$ 124,187	\$ 103,299
Short-term Investments	6,997	27,020	25,029
Accounts receivable, net	272,352	50,569	50,674
Inventories	212,448	23,963	17,630
Prepaid and refundable income taxes	42,425	2,971	2,900
Deferred tax assets, net	—	7,199	17,208
Prepaid expenses and other current assets	26,579	4,812	3,690
Total Current Assets	673,414	240,721	220,430
Property, plant and equipment, net	244,587	40,287	39,535
Goodwill	745,356	—	—
Intangible assets, net	658,942	10,168	11,655
Investments	77,486	17,127	15,944
Deferred tax assets, net	153,509	6,078	5,771
Other assets	5,445	1,563	856
Total Assets	<u>\$ 2,558,739</u>	<u>\$ 315,944</u>	<u>\$ 294,191</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Current Liabilities:</i>			
Current debt obligations	\$ 82,513	\$ —	\$ —
Accounts payable	109,588	7,251	7,570
Accrued liabilities	80,507	8,334	4,769
Income taxes payable	26,699	2,083	602
Accrued employee compensation and related benefits liability	59,814	13,781	16,957
Total Current Liabilities	359,121	31,449	29,898
Long-term debt obligations	91,791	—	—
Deferred income taxes liability	235,483	—	—
Long-term employee compensation and related benefits liability	31,139	1,311	482
Other long-term liabilities	29,743	6,610	4,711
Total Liabilities	747,277	39,370	35,091
Commitments and contingencies (Note 16)			
<i>Stockholders' Equity:</i>			
Ordinary Shares, £1.00 par value: unlimited shares authorized; 48,868,305 shares issued and outstanding at December 31, 2015	75,444	—	—
Common Stock, canceled October 19, 2015; \$.01 par, shares issued and outstanding of 32,054,236 and 25,996,102 as of April 24, 2015, respectively, and 31,819,678 and 26,745,713 as of April 25, 2014, respectively	—	321	318
Additional paid-in capital	1,742,032	445,362	426,867
Treasury stock, canceled October 19, 2015; 6,058,134 and 5,073,965 common shares at April 24, 2015 and April 25, 2014, respectively, at cost	—	(243,535)	(188,519)
Accumulated other comprehensive income (loss)	(54,228)	(3,401)	455
Retained earnings	48,214	77,827	19,979
Total Stockholders' Equity	<u>1,811,462</u>	<u>276,574</u>	<u>259,100</u>
Total Liabilities and Stockholders' Equity	<u>\$ 2,558,739</u>	<u>\$ 315,944</u>	<u>\$ 294,191</u>

See accompanying notes to the consolidated financial statements
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LIVANOVA PLC AND SUBSIDIARIES'
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(In thousands)

	Common / Ordinary		Additional	Common		Accumulated	Accumulated	Total
	Shares	Amount	Paid-In	Stock	Treasury	Comprehensive	Earnings	Stockholders'
			Capital	Warrants	Stock	Income	(Loss)	Equity
						(Loss)		
Balance at April 27, 2012	30,639	\$ 306	\$ 321,961	\$ 25,200	\$ (83,151)	\$ 422	\$ (81,269)	\$ 183,469
Stock-based compensation plans	650	7	24,282	—	—	—	—	24,289
Tax benefits from stock-based compensation plans			12,362					12,362
Purchase of Common Stock	—	—	—	—	(33,010)	—	—	(33,010)
Common stock issued upon conversion of convertible notes	—	—	4					4
Warrants' settlements			21,550	(25,200)	—	—	—	(3,650)
Net income	—	—	—	—	—	—	46,358	46,358
Other comprehensive loss	—	—	—	—	—	(254)	—	(254)
Balance at April 26, 2013	31,289	\$ 313	\$ 380,159	\$ —	\$ (116,161)	\$ 168	\$ (34,911)	\$ 229,568
Stock-based compensation plans	531	5	19,635	—	—	—	—	19,640
Tax benefits from stock-based compensation plans	—	—	27,073	—	—	—	—	27,073
Purchase of Common Stock	—	—	—	—	(72,358)	—	—	(72,358)
Net income	—	—	—	—	—	—	54,890	54,890
Other comprehensive income	—	—	—	—	—	287	—	287
Balance at April 25, 2014	31,820	\$ 318	\$ 426,867	\$ —	\$ (188,519)	\$ 455	\$ 19,979	\$ 259,100
Stock-based compensation plans	235	3	13,964	—	—	—	—	13,967
Tax benefits from stock-based compensation plans	—	—	4,531	—	—	—	—	4,531
Purchase of Common Stock	—	—	—	—	(55,016)	—	—	(55,016)
Net income	—	—	—	—	—	—	57,848	57,848
Other comprehensive loss	—	—	—	—	—	(3,856)	—	(3,856)
Balance at April 24, 2015	32,054	\$ 321	\$ 445,362	\$ —	\$ (243,535)	\$ (3,401)	\$ 77,827	\$ 276,574
Stock-based compensation plans	86	1	21,100	—	—	—	—	21,101
Treasury stock	—	—	—	—	(7,350)	—	—	(7,350)
Cancellation of Cyberonics stock	(32,141)	(322)	(466,462)	—	250,885	—	—	(215,899)
Sub-total	—	—	—	—	—	(3,401)	77,827	74,426
Issuance of LivaNova ordinary shares for Cyberonics stock and equity awards	26,046	40,213	175,686	—	—	—	—	215,899
Issuance of LivaNova ordinary shares for Sorin stock and equity awards	22,673	35,005	1,554,078	—	—	—	—	1,589,083
Stock-based compensation plans	149	226	12,268	—	—	—	—	12,494
Net loss	—	—	—	—	—	—	(29,613)	(29,613)
Other comprehensive loss	—	—	—	—	—	(50,827)	—	(50,827)
Other		—						—
Balance at December 31, 2015	48,868	\$ 75,444	\$ 1,742,032	\$ —	\$ —	\$ (54,228)	\$ 48,214	\$ 1,811,462

See accompanying notes to the consolidated financial statements
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LIVANOVA PLC AND SUBSIDIARIES'
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Cash Flows From Operating Activities:				
Net income (loss)	\$ (29,613)	\$ 57,848	\$ 54,890	\$ 46,358
Non-cash items included in net income (loss):				
Depreciation and amortization	20,500	6,807	5,631	4,638
Stock-based compensation	31,030	11,940	11,240	11,683
Deferred income tax expense (benefit)	(39,766)	9,400	(5,201)	22,421
Deferred license revenue amortization	—	—	(1,468)	(1,494)
Impairment of intangible assets	1,690	448	62	—
Loss on disposal of assets	102	—	—	—
Impairment of investments	5,127	—	—	4,059
Gain on warrants' liability	—	—	—	(1,326)
Loss from equity method investments	3,308	—	—	—
Unrealized (gain) loss in foreign currency transactions	2,576	(434)	72	136
Other non-cash items	6,124	—	—	—
Changes in operating assets and liabilities:				
Accounts receivable, net	(15,850)	(2,654)	(10,656)	(10,185)
Inventories	36,326	(7,113)	254	(3,396)
Other current and non-current assets	2,329	(2,112)	(2,716)	(405)
Current and non-current liabilities	(33,171)	5,546	2,088	6,565
Net cash provided by (used in) operating activities	(9,288)	79,676	54,196	79,054
Cash Flow From Investing Activities:				
Restricted cash	—	—	—	(100)
Purchase of short-term investments	(13,990)	(31,985)	(39,985)	(15,000)
Maturities of short-term investments	34,013	30,089	29,990	—
Purchase of property, plant and equipment	(16,057)	(6,687)	(15,222)	(9,705)
Intangible assets purchases	(1,229)	—	(3,839)	(4,600)
Proceeds from asset sales	948	—	—	—
Cash obtained in the Merger	12,497	—	—	—
Investment in cost method equity securities	—	(1,182)	(5,356)	(6,588)
Net cash provided by (used in) investing activities	16,182	(9,765)	(34,412)	(35,993)
Cash Flows From Financing Activities:				
Short-term borrowing	56,956	—	—	—
Short-term repayments	(45,844)	—	—	—
Repayment of long-term debt obligations	(31,968)	—	—	—
Purchase of treasury stock	(7,350)	(55,015)	(72,359)	(33,009)
Proceeds from exercise of options for common stock	6,480	3,184	9,737	9,743
Cash settlement of compensation-based stock units	(708)	(1,171)	(1,323)	—
Realized excess tax benefits - stock-based compensation	3,050	4,746	26,678	4,416
Other financial assets and liabilities	1,257	—	—	—
Net cash used in financing activities	(18,127)	(48,256)	(37,267)	(18,850)
Effect of exchange rate changes on cash and cash equivalents	(341)	(767)	73	(157)
Net increase (decrease) in cash and cash equivalents	(11,574)	20,888	(17,410)	24,054
Cash and cash equivalents at beginning of period	124,187	103,299	120,709	96,655
Cash and cash equivalents at end of period	\$ 112,613	\$ 124,187	\$ 103,299	\$ 120,709

See accompanying notes to the consolidated financial statements

Supplementary Disclosures of Cash Flow Information:				
Cash paid for interest	815	1	4	96
Cash paid for income taxes	22,738	15,577	4,296	3,518
Supplementary disclosure of non-cash operating transactions:				
Reclassification from common stock warrants to warrants' liability	—	—	—	(3,650)
Reclassification from common stock warrants to additional paid-in-capital	—	—	—	(21,550)
PP&E and intangible assets obtained in NeuroVista foreclosure	—	—	—	1,450
Settlement of the NeuroVista note	—	—	—	(1,450)
Supplementary disclosure of non-cash financing activity:				
Acquisition financed by ordinary shares of LivaNova	\$ 1,589,083	—	—	—

See accompanying notes to the consolidated financial statements
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LIVANOVA PLC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

Note 1. Nature of Operations

Background. LivaNova PLC and its subsidiaries (collectively, the “Company”, “LivaNova”, “we”, or “our”), the successor registrant to Cyberonics, Inc., was incorporated in England and Wales on February 20, 2015 for the purpose of facilitating the business combination of Cyberonics, Inc., a Delaware corporation (“Cyberonics”) and Sorin S.p.A., a joint stock company organized under the laws of Italy (“Sorin”). As a result of the business combination, LivaNova became the holding company of the combined businesses of Cyberonics and Sorin. This business combination became effective on October 19, 2015, at which time LivaNova’s ordinary shares were listed for trading on the NASDAQ Global Market (“NASDAQ”) and on the London Stock Exchange (the “LSE”) as a standard listing under the trading symbol “LIVN”.

Description of the business. Headquartered in London, United Kingdom (“U.K.”), LivaNova, is a global medical device company focused on the development and delivery of important therapeutic solutions for the benefit of patients, healthcare professionals, and healthcare systems throughout the world. Working closely with medical professionals throughout the world in the field of Cardiac Surgery, Neuromodulation and Cardiac Rhythm Management, we design, develop, manufacture and sell innovative therapeutic solutions that are consistent with our mission to improve our patients’ quality of life, increase the skills and capabilities of healthcare professionals and minimize healthcare costs.

Description of the Mergers.

On October 19, 2015, pursuant to the terms of a definitive Transaction Agreement entered into by LivaNova, Cyberonics, Sorin and Cypher Merger Sub (the “Merger Sub”), dated March 23, 2015, Sorin merged with and into LivaNova, with LivaNova continuing as the surviving company, immediately followed by the merger of Merger Sub with and into Cyberonics, with Cyberonics continuing as the surviving company and as a wholly owned subsidiary of LivaNova (the “Mergers”). Upon the consummation of the Mergers, the historical financial statements of Cyberonics became the Company’s historical financial statements. Accordingly, the historical financial statements of Cyberonics are included in the comparative prior periods.

The issuance of LivaNova ordinary shares in connection with the Mergers was registered under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to the Registration Statement on Form S-4 (File No. 333-203510), as amended, filed with the United States Securities and Exchange Commission (the “SEC”) by LivaNova and declared effective on August 19, 2015. Further, pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), LivaNova is deemed to be a “successor” issuer to Cyberonics. As such, the ordinary shares of LivaNova are deemed to be registered under Section 12(b) of the Exchange Act, and LivaNova is subject to the informational requirements of the Exchange Act and the rules and regulations promulgated thereunder.

Note 2. Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies

Basis of Presentation. The accompanying consolidated financial statements of LivaNova at December 31, 2015 have been prepared in accordance with generally accepted accounting principles in the United States (“U.S.” and such principles, “U.S. GAAP”) and the instructions to Form 10-K and Article 3 and Article 5 of Regulation S-X.

Fiscal Year-End. Prior to the Mergers, Cyberonics utilized a 52/53-week fiscal year that ended on the last Friday in April. The fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, in the accompanying consolidated statements of income, are 52-week years. As a result of the merger, Cyberonics changed to a calendar year ending December 31st of each year. The change of fiscal year, effective as of October 19, 2015, resulted in a transitional period which began April 25, 2015 and ended December 31, 2015.

Reporting Period. LivaNova, as the successor company to Cyberonics, is reporting the results from operation of Cyberonics for the period April 25, 2015 to December 31, 2015 and the results of operation for Sorin from October 19, 2015 to December 31, 2015.

Consolidation. The accompanying consolidated financial statements include LivaNova, our wholly owned subsidiaries and the LivaNova PLC Employee Benefit Trust (“the Trust”). All significant intercompany accounts and transactions have been eliminated.

Use of Estimates. The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in such financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions we may undertake in the future. Estimates are used in accounting for, among other items, valuation and amortization of intangible assets, goodwill, amortization of intangible assets, measurement of deferred tax assets and liabilities, uncertain income tax positions, stock-based compensation, obsolete and slow-moving inventories, and in general, allocations to provisions and the fair value of assets and liabilities recorded in a business combination. Actual results could differ materially from those estimates.

Merger, Integration and Restructuring Charges. As a result of the Mergers, we incurred merger, integration and restructuring charges and reported them separately as operating expenses in the consolidated statement of income (loss).

Merger Expenses. Merger expenses consisted of expenses directly related to the Mergers, such as professional fees for legal services, accounting services, due diligence, a fairness opinion and the preparation of registration and regulatory filings in the United States and Europe, as well as investment banking fees.

Integration Expenses. Integration expenses consisted primarily of consultation with regard to: our systems integration, organization structure integration, finance, synergy and tax planning, the transition to U.S. GAAP for Sorin activity, our London Stock Exchange listing and certain re-branding efforts.

Restructuring Expenses. After the consummation of the Mergers between Cyberonics with Sorin in October 2015, we initiated several restructuring plans (the "Restructuring Plans") to combine our business operations. We identify costs incurred and liabilities assumed for the Restructuring Plans. The Restructuring Plans are intended to leverage economies of scale, eliminate duplicate corporate expenses, streamline distributions and logistics and office functions in order to reduce overall costs.

The following reclassifications have been made to conform prior year consolidated balance sheet and cash flows with current year presentation:

Prepaid Income Taxes. Prepaid income taxes were reclassified into current Prepaid Income Taxes from Other Current Assets in the accompanying consolidated balance sheet for the fiscal years ended April 24, 2015 and April 25, 2014, in the amount of \$3.0 million and \$2.9 million, respectively, in order to conform with the current year presentation.

Income Taxes Payable. Income taxes payable was reported separately as a current liability, rather than as an Other Current Liability, in the accompanying consolidated balance sheet for the fiscal years ended April 24, 2015 and April 25, 2014, in the amount of \$2.1 million and \$0.6 million, respectively.

Accrued Employee Compensation and Related Benefits. Accrued employee compensation and related benefits was reported separately as a current liability, rather than included with Other Current Liabilities, in the accompanying consolidated balance sheet for the fiscal years ended April 24, 2015 and April 25, 2014, in the amounts of \$13.8 million and \$17.0 million, respectively.

Long-term Employee Compensation and Related Benefits Liability. Long-term employee compensation and related benefits liability was reported separately as a long-term liability, rather than included with Other Long-Term Liabilities, in the accompanying consolidated balance sheet for the years ended April 24, 2015 and April 25, 2014, in the amounts of \$1.3 million and \$0.5 million, respectively.

Impairment of Intangibles. Impairment of intangibles have been reported separately as a non-cash item included in net income rather than included within amortization and other in amounts of \$0.4 million and \$0.1 million for the years ended April 24, 2015 and April 25, 2014.

Depreciation and Amortization. We combined depreciation and amortization on the consolidated statement of cash flows for prior fiscal years in order to conform to the current year presentation. We combined amortization of \$1.5 million, \$1.3 million and \$0.9 million for the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, respectively, with depreciation of \$5.8 million, \$4.3 million and \$3.8 million for the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, respectively.

Cash and Cash Equivalents. We consider all highly liquid investments with an original maturity of three months or less, consisting of demand deposit accounts and money market mutual funds, to be cash equivalents and are carried in the balance sheet at cost, which approximated their fair value. We carried \$41.1 million, \$28.3 million and \$30.2 million in money market mutual funds at December 31, 2015, April 24, 2015 and April 25, 2014, respectively.

Accounts Receivable. Our accounts receivable consisted of trade receivables from direct customers and distributors. We maintain an allowance for doubtful accounts for potential credit losses based on our estimates of the ability of customers to make required payments, historical credit experience, existing economic conditions and expected future trends. We write off uncollectible accounts against the allowance when all reasonable collection efforts have been exhausted. Refer to “Note 5. Accounts Receivable and Allowance for Bad Debt” for further information.

Inventories. We state our inventories at the lower of cost, using the first-in first-out (“FIFO”) method, or market. Our calculation of cost includes the acquisition cost of raw materials and components, direct labor and overhead. We reduce the carrying value of inventories for those items that are potentially excess, obsolete or slow moving based on changes in customer demand, technology developments or other economic factors.

Property, Plant and Equipment (“PP&E”). PP&E is carried at cost, less accumulated depreciation. Maintenance and repairs, and minor replacements are charged to expense as incurred, while significant renewals and improvements are capitalized. We compute depreciation using the straight-line method over estimated useful lives. Leasehold improvements are depreciated over the shorter of the following terms: the useful life of the asset or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date the leasehold improvements are purchased. Capital improvements to the building are added as building components and depreciated over the useful life of the improvement or the building, whichever is less. PP&E is reviewed for impairment annually.

Business Combinations. We allocate the amounts we pay for on acquisition to the assets we acquire and liabilities we assume based on their fair values at the date of acquisition, including property, plant and equipment, inventories, accounts receivable, long-term debt, and identifiable intangible assets which either arise from a contractual or legal right or are separable from goodwill. We base the fair value of identifiable intangible assets acquired in a business combination, including in-process research and development, on detailed valuations that use information and assumptions provided by management, which consider management’s best estimates of inputs and assumptions that a market participant would use. We allocate any excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired to goodwill. Transaction costs associated with these acquisitions are expensed as incurred and are reported as operating expenses.

Intangible Assets. Intangible assets shown on the consolidated balance sheet are finite-lived assets. Developed technology rights consist primarily of existing technology and technical capabilities acquired from Sorin in the Mergers that were recorded at their respective fair values as of the acquisition date which includes patents, related know-how and licensed patent rights that represent assets expected to generate future economic benefits. Trademarks and trade names include Sorin trade name acquired as part of the Mergers. Customer relationships consist of relationships with hospitals and cardiac surgeons in the countries where we operate. Other intangible assets consist of favorable leases acquired from Sorin in the Mergers. We amortize our intangible assets over their useful lives using the straight-line method.

Amortization expense for developed technology is recorded in cost of goods sold over the period the product is expected to be marketed. Amortization expense for trade name and customer relationship is recorded in selling, general and administrative expense. We evaluate our intangible assets each reporting period to determine whether events and circumstances indicate either a different useful life or impairment. If we change our estimate of the useful life of an asset, we amortize the carrying amount over the revised remaining useful life.

Impairment of Property, Plant and Equipment and Intangible Assets. We review, when circumstances warrant, the carrying amounts of our property, plant and equipment and our intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level. If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate the goodwill for impairment at least annually on October 1st and whenever other facts and circumstances indicate that the carrying amounts of goodwill and other indefinite-lived intangible assets may not be recoverable. For impairment evaluations with respect to both goodwill and other indefinite-lived intangibles, we first make a qualitative assessment to determine if the goodwill or other indefinite-lived intangible may be impaired. In the case of goodwill, if it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). Our operating segments are deemed to be a reporting unit because the components below the operating segment are aggregated as they have similar economic characteristics. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss.

Derivatives. U.S. GAAP requires companies to recognize all derivatives as assets and liabilities on the balance sheet and to measure the instruments at fair value through earnings unless the derivative qualifies for hedge accounting. If the derivative qualifies for hedge accounting, depending on the nature of the hedge and hedge effectiveness, changes in the fair value of the derivative will either be recognized immediately in earnings or recorded in other comprehensive income (loss) until the hedged item is recognized in earnings upon settlement/termination. The changes in the fair value of the derivative are intended to offset the change in fair value of the hedged asset, liability or probable commitment. We evaluate hedge effectiveness at inception and on an ongoing basis. If a derivative is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in earnings. Cash flows from derivative contracts are reported as operating activities in the consolidated statements of cash flows.

We use currency exchange rate derivative contracts and interest rate derivative instruments, to manage the impact of currency exchange and interest rate changes on earnings and cash flows. In order to minimize earnings and cash flow volatility resulting from currency exchange rate changes, we enter into derivative instruments, principally forward currency exchange rate contracts. These contracts are designed to hedge anticipated foreign currency transactions and changes in the value of specific assets and liabilities and of some revenue. At inception of the forward contract, the derivative is designated as either a freestanding derivative or a cash flow hedge. We do not enter into currency exchange rate derivative contracts for speculative purposes. All derivative instruments that qualify for hedge accounting are recorded at fair value on the consolidated balance sheets, as financial asset or liabilities (current or non-current) depending upon the gain or loss position of the contract and contract maturity date.

Forward contracts designated as cash flow hedges are designed to hedge the variability of cash flows associated with forecasted transactions denominated in a foreign currency that will take place in the future. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings to offset exchange differences originated by the hedged item or to adjust the value of operating income (expense). We use freestanding derivative forward contracts to offset exposure to the variability of the value associated with assets and liabilities denominated in a foreign currency. These derivatives are not designated as hedges, and therefore changes in the value of these forward contracts are recognized in earnings, thereby offsetting the current earnings effect of the related change in value of foreign currency denominated assets and liabilities.

We use interest rate derivative instruments designated as cash flow hedges to manage the exposure to interest rate movements and to reduce the risk of increase of borrowing costs by converting floating-rate debt into fixed-rate debt. Under these agreements, we agree to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to agreed-upon notional principal amounts. The interest rate swaps are structured to mirror the payment terms of the underlying loan. The fair value of the interest rate swaps is reported in the consolidated balance sheets financial assets or liabilities (current or non-current) depending upon the gain or loss position of the contract and the maturity of the future cash flows of the fair value of each contract. The effective portion of the gain or loss on these derivatives is reported as a component of accumulated other comprehensive income. The non-effective portion is reported in interest expense in consolidated statement of income (loss).

Fair Value Measurements. We follow the authoritative guidance on fair value measurements and disclosures with respect to assets and liabilities that are measured at fair value on both a recurring and nonrecurring basis. Under this guidance, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The authoritative guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability, based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability developed

based upon the best information available in the circumstances. The categorization of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is broken down into three levels defined as follows:

- Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs are unobservable for the asset or liability.

Financial liabilities that are classified as Level 1 securities include highly liquid portfolio of publically traded mutual funds for which quoted market prices are available.

Financial assets and liabilities that are classified as Level 2 include derivative instruments, primarily forward and option currency contracts and interest rate swaps contracts, which are valued using standard calculations and models that use readily observable market data as their basis.

Level 3 investment securities include convertible preferred stocks and convertible debt securities of private companies for which there are no quoted market prices such that the determination of fair value requires significant judgment or estimation. These securities were valued using third-party pricing sources that incorporate transaction details such as contractual terms, maturity, timing, and amount of expected future cash flows, as well as assumptions about liquidity and credit valuation adjustments by market participants. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value of the securities.

Warranty Obligation. We offer a warranty on various products. We estimate the costs that may be incurred under warranties and record a liability in the amount of such costs at the time the product is sold. The amount of the reserve recorded is equal to the net costs to repair or otherwise satisfy the claim. We include the warranty obligation in accrued liabilities on the consolidated balance sheet. Warranty expense is recorded to cost of goods sold in our consolidated statement of income (loss).

Investments

Short-Term Investments. Our short-term investments consisted of certificates of deposit and commercial paper that are considered held-to-maturity debt securities and carried at cost, which approximated fair value.

Cost and Equity Method Investments. Certain of the Company's investments in equity and other securities are strategic investments in companies that are in varied stages of development. These investments are included in *Investments* on the consolidated balance sheet. The Company accounts for these investments under the cost or the equity method of accounting, as appropriate. The valuation of equity and other securities accounted for under the cost method considers all available financial information related to the investees, including valuations based on recent third-party equity investments in the investees. If an unrealized loss for any investment is considered to be other-than-temporary, the loss is recognized in the consolidated statements of income in the period the determination is made. Equity securities accounted for under the equity method are initially recorded at the amount of the Company's investment and are adjusted each period for our share of the investee's income or loss. Equity securities accounted for under both the cost and equity methods are reviewed quarterly for changes in circumstance or the occurrence of events that suggest the Company's investment may not be recoverable.

Retirement Benefit Plan Assumptions. The Company sponsors various retirement benefit plans, including defined benefit pension plans (pension benefits), defined contribution savings plans and termination indemnity plans, covering substantially all U.S. employees and employees outside the United States. Pension benefit costs include assumptions for the discount rate, retirement age, compensation rate increases and the expected return on plan assets.

Revenue Recognition

Product Revenue. We sell our products through a direct sales force and independent distributors. We recognize revenue when persuasive evidence of a sales arrangement exists, title to the goods and risk of loss transfers to customers or to independent distributors, the selling price is fixed or determinable and collectability is reasonably assured. We estimate expected sales returns based on historical data and record a reduction of sales with a return reserve. We record state and local sales taxes net, that is, we exclude sales tax from revenue.

Service Revenue. Services largely consist of technical assistance services provided to hospitals for the installation maintenance and support in the operation of heart lung machines, and autotransfusion systems. Service related revenue is recognized on the basis of progress of the services, when services are rendered, when collectability is reasonably assured and when the amount is fixed and determinable.

License Revenue. We record upfront payments received under license agreements as deferred revenue on the consolidated balance sheet and recognize license revenue over the period of the license agreement.

U.S. Medical Device Excise Tax (“MDET”). Section 4191 of the Internal Revenue Code enacted by the Health Care and Education Reconciliation Act of 2010, in conjunction with the Patient Protection and Affordable Care Act, established a 2.3% excise tax on medical devices sold domestically beginning on January 1, 2013 and is suspended from January 1, 2016 through December 31, 2017. We include the cost of MDET in cost of sales on the consolidated statements of income.

Italian Medical Device Payback. The Italian Parliament introduced new rules for entities that supply goods and services to the Italian National Healthcare System. The new healthcare law is expected to impact the business and financial reporting of companies operating in the medical technology sector that sell medical devices in Italy. A key provision of the law is a ‘payback’ measure, requiring companies selling medical devices in Italy to make payments to the Italian state if medical device expenditures exceed regional maximum ceilings. Companies are required to make payments equal to a percentage of expenditures exceeding maximum regional caps. There is considerable uncertainty about how the law will operate and what the exact timeline is for finalization. Our current assessment of the Italian Medical Device Payback involves significant judgment regarding the expected scope and actual implementation terms of the measure as the latter have not been clarified to date by Italian authorities. We account for the estimated cost of the Italian Medical Device Payback as a deduction from revenue.

Research and Development (“R&D”). All R&D costs are expensed as incurred. R&D includes costs of basic research activities as well as engineering and technical effort required to develop a new product or make significant improvement to an existing product or manufacturing process. R&D costs also include regulatory and clinical study expenses, including post-market clinical studies. Amortization of intangible assets not associated with a marketable product is recorded in R&D.

Leases. We account for leases that transfer substantially all benefits and risks incident to the ownership of property as an acquisition of an asset and the incurrence of an obligation, and we account for all other leases as operating leases. Certain of our leases provide for tenant improvement allowances that have been recorded as deferred rent and amortized, using the straight-line method, over the life of the lease as a reduction to rent expense. In addition, scheduled rent increases and rent holidays are recognized on a straight-line basis over the term of the lease.

Stock-Based Compensation

Stock-Based Incentive Awards. We grant stock-based incentive awards to directors, officers, key employees and consultants during each fiscal year. We measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair market value of the award. We recognize equity-based compensation expense ratably over the period that an employee is required to provide service in exchange for the entire award (all vesting periods). We issue new shares upon stock option exercise, stock appreciation right (“SAR”) exercise, the award of restricted stock and at our election, on vesting of a restricted stock unit.

Stock Appreciation Rights. A stock appreciation right (“SAR”) confers upon an employee the contractual right to receive an amount of cash, stock, or a combination of both that equals the appreciation in the company’s stock from an award’s grant date to the exercise date. SARs may be exercised at the employee’s discretion during the exercise period and do not give the employee an ownership right in the underlying stock. SARs do not involve payment of an exercise price. We use the Black-Scholes option pricing methodology to calculate the grant date fair market value of SARs. The awards are settled in stock. We determine the expected volatility on historical volatility.

Stock Options. Options granted under the Stock Plans are service-based and typically vest annually over four years, or cliff-vest in one year, following their date of grant, as required under the applicable agreement establishing the award, and have maximum terms of 10 years. Stock option grant prices are set equal to the closing price of our ordinary shares on the day of the grant. There are no post-vesting restrictions on the shares issued. We use the Black-Scholes option pricing methodology to calculate the grant date fair market value of stock option awards. We determine expected volatility based on the historic volatility of our stock price over a period equal to the expected term of the option. Prior to fiscal year 2014, we included an additional factor, implied volatility, in our estimates of expected volatility, based on option market trading data for our stock.

Restricted Stock and Restricted Stock Units. We grant restricted stock and restricted stock units at no purchase cost to the grantee, which typically vest over four years or cliff-vest in one or three years. Unvested restricted stock entitles the grantees to dividends, if any, and voting rights for their respective shares. Sale or transfer of the

stock and stock units are restricted until they are vested. We issue new shares for our restricted stock and restricted stock unit awards. We have the right to elect to pay the cash value of vested restricted stock units in lieu of the issuance of new shares. Under our stock-based compensation plans we repurchase a portion of these shares from our employees to permit our employees to meet their minimum statutory tax withholding requirements on vesting of their restricted stock.

Service-Based Restricted Stock and Restricted Stock Units. The fair market value of service-based restricted stock and restricted stock units are determined using the market closing price on the grant date, and compensation is expensed ratably over the vesting period. Calculation of compensation for restricted stock awards requires estimation of employee turnover and forfeiture rates.

Market and Performance-Based Restricted Stock and Performance-Based Restricted Stock Units. We may grant restricted stock and restricted stock units subject to market or performance conditions that vest based on the satisfaction of the conditions of the award. The fair market values of market condition-based awards are determined using the Monte Carlo simulation method. The Monte Carlo simulation method is subject to variability as several factors utilized must be estimated, including the derived service period, which is estimated based on our judgment of likely future performance and our stock price volatility. The fair value of performance-based awards is determined using the market closing price on the grant date. Derived service periods and the periods charged with compensation expense for performance-based awards are estimated based on our judgment of likely future performance and may be adjusted in future periods depending on actual performance.

Income Taxes. We are a U.K. corporation, and we operate through our various subsidiaries in a number of countries throughout the world. Our provision for income taxes is based on the tax laws and rates applicable in the jurisdictions in which we operate and earn income. We use significant judgment and estimates in accounting for our income taxes. We recognize deferred tax assets and liabilities for the anticipated future tax effects of temporary differences between the financial statements basis and the tax basis of our assets and liabilities, which 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. Income tax expense compared to pre-tax income yields an effective tax rate.

We file federal and local tax returns in many jurisdictions throughout the world and are subject to income tax examinations for our fiscal year 1992 and subsequent years, with certain exceptions. While we believe that our tax return positions are fully supported, tax authorities may disagree with certain positions we have taken and assess additional taxes. Therefore, we regularly assess the likely outcomes of our tax positions in previously filed tax returns and positions we expect to take in future tax returns that are reflected in measuring our current or deferred income tax assets and liabilities, and we establish reserves when we believe that a tax position is likely to be challenged and that we may or may not prevail. We presume that all tax positions will be examined by a taxing authority with full knowledge of all relevant information. We regularly monitor our tax positions and tax liabilities, and we reevaluate the technical merits of our tax positions. Some of the reasons a reserve for an uncertain tax benefit may be reversed are: (i) completion of a tax audit, (ii) a change in applicable tax law including a tax case or legislative guidance, or (iii) an expiration of the statute of limitations. We recognized interest and penalties associated with unrecognized tax benefits and record interest with interest expense, and penalties in administrative expense, in the consolidated statement of income (loss).

We periodically assess the recoverability of our deferred tax assets by considering whether it is more likely than not that some or all of the actual benefit of those assets will be realized. To the extent that realization does not meet the “more-likely-than-not” criterion, we establish a valuation allowance. We periodically review the adequacy and necessity of the valuation allowance by considering significant positive and negative evidence relative to our ability to recover deferred tax assets and to determine the timing and amount of valuation allowance that should be released. This evidence includes: (i) profitability in the most recent fiscal quarters, (ii) internal forecasts for the current and next two future fiscal years, (iii) size of deferred tax asset relative to estimated profitability, (iv) the potential effects on future profitability from increasing competition, healthcare reforms and overall economic conditions, (v) limitations and potential limitations on the use of our net operating losses due to ownership changes, pursuant to IRC Section 382, and (vi) the implementation of prudent and feasible tax planning strategies, if any.

Vesting or exercise of performance shares, restricted stock units, stock appreciation rights, deferred bonus shares and stock options result in a difference between the income tax deduction and the financial statement stock-based compensation, which creates an excess tax benefit (windfall) or tax deficiency (shortfall). If a windfall benefit can be utilized to reduce income taxes payable as determined using a “with and without” method, the windfall benefit will offset the shortfall deficiency; if not, then the shortfall is recognized as tax expense.

Comprehensive Income and Foreign Currency Translations. In addition to net income, comprehensive income includes changes in foreign currency translation adjustments, unrealized gains and losses on derivative contracts qualifying and designated as cash flow hedges and net changes in retirement obligation funded status. Taxes are not provided on cumulative translation adjustments as substantially all translation adjustments relate to earnings which are intended to be indefinitely reinvested in the countries where earned.

Income Per Share. Accounting standards require dual presentation of earnings per share (“EPS”): basic EPS and diluted EPS. Basic EPS is computed by dividing net earnings applicable to participating securities by the weighted average number of participating securities outstanding for the period. Diluted EPS includes the effect of potentially dilutive instruments. Refer to “Note 21. Income per Share” for additional information.

Segments. Prior to the Mergers we had one operating and reportable segment. Upon completion of the Mergers, we reorganized our reporting structure and aligned our segments and the underlying divisions and businesses. We currently function in three operating segments; the historical Cyberonics operations are included in the Neuromodulation segment, and the historical Sorin businesses are included in the Cardiac Surgery and the Cardiac Rhythm Management segments. Refer to “Note 22. Geographic and Segment Information” for additional information.

Contingencies. The Company is subject to product liability claims, government investigations and other legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation are expensed as incurred and included in Selling, general and administrative expenses in the Consolidated Statements of Income. Contingent accruals are recorded when the Company determines that a loss is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, our assessments involve significant judgment regarding future events.

Note 3. Business Combinations

On October 19, 2015, and pursuant to the terms of the Merger Agreement, Sorin merged with and into LivaNova, with LivaNova continuing as the surviving company, immediately followed by the merger of Merger Sub with and into Cyberonics, with Cyberonics continuing as the surviving company and as a wholly owned subsidiary of LivaNova. Following the completion of the Mergers, LivaNova became the holding company of the combined businesses of Cyberonics and Sorin, and LivaNova's ordinary shares were listed, under the ticker symbol "LIVN", on NASDAQ and admitted for listing on the standard segment of the U.K. Financial Authority's Official List and to trading on the LSE. As a result of the Mergers, on October 19, 2015, LivaNova issued approximately 48.8 million ordinary shares.

On October 19, 2015, each ordinary share of Sorin was converted into the right to receive 0.0472 ordinary shares of LivaNova, ("Sorin Exchange Ratio"), and each share of common stock of Cyberonics was converted into the right to receive one ordinary share of LivaNova. The fair value of the shares issued as total consideration of the Mergers is based on Cyberonics' closing stock price of \$69.95 per share on October 16, 2015, the last business day prior to the close of the Mergers. Based on the number of outstanding shares of Sorin and Cyberonics as of October 19, 2015, former Sorin and Cyberonics shareholders held approximately 46 percent and 54 percent, respectively, of LivaNova's ordinary shares after giving effect to the Mergers.

Based on the relative voting rights of Cyberonics and Sorin shareholders immediately following completion of the Mergers and the premium paid by Cyberonics for Sorin ordinary shares, and after taking into consideration all relevant facts, Cyberonics was considered to be the acquirer for accounting purposes. LivaNova accounted for the acquisition of Sorin as a business combination using the acquisition method of accounting. Under the acquisition method of accounting, the tangible and identifiable intangible assets acquired and liabilities assumed are recorded based on their fair values at the acquisition date with the excess over the fair value of consideration recognized as goodwill.

The purchase price allocation presented below is based on a preliminary acquisition valuation and includes the use of estimates based on information that was available to management at the time these audited Consolidated Financial Statements were prepared. Management is in the process of finalizing appraisals and estimates that may result in a change in the valuation of assets acquired, liabilities assumed, goodwill recognized and the related impact on deferred taxes and cumulative translation adjustments. These changes may have a material impact on the results of operations and financial position. As management finalizes the valuation of assets acquired and liabilities assumed, additional purchase price adjustments will be recorded during the measurement period. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, can materially impact the results of operations.

The following table summarizes the fair value of consideration transferred and preliminary fair values of Sorin's assets acquired and liabilities assumed:

(in thousands)	
Consideration transferred:	
Fair value of common shares issued to Sorin shareholders ⁽¹⁾	\$ 1,577,603
Fair value of common shares issued to Sorin share award holders ⁽²⁾	9,231
Fair value of LivaNova stock appreciation rights issued to Sorin stock appreciation rights holders ⁽³⁾	2,249
Total fair value of consideration transferred	\$ 1,589,083
Estimated fair value of assets acquired and liabilities assumed:	
Cash and cash equivalents	\$ 12,495
Accounts receivable	224,466
Inventories	233,832
Other current assets	60,674
Property, plant and equipment	207,639
Intangible assets	688,729
Equity investments	67,059
Other assets	7,483
Deferred tax assets	135,370
Total assets acquired	\$ 1,637,747
Current portion of debt and other obligations	\$ 110,601
Other current liabilities	237,855
Long-term debt	128,458
Deferred tax liabilities	279,328
Other long-term liabilities	55,567
Total liabilities assumed	\$ 811,809
Goodwill	\$ 763,145

(1) To record the fair value of LivaNova ordinary shares issued to Sorin shareholders (in thousands except per share data and Sorin Exchange Ratio):

Total Sorin shares outstanding as of October 16, 2015	477,824
Sorin Exchange Ratio	0.0472
Shares of LivaNova issued	22,553
Value per share of Cyberonics as of October 16, 2015	\$ 69.95
Fair value of ordinary shares transferred to Sorin shareholders	\$ 1,577,603

(2) Each Sorin share award (other than a Sorin stock appreciation right) granted prior to the Sorin merger effective time accelerated, vested and was converted into the right to receive LivaNova ordinary shares based on the Sorin Exchange Ratio. The total fair value of the replacement awards is \$25.2 million, including \$9.2 million attributable to pre-combination services and allocated to consideration transferred to acquire Sorin. Of the remaining \$16.0 million, \$8.3 million was recognized immediately in the post-combination period and \$7.7 million will be recognized over the post-combination service period to February 28, 2017 due to the service period requirements of the awards. Refer to “Note 18. Stock-Based Incentive Plans” for further discussion of treatment of equity awards.

The consideration transferred in the Mergers was measured using the fair-value-based measure of the share awards as of the closing date. For purposes of calculating the consideration transferred, the fair-value-based measure of the Sorin share awards was determined to be the opening market price of LivaNova’s ordinary shares of \$69.39 on October 19, 2015.

(3) As of October 16, 2015 there were 3,815,824 Sorin stock appreciation rights. Each Sorin stock appreciation right granted prior to the Sorin merger effective time accelerated, vested and was converted into the right to receive 0.0472 LivaNova stock appreciation right based on the Sorin Exchange Ratio. The total fair value of the replacement stock appreciation rights is \$3.8 million, including \$2.2 million attributable to pre-combination services and allocated to consideration transferred to acquire Sorin. The remaining \$1.6 million was recognized immediately in the post-combination period. Refer to “Note 18” for further discussion of treatment of equity awards.

Based upon a preliminary acquisition valuation, LivaNova acquired \$464.0 million of customer-related intangible assets, \$211.1 million of developed technology intangible assets, and \$13.6 million related to the Sorin trade name, with weighted average estimated useful lives of 17, 14, and 4 years, respectively. Other long-term liabilities include \$2.7 million of unfavorable leases with weighted average remaining lives of 5 years. Refer to “Note 8. Goodwill and Intangible Assets” and “Note 11. Other Long Term Liabilities” for further discussion of intangible assets and unfavorable leases, respectively.

Goodwill has been allocated to Cardiac Surgery, Cardiac Rhythm Management and Neuromodulation reporting units. Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents growth opportunities and expected cost synergies of the combined company. The Mergers are expected to provide both short-term and long-term revenue enhancements and cost savings and synergy opportunities, increase the diversity of LivaNova’s business mix, and accelerate the entry into three emerging market opportunities in the areas of heart failure, sleep apnea and less invasive mitral valves. The Mergers are also expected to allow LivaNova to utilize and integrate certain Sorin technologies into its existing and future product lines for epilepsy. LivaNova expects all of its reporting units to benefit, directly or indirectly, from the synergies arising from the business combination. As a result, as of December 31, 2015, the Company has provisionally assigned the goodwill arising from the Sorin acquisition to all three reporting units. This assignment was made by taking into consideration market participant rates of return for each acquired reporting unit (Cardiac Surgery and Cardiac Rhythm Management) in order to assess the respective fair values. The remaining goodwill, allocated to Neuromodulation, which is the accounting acquirer’s existing business unit, is supported by the synergies deriving from the Mergers. Goodwill recognized as a result of the acquisition is not deductible for tax purposes. Refer to “Note 8. Goodwill and Intangible Assets” for further discussion and details of the balance of goodwill.

Contingent liabilities assumed includes \$9.2 million related to uncertain tax positions. Contingent liabilities also include \$3.4 million for contingent payments at fair value related to two acquisitions completed by Sorin prior to the closing of the Mergers. The contingent payments for one acquisition are based on achievement of sales targets by the acquiree through June 30, 2018 and the contingent payments for the second acquisition are based on sales of cardiopulmonary disposable products and heart lung machines through 2019 of the acquiree. Refer to “Note 16. Commitments and Contingencies” for further discussion of contingent liabilities and uncertain tax positions.

LivaNova’s consolidated financial statements for the transitional period April 25, 2015 to December 31, 2015, include Sorin’s results of operations from the acquisition date through December 31, 2015. Net sales and operating loss attributable to Sorin during this period were \$200.1 million and \$6.0 million, respectively. In relation to the Mergers, we incurred \$42.1 million of transaction costs and \$13.7 million of integration costs during the transitional year ended December 31, 2015. The transaction costs primarily relate to advisory, legal, and accounting fees are included in the merger-related expenses line item in the consolidated statement of income (loss). The integration costs are included as a separate line item on the consolidated statement of income (loss).

Pro forma results of operations (unaudited)

The following unaudited pro forma information presents the results of the Company as if the Mergers were consummated on April 26, 2014, and had been included in our consolidated statements of income (loss) for the transitional year period April 25, 2015 to December 31, 2015 and the fiscal year ended April 24, 2015:

(in thousands, except per share data)	Transitional Period April 25, 2015 to December 31, 2015 (unaudited)		Fiscal Year Ended April 24, 2015 (unaudited)	
Net Sales	\$	837,241	\$	1,236,477
Net Income	\$	(31,011)	\$	12,792
Basic and diluted net income per share	\$	(0.95)	\$	0.26

The unaudited pro forma combined results of operations for the transitional period April 25, 2015 to December 31, 2015 and the fiscal year ended April 24, 2015 have been prepared by adjusting the historical results of Cyberonics to include the historical results of Sorin. The unaudited pro forma information for the fiscal year ended April 24, 2015 is based on the accounts of Cyberonics presented on the fiscal year ending April 24, 2015 and of Sorin presented on the twelve months ended June 30, 2015. There were no material intervening events that occurred involving either company between April 24, 2015 and June 30, 2015. The unaudited pro forma information for the transitional year from April 25, 2015 to December 31, 2015 is

based on the accounts of LivaNova from April 25, 2015 through December 31, 2015 (which consists of legacy Cyberonics operations through October 18, 2015 and combined Cyberonics and Sorin operations thereafter) and the accounts of Sorin from April 25, 2015 through the October 18, 2015.

The unaudited pro forma information reflects adjustments that are expected to have a continuing impact on our results operations and are directly attributable to the Mergers. The unaudited pro forma results include, but are not limited to, the incremental depreciation expense associated with the step-up fair value adjustments to property, plant and equipment of \$1.6 million for the transitional period from April 25, 2015 to December 31, 2015 and \$3.2 million for the fiscal year ended April 24, 2015 and the incremental intangible asset amortization to be incurred based on the preliminary values of each identifiable intangible asset of \$13.8 million for the transitional period from April 25, 2015 to December 31, 2015 and \$26.2 million for the fiscal year ended April 24, 2015.

As a result of the Mergers, LivaNova recorded a \$56.8 million step-up of inventory and recognized an incremental cost of sales expense of \$20.8 million from October 19, 2015 to December 31, 2015 associated with amortization of the step-up in inventory. The unaudited pro forma results include an adjustment to eliminate the \$20.8 million in expense from the transitional period from April 25, 2015 to December 31, 2015 and reflect amortization expense of \$56.8 million in the results of the fiscal year ended April 24, 2015 because the expected inventory usage period is less than 12 months.

The statutory tax rate was applied to unaudited pro forma adjustments, as appropriate, to each adjustment based on the jurisdiction in which the adjustment was expected to occur.

The pro forma net loss for the transitional period April 25, 2015 to December 31, 2015 includes the following non-recurring items directly attributable to the merger: \$48.8 million of merger-related transaction expenses and \$23.4 million of non-cash share-based compensation charges. The pro forma net loss for the fiscal year ended April 24, 2015 includes non-recurring merger-related transaction expenses directly attributable to the merger of \$35.9 million.

This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made on April 26, 2014, and it is not indicative of any future results.

Note 4. 2015 Restructuring Plans

We initiated several Restructuring Plans after the consummation of the Mergers in October 2015. The Restructuring Plans are intended to leverage economies of scale, streamline distribution and logistics and administrative office functions in order to reduce overall costs.

The Restructuring Plan's liabilities for the transitional period April 25, 2015 to December 31, 2015 are as follows (in thousands):

	Employee severance and other termination costs	Supply chain contract termination costs	Fixed asset and other charges	Total
Beginning liability balance	\$ —	\$ —	\$ —	\$ —
Charges	4,720	—	—	4,720
Cash payments	—	—	—	—
Ending liability balance	\$ 4,720	\$ —	\$ —	\$ 4,720

Note 5. Accounts Receivable and Allowance for Bad Debt

Accounts receivable, net consisted of the following (in thousands):

	December 31, 2015	April 24, 2015	April 25, 2014
Trade receivables from third parties	\$ 274,005	\$ 51,233	\$ 51,359
Allowance for bad debt	(1,653)	(664)	(685)
	\$ 272,352	\$ 50,569	\$ 50,674

Our customers consist of hospitals, other healthcare institutions, distributors, organized purchase groups and government and private entities. Actual collection periods for trade receivables vary significantly as a function of the nature of the customer (e.g., government or private) and its geographic location. We acquired carrying value of \$224.5 million of trade receivables from Sorin in the Mergers. As part of the acquisition accounting, accounts receivables were recorded at fair value, which was measured considering any allowance for bad debt previously recognized by Sorin.

Note 6. Inventories

Inventories consisted of the following (in thousands):

	December 31, 2015	April 24, 2015	April 25, 2014
Raw materials	\$ 52,482	\$ 11,118	\$ 7,290
Work-in-process	44,369	5,653	4,438
Finished goods	115,597	7,192	5,902
	<u>\$ 212,448</u>	<u>\$ 23,963</u>	<u>\$ 17,630</u>

Inventories are reported net of the provision for obsolescence which totaled \$3.6 million, \$2.3 million, and \$1.1 million at December 31, 2015, April 24, 2015 and April 25, 2014, respectively. As part of the acquisition, we acquired Sorin's inventory with a carrying value of \$233.8 million. Sorin's inventory was recorded at fair value, which was measured considering any provision for obsolescence previously recognized by Sorin.

Note 7. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in thousands):

	December 31, 2015	April 24, 2015	April 25, 2014	Lives in years
Land	\$ 15,662	\$ 1,644	\$ 1,644	---
Building and building improvements	82,014	28,048	26,839	up to 45
Equipment, software, furniture and fixtures	140,364	39,325	37,080	up to 16
Other	8,634	—	—	up to 10
Capital investment in process	<u>42,210</u>	<u>6,695</u>	<u>6,926</u>	---
Total	288,884	75,712	72,489	
Accumulated depreciation	<u>(44,297)</u>	<u>(35,425)</u>	<u>(32,954)</u>	
	<u>\$ 244,587</u>	<u>\$ 40,287</u>	<u>\$ 39,535</u>	

Aggregate depreciation was \$10.8 million, \$5.8 million, \$4.3 million and \$3.8 million for the transitional period April 25, 2015 to December 31, 2015 and the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, respectively.

A building in Cantù, Italy, with a net book value of \$1.2 million as of December 31, 2015, was provided as collateral to secure a long-term loan taken out by Sorin Group Italia S.r.l. Refer to "Note 16. Commitments and Contingencies" for further information. As part of the acquisition, we acquired Sorin's PP&E with a carrying value of \$207.6 million equal to their fair value.

Note 8. Goodwill and Intangible Assets

Detail of finite-lived and indefinite-lived intangible assets (in thousands):

	December 31, 2015	April 24, 2015	April 25, 2014
Schedule of finite-lived intangible assets:			
Developed technology	\$ 213,873	\$ 13,204	\$ 13,964
Customer relationships	444,472	—	—
Trademarks and trade names	13,030	—	—
Other intangible assets	11	1,023	1,148
Total	671,386	14,227	15,112
Accumulated amortization	(12,444)	(4,059)	(3,457)
Net	\$ 658,942	\$ 10,168	\$ 11,655
Schedule of indefinite-lived intangible assets:			
Goodwill	\$ 745,356	\$ —	\$ —

During the transitional period April 25, 2015 to December 31, 2015, we purchased a patent license for \$1.0 million related to the integration of conditionally safe MR technologies with our leads. This patent license has an amortization period of 15 years. In connection with the Mergers and based upon the preliminary acquisition valuation, we acquired certain finite-lived intangible assets: \$464.0 million of customer relationships, \$211.1 million of developed technology and \$13.6 million of trade names. In addition, in connection with the Mergers, we recorded \$763.1 million of goodwill.

During the transitional period April 25, 2015 to December 31, 2015, we fully impaired finite-lived intangible assets primarily related to R&D projects, such as our rechargeable battery technology, that no longer factored into our future product plans, for a loss of \$1.7 million. The impairment losses were charged to R&D expense in the consolidated statement of income (loss).

The amortization periods for our finite-lived intangible assets as of December 31, 2015:

	Minimum Life in years	Maximum life in years
Developed technology	5	18
Customer relationships	16	18
Trademarks and trade names	4	4
Other intangible assets	5	5

Aggregate amortization was \$9.7 million, \$1.5 million, \$1.3 million, and \$0.9 million for the transitional period April 25, 2015 to December 31, 2015 and the fiscal years ended April 24, 2015, April 25, 2014, and April 26, 2013, respectively.

The estimated future amortization expense based on our finite-lived intangible assets at December 31, 2015 (in thousands):

Year ending December 31,	
2016	\$ 45,614
2017	45,634
2018	45,653
2019	44,762
2020	42,038
Thereafter	435,240

Detail of indefinite-lived intangible assets (in thousands):

	Neuromodulation	Cardiac Surgery	Cardiac Rhythm	Total
Balance as of April 24, 2015				
Goodwill from acquisitions	\$ 315,943	\$ 429,627	\$ 17,575	\$ 763,145
Other adjustments, net	—	—	—	—
Impairments	—	—	—	—
Currency adjustments	—	(17,086)	(703)	(17,789)
Balance as of December 31, 2015	\$ 315,943	\$ 412,541	\$ 16,872	\$ 745,356

Note 9. Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	December 31, 2015	April 24, 2015	April 25, 2014
Advances received on customer receivables	\$ 24,494	\$ —	\$ —
Employee related liabilities	20,605	—	—
Merger related expense accruals	6,226	4,101	—
Accrued insurance	2,566	—	—
Warranties	2,119	—	—
Clinical study costs	2,004	974	1,227
Accrued royalty costs	1,316	—	—
Other	21,177	3,259	3,542
	\$ 80,507	\$ 8,334	\$ 4,769

Note 10. Warranties

We offer a warranty on various products. We estimate the costs that may be incurred under the warranties and record a liability in the amount of such costs at the time the product is sold. The amount of the reserve recorded is equal to the cost to satisfy the claim. We include the warranty obligation in other accrued liabilities on the consolidated balance sheet, see “Note 9. Accrued Liabilities”. We include the costs associated with claims, if any, in cost of products sold in the consolidated statements of income. We acquired \$2.1 million in warranty obligation from Sorin as part of the Mergers. Warranty obligation consisted of the following (in thousands):

Balance as of April 24, 2015	\$ —
Warranty claims provision	2,176
Settlements made	(57)
Balance as of December 31, 2015	\$ 2,119

Note 11. Other Long-Term Liabilities

Other long-term liabilities consisted of the following (in thousands):

	December 31, 2015	April 24, 2015	April 25, 2014
Liability for uncertain tax positions	\$ 13,048	\$ 5,782	\$ 4,257
Government grant deferred revenue	3,918	—	—
Earnout for contingent payments	3,457	—	—
Unfavorable operating leases	2,513	—	—
Financial derivatives	1,793	—	—
Other	5,014	828	454
	<u>\$ 29,743</u>	<u>\$ 6,610</u>	<u>\$ 4,711</u>

The unfavorable operating lease adjustment obligation represents the fair value of future lease obligations at the acquisition date of October 19, 2015.

Note 12. Investments

Short-Term Investments Detail. Our short-term investment consisted of a held-to-maturity debt security with a maturity of four months and is carried at amortized cost. Refer to “Note 13. Fair Value Measurements.”

(in thousands)	December 31, 2015	April 24, 2015	April 25, 2014
Certificates of deposits ⁽¹⁾	\$ —	\$ 20,023	\$ 20,031
Commercial paper	6,997	6,997	4,998
	<u>\$ 6,997</u>	<u>\$ 27,020</u>	<u>\$ 25,029</u>

- (1) During the transitional period April 25, 2015 to December 31, 2015, our six-month CD matured, was re-invested in a three-month CD and was classified with cash equivalents in the consolidated balance sheet.

Cost Method Investments. Our “Investments” in the consolidated balance sheets includes positions in privately held companies carried at original cost under the cost-method. Refer to “Note 13. Fair Value Measurements.” All cost method investments were assessed for impairment as of December 31, 2015.

(in thousands)	December 31, 2015	April 24, 2015	April 25, 2014
ImThera Medical, Inc. - convertible preferred shares and warrants ⁽¹⁾	\$ 12,000	\$ 12,000	\$ 12,000
Cerbomed GmbH - convertible preferred shares ⁽²⁾	—	5,127	3,944
Rainbow Medical Ltd. ⁽³⁾	3,847	—	—
Carrying amount - long-term investments	<u>\$ 15,847</u>	<u>\$ 17,127</u>	<u>\$ 15,944</u>

- (1) ImThera Medical, Inc. is a U.S. company developing a neurostimulation device system for the treatment of obstructive sleep apnea.
- (2) Cerbomed GmbH is a European company developing a transcutaneous vagus nerve stimulation device for the treatment of epilepsy. During the transitional period April 25, 2015 to December 31, 2015, we recorded an other-than-temporary impairment of \$5.1 million against our investment in Cerbomed. We recorded the charge in Impairment of Investments in the consolidated statement of income (loss). Refer to “Note 13. Fair Value Measurements.”
- (3) Rainbow Medical Ltd. is an Israeli company that seeds and grows companies developing medical devices in a diverse range of medical fields.

Other Assets. “Other assets” in the consolidated balance sheet includes the cash surrender value of company-owned life insurance policies, which are based on the fair values in a mutual fund portfolio, amounting to \$1.8 million, \$1.2 million and \$0.5 million for the transitional period April 25, 2015 to December 31, 2015, and the fiscal years ended April 24, 2015 and April 25, 2014, respectively.

Equity Method Investments. In connection with the Mergers, refer to “Note 3. Business Combinations”, we acquired equity investments which are accounted for under the equity method and as a result, basis differences were identified between the proportionate share of historical cost of the net assets and the proportionate share of fair value of the net assets acquired. Such basis differences aggregated to \$36.2 million on the acquisition date and primarily consisted of equity method goodwill.

Prior to the Mergers, Cyberonics did not have any investments accounted for under the equity method. The table below lists the investments and the balance as of December 31, 2015 (in thousands except percentage ownership):

	% Ownership	December 31, 2015
La Bouscarre S.C.I.	50.0%	\$ 16
LMTB - Laser und Medizin Technologie Gmbh	22.5%	3
MD START S.A.	20.9%	—
MD START I K.G.	23.4%	—
Enopace Biomedical Ltd.	31.8%	—
Cardiosolutions Inc.	35.3%	—
Caisson Interventional LLC ⁽¹⁾	43.7%	13,712
Highlife S.A.S. ⁽¹⁾	38.0%	8,363
MicroPort Sorin CRM (Shanghai) Co. Ltd.	49.0%	8,959
Respicardia Inc.	19.7%	30,586
Total		\$ 61,639

⁽¹⁾ We have outstanding loans to Caisson Interventional LLC and to Highlife S.A.S for \$3.6 million included in Other Assets on the consolidated balance sheet.

Losses from equity method investments for the transitional period April 25, 2015 to December 31, 2015 were as follows (in thousands):

(in thousands)	Transitional Period April 25, 2015 to December 31, 2015
La Bouscarre S.C.I.	\$ —
LMTB - Laser und Medizin Technologie Gmbh	—
MD START S.A.	—
MD START I K.G.	—
Enopace Biomedical Ltd.	—
Cardiosolutions Inc.	—
Caisson Interventional LLC	1,213
Highlife S.A.S.	550
MicroPort Sorin CRM (Shanghai) Co. Ltd.	1,085
Respicardia Inc.	460
Total	\$ 3,308

Note 13. Fair Value Measurements

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value measurements establishes a three-tier fair value hierarchy, categorizing the inputs used to measure fair value. The hierarchy can be described as follows: Level 1-observable inputs such as quoted prices in active markets; Level 2-inputs other than the quoted prices in active markets that are observable either directly or indirectly; and Level 3-unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For further details regarding our accounting policy refer to “Fair Value Measurements” included within “Note 2. Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies” accompanying the consolidated financial statements.

Assets and Liabilities That Are Measured at Fair Value on a Recurring Basis

The following table provides information by level for assets and liabilities that are measured at fair value on a recurring basis for the transitional period April 25, 2015 to December 31, 2015:

	Fair Value as of December 31, 2015	Fair Value Measurements Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Derivative Assets - for hedging (exchange rates)	\$ 839	\$ —	\$ 839	\$ —
Derivative Assets - not for hedging (exchange rates)	—	—	—	—
Total assets	\$ 839	\$ —	\$ 839	\$ —
Liabilities:				
Derivative Liabilities - for hedging (interest rates)	\$ 2,876	\$ —	\$ 2,876	\$ —
Derivative Liabilities - not for hedging (interest rates)	24	—	24	—
Derivative Liabilities - not for hedging (exchange rates)	1,547	—	1,547	—
Earnout for contingent payments ⁽¹⁾	3,457	—	—	3,457
Total Liabilities	\$ 7,904	\$ —	\$ 4,447	\$ 3,457

(1) This contingent payment arose as a result of the acquisition of Cellplex Pty Ltd. in September 2015, and was valued using the Black Scholes method at the date of the Mergers.

Level 1

The liability under the Deferred Compensation Plan is based on a tracking portfolio of mutual funds for each participant. The tracking portfolio consisted of the quoted market prices of a portfolio of publicly traded mutual funds. We adjust the liability to the period ended quoted market prices, which are Level 1 inputs. We report the liability in Other Long-Term Liabilities in the consolidated balance sheets.

Level 2

To measure the fair value of its derivative transactions (transactions to hedge exchange risk and interest rate risk), we calculate the mark-to-market of each transaction using prices quoted in active markets (e.g., the spot exchange rate of a currency for forward exchange transactions) and observable market inputs processed for the measurement (e.g., the fair value of an interest rate swap using the interest rate curve), or the measurement of an exchange rate option (with the processing of listed prices and observable variables such as volatility).

For all level 2 valuations, we use the information provided by a third-party as a source for obtaining quoted observable prices and to process market variables. In particular, we use the following techniques to calculate the fair value of derivatives:

- For forward exchange rate transactions, fair value is calculated using the forward market exchange rate on the reporting date for each contract: the difference calculated between this amount and the contractual forward rate is discounted (present value) to the same reporting date;
- For interest rate swaps, the fair value is calculated taking into account the present value of interest flows calculated on the notional amount of each contract using the forward interest rate curve applicable on the reporting date.

Level 3

We invested in a convertible debt security issued by NeuroVista Corporation (“NeuroVista”) on August 20, 2010. NeuroVista was a privately held company focused on the development of an implantable device intended to inform patients when seizures are likely to occur, as well as to alert caregivers when seizures do occur. The security is classified an ‘available-for-sale’ debt security measured at fair value on a recurring basis using Level 3 inputs, as the investee was a privately held entity without quoted market prices. During fiscal year 2013, we determined that it was unlikely to receive the return of principal and accrued interest and performed a fair value analysis of the assets we expected to receive in foreclosure. We estimated the fair value of the debt instrument at \$1.5 million, with the resulting impairment loss of \$4.1 million reported as other-than-temporary and separately stated in the consolidated statement of income (loss). Later in fiscal 2013, NeuroVista advised that an event of default had occurred under the terms of the convertible debt security, and we conducted a foreclosure sale of the assets subject to the security interest and took possession of the company’s tangible and intangible assets that resulted in no further gain or loss on the settlement of the debt security.

We review the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. Our policy is to recognize transfers into and out of levels within the fair value hierarchy at the end of the fiscal quarter in which the actual event or change in circumstances that caused the transfer occurs. There were no transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2015, April 25, 2014 or April 25, 2014. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value.

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

Non-financial assets such as equity and other securities that are accounted for using the cost or equity method, goodwill, intangible assets, and property, plant, and equipment are measured at fair value when there is an indicator of impairment and recorded at fair value only when impairment is recognized. The fair values of these non-financial assets are based on our own judgments about the assumptions that market participants would use in pricing the asset and on observable market data, when available. We classify these measurements as Level 3 within the fair value hierarchy.

The investment in cost-method equity securities and investments in equity securities that are accounted for using the equity method consisted of investments in equity stocks and convertible preferred stock of privately held companies for which there are no quoted market prices. During the transitional period April 25, 2015 to December 31, 2015 we determined that the fair values of our investment in Cerbomed GmbH was below its carrying values and that the carrying values of this investment was not expected to be recoverable within a reasonable period of time. As a result, we recognized an impairment charge of \$5.1 million in the transitional period ended December 31, 2015. No impairment was recorded in the fiscal years ended April 25, 2015 or April, 24, 2014. These investments fall within Level 3 of the fair value hierarchy, due to the use of significant unobservable inputs to determine fair value, as the investments are privately held entities without quoted market prices. To determine the fair value of these investments we used all pertinent financial information available related to the entities. We recorded goodwill of \$763.1 million on the date of the Mergers. As a result of the impairment analysis performed as of December 31, 2015 we did not record any goodwill impairment.

During the transitional period April 25, 2015 to December 31, 2015, we fully impaired finite-lived intangible assets primarily related to R&D projects, such as our rechargeable battery technology, that no longer factored into our future product plans, for a loss of \$1.7 million. During fiscal year ended April 24, 2015, we fully impaired certain neurological signal feedback and processing technology that no longer factored into our product plans and recognized an impairment loss of \$0.4 million. We estimated the fair value of the intangible assets utilizing a discounted future cash flow analysis, which we classified as a Level 3 within the fair value hierarchy. Refer to “Note 8. Goodwill and Intangible Assets” for further details of these investments.

During fiscal year ended April 24, 2015, we recognized an impairment loss of \$0.8 million for certain obsolete manufacturing equipment and software primarily related to the Centro project redesign. We estimated the fair value of the property, plant and equipment utilizing a discounted future cash flow analysis, which we classified as a Level 3 within the fair value hierarchy.

Financial Instruments Not Measured at Fair Value

The carrying values of our cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these items.

The balance of our investments in short-term securities as of December 31, 2015 consisted of commercial paper carried at amortized cost which approximates its fair value. The balances as of April 24, 2015 and April 25, 2014 consisted of a certificate of deposit and commercial paper that are considered held-to-maturity debt securities and carried at amortized cost, which approximate fair value. Refer to “Note 12. Investments” for further information.

The carrying value of our long-term debt, including the short-term portion, as of December 31, 2015 was \$174.3 million which we believe approximates fair value. We did not have any debt outstanding as of April 24, 2015 and April 25, 2014.

Note 14. Financing Arrangements

In connection with the Mergers, LivaNova acquired all of the outstanding debt of Sorin. As of the Mergers date, Sorin had \$203.0 million aggregate principal amount due to various financial and non-financial institutions (collectively, the “Sorin Loans”). We recorded an aggregate foreign exchange adjustment of \$5.7 million to decrease the carrying value of the total long-term Sorin Loans since the date of the Mergers. Additionally, we made principal payments of \$32.0 million post-merger to reduce long-term debt to \$113.0 million.

The outstanding principal amount of long-term debt at December 31, 2015 and as of the date of the Mergers, October 19, 2015, consisted of the following (in thousands, except interest rates):

	Principal Amount at December 31, 2015	Principal Amount at October 19, 2015	Maturity	Effective Interest Rate
European Investment Bank	\$ 99,426	\$ 113,490	June 2021	1.15%
Unicredit AG New York	—	20,000	October 2017	1.89%
Banca del Mezzogiorno	8,851	10,283	December 2019	0.50% - 3.35%
Bpifrance (ex-Oséo)	2,621	2,914	October 2019	2.58%
Banca Regionale Europea	—	1,686	January 2020	1.35%
Novalia SA (Vallonie)	1,192	1,316	March 2020 - June 2033	0.00% - 3.42%
Mediocredito Italiano	944	987	September 2021-2026	1.05% - 1.55%
Total long-term facilities	\$ 113,034	\$ 150,676		
Less current portion of long-term debt	21,243	22,218		
Total long-term debt	<u>\$ 91,791</u>	<u>\$ 128,458</u>		

We recorded an aggregate foreign exchange adjustment of \$2.2 million to decrease the carrying value of the short-term facilities since the date of the Mergers. Subsequent to the Mergers, our net short-term facility borrowings have exceeded our repayments by \$11.1 million.

The outstanding principal amount of short-term debt as of December 31, 2015, and as of the date of the merger, October 19, 2015, consisted of the following (in thousands, except interest rates):

	Principal Amount at December 31, 2015	Principal Amount at October 19, 2015	Effective Interest Rate
Intesa San Paolo Bank	\$ 20,630	\$ —	0.25%
BNL BNP Paribas	18,459	20,428	0.27%
Unicredit Banca	15,201	17,024	0.45%
BNP Paribas (Brazil)	2,225	4,400	15.95%
French Government	2,030	2,121	—
Other short-term facilities	2,725	8,342	
Total short-term facilities	\$ 61,270	\$ 52,315	
Current portion of long-term debt	21,243	22,218	
Total current debt	\$ 82,513	\$ 74,533	
Total debt	\$ 174,304	\$ 202,991	

There was no outstanding debt in the historic Cyberonics consolidated balance sheet as of April 24, 2015 or April 25, 2014.

The European Investment Bank (“EIB”) loan was provided to Sorin to support research and development projects in Italy and France related to the development of new products or improvements in Sorin’s products in cardiac surgery, cardiac rhythm management and new therapeutic solutions aimed at treating heart failure and mitral valve regurgitation. The loan was issued in July 2014, has a seven-year term with interest paid in quarterly installments. The loan is guaranteed by Sorin Group Italia S.r.l. and Sorin CRM SAS, subsidiaries of LivaNova. In December 2015, we paid our scheduled semi-annual \$9.0 million principal payment.

The EIB loan is subject to the various terms and conditions:

- certain financial ratios calculated based on the Sorin consolidated financial statements;
- subordination clauses, based on which the loan cannot be subordinated to other loans, with the exception of loans given preference deriving from legal obligations;
- negative pledge clauses that place limits on the issue of collateral;
- other customary clauses for loans of this type, including limits on LivaNova’s asset disposals.

In April 2013, Sorin entered into a long-term loan agreement for \$50.0 million with UniCredit (Unicredit Banca and Unicredit AG New York branch) consisting of a term loan totaling \$20.0 million and a revolving facility of \$30 million.

In December 2014 the credit facility was renegotiated with the cancellation of the revolving facility, the decrease of the interest margin of the term loan and the extension of its maturity by 18 months from April 2016 to October 2017. In December 2015, we pre-paid this \$20.0 million loan at par, without penalty.

In 2005 Sorin entered in two long-term loans that were to mature in 2020, with Banca Regionale Europea. These loans were pre-paid at the outstanding principal amount of \$1.6 million in November 2015 by LivaNova’s subsidiaries, Sorin Group Italia S.r.l. and Sorin Site Management S.r.l.

In January 2015, Sorin Group Italia S.r.l. was provided with loans specified to support research and development projects as a part of the Large Strategic Project program of the Italian Ministry of Education, Universities and Research (“MIUR”). One loan is subsidized by Cassa DepositiePrestiti at a fixed rate of 0.5% and a second loan, an ordinary bank loan, is provided by GE Capital Interbanca at a floating rate of 6-month Euribor plus a spread of 3.3%. At December 31, 2015, \$8.9 million was outstanding on both of these loans. Both loans have an amortized repayment plan with final maturity on December 31, 2019. In December 2015, we paid our scheduled semi-annual payment of \$1.1 million.

In 2012, Sorin entered into a long-term loan agreement for a total of €3.0 million with Bpifrance (formerly Oséo), a French government company that provides financial support for innovation and development projects. The loan is repayable in installments with final maturity on October 31, 2019. At December 31, 2015, \$2.6 million was outstanding on this loan. In October 2015, we paid our scheduled \$0.2 million quarterly payment.

In 2014, through an acquisition of the cannulae business, Sorin assumed mortgages due to Mediocredito Italiano totaling €1.0 million. At December 31, 2015, \$0.9 million was outstanding. The loans are secured by a mortgage on a building located at Cantù manufacturing site in Italy.

Prior to the Mergers, Sorin Group Belgium received loans from Novalia SA, a finance company in the Wallonia Region in Belgium, to support several R&D projects. At December 31, 2015, \$1.2 million was outstanding.

In December 2015, we utilized our uncommitted revolving credit facilities for certain short-term loans and entered into a \$20.6 million short-term loan with Intesa San Paolo Bank, a \$18.5 million short-term loan with BNL/BNP Paribas after repaying \$19.5 million, a \$15.2 million loan with UniCredit Banca after repaying \$16.3 million, and a \$2.2 million loan with BNP Paribas (Brazil) after repaying \$4.3 million. During this period, we also reduced other short-term facilities by \$5.3 million. These facilities are used for general corporate purposes.

The debt maturity schedule as of December 31, 2015 is as follows (in thousands):

Fiscal Year	Total Debt Payments
2016	\$ 82,513
2017	20,761
2018	21,363
2019	21,400
2020	18,249
Thereafter	10,018
Total debt	<u>\$ 174,304</u>

Note 15. Derivatives and Foreign Currency Risk Management

We enter into derivative instruments, principally foreign exchange forward and interest rate swaps contracts for the purpose of hedging the risk of fluctuations in foreign exchange and interest rates. For additional details refer to our accounting policy “*Derivatives*” included within “Note 2. Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies” accompanying the consolidated financial statements.

Freestanding Derivative Forward Contracts

Freestanding derivative forward contracts are used to offset the exposure to the change in value of our foreign currency denominated financial intercompany transactions (current accounts and loans), certain long-term loans and certain revenue transactions. The gross notional amount of these contracts not designated as hedging instruments, outstanding at December 31, 2015 was \$254.4 million. We did not engage in freestanding derivative forward contracts prior to the Mergers.

The amount and location of the gains (losses) in the consolidated statements of income related to derivative instruments, not designated as hedging instruments, for the transitional period April 25, 2015 to December 31, 2015 are as follow:

(in thousands)			
Derivatives Not Designated as Hedging Instruments	Location	Transitional Period April 25, 2015 to December 31, 2015	
Foreign currency exchange rate contracts	Other income (expense), net and Foreign exchange and other	\$	(12,813)

Foreign currency exchange differences include the losses, realized and unrealized, related to the forward contracts, not qualifying for hedge accounting, put in place since the date of the Mergers, for the hedging of the following:

- intercompany financial accounts and loans not denominated in U.S. dollars, recording a loss for \$5.1 million;

- short and long-term loans denominated in Euro, recording a loss for the amount of \$7.9 million, of which \$4.8 million relates to a foreign exchange derivative arrangement on the EIB long-term loan. Such derivative arrangements have been discontinued in January 2016;
- revenues denominated in British pounds and Japanese yen for the period from date of the Mergers to December 31, 2015, recording a gain for \$0.2 million.

The Foreign currency exchange losses on the above mentioned forward contracts, are mainly due to the revaluation of the U.S. dollar against the euro and other currencies.

Cash Flow Hedges

Foreign Currency Risk

Due to the global nature of our operations, we are exposed to foreign currency exchange rate fluctuations. We generally utilize foreign exchange forward contracts that are designed to hedge the variability of material cash flows associated with forecasted revenue and costs denominated in a currency different from the functional currency of the consolidated statement of income (loss) that will take place in the future. In most cases, these derivative instruments are designated as cash flow hedges and are carried at fair value. The effective portion of the gain or loss on these derivative contracts is reported as a component of accumulated other comprehensive income (loss). The effective portion of the gain or loss on the derivative instrument is reclassified into earnings and is included in the line item other income (expense), net in the consolidated statements of income, depending on the underlying transaction that is being hedged, in the same period or periods during which the hedged transaction affects earnings. There was no hedge ineffectiveness at December 31, 2015. No components of the hedge contracts were excluded in the measurement of hedge ineffectiveness and no hedges were derecognized or discontinued during the transitional period April 25, 2015 to December 31, 2015. The fair value of all cash flow foreign exchange hedging forward contracts, related to revenue denominated in British pounds and Japanese yen of year 2016 is reported in accrued liabilities line item in the consolidated balance sheet.

The gross notional amount of foreign currency exchange contracts, designated as cash flow hedges, outstanding at December 31, 2015 was \$66.9 million, related to forward contracts of respectively British pounds 8.5 million and Japanese yen 6.4 billion, maturing at various dates through December 2016. The contracts have average maturities from 6 to 12 months and are regularly renewed to provide a continuing coverage throughout the year. We did not engage in hedging activities prior to the Mergers.

Interest Rate Risk

In July 2014, Sorin entered into a European Investment Bank (“EIB”) long-term loan agreement with floating-rate interest payments, refer to “Note 14. Financing Arrangements” for further discussion. To minimize the impact of changes in interest rates on its interest payments under the EIB loan, on June 30, 2014 and July 7, 2014 Sorin entered into interest rate swap agreements to swap floating-rate interest payments for fixed-rate interest payments on a notional amount of Euro 80.0 million, for the amount of Euro 60.0 million effective on June 30, 2014 and for the amount of Euro 20.0 million effective on July 7, 2014. The outstanding notional amount at December 31, 2015 is Euro 73.3 million (equivalent to \$79.6 million). The interest rate swap agreements mature in June 2021 and have periodic interest settlements. The interest rate swap agreements were designated as a cash flow hedge of the variability of interest payments under the EIB long-term loan agreement due to changes in the floating interest rates by converting from Euribor 3 month floating-rate to a fixed-rate loan.

In April 2013 Sorin entered into a Unicredit AG New York branch (“Unicredit NY”) long-term agreement with floating-rate interest payments, refer to “Note 14. Financing Arrangements” for further discussion. To minimize the impact of changes in interest rates on its interest payments under the Unicredit NY loan, on July 2013 Sorin entered into an interest rate swap agreement to swap floating-rate interest payments for fixed-rate interest payments on a notional amount of \$20.0 million, effective in July 12, 2013. Initially the interest rate swap agreement matured in April 2016 and had periodic interest settlements. We repaid the Unicredit NY loan in December 2015. At December 31, 2015 due to the prepayment of the underlying hedged loan, this interest rate swap is not treated as a hedging instrument. This interest swap will mature on April 12, 2016 and its fair value, inclusive of accrued interest, at December 31, 2015 of \$24,000 is accounted in the consolidated statement of income (loss).

The swaps fixed rates were structured to mirror the payment terms of the loan. The effective portion of the gain or loss on these derivatives is reported as a component of accumulated other comprehensive income. On interest rate swap contracts we had an effective portion equivalent at \$83,000 in after-tax net unrealized gains, and an ineffective portion for the amount of \$25,000 reported in the line item interest expense in consolidated statement of income (loss).

On foreign exchange hedging forward contracts there was no hedge ineffectiveness at December 31, 2015. As of December 31, 2015, we had \$0.8 million in after-tax net unrealized gains associated with the cash flow hedging instruments recorded in accumulated other comprehensive income. The Company expects that \$0.8 million of after-tax net unrealized gains as of December 31, 2015 will be reclassified into the line item other income (expense), net in the consolidated statements of income (loss) over the next 12 months.

If, at any time, the swap is determined to be ineffective, in whole or in part, due to changes in the interest rate swap or underlying the debt agreement, the fair value of the portion of the swap determined to be ineffective will be recognized as a gain or loss in the statement of income (loss) for the applicable period. If the hedging instrument matures or is canceled, the amounts previously recorded in the statement of accumulated other comprehensive income are posted to the statement income (loss) statement.

We did not engage in interest rate swap contracts prior to the Mergers.

Presentation in Financial Statements

The amount of gains (losses) and location of the gains (losses) in the consolidated statements of income and accumulated other comprehensive income ("OCI") related to foreign currency exchange rate contract and interest rate swap derivative instruments designated as cash flow hedges for the transitional period April 25, 2015 to December 31, 2015 are as follows:

(in thousands)	Gross Gains Recognized in OCI on Effective Portion of Derivative		Effective Portion of Gains (Losses) on Derivative Reclassified from:	
	Amount		Location	Amount
Derivatives in Cash Flow Hedging Relationships				
Foreign currency exchange rate contracts	\$	1,150	Other income (expense), net	\$ 1,150
Interest rate swap contracts		124	Interest expense	124
Total	\$	1,274		\$ 1,274

The following tables summarize the location and fair value amounts of derivative instruments reported in the consolidated balance sheet as of December 31, 2015. The fair value amounts are presented on a gross basis and are segregated between derivatives that are designated and qualify as hedging instruments and those that are not, and are further segregated by type of contract within those two categories.

(in thousands)	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Prepaid expenses and other current assets	\$ —	Accrued liabilities	\$ 1,083
Interest rate contracts	Other assets		Other long-term liabilities	1,793
Foreign currency exchange rate contracts	Prepaid expenses and other current assets	—	Accrued liabilities	(839)
Total derivatives designated as hedging instruments		\$ —		\$ 2,037
Derivatives not designated as hedging instruments				
Interest rate contracts	Prepaid expenses and other current assets	\$ —	Accrued liabilities	\$ 24
Foreign currency exchange rate contracts	Prepaid expenses and other current assets	—	Accrued liabilities	1,547
Total derivatives not designated as hedging instruments		\$ —		\$ 1,571
Total derivatives		\$ —		\$ 3,608

Concentration of Credit Risk

Our trade accounts receivable represent potential concentrations of credit risk. This risk is limited due to the large number of customers and their dispersion across a number of geographic areas and our efforts to control its exposure to credit risk by monitoring its receivables and the use of credit approvals and credit limits. In addition, historically, we had strong collections and minimal write-offs. While we believe that the reserves for credit losses are adequate, essentially all of trade receivables are concentrated in the hospital and healthcare sectors in the United States and several other countries, and accordingly, we are exposed to their respective business, economic and country-specific variables. Although we do not currently foresee a concentrated credit risk associated with these receivables, repayment is dependent on the financial stability of these industry sectors and the respective countries' national economies and healthcare systems.

Note 16. Commitments and Contingencies

Litigation and Regulatory Proceedings

FDA Warning Letter. On December 31, 2015, LivaNova received a Warning Letter dated December 29, 2015 from the FDA alleging certain violations of FDA regulations applicable to medical device manufacturers at the Company's Munich, Germany and Arvada, Colorado facilities.

The FDA inspected the Company's Munich facility from August 24, 2015 to August 27, 2015 and its Arvada facility from August 24, 2015 to September 1, 2015. On August 27, 2015, the FDA issued a Form 483 identifying two observed non-conformities with certain regulatory requirements at the Munich facility. The Company did not receive a Form 483 in connection with the FDA's inspection of the Arvada facility. Following the receipt of the Form 483, the Company provided written responses to the FDA describing corrective and preventive actions that were underway or to be taken to address the FDA's observations at the Munich facility. The Warning Letter responded in part to LivaNova's responses and identified other alleged violations not previously included in the Form 483.

The Warning Letter further stated that the Company's 3T Heater Cooler devices and other devices manufactured by the Company's Munich facility are subject to refusal of admission into the United States until resolution of the issues set forth by the FDA in the Warning Letter. The FDA has informed the Company that the import alert is limited to the 3T Heater Cooler devices, but that the agency reserves the right to expand the scope of the import alert if future circumstances warrant such action. The Warning Letter did not request that existing users cease using the 3T Heater Cooler device, and manufacturing and shipment of all of the Company's products other than the 3T Heater Cooler remain unaffected by the import limitation. To help clarify these issues for current customers, the Company issued an informational Customer Letter in January 2016, and that same month agreed with the FDA on a process for shipping 3T Heater Cooler devices to existing U.S. users pursuant to a certificate of medical necessity program.

Lastly, the Warning Letter states that premarket approval applications for Class III devices to which certain Quality System regulation deviations identified in the Warning Letter are reasonably related will not be approved until the violations have been corrected. However, the Warning Letter only specifically names the Munich and Arvada facilities in this restriction, which do not manufacture or design devices subject to premarket approval.

The Company is continuing to work diligently to remediate the FDA's inspectional observations for the Munich facility as well as the additional issues identified in the Warning Letter. The Company takes these matters seriously and intends to respond timely and fully to the FDA's requests.

The Warning Letter had no impact on the Company's financial statements during 2015. The Company currently believes that less than 1% of 2016 consolidated sales could be impacted by this Warning Letter and that the FDA's concerns can be resolved without a material impact on the Company's financial results.

Baker, Miller et al v. LivaNova PLC. On February 12, 2016, LivaNova was alerted that a class action complaint had been filed in the U.S. District Court for the Middle District of Pennsylvania with respect to the Company's 3T Heater Cooler devices, naming as evidence, in part, the Warning Letter issued by the FDA in December 2015. The named plaintiffs to the complaint are two individuals who underwent open heart surgeries at WellSpan York Hospital and Penn State Milton S. Hershey Medical Center in 2015, and the complaint alleges that: (i) patients were exposed to a harmful form of bacteria, known as nontuberculous mycobacterium ("NTM"), from LivaNova's 3T Heater Cooler devices; and (ii) LivaNova knew or should have known that design or manufacturing defects in 3T Heater Cooler devices can lead to NTM bacterial colonization, regardless of the cleaning and disinfection procedures used (and recommended by the Company). Named plaintiffs seek to certify a class of plaintiffs consisting of all Pennsylvania residents who underwent open heart surgery at WellSpan York Hospital and Penn State Milton S. Hershey Medical Center between 2011 and 2015 and who are currently asymptomatic for NTM infection (approximately 3,600 patients).

The putative class action, which has not been certified, seeks: (i) declaratory relief finding the 3T Heater Cooler devices are defective and unsafe for intended uses; (ii) medical monitoring; (iii) general damages; and (iv) attorneys' fees.

At LivaNova, patient safety is of the utmost importance, and significant resources are dedicated to the delivery of safe, high-quality products. Should the lawsuit proceed, we intend to vigorously defend against these claims. Given the early stage of this matter, we cannot, however, give any assurances that additional legal proceedings making the same or similar allegations will not be filed against LivaNova PLC or one of its subsidiaries, nor that the resolution of the complaint and any related litigation in connection therewith will not have a material adverse effect on the Company's business, results of operations, financial condition and/or liquidity.

SNIA Litigation. Sorin S.p.A. was created as a result of a spin-off (the "Sorin spin-off") from SNIA S.p.A. ("SNIA"). The Sorin spin-off, which spun off SNIA's medical technology division, became effective on January 2, 2004. Pursuant to the Italian Civil Code, in a spin-off transaction, the parent and the spun-off company can be held jointly liable for certain indebtedness or liabilities of the pre-spin-off company in two scenarios:

- The parent and the spun-off company can be held jointly liable, up to the actual value of the shareholders' equity conveyed or received, for "debt" (*debiti*) of the pre-spin-off company that existed at the time of the spin-off. This joint liability is secondary in nature and, consequently, arises only when such indebtedness is not satisfied by the company owing such indebtedness. We estimate that at the time of the spin-off, the value of the residual shareholders' equity received was approximately €573 million.
- The parent and the spun-off company can be held jointly liable, up to the actual value of the shareholders' equity conveyed or received, for "liabilities" (*elementi del passivo*) whose allocation between the parties to the spin-off cannot be determined based on the spin-off plan.

For purposes of the Italian Civil Code, Sorin believes and has argued that the term "debt" (*debiti*) is generally understood to refer to indebtedness as reflected on a debtor's balance sheet for accounting purposes in accordance with the European Union directive pursuant to which these provisions of the Italian Civil Code were enacted, which translates "*debiti*" as "obligations." The European Union directive uses "obligations" to refer to indebtedness owed to creditors and the term "liabilities" to refer to general liabilities. In connection with the Sorin spin-off, the assets and liabilities of SNIA's medical technology division were allocated to Sorin, and the remaining assets and liabilities of SNIA, including those related to the Caffaro chemical operations (as described below), were allocated to SNIA.

Between 1906 and 2010, SNIA's subsidiaries Caffaro Chimica S.r.l. and Caffaro S.r.l. and their predecessors (the "SNIA Subsidiaries"), conducted certain chemical operations (the "Caffaro Chemical Operations"), at sites in Torviscosa, Brescia and Colleferro, Italy (the "Caffaro Chemical Sites"). These activities allegedly resulted in substantial and widely dispersed contamination of soil, water and ground water caused by a variety of hazardous substances released at the Caffaro Chemical Sites. In 2009 and 2010, SNIA and the SNIA Subsidiaries filed for insolvency. In connection with SNIA's Italian insolvency proceedings, the Italian Ministry of the Environment and the Protection of Land and Sea (the "Italian Ministry of the Environment"), sought compensation from SNIA in an aggregate amount of €3.4 billion for remediation costs relating to the environmental damage at the Caffaro Chemical Sites allegedly caused by the Caffaro Chemical Operations. The amount, which was based on certain provisions and precautionary measures set forth in the remediation plan and was invalidated in part by courts in Friuli Venezia Giulia and Brescia due to its large and speculative size and inadequate fact-finding, remains in dispute, and no final remediation plan has been approved.

In September 2011, the Bankruptcy Court of Udine, and in July 2014, the Bankruptcy Court of Milan each held that the Italian Ministry of the Environment and other Italian government agencies were not creditors of SNIA and the SNIA Subsidiaries in connection with the agencies' claims against them in the context of their Italian insolvency proceedings. LivaNova (as the successor to Sorin in the litigation) believes these findings are influential but not binding in other Italian courts, including civil courts. The Italian Ministry of the Environment and the other Italian government agencies have appealed both decisions, but in January 2016, the Court of Udine rejected the appeal (with a decision which could be challenged before the Italian Supreme Court), while the appeal before the Court of Milan is currently pending.

In January 2012, SNIA filed a civil action against Sorin in the Civil Court of Milan on the basis of the Italian Civil Code's provisions for potential joint liability of a parent and a spun-off company in the context of a spin-off, as described above, seeking to determine Sorin's joint liability with SNIA for damages allegedly related to the Caffaro Chemical Operations (as described below). SNIA's civil action against Sorin also named the Italian Ministry of the Environment and other Italian

government agencies, as defendants, in order to have them bound to a potential ruling. The Italian Ministry of the Environment, together with the Italian Ministry of Economy and Finance and certain additional Italian government agencies that also sought compensation from SNIA for the alleged environmental damages, subsequently counterclaimed against Sorin, seeking to have Sorin found jointly liable to them with SNIA, on the same basis. SNIA and these government agencies asked the court to find inapplicable to the Sorin spin-off the Italian Civil Code's caps on potential joint liability of parties to a spin-off, which limit such joint liability to the actual value of the shareholders' equity received, on the basis that the Sorin spin-off was planned prior to the date such caps were enacted under the Italian Civil Code, and despite the fact that the Sorin spin-off became effective after such date. Sorin sought to contest SNIA's claims against Sorin, in their entirety, due to:

- the Italian bankruptcy courts' previous findings that the Italian Ministry of the Environment and other Italian government agencies were not creditors of SNIA and the SNIA subsidiaries in connection with the agencies' claims against them;
- Sorin's belief that the alleged liabilities related to the Caffaro Chemical Operations did not constitute indebtedness of SNIA at the time of the Sorin spin-off, and thus that Sorin should not be held liable under the Italian Civil Code's provisions relating to joint liability for indebtedness in the context of spin-offs, as described above; and
- the allocation to SNIA of the assets and liabilities related to the Caffaro Chemical Operations in connection with the Sorin spin-off, and Sorin's belief that Sorin should therefore not be liable under the Italian Civil Code's provisions relating to joint liability in the context of spin-offs for liabilities of indeterminate allocation, as described above.

A hearing to submit final claims (*precisazione delle conclusioni*) in connection with SNIA's civil action was held in September 2015 and parties have since filed final defense briefs. A decision on certain legal matters pertaining to the case is expected during the first half of 2016.

LivaNova (as successor to Sorin in the litigation) believes that the risk of material loss relating to the SNIA litigation is not probable as a result of the reasons described above. We also believe that the amount of potential losses relating to the SNIA litigation is not estimable given that the underlying damages and related remediation costs remain in dispute and that no final decision on a remediation plan has been approved. As a result, LivaNova has not made any accrual in connection with the SNIA litigation.

Pursuant to European Union, United Kingdom and Italian cross-border merger regulations applicable to the Mergers, legacy Sorin's liabilities, including any potential liabilities arising from the claims against Sorin relating to the SNIA litigation, are assumed by LivaNova as successor to Sorin. Although LivaNova believes the claims against Sorin in connection with the SNIA litigation are without merit and continues to contest them vigorously, there can be no assurance as to the outcome. A finding that Sorin or LivaNova is liable for the environmental damage at the Caffaro Chemical Sites could have a material adverse effect on the financial position, results of operations and/or cash flows of LivaNova.

Environmental Remediation Order. On July 28, 2015, Sorin and other direct and indirect shareholders of SNIA received an administrative order from the Italian Ministry of the Environment (the "Environmental Remediation Order"), directing them to promptly commence environmental remediation efforts at the Caffaro Chemical Sites (as described above). LivaNova believes that the Environmental Remediation Order is without merit. LivaNova (as successor to Sorin) believes that it should not be liable for damages relating to the Caffaro Chemical Operations pursuant to the Italian statute on which the Environmental Remediation Order relies because the statute does not apply to activities occurring prior to 2006, the date on which the statute was enacted, and Sorin was spun off from SNIA in 2004. Additionally, LivaNova believes that Sorin should not be subject to the Environmental Remediation Order because Italian environmental regulations only permit such an order to be imposed on an "operator" of a remediation site, and Sorin had never been identified in any legal proceeding as an operator at any of the Caffaro Chemical Sites, has not conducted activities of any kind at any of the Caffaro Chemical Sites and had not caused any environmental damage at any of the Caffaro Chemical Sites.

Accordingly, LivaNova (as successor to Sorin) is contesting the Environmental Remediation Order vigorously and seeking a stay of the order pending resolution of the underlying claims in the SNIA litigation. An initial hearing to determine the validity of the Environmental Remediation Order was held on February 3, 2016 and a decision of the court is expected during the first half of 2016.

However, there can be no assurance as to the outcome of the SNIA litigation or that LivaNova will be successful in challenging the Environmental Remediation Order. If the Environmental Remediation Order is ultimately upheld, the effects of

such an order could have a material adverse effect on the financial position, results of operations and/or cash flows of LivaNova.

Andrew Hagerty v. Cyberonics, Inc. On December 5, 2013, the United States District Court for the District of Massachusetts unsealed a qui tam action filed by former employee Andrew Hagerty against Cyberonics under the False Claims Act (the “False Claims Act”) and the false claims statutes of 28 different states and the District of Columbia (*United States of America et al ex rel. Andrew Hagerty v. Cyberonics, Inc.* Civil Action No. 1:13-cv-10214-FDS). The False Claims Act prohibits the submission of a false claim or the making of a false record or statement to secure reimbursement from, or limit reimbursement to, a government-sponsored program. A “qui tam” action is a lawsuit brought by a private individual, known as a relator, purporting to act on behalf of the government. The action is filed under seal, and the government, after reviewing and investigating the allegations, may elect to participate, or intervene, in the lawsuit. Typically, following the government’s election, the qui tam action is unsealed.

Previously, in August 2012, Mr. Hagerty filed a related lawsuit in the same court and then voluntarily dismissed that lawsuit immediately prior to filing this qui tam action. In addition to his claims for wrongful and retaliatory discharge stated in the first lawsuit, the qui tam lawsuit alleges that Cyberonics violated the False Claims Act and various state false claims statutes while marketing its VNS Therapy System, and seeks an unspecified amount consisting of treble damages, civil penalties, and attorneys’ fees and expenses.

In October 2013, the United States Department of Justice declined to intervene in the qui tam action, but reserved the right to do so in the future. In December 2013, the district court unsealed the action. In April 2014, Cyberonics filed a motion to dismiss the qui tam complaint, alleging a number of deficiencies in the lawsuit. In May 2014, the relator filed a First Amended Complaint. Cyberonics filed another motion to dismiss in June 2014, and the parties completed their briefing on the motion in July 2014. On April 6, 2015, the district court dismissed all claims filed by Andrew Hagerty under the False Claims Act, but did not dismiss the claims for wrongful and retaliatory discharge. On July 28, 2015, Cyberonics filed its answer to the surviving claims in Mr. Hagerty’s first Amended Complaint and asserted its demand for arbitration pursuant to Mr. Hagerty’s employment documents.

In August 2015, Mr. Hagerty filed a Motion Seeking Leave to file a Second Amended Complaint responding to certain deficiencies noted by the court when dismissing claims in his First Amended Complaint alleging that Cyberonics submitted, or caused the submission of false claims under the False Claims Act. On September 4, 2015, Cyberonics filed our Brief in Opposition to Hagerty’s Motion for Leave to file a Second Amended Complaint. Mr. Hagerty filed a Reply Brief in support of his Motion for Leave to file a Second Amended Complaint on September 11, 2015. On September 16, 2015, the Court heard oral arguments on (a) Mr. Hagerty’s motion seeking to amend his complaint, and (b) Cyberonics’ pending motion demanding arbitration on the claims relating to wrongful and retaliatory discharge. On November 17, 2015, the court (1) denied Mr. Hagerty’s Motion for Leave to File a Second Amended Complaint (accordingly, the previously dismissed claims remain dismissed); (2) granted Cyberonics’ Motion to Compel Arbitration of the two remaining claims (for retaliatory discharge under the False Claims Act and for wrongful termination/retaliation under Massachusetts law); and (3) stayed the pending case (in order to consolidate all issues for appeal pending resolution of the arbitration).

We believe that our commercial practices were and are in compliance with applicable legal standards, and we will continue to defend this case vigorously. We make no assurance as to the resources that will be needed to respond to these matters or the final outcome, and we cannot estimate a range of potential loss or damages.

Tax Litigation. In a tax audit report notified on October 30, 2009, the Regional Internal Revenue Office of Lombardy (the “Internal Revenue Office”) informed Sorin Group Italia S.r.l. that, among several issues, it was disallowing in part (for a total of €102.6 million) a tax-deductible write down of the investment in the U.S. company, Cobe Cardiovascular Inc., which Sorin Group Italia S.r.l. recognized in 2002 and deducted in five equal installments, beginning in 2002. In December 2009, the Internal Revenue Office issued notices of assessment for 2002, 2003 and 2004. The assessments for 2002 and 2003 were automatically voided for lack of merit. In December 2010 and October 2011, the Internal Revenue Office issued notices of assessment for 2005 and 2006 respectively. The Company challenged all three notices of assessment (for 2004, 2005 and 2006) before the relevant Provincial Tax Courts.

The preliminary challenges filed for 2004, 2005 and 2006 were heard and all denied at the first jurisdictional level, and subsequently, the Company filed an appeal against the decisions in the belief that all the decisions are incorrect in their reasoning and radically flawed. The appeal submitted against the first-level decision for 2005 was rejected. The second-level decision (relating to the 2005 notice of assessment) was appealed to the Italian Supreme Court (Corte di Cassazione), where LivaNova will argue that the assessment should be deemed null and void and illegitimate because of a false application of regulations. This litigation is still pending before the Italian Supreme Court.

In November 2012, the Internal Revenue Office served a notice of assessment for 2007 and, in July 2013, served a notice of assessment for 2008, wherein the Internal Revenue Office claimed an increase in taxable income due to a reduction (similar to the previous notices of assessment for 2004, 2005 and 2006) of the losses reported by Sorin Group Italia S.r.l. for the 2002, 2003 and 2004 tax periods and utilized in 2007 and 2008. Both notices of assessment were challenged within the statutory deadline. The Provincial Tax Court of Milan suspended the decision until the litigation regarding years 2004, 2005 and 2006 are defined.

The total amount of losses in dispute is €62.6 million. At the time of Cyberonics-Sorin merger, LivaNova carefully reassessed its exposure, on this complex tax litigation, taking into account the recent general adverse trend to taxpayers on litigations with Italian tax authorities. Although the Company's defensive arguments are strong, the negative Court trend experienced so far by Sorin (four consecutive negative judgments received to date) as well as the fact of the ultimate outcome being dependent on the last possible Court level, i.e. the Italian Supreme Court, which is entitled to resolve only on procedural and legal aspects of the case but not on its substance, led LivaNova to recognize a risk provision of \$18.3 million.

Other Litigation. Additionally, we are the subject of various pending or threatened legal actions and proceedings that arise in the ordinary course of our business. These matters are subject to many uncertainties and outcomes that are not predictable and that may not be known for extended periods of time. Since the outcome of these matters cannot be predicted with certainty, the costs associated with them could have a material adverse effect on our consolidated net income, financial position or cash flows.

Lease Agreements

We have operating leases for facilities and equipment. Rent expense from all operating leases amounted to approximately \$5.2 million, \$0.8 million, \$0.9 million and \$0.7 million for the transitional period April 25, 2015 to December 31, 2015, fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, respectively.

Future minimum lease payments for operating leases as of December 31, 2015, are as follows (in thousands):

Fiscal year 2016	\$	17,798
Fiscal year 2017		21,237
Fiscal year 2018		12,192
Fiscal year 2019		10,139
Fiscal year 2020		10,000
Thereafter		29,300
Present value of minimum lease payments	\$	100,666

Note 17. Stockholders' Equity

Preferred stock. LivaNova is not authorized to issue preferred stock and no Cyberonics' preferred stock was outstanding at the consummation of the Mergers on October 19, 2015.

Common stock of Cyberonics and ordinary shares of LivaNova. Prior to the Mergers, shares of Cyberonics common stock were registered pursuant to Section 12(b) of the Exchange Act and listed on NASDAQ under the ticker symbol "CYBX," and Sorin Ordinary Shares were listed on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. (the "Italian Stock Exchange"). Shares of Cyberonics common stock and the Sorin ordinary shares were suspended from trading on NASDAQ and the Italian Stock Exchange, respectively, prior to the open of trading on October 19, 2015. NASDAQ filed a Form 25 on Cyberonics' behalf to provide notice to the SEC regarding the withdrawal of shares of Cyberonics common stock from listing and to terminate the registration of such shares under Section 12(b) of the Exchange Act.

Following the completion of the Mergers, LivaNova became the holding company of the combined businesses of Cyberonics and Sorin, and LivaNova's ordinary shares were listed on NASDAQ and listed on the Official List of the U.K.'s Financial Conduct Authority and admitted to trading on the Main Market of the London Stock Exchange under the ticker symbol "LIVN."

LivaNova is incorporated in England and Wales as a public company limited by shares. The principal legislation under which LivaNova operates is the Companies Act 2006, and regulations made thereunder. LivaNova ordinary shares were registered under the Securities Act, pursuant to the Registration Statement on Form S-4 (File No. 333-203510), as amended, filed with the SEC by LivaNova and declared effective on August 19, 2015.

Share repurchase plans prior to the Mergers. Common shares were repurchased on the open market pursuant to the Cyberonics' Board of Directors-approved repurchase plans during the year ended April 24, 2015 and prior. In January 2013, December 2013 and November 2014, the Cyberonics Board of Directors authorized repurchase programs of its common stock of up to one million shares under each program. However, on February 27, 2015, the Cyberonics treasury stock purchase plan under Rule 10b5-1 under the Exchange Act terminated, and Cyberonics stopped repurchasing its shares of common stock. During fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, pursuant to the approved plans, Cyberonics repurchased 875,121 shares, 1,205,300 shares and 600,000 shares, respectively, of its common stock at an average price of \$55.94, \$57.66 and \$45.58, respectively.

Comprehensive income.

The table below presents the change in each component of accumulated other comprehensive income (loss), net of tax and the reclassifications out of accumulated other comprehensive income into net earnings.

For the transitional period April 25, 2015 to December 31, 2015 (in thousands):

	Change in unrealized gain (loss) on derivatives	Foreign Currency Translation Adjustments	Total
Beginning Balance - April 25, 2015	\$ —	\$ (3,401)	\$ (3,401)
Other comprehensive income (loss) before reclassifications, before tax	1,274	(51,715)	(50,441)
Tax benefit (expense)	(386)	—	(386)
Other comprehensive income (loss) before reclassifications, net of tax	888	(51,715)	(50,827)
Reclassification of (gain)/loss from accumulated other comprehensive income, before tax	—	—	—
Tax effect	—	—	—
Reclassification of (gain)/loss from accumulated other comprehensive income, after tax	—	—	—
Net current-period other comprehensive income (loss), net of tax	888	(51,715)	(50,827)
Ending Balance - December 31, 2015	\$ 888	\$ (55,116)	\$ (54,228)

Taxes were not provided for foreign currency translation adjustments for the transitional year ended December 31, 2015 as translation adjustment related to earnings that are intended to be reinvested in the countries where earned.

For the Cyberonics historical fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, no reclassifications were transferred out of other comprehensive income and all changes in comprehensive income were related to foreign currency translation adjustments.

Warrants

In September 2005, in conjunction with, but separate from, the issuance of convertible notes, we sold warrants for \$25.2 million to Merrill Lynch International. The warrants were recorded in stockholders' equity on our consolidated balance sheets. The warrants entitled the holder to receive the net value for the purchase of 3,012,050 shares of our common stock for the amount in excess of \$50.00 per share. The warrant agreement was amended during the fiscal year 2013, and as a result, a portion of the common stock warrants were reclassified as a liability and were settled in fiscal year 2013, for a gain of \$1.3 million. The remaining portion of the warrants were reclassified to Additional Paid-In-Capital in the consolidated balance sheet.

Note 18. Stock-Based Incentive Plans

Stock-Based Incentive Plans

Sorin awards exchanged for LivaNova awards

Prior to the Mergers, the Sorin Board of Directors adopted the Long-Term Incentive 2012-2014 (the “2012-2014 Plan”), 2013-2015 (the “2013-2015 Plan”) and 2014-2016 (the “2014-2016 Plan”) stock grant plans in April 2012, April 2013 and April 2014, respectively. The stock grant plans authorized the issuance of stock appreciation rights (2014-2016 Plan only), performance share units and restricted stock units. The awards under these stock grant plans were converted into LivaNova awards pursuant to the terms of the Transaction Agreement as described below. Refer to “Note 2. Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies” for additional details related to the Mergers.

Pursuant to the Transaction Agreement, 3,815,824 stock appreciation rights outstanding (2014-2016 Plan) and 3,365,931 restricted stock units (2013-2015 and 2014-2016 Plans) and performance stock units (2012-2014 Plan) that were unvested immediately prior to the Mergers were accelerated and vested upon the close of the Mergers and were converted into 180,076 LivaNova stock appreciation rights and 158,716 LivaNova ordinary shares, respectively, in a manner designed to preserve the intrinsic value of such awards. The accelerated vesting and share conversion constituted a modification under the authoritative guidance for accounting for stock-based compensation. The modification resulted in \$8.8 million of incremental costs on the date of acquisition.

In addition, pursuant to the Transaction Agreement, 2,617,490 unvested performance share units granted under the 2014-2016 Plan and 2013-2015 Plan which were held by Sorin employees upon close of the Mergers were converted into 123,456 LivaNova ordinary shares in a manner designed to preserve the intrinsic value of such awards. For awards not yet earned based on performance achieved as of the date of the Mergers, a service requirement was added to the remaining awards and the performance conditions were removed, resulting in a modification to the award (see below for further details). A portion of the service awards vested on the date of the Mergers and of the remaining awards, 50% will be paid on February 26, 2016 and 50% will be paid on February 26, 2017, in each case subject to continued employment. The awards will continue to be governed in accordance with the terms and conditions as were applicable immediately prior to the completion of the Mergers, with the exception of the modified terms pursuant to the Transaction Agreement. The modifications made to the performance share units granted under the 2014-2016 Plan and 2013-2015 Plan constituted modifications under the authoritative guidance for accounting for stock compensation. The modification resulted in \$8.6 million incremental costs of which \$0.9 million was recognized on the acquisition date and the remaining \$7.7 million will be recognized over the remaining service period of the award. We recognized \$1.4 million stock-based compensation expense related to these modifications from the date of the acquisition through the period ended December 31, 2015.

Further, pursuant to the Transaction Agreement, 1,721,530 deferred bonus shares held by Sorin employees that were outstanding immediately prior to the Mergers were accelerated and became vested upon the close of the Mergers, and were converted to 81,251 LivaNova ordinary shares in a manner designed to preserve the intrinsic value of such awards. The accelerated vesting and share conversion constituted a modification under the authoritative guidance for accounting for stock-based compensation. This guidance requires the Company to revalue the award upon the transaction close and allocate the revised fair value between consideration paid and post-combination expense based on the ratio of service performed through the transaction date over the total service period of the award. The revised fair value allocated to post-combination services resulted in \$0.3 million of incremental costs which was recognized on the acquisition date.

Cyberonics awards exchanged for LivaNova awards

Prior to the Mergers, Cyberonics issued stock options and restricted stock awards under its Amended and Restated New Employee Equity Inducement Plan and 2009 Stock Plan. All of the awards under these plans accelerated and vested as a result of the Mergers. Cyberonics stock options (except as described below) and restricted shares were converted into 813,794 LivaNova share options and 209,043 LivaNova ordinary shares, respectively, in a manner designed to preserve the intrinsic value of such awards. The stock options will continue to become exercisable in accordance with the terms and conditions as were applicable immediately prior to the completion of the Mergers. Additionally, 146,105 Cyberonics stock options held by executive officers that were outstanding immediately prior to the Mergers were settled in cash in the amount of \$5.0 million.

LivaNova awards

On October 16, 2015, the sole shareholder of LivaNova approved the adoption of the Company's 2015 Incentive Award Plan (the "2015 Plan"), which was previously approved by the Board of Directors of the Company on September 14, 2015 subject to such shareholder approval. The Plan was adopted in order to facilitate the grant of cash and equity incentives to non-employee directors, employees (including our named executive officers) and consultants of the Company and certain of our affiliates and to enable the Company and certain of our affiliates to obtain and retain services of these individuals. The Plan became effective as of October 19, 2015. Incentive awards may be granted under the 2015 Plan in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, other stock- and cash-based awards and dividend equivalents. As of December 31, 2015, there were approximately 8,047,364 shares available for future grants under the 2015 Plan.

Stock-Based Compensation

Amounts of stock-based compensation recognized in the consolidated statement of income (loss), including the modification expense related to the Mergers, by expense category are as follows (in thousands):

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year End April 24, 2015	Fiscal Year End April 25, 2014	Fiscal Year Ended April 26, 2013
Cost of goods sold	\$ 470	\$ 559	\$ 488	\$ 505
Selling, general and administrative	15,856	8,357	7,998	7,949
Research and development	1,694	3,024	2,754	3,229
Merger-related expense	13,010	—	—	—
Total stock-based compensation expense	31,030	11,940	11,240	11,683
Income tax benefit, related to awards, recognized in the consolidated statements of income	7,856	3,944	3,744	3,810
Total expense, net of income tax benefit	\$ 23,174	\$ 7,996	\$ 7,496	\$ 7,873

Amounts of stock-based compensation expense recognized in the consolidated statement of income (loss), including the modification expense related to the Mergers, by type of arrangement are as follows, (in thousands):

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year End April 24, 2015	Fiscal Year End April 25, 2014	Fiscal Year Ended April 26, 2013
Service-based stock option awards	\$ 8,407	\$ 4,317	\$ 3,722	\$ 2,917
Service-based stock appreciation rights	2,355	—	—	—
Service-based restricted and restricted stock unit awards	8,288	6,119	5,527	5,067
Performance-based restricted stock and restricted stock unit awards	11,724	1,504	1,991	3,699
Other Awards	256	—	—	—
Total stock-based compensation expense	\$ 31,030	\$ 11,940	\$ 11,240	\$ 11,683

Stock-Based Compensation Unrecognized

Below, we present the amount of stock-based compensation cost not yet recognized related to non-vested awards, including awards assumed or issued, as a result of the Mergers (in thousands):

	December 31, 2015	
	Unrecognized Compensation Cost	Weighted Average remaining Vesting Period (in years)
Service-based stock option awards	\$ —	0
Service-based stock appreciation rights	13,023	1.36
Service-based restricted and restricted stock unit awards	11,746	2.39
Performance-based restricted stock and restricted stock unit awards	—	0
Total stock-based compensation cost unrecognized	\$ 24,769	1.85

Stock Options and Stock Appreciation Rights

We use the Black-Scholes option pricing methodology to calculate the grant date fair market value of stock option awards and stock appreciation rights. The following table lists the assumptions we utilized as inputs to the Black-Scholes model:

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Dividend Yield ⁽¹⁾	—	—	—	—
Risk-free interest rate - based on grant date ⁽²⁾	1.2% - 1.4%	1.60% - 1.98%	1.36% - 2.01%	0.94% - 1.57%
Expected option term - in years per group of employees/consultants ⁽³⁾	4 - 5	4.88 - 6.56	5.92 - 6.54	6.41 - 9.39
Expected volatility at grant date ⁽⁴⁾	34.1%	31.67% - 41.09%	40.41% - 43.59%	44.95% - 51.14%

(1)We do not plan to pay dividends.

(2)We use yield rates on U.S. Treasury securities for a period that approximated the expected term of the award to estimate the risk-free interest rate.

(3)We estimated the expected term of the awards granted using historic data of actual time elapsed between the date of grant and the exercise or forfeiture of options or SARs for employees. For consultants, the expected term is the remaining time until expiration of the option or SAR.

(4)Refer to “Note 2. Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies-Stock-based Compensation” for further information regarding expected volatility.

The following tables detail the activity for service-based stock option awards and stock appreciation rights, including awards assumed or issued as a result of the Mergers:

Options and SARs	December 31, 2015			
	Number of Optioned Shares	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands) ⁽¹⁾
Outstanding — at April 24, 2015	1,125,738	\$ 41.33		
Granted	677,560	69.39		
Assumed in Merger	180,076	51.34		
Exercised	(199,655)	34.11		
Forfeited	(45,553)	61.27		
Cashed-out in Merger	(146,105)	31.67		
Expired	(2,500)	28.21		
Outstanding — at December 31, 2015	1,589,561	55.56	4.70	\$ 12,703
Fully vested and exercisable — end of year	935,586	45.90	5.07	12,703
Fully vested and expected to vest — end of year ⁽²⁾	1,571,191	\$ 55.40	4.71	\$ 12,703

(1)The aggregate intrinsic value of options and SARs is based on the difference between the fair market value of the underlying stock at December 31, 2015, using the market closing stock price, and exercise price for in-the-money awards.

(2)Factors in expected future forfeitures.

	Transitional Period April 25, 2015 December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Weighted average grant date fair value of stock option awards and SARs during the fiscal year ⁽¹⁾	\$ 21.05	\$ 18.64	\$ 23.29	\$ 20.55
Aggregate intrinsic value of stock option and SAR exercises during the fiscal year (in thousands)	\$ 5,464	\$ 3,973	\$ 14,210	\$ 11,476

(1) Including weighted average Mergers date fair value of SARs assumed in the Mergers.

Restricted Stock and Restricted Stock Units Awards

The following tables detail the activity for service-based restricted stock and restricted stock unit awards, including activity from restricted stock units assumed or issued as a result of the Mergers:

	December 31, 2015	
	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested shares at April 24, 2015	279,818	\$ 50.70
Granted	99,870	57.55
Conversion of shares	213,038	69.39
Vested	(378,322)	54.92
Forfeited	(10,831)	54.65
Non-vested shares at December 31, 2015	203,573	\$ 63.57

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Weighted average grant date fair value of service-based share grants issued during the fiscal year	\$ 57.55	\$ 56.85	\$ 52.02	\$ 44.31
Aggregate fair value of service-based share grants that vested during the year (in thousands)	\$ 24,384	\$ 9,194	\$ 8,125	\$ 15,970

The following tables detail the activity for performance-based and market-based restricted stock and restricted stock unit awards:

	December 31, 2015	
	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested shares at April 24, 2015	155,288	\$ 31.76
Granted	—	—
Conversion of shares	150,285	69.39
Vested	(245,466)	55.93
Forfeited	(60,107)	\$ 33.82
Non-vested shares at December 31, 2015	—	—

	Transitional Period April 25, 2015 December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Weighted average grant date fair value of performance-based share grants issued during the fiscal year	\$ —	\$ 57.39	\$ —	\$ 50.10
Aggregate fair value of performance-based share grants that vested during the year (in thousands)	\$ 9,648	\$ 10,519	\$ 3,190	\$ 3,319

Note 19. Employee Retirement Plans

We sponsor various retirement plans, including defined benefit pension plans (pension benefits), an employee retirement savings plan, and a deferred compensation plan, covering U.S. employees and many employees outside the U.S. The expense related to these plans was \$3.5 million for the transitional period April 25, 2015 to December 31, 2015.

As of December 31, 2015 the net underfunded status of our benefit plans was \$31.0 million.

Defined Benefit Plan.

During the Mergers we assumed certain defined benefit plans which cover employees in the U.S. and certain European countries. Prior to the Mergers, we did not sponsor any defined benefit pension plans.

As a result of the Mergers, we assumed several defined benefit pension plans which include plans in the U.S., Italy, Germany, Japan and France. In the U.S., we maintain a frozen cash balance retirement plan that is a contributory, defined benefit plan designed to provide the benefit in terms of a stated account balance dependent on the employer's promised interest-crediting rate. In Italy and France we maintain a severance pay defined benefit plan that obligates the employer to pay severance pay in case of resignation, dismissal or retirement. In other jurisdictions we sponsor non-contributory, defined benefit plans designated to provide a guaranteed minimum retirement benefits to eligible employees.

The change in benefit obligations and funded status of our U.S. and non-U.S. pension benefits as of and for the transitional period April 25, 2015 to December 31, 2015 are as follows:

(in thousands)	U.S. Pension Benefits	Non-U.S. Pension Benefits
Accumulated benefit obligation at end of year:		
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ —	\$ —
Service cost	—	155
Interest cost	86	117
Benefits obligations assumed in the Mergers	10,378	29,082
Employee contributions	—	—
Plan curtailments and settlements	(59)	—
Actuarial (gain) loss	(40)	193
Benefits paid	(147)	(232)
Foreign currency exchange rate changes and other	—	—
Projected benefit obligation at end of year	<u>\$ 10,218</u>	<u>\$ 29,315</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	\$ —
Actual return on plan assets	(33)	6
Plan assets acquired in the Mergers	6,097	2,676
Employer contributions	—	83
Employee contributions	—	—
Plan settlements	(59)	—
Benefits paid	(147)	(5)
Foreign currency exchange rate changes	—	—
Fair value of plan assets at end of year	<u>\$ 5,858</u>	<u>\$ 2,760</u>
Funded status at end of year:		
Fair value of plan assets	\$ 5,858	\$ 2,760
Benefit obligations	10,218	29,315
Underfunded status of the plans	\$ 4,360	\$ 26,555
Recognized liability	<u>\$ 4,360</u>	<u>\$ 26,555</u>
Amounts recognized on the consolidated balance sheets consist of:		
Non-current assets	—	—
Current liabilities	—	—
Non-current liabilities	4,360	26,555
Recognized liability	<u>\$ 4,360</u>	<u>\$ 26,555</u>

In certain countries outside the United States, fully funding pension plans is not a common practice. Consequently, certain pension plans were partially funded as of the transitional period April 25, 2015 to December 31, 2015. U.S. and non-U.S. plans with accumulated benefit obligations in excess of plan assets consist of the following:

(in thousands)	December 31, 2015
Accumulated benefit obligation	\$ 39,533
Projected benefit obligation	39,533
Plan assets at fair value	8,618

The net periodic benefit cost of the plans includes the following components as of December 31, 2015:

(in thousands)	U.S. Pension Benefits	Non-U.S. Pension Benefits
Service cost	\$ —	\$ 155
Interest cost	86	117
Expected return on plan assets	(77)	—
Settlements	282	0
Amortization of prior service cost (credit)	—	—
Amortization of net actuarial loss	96	—
Net periodic benefit cost	<u>\$ 387</u>	<u>\$ 272</u>

Major actuarial assumptions used in determining the benefit obligations and net periodic benefit (income) cost for our significant benefit plans are presented in the following table as weighted averages as of December 31, 2015.

	U.S. Pension Benefits	Non-U.S. Pension Benefits
Actuarial assumptions used to determine benefit obligation		
Discount rate	3.79%	0.48% - 2.00%
Rate of compensation increase	N/A	2.50% - 3.89%
Actuarial assumptions used to determine net periodic benefit cost		
Discount rate	3.64%	0.00
Expected return on plan assets	5.00%	N/A
Rate of compensation increase	N/A	N/A

To determine the discount rate for our U.S. benefit plan, we used the Citigroup Above-median yield curve. For the discount rate used to determine the other non-U.S. benefit plans we consider local market expectations of long-term returns. The resulting discount rates are consistent with the duration of plan liabilities.

The expected long-term rate of return on plan assets assumptions are determined using a building block approach, considering historical averages and real returns of each asset class. In certain countries, where historical returns are not meaningful, consideration is given to local market expectations of long-term returns.

Retirement Benefit Plan Investment Strategy

In the U.S., we have an account that holds the defined benefit frozen balance pension plan assets. The Qualified Plan Committee (the “Plan Committee”) sets investment guidelines for U.S. pension plans with the assistance of an external consultant. The plan assets in the U.S. are invested in accordance with sound investment practices that emphasize long-term fundamentals. The investment objectives for the plan assets in the U.S. are to achieve a positive rate of return that would be expected to close the current funding deficit and so enable us to terminate the frozen pension plan at a reasonable cost. These guidelines are established based on market conditions, risk tolerance, funding requirements and expected benefit payments. The Plan Committee also oversees the investment allocation process, selects the investment managers, and monitors asset performance. The investment portfolio contains a diversified portfolio of fixed income and equity index funds. Securities are also diversified in terms of domestic and international securities, short- and long-term securities, growth and value styles, large cap and small cap stocks.

Outside the U.S., pension plan assets are typically managed by decentralized fiduciary committees. There is a significant variation in policy asset allocation from country to country. Local regulations, local funding rules, and local financial and tax considerations are part of the funding and investment allocation process in each country. Pension plan assets outside of the U.S. were \$2.8 million as of December 31, 2015 and were not material.

Our pension plan target allocations as of December 31, 2015, by asset category, are as follows:

	U.S. Pension Benefits
Equity Securities	30%
Debt Securities	69%
Other	1%
	100%

Retirement Benefit Fair Values

The following is a description of the valuation methodologies used for retirement benefit plan assets measured at fair value:

Equity Mutual Funds: Valued based on the year-end net asset values of the investment vehicles. The net asset values of the investment vehicles are based on the fair values of the underlying investments of the partnerships valued at the closing price reported in the active markets in which the individual security is traded. Equity mutual funds have a daily reported net asset value and we classify these investments as Level 2.

Fixed Income Mutual Funds: Valued based on the year-end net asset values of the investment vehicles. The net asset values of the investment vehicles are based on the fair values of the underlying investments of the partnerships valued based on inputs other than quoted prices that are observable.

Money Markets: Valued based on quoted prices in active markets for identical assets.

U.S. Pension Benefits

The following tables provide information by level for the retirement benefit plan assets that are measured at fair value, as defined by U.S. GAAP. Refer to “Note 2. Basis of Presentation, Use of Accounting Estimates and Significant Accounting Policies” for discussion of the fair value measurement terms of Levels 1, 2, and 3.

(in thousands)	Fair Value as of December 31, 2015	Fair Value Measurement Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Equity mutual funds	\$ 1,727	\$ —	\$ 1,727	\$ —
Fixed income mutual funds	4,058	—	4,058	—
Money market funds	73	73	—	—
	<u>\$ 5,858</u>	<u>\$ 73</u>	<u>\$ 5,785</u>	<u>\$ —</u>

Retirement Benefit Funding Plan

We have the policy to make the minimum required contribution to fund the U.S. pension plan as determined by MAP - 21 and the Highway and Transportation Funding Act of 2014 (“HAFTA”).

During the transitional period April 25, 2015 to December 31, 2015, we did not make a material contribution to the U.S. pension plan or to the non-U.S. pension plan. We anticipate that we will make contributions to the U.S. pension plan of approximately \$0.6 million during fiscal year 2016. Contributions to the non-U.S. pension plans in fiscal year 2016 are not expected to be material.

Benefit payments, including amounts to be paid from our assets, and reflecting expected future service, as appropriate, are expected to be paid as follows:

(in thousands)	U.S. Plans		Non-U.S. Plans	
2016	\$	481	\$	1,244
2017		741		816
2018		908		1,018
2019		635		804
2020		1,050		902
Thereafter	\$	6,404	\$	24,535

The Employee Retirement Savings Plan. We sponsor the Cyberonics, Inc. Employee Retirement Savings Plan (the “Savings Plan”), which qualifies under Section 401(k) of the IRC. We match 50% of employees’ contributions up to 6% of eligible compensation, subject to a five-year vesting period that starts on the date of employment. We incurred expenses for these contributions of approximately \$1.5 million, \$1.8 million, \$1.7 million and \$1.4 million for the transitional period April 25, 2015 to December 31, 2015, and years ended April 24, 2015, April 25, 2014 and April 26, 2013, respectively.

The Deferred Compensation Plan. We sponsor the Cyberonics, Inc. Non-Qualified Deferred Compensation Plan (the “Deferred Compensation Plan”) to a group consisting of certain members of middle and senior management. The Deferred Compensation Plan provides an opportunity for the group to defer up to 50% of their annual base salary and commissions and 100% of their bonus or performance-based compensation until the earlier of (i) termination of employment or (ii) an elected distribution date. In addition, effective January 1, 2014, we agreed to match 50% of the contributions of non-officer members of the group up to 6% of eligible compensation, subject to a five-year vesting period that starts on the date of employment. Employee deductions result in a liability; refer to “Note 11. Other Long-Term Liabilities.” We incurred expenses for this plan, based on the company match, of approximately \$62,000, \$76,000 and \$22,000 for the transitional period April 25, 2015 to December 31, 2015, the years ended April 24, 2015 and April 25, 2014, respectively.

Severance Indemnity. In Italy, upon termination of employment for any reason, employers are required to pay a termination indemnity (*Trattamento di fine Rapporto* or “TFR”) to all employees as required by Italian Civil Code. In Italy, the TFR serves as a backup in the event of redundancy or as an additional pension benefit after retirement. The TFR is considered a defined contribution plan with respect to amounts vesting as of January 1, 2007 for employees who have opted for supplementary pensions or who have chosen to maintain the TFR at the company, for companies with more than 50 employees. We have incurred expenses related to the Italian TFR of approximately \$1.5 million for the transitional period April 25, 2015 to December 31, 2015.

Note 20. Income Taxes

The U.S. and non-U.S. components of income before income taxes and the provision for income taxes are as follows (in thousands):

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Income before income taxes:				
U.K. and Non-United States	\$ (43,892)	\$ 2,020	\$ 3,622	\$ 325
United States	4,611	87,274	76,257	74,950
	<u>\$ (39,281)</u>	<u>\$ 89,294</u>	<u>\$ 79,879</u>	<u>\$ 75,275</u>
Provision for current income tax expense (benefit):				
U.K. and Non-United States	\$ 3,246	\$ 1,065	\$ 104	\$ 101
United States	23,544	21,104	29,789	15,679
	<u>\$ 26,790</u>	<u>\$ 22,169</u>	<u>\$ 29,893</u>	<u>\$ 15,780</u>
Provision for deferred income tax expense (benefit):				
U.K. and Non-United States	\$ (20,193)	\$ 834	\$ (3,534)	\$ —
United States	(19,573)	8,443	(1,370)	13,137
	<u>\$ (39,766)</u>	<u>\$ 9,277</u>	<u>\$ (4,904)</u>	<u>\$ 13,137</u>
Total provision for income tax expense (benefit)	<u>\$ (12,976)</u>	<u>\$ 31,446</u>	<u>\$ 24,989</u>	<u>\$ 28,917</u>

The following is a reconciliation of the statutory income tax rate to our effective income tax rate expressed as a percentage of income before income taxes:

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Statutory tax rate at U.S. Rate	— %	35.0 %	35.0 %	35.0 %
Statutory tax rate at U.K. Rate	20.0	—	—	—
Change in Tax Rate ⁽¹⁾	(7.9)	—	—	—
Change in deferred tax valuation allowance	(5.2)	—	(4.4)	(0.1)
Reduced tax benefit due to non-deductible transaction costs ⁽²⁾	(12.7)	—	—	—
Adjustment to Cyberonics BVBA NOL deferred tax asset resulting from the Belgium tax audit	—	—	7.3	—
Adjustment to Cyberonics BVBA NOL deferred tax asset valuation allowance resulting from the Belgium tax audit	—	—	(7.3)	—
State and local tax provision, net of federal benefit	—	2.7	2.5	2.3
Foreign tax rate differential	27.4	1.5	0.5	0.1
Notional interest deduction	7.3	—	—	—
U.S. Subpart F	(4.7)	—	—	—
Research and development tax credits	3.7	(2.1)	(3.4)	(1.4)
Gain on warrant liability	—	—	—	(0.6)
Reserve for uncertain tax positions	—	(1.5)	—	1.8
Domestic manufacturing deduction	1.8	(2.9)	—	—
Other, net	0.8	2.5	1.1	1.3
Effective tax rate	30.5 %	35.2 %	31.3 %	38.4 %

(1) The Italian budget law for 2016 was published in the Official Gazette on December 30, 2015. For Fiscal Year 2017 onward, the law provides a reduction of the applicable corporate income tax rate from 27.5% to 24% resulting in an adjustment to deferred taxes and a corresponding increase to tax expense of approximately \$3.4 million.

(2) Included in this adjustment is the reversal of the deferred tax asset established during the fiscal year ended April 24, 2015 and the quarter ended July 24, 2015, based on the assumption that these otherwise non-deductible transaction costs would be deductible if the business combination was not consummated. Because the transaction was ultimately consummated, the deferred tax asset was reversed as a non-deductible transaction cost in the amount of \$2.3 million.

Based on the November 2015 FASB accounting pronouncement regarding the classification of the current portion of deferred taxes, we elected early adoption on a prospective basis. For further information refer to “Note 24. New Accounting Pronouncements” below. As a result, we classified deferred tax assets and deferred tax liabilities as long-term on the consolidated balance sheet as of December 31, 2015. The Company has not retrospectively adjusted prior periods. Significant components of our deferred tax assets are as follows, (in thousands):

	December 31, 2015	April 24, 2015	April 25, 2014
Deferred tax assets:			
Net operating loss carryforwards	\$ 127,545	\$ 1,977	\$ 3,996
Tax credit carryforwards	19,851	3,059	12,468
Deferred compensation	6,218	6,847	6,646
Accruals and reserves	24,778	2,620	2,134
Depreciation and amortization	16,536	—	—
Inventory	4,994	384	94
Other	5,565	919	1,146
Gross deferred tax assets	205,487	15,806	26,484
Valuation allowance	(50,124)	(1,613)	(1,872)
Total deferred tax assets	155,363	14,193	24,612
Deferred tax liabilities:			
Basis differences in subsidiaries	(13,555)	—	—
Property and equipment and intangible assets	(223,453)	(916)	(1,633)
Other	(329)	—	—
Gross deferred tax liabilities:	\$ (237,337)	\$ (916)	\$ (1,633)
Total deferred tax liabilities, net	\$ (81,974)	\$ 13,277	\$ 22,979
Reported in the consolidated balance sheet as (after valuation allowance and jurisdictional netting):			
Deferred tax assets, net current	\$ —	\$ 7,199	\$ 17,208
Deferred tax assets, net long-term	153,509	6,078	5,771
Deferred tax liability, net long-term	(235,483)	—	—
Net deferred tax	\$ (81,974)	\$ 13,277	\$ 22,979

During the transitional period April 25, 2015 to December 31, 2015 we incurred a gross capital loss carryforward for U.S. federal income tax purposes of \$5.2 million, subject to a full valuation allowance, expiring in the fiscal year ended December 31, 2020. This is in addition to \$14.0 million of foreign tax credits in the United States. We have \$0.6 million in Canadian research and development credits, \$2.1 million of U.S. State tax credits, and \$1.2 million of other U.S. credits. Lastly, we have 3.9 million Euros of French refundable research and development credits shown as a current tax asset in our balance sheet. We have net operating losses (“NOL”) and carryforwards of the following amounts:

Region	Gross Amount	Gross Amount with No Expiration	With Expiration	Starting Expiration Year
Europe	\$ 200,751	\$ 186,122	\$ 14,630	2016
U.S. Federal	164,226	—	164,226	2020
U.S. State	141,083	—	141,083	2016
Far East	\$ 6,899	\$ 4,795	\$ 2,104	2017

As of December 31, 2015, we recorded a valuation allowance of \$50.1 million, primarily related to net operating losses within the CRM business of legacy Sorin and capital loss carryforwards of legacy Cyberonics. As a result of the business combination, the historic net operating losses of Sorin U.S. are limited by IRC section 382. Before considering the adjustments for Net Unrealized and Realized Built In-Gains, the annual limitation is approximately \$12.5 million, which is sufficient to absorb the U.S. net operating losses prior to their expiration. Thus no additional valuation allowance has been recorded.

A significant portion of the net deferred tax liability included above relates to the tax effect of the step-up in value of the assets acquired in the combination with Sorin. Refer to “Note 3. Business Combinations” for additional information.

As of the transaction close date, there were several investments in subsidiaries where the book basis was greater than the tax basis, whereby the deferred tax liability was recognized through the acquisition method of accounting. The deferred tax liability recognized through purchase accounting related to these subsidiaries was approximately \$17.9 million. No further provision has been made for income taxes on undistributed earnings of foreign subsidiaries as of December 31, 2015 because it is our intention to indefinitely reinvest undistributed earnings of our foreign subsidiaries. In the event of the distribution of those earnings in the form of dividends, a sale of the subsidiaries, or certain other transactions, we may be liable for income taxes. There should be no material tax liability on future distributions as most jurisdictions with undistributed earnings have various participation exemptions / no withholding tax. As of December 31, 2015, it was not practicable to determine the amount of the income tax liability related to those investments.

The following is a roll-forward of our total gross unrecognized tax benefit (in thousands):

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014
Balance at beginning of year	\$ 5,782	\$ 7,079	\$ 7,079
Increases			
Tax positions related to current year	14,442	—	—
Tax positions related to prior year	—	—	—
Acquisitions	—	—	—
Decreases			
Tax positions related to current year	—	—	—
Tax positions related to prior years	—	(1,297)	—
Balance at end of year	<u>\$ 20,224</u>	<u>\$ 5,782</u>	<u>\$ 7,079</u>

During fiscal year ended April 24, 2015, based upon our review and rework of certain prior-year R&D tax credits, we believe that the credits are more likely than not to be sustained upon examination and as a result we released the reserve against these R&D tax credits.

Tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly assess the likely outcomes of our tax positions in order to determine the appropriateness of our reserves for uncertain tax positions. However, there can be no assurance that we will accurately predict the outcome of these audits and the actual outcome of an audit could have a material impact on our consolidated results of income, financial position or cash flows. If all of our unrecognized tax benefits as December 31, 2015 were recognized, \$20.2 million would impact our effective tax rate. We are unable to estimate the amount of change in the majority of our unrecognized tax benefits over the next 12 months; however, approximately \$0.9 million will be resolved over the next 12 months due to the expected completion of an audit. Refer to “Note 16. Commitments and Contingencies” for additional information regarding the status of current tax litigation.

We record accrued interest and penalties related to unrecognized tax benefits in interest expense and other expense, respectively.

The major jurisdictions where we are subject to income tax examinations are as follows:

Jurisdiction	Earliest year open
U.S. - federal and state	1992
Italy	2010
Germany	2010
England and Wales	2012
Canada	2011
France	2010

Note 21. Income Per Share

The following table sets forth the computation of basic and diluted net income per share of common stock, (in thousands except share and per share data):

	Transitional Period April 25, 2015 to	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended
	December 31, 2015	April 24, 2015	April 25, 2014	April 26, 2013
Numerator:				
Net income	\$ (29,613)	57,848	\$ 54,890	\$ 46,358
Denominator:				
Basic weighted average shares outstanding	32,741,357	26,391,064	27,142,597	27,604,006
Add effects of stock options ⁽¹⁾	—	234,657	323,877	404,954
Diluted weighted average shares outstanding	32,741,357	26,625,721	27,466,474	28,008,960
Basic income per share	\$ (0.90)	\$ 2.19	\$ 2.02	\$ 1.68
Diluted income per share	\$ (0.90)	\$ 2.17	\$ 2.00	\$ 1.66

- (1) Excluded from the computation of diluted EPS for the transitional period April 25, 2015 to December 31, 2015 were outstanding options to purchase 220,536 ordinary shares because to include them would be anti-dilutive due to the net loss during the period.
- (2) Excluded from the computation of diluted EPS for the years ended April 24, 2015, April 25, 2014 and April 26, 2013 were outstanding options to purchase 56,547, 38,048 and 30,987 common shares, respectively, because to include them would have been anti-dilutive due to the option exercise price exceeding the average market price of our common stock during the period.

Note 22. Geographic and Segment Information

Segment Information

We identify operating segments based on the way we manage, evaluate and internally report our business activities for purposes of allocating resources and assessing performance.

Upon completion of the Mergers, we reorganized our reporting structure and aligned our segments and the underlying divisions and businesses. The historical Cyberonics operations are included in the Neuromodulation segment, and the historical Sorin businesses are included in the Cardiac Surgery and the Cardiac Rhythm Management segments. This change had no impact on our consolidated results for prior periods presented.

The Cardiac Surgery segment generates its revenue from the development, production and sale of cardiovascular surgery products. Cardiac Surgery products include oxygenators, heart-lung machines, autotransfusion, mechanical heart valves and tissue heart valves. The Cardiac Rhythm Management segment generates its revenue from the development, manufacturing and marketing of products for the diagnosis, treatment, and management of heart rhythm disorders and heart failure. Cardiac Rhythm Management products include high-voltage defibrillators CRT-D and low-voltage pacemakers. The Neuromodulation segment generates its revenue from the design, development and marketing of neuromodulation therapy for the treatment of drug-resistant epilepsy and treatment resistant depression. Neuromodulation product include the VNS Therapy System, which consists of an implantable pulse generator, a lead that connects the generator to the vagus nerve, surgical equipment to assist with the implant procedure, equipment to enable the treating physician to set the pulse generator stimulation parameters for the patient, instruction manuals and magnets to suspend or induce stimulation manually.

Corporate expenses include shared services for finance, legal, human resources and information technology, together with corporate business development ("New Ventures"). New Ventures is focused on new growth platforms and identification of other opportunities for expansion.

Net sales of our reportable segments include end-customer revenues from the sale of products they each develop and manufacture or distribute. We define segment income as operating income before merger, integration and restructuring expenses.

Net sales and income (loss) before merger, integration and restructuring expenses by reportable segment are as follows (in thousands):

Net Sales	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Cardiac Surgery	\$ 147,635	\$ —	\$ —	\$ —
Cardiac Rhythm Management	52,470	—	—	—
Neuromodulation	214,761	291,558	282,014	254,320
Other	841	—	—	—
Total Net Sales	\$ 415,707	\$ 291,558	\$ 282,014	\$ 254,320

Income (loss) before merger, integration and restructuring expenses:	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Cardiac Surgery	\$ 7,321	\$ —	\$ —	\$ —
Cardiac Rhythm Management	(13,332)	—	—	—
Neuromodulation	87,845	97,344	87,455	78,346
Corporate expenses	(40,304)	—	—	—
Total Reportable Segments' Income before merger, integration and restructuring expenses	\$ 41,530	\$ 97,344	\$ 87,455	\$ 78,346
Merger-related expenses	42,098	8,692	—	—
Integration expenses	13,689	—	—	—
Restructuring expenses	11,323	—	—	—
Litigation settlement	—	—	7,443	—
Operating Income	\$ (25,580)	\$ 88,652	\$ 80,012	\$ 78,346

The following table presents our assets by reportable segment (in thousands):

	December 31, 2015	April 24, 2015	April 25, 2014	April 26, 2013
Cardiac Surgery	\$ 1,472,108	\$ —	\$ —	\$ —
Cardiac Rhythm Management	432,758	—	—	—
Neuromodulation	539,698	315,944	294,191	264,043
Corporate	114,175	—	—	—
Total Assets	\$ 2,558,739	\$ 315,944	\$ 294,191	\$ 264,043

The following tables present the depreciation and amortization expense and capital expenditures by reportable segment (in thousands):

	Transitional Period April 25, 2015 to December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
Depreciation and amortization expense				
Cardiac Surgery	\$ 11,247	\$ —	\$ —	\$ —
Cardiac Rhythm Management	4,292	—	—	—
Neuromodulation	4,103	6,807	5,631	4,638
Other	858	—	—	—
Total	\$ 20,500	\$ 6,807	\$ 5,631	\$ 4,638

	December 31, 2015	April 24, 2015	April 25, 2014	April 26, 2013
Capital expenditures				
Cardiac Surgery	\$ 10,402	\$ —	\$ —	\$ —
Cardiac Rhythm Management	4,954	—	—	—
Neuromodulation	1,418	6,687	19,061	14,305
Other	512	—	—	—
Total	\$ 17,286	\$ 6,687	\$ 19,061	\$ 14,305

Geographic Information

We operate under three geographic regions: United States, Europe, and Rest of World. Accordingly, the geographic information for the prior years has been restated to present these regions.

Net sales to external customers by geography are determined based on the country the products are shipped from and are as follows (in thousands):

	Transitional Period April 25, 2015 December 31, 2015	Fiscal Year Ended April 24, 2015	Fiscal Year Ended April 25, 2014	Fiscal Year Ended April 26, 2013
United States	\$ 232,261	\$ 235,712	\$ 226,923	\$ 210,353
Europe ^{(1) (2)}	105,322	41,484	38,293	32,177
Rest of World	78,124	14,362	16,798	11,790
Total	\$ 415,707	\$ 291,558	\$ 282,014	\$ 254,320

(1) Net sales to external customers includes \$14.3 million in the United Kingdom for the transitional year ended December 31, 2015. Prior to the Mergers, we were domiciled in the United States.

(2) Includes those countries in Europe where LivaNova has a direct sales presence. Countries where sales are made through distributors are included in Rest of World.

No single customer represented over 10 percent of our consolidated net sales in the transitional period April 25, 2015 to December 31, 2015, and the fiscal years ended April 24, 2015, April 25, 2014, and April 26, 2013.

Property, plant, and equipment, net by geography are as follows (in thousands):

	December 31, 2015	April 24, 2015	April 25, 2014	April 26, 2013
United States	\$ 57,806	\$ 28,465	\$ 29,398	\$ 27,633
Europe ⁽¹⁾	148,708	522	863	923
Rest of World	38,073	11,300	9,274	—
Total	\$ 244,587	\$ 40,287	\$ 39,535	\$ 28,556

(1) Property, plant, and equipment, net includes \$2.4 million in the United Kingdom for the period ended December 31, 2015. Prior to the Mergers, we were domiciled in the United States.

**** Explanatory Note:** Segment-level and geographic information for segments that were not part of our business or the business of Cyberonics, our accounting predecessor, prior to the consummation of the Mergers has not been included for periods other than the most recent reporting period because providing such information was impracticable without unreasonable burden or expense.

Note 23. Quarterly Financial Information (unaudited)

	First Quarter	Transitional Second	Transitional Period		
(in thousands except per share data)	April 25, 2015 to	Quarter	October 19, 2015 to	Total	
Transitional year ended December 31, 2015 ⁽¹⁾	July 24, 2015	July 25, 2015 to	December 31, 2015		
		October 18, 2015			
Net sales	\$ 81,011	\$ 67,521	\$ 267,175	\$ 415,707	
Gross profit	71,578	57,985	136,963	266,526	
Net income (loss)	12,419	(25,091)	(16,941)	(29,613)	
Diluted income per share	\$ 0.47	\$ (0.96)	\$ (0.41)	\$ (0.90)	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year ended April 24, 2015 ⁽²⁾					
Net sales	\$ 72,004	\$ 73,417	\$ 72,065	\$ 74,072	\$ 291,558
Gross profit	65,594	66,651	65,525	66,477	264,247
Net income	13,519	17,273	16,542	10,514	57,848
Diluted income per share	\$ 0.50	\$ 0.64	\$ 0.62	\$ 0.40	\$ 2.17
Year ended April 25, 2014					
Net sales	\$ 68,872	\$ 70,101	\$ 68,192	\$ 74,849	\$ 282,014
Gross profit	62,328	63,175	61,731	67,425	254,659
Net income	8,674	13,888	13,900	18,428	54,890
Diluted income per share	\$ 0.31	\$ 0.50	\$ 0.51	\$ 0.68	\$ 2.00

(1) During the transitional period April 25, 2015 to December 31, 2015, we consummated the merger with Sorin, and as a result, incurred \$67.1 million in merger, integration and in restructuring expenses.

(2) During fiscal year ended April 24, 2015, we entered into a definitive merger agreement with Sorin and incurred expenses associated with the proposed merger of \$8.7 million.

Note 24. New Accounting Pronouncements

In May 2014, the FASB issued accounting guidance on revenue recognition for revenue from contracts with customers. This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and will replace most existing revenue recognition guidance when it becomes effective. This new standard is effective for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early application is not permitted, and the standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect this standard will have on our financial statements and related disclosures. In August 2015, the FASB extended the effective date for the revenue recognition guidance to annual reporting periods beginning after December 15, 2017, and interim periods within that reporting period, with early adoption permitted using the original effective date. The Company has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2015, the FASB issued an accounting guidance that eliminates the deferral of FAS 167, which has allowed entities with interests in certain investment funds to follow the previous consolidation guidance in FIN 46(R), and makes other changes to both the variable interest model and the voting model. While the guidance is aimed at asset managers, it will affect all reporting entities that have variable interests in other legal entities (e.g., limited partnerships, similar entities and certain corporations). In some cases, consolidation conclusions will change. In other cases, reporting entities will need to provide additional disclosures about entities that currently aren't considered variable interest entities ("VIEs") but will be considered VIEs under the new guidance provided they have a variable interest in those VIEs. The guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity must apply the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the period of adoption or apply the amendments retrospectively. We are currently evaluating the effect this standard will have on our financial statements and related disclosures.

In April 2015, the FASB issued the accounting guidance that requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the corresponding debt liability rather than as an asset. This will make the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. The guidance also addresses the long-standing conflict with the conceptual framework and improves consistency with the International Financial Reporting Standards ("IFRS"). The recognition and measurement guidance for debt issuance costs is not affected. The standard does not address the presentation of costs that do not have an associated liability. The guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not yet been issued. Upon adoption, an entity must apply the guidance retrospectively to all prior periods presented. The Company is evaluating the effect this standard will have on its financial statements and related disclosures.

In July 2015, the FASB issued the accounting guidance that simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. Under current guidance, net realizable value is one of several calculations an entity needs to make to measure inventory at the lower of cost or market. The guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted, and the guidance must be applied prospectively after the date of adoption. The Company is evaluating the effect this standard will have on its financial statements and related disclosures.

In September 2015, the FASB issued accounting guidance for simplifying the accounting for business combination measurement-period adjustments under business combination accounting. The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period with a corresponding adjustment to goodwill in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts will be recorded in the same period's financial statements, calculated as if the accounting had been completed at the acquisition date. This guidance is effective for fiscal years beginning after December 15, 2015, and early adoption is permitted. The amendments in this update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this update with earlier application permitted for financial statements that have not been issued.

In November 2015, the FASB issued accounting guidance that requires that deferred tax assets and liabilities be classified as non-current in a statement of financial position. This guidance will align the presentation requirement of U.S. GAAP with IFRS. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with earlier application permitted. The guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We elected early adoption on a prospective basis, and as a result, we classified deferred tax assets and deferred tax liabilities as long-term in the statement of financial position for the transitional period April 25, 2015 to December 31, 2015. We did not retrospectively adjust prior periods.

In February 2016, the FASB issued final accounting guidance on leases. This guidance requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. While many aspects of lessor accounting remain the same, the new standard makes some changes, such as eliminating today's real estate-specific guidance. Lessees and lessors are required to classify most leases using a principle generally consistent with that of IAS 17, Leases, which is similar to U.S. GAAP but without the use of bright lines. The standard also changes what is considered initial direct costs. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The standard is effective for annual periods beginning after December 15, 2018 and interim periods within that year. Early adoption is permitted. We are currently evaluating the effect this standard will have on our financial statements and related disclosures.

Note 25. Transition Period Financial Information

Prior to the Mergers, Cyberonics' fiscal year ended on the last Friday in April of each year. The fiscal year of LivaNova, which became the successor issuer to Cyberonics on October 19, 2015, begins on January 1 and ends on December 31 of each year. The change of fiscal year, effective as of October 19, 2015, resulted in a transitional period which began April 25, 2015 and ended December 31, 2015. The comparable amounts for the equivalent prior period (unaudited), are as follows (in thousands, except share and per share data):

	For the Transitional Period April 25, 2015 to December 31, 2015	Equivalent Prior Period April 26, 2014 to December 26, 2014 (unaudited)
Net sales	\$ 415,707	\$ 181,641
Cost of sales	149,181	16,835
Gross profit	266,526	164,806
Operating expenses:		
Selling, general and administrative	173,065	83,045
Research and development	51,931	28,125
Merger related expenses	42,098	—
Integration expenses	13,689	—
Restructuring expenses	11,323	—
Total operating expenses	292,106	111,170
Income (loss) from operations	(25,580)	53,636
Interest income	392	125
Interest expense	(1,509)	(8)
Impairment of investment	(5,062)	—
Foreign exchange and other	(7,522)	109
Income (loss) before income taxes	(39,281)	53,861
Income tax expense (benefit)	(12,976)	18,791
Loss from equity method investments	\$ (3,308)	\$ —
Net income (loss)	\$ (29,613)	\$ 35,070
	—	
Basic income (loss) per share	\$ (0.90)	\$ 1.32
Diluted income (loss) per share	\$ (0.90)	\$ 1.31
Shares used in computing basic income (loss) per share	32,741,357	26,551,749
Shares used in computing diluted income (loss) per share	32,741,357	26,774,708

INDEX to EXHIBITS

The exhibits marked with the asterisk symbol (*) are filed or furnished (in the case of Exhibit 32.1) with this Form 10-K/T. The exhibits marked with the cross symbol (†) are management contracts or compensatory plans or arrangements filed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

Exhibit Number	Document Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
2.1	Transaction Agreement, dated March 23, 2015, by and among LivaNova PLC (f/k/a Sand Holdco Limited), Cyberonics, Inc., Sorin S.p.A. and Cypher Merger Sub, Inc.	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	2.1
3.1	Articles of Association of LivaNova PLC	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on October 19, 2015		3.1
10.1	Service Agreement, dated September 8, 2015, between LivaNova PLC and Vivid Sehgal	LivaNova PLC Current Report on Form 8-K, 333-203510 filed on September 14, 2015		10.1
10.2	Amendment and Restatement Agreement, dated October 2, 2015, by and among LivaNova PLC, Sorin S.p.A., Sorin CRM S.A.S., Sorin Group Italia S.r.l. and the European Investment Bank	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on October 19, 2015		10.1
10.3	Amended and Restated Finance Contract, dated October 19, 2015, by and among LivaNova PLC, Sorin CRM S.A.S., Sorin Group Italia S.r.l. and the European Investment Bank	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on October 19, 2015		10.2
10.4	Form of Deed of Indemnification (Directors), each effective October 19, 2015	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on October 19, 2015		10.3
10.5	Form of Deed of Indemnification (Officers), each effective October 19, 2015	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on October 19, 2015		10.4
10.6	LivaNova PLC 2015 Incentive Award Plan and related Sub-Plan for U.K. Participants, adopted on October 16, 2015	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.1
10.7	Form of Stock Appreciation Right Grant Notice and Stock Appreciation Right Agreement under the LivaNova PLC 2015 Incentive Award Sub-Plan (Non-U.S. Form)	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.2
10.8	Form of Stock Appreciation Right Grant Notice and Stock Appreciation Right Agreement under the LivaNova PLC 2015 Incentive Award Plan (U.S. Form)	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.3
10.9†	LivaNova PLC Non-Employee Director Compensation Policy, adopted on October 19, 2015	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.4
10.10†	Director Appointment Letters for Non-Employee Directors, dated the dates indicated therein	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.5
10.11†	Form of Director Restricted Stock Unit Award Grant Notice and Director Restricted Stock Unit Award Agreement under the LivaNova PLC 2015 Incentive Award Plan (Non-Employee Directors)	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.6
10.12†	Service Agreement, dated October 19, 2015, between LivaNova PLC and André-Michel Ballester	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.7
10.13†	Side Letter, dated October 19, 2015, issued to André-Michel Ballester	LivaNova PLC Current Report on Form 8-K12B, filed on October 19, 2015	001-37599	10.8

10.14†	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the LivaNova PLC 2015 Incentive Award Sub-Plan (André-Michel Ballester)	LivaNova PLC Current Report on Form 8-K, 001-37599 filed on November 24, 2015		10.1
10.15	Support Agreement, dated February 26, 2015, by and among Cyberonics, Inc., Mittel S.p.A., Equinox Two S.c.a., Tower 6 S.à.r.l., Ghea S.r.l., Bios S.p.A. and Tower 6Bis S.à.r.l.	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	Annex A-2
10.16	Support Agreement, dated February 26, 2015, between Cyberonics, Inc. and André-Michel Ballester	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	Annex A-3
10.17	Support Agreement, dated February 26, 2015, between Cyberonics, Inc. and Rosario Bifulco	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	Annex A-4
10.18	Support Agreement, dated February 26, 2015, between Sorin S.p.A. and Daniel J. Moore	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	Annex A-5
10.19	Support Agreement, dated February 26, 2015, between Sorin S.p.A. and Hugh M. Morrison	LivaNova PLC Registration Statement on Form S-4, filed on April 20, 2015, as amended	333-203510	Annex A-6
10.20*	Joint Venture Contract, dated January 9, 2014 between Sorin CRM Holdings SAS and Shanghai MicroPort Medical (Group) Co., Ltd.			
10.21*	Capital Increase and Accession Agreement in relation to MicroPort WeiBo Medical Devices (Shanghai) Co. Ltd., dated January 9, 2014, by and among Shanghai MicroPort Medical (Group) Co., Ltd., Sorin CRM Holdings SAS and MicroPort WeiBo Medical Devices (Shanghai) Co. Ltd.			
10.22*	Amendment Agreement, dated May 19, 2014, to the Joint Venture Contract and Articles of Association in respect of MicroPort Sorin CRM (Shanghai) Co., Ltd.			
10.23*	Amendment Agreement (2), dated 9 January 2014 to the Joint Venture Contract in respect of MicroPort Sorin CRM (Shanghai) Co., Ltd.			
10.24*†	Employment Letter, dated January 12, 2016, to R. Jason Richey			
10.25*	Gruppo Sorin R&D Finance Contract, dated May 6, 2014, between the European Investment Bank and Sorin S.p.A., Sorin CRM S.A.S. and Sorin Group Italia S.r.l.			
10.26*†	Amendment to Restricted Stock Unit Agreement, dated February 17, 2016, between LivaNova PLC and André-Michel Ballester			
10.27	Cyberonics, Inc. 2009 Stock Plan, as amended,	Cyberonics, Inc. Proxy Statement on Schedule 14A, filed on August 2, 2012	000-19806	App. A
10.28	Amended and Restated Cyberonics, Inc. New Employee Equity Inducement Plan, as amended	Cyberonics, Inc. Quarterly Report on Form 10-Q for the Cyberonics, Inc. fiscal quarter ended October 24, 2008	000-19806	10.3
10.29*†	Letter regarding Change In Control Severance Payment, dated February 26, 2015, to Edward Andrie			

10.30*†	2015 Amendment to Employment Contract, dated February 4, 2008, between Sorin Groupe France SAS and Michel Darnaud
10.31*†	2015 Amendment to the Employment Contract, dated July 15, 2005, between Sorin CRM SAS and Stéfano Di Lullo, executed in 2015
10.32*†	Letter regarding Change in Control Severance Payment, dated February 26, 2015, to Jacques Gutedel
10.33*†	Letter regarding Change in Control Severance Payment, dated February 26, 2015, to Pritpal Shinmar
10.34*†	Letter regarding Termination of Employment and Compensation, dated February 26, 2015, to Brian Sheridan
10.35*†	Severance Agreement, dated September 30, 2002, between Cyberonics, Inc. and R. Jason Richey
10.36*†	Amendment to Severance Agreement, dated 23 December 2008, between Cyberonics, Inc. and R. Jason Richey
10.37*†	Employment Letter, dated August 30, 2010 to Edward Andrle
10.38*†	Expatriate Assignment Letter, dated December 29, 2010 to Edward Andrle
10.39*†	Extension of Expatriate Assignment Letter, dated July 23, 2014 to Edward Andrle
10.40*†	Employment Letter, dated January 2013, to Pritpal Shinmar
10.41*†	Employment Agreement effective March 1, 2009, between Sorin Group International SA and Jacques Gutedel
10.42*†	Employment Letter, dated November 14, 2003, to Brian Sheridan
10.43*†	Employment Agreement, effective January 1, 2015 between David S. Wise and Cyberonics, Inc.
10.44*†	Employment Agreement, effective November 1, 2005, between Ela Medical SAS and Stéfano di Lullo
10.45*†	Employment Agreement Amendment letter, dated 23 December 2008, to Stéfano Di Lullo
10.46*†	Employment Letter, dated 28 January 2008, to Michel Darnaud
10.47*†	Employment Letter, dated June 20, 2008 to Piero Vecchi
21.1*	List of Subsidiaries of LivaNova PLC
23.1*	Consent of Independent Registered Public Accounting Firm
23.2*	Consent of Independent Registered Public Accounting Firm

24.1*	Power of Attorney (included on the Signature Page to this Report on Form 10-K/T)
31.1*	Certification of the Chief Executive Officer of LivaNova PLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer of LivaNova PLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer of LivaNova PLC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statement of Income for the transitional period ended December 31, 2015 and the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, (ii) the Consolidated Statement of Comprehensive Income for the transitional period ended December 31, 2015 and the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, (iii) the Consolidated Balance Sheet as of December 31, 2015, April 24, 2015 and April 25, 2014, (iv) the Consolidated Statement of Stockholders' Equity for the transitional period ended December 31, 2015 and the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, (v) the Consolidated Statement of Cash Flows for the transitional period ended December 31, 2015 and the fiscal years ended April 24, 2015, April 25, 2014 and April 26, 2013, and (vi) the Notes to the Condensed Consolidated Financial Statements.

Shanghai MicroPort Medical (Group) Co., Ltd.

and

Sorin CRM Holding SAS

JOINT VENTURE CONTRACT

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PART IV MISCELLANEOUS⁴⁵

Article 31 Responsibilities of the Parties⁴⁵

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Article 33 Representations and Warranties⁴⁹

Article 34 Effectiveness of the Contract⁵¹

Article 35 Joint Venture Term⁵²

Article 36 Liquidation⁵⁶

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Article 40 Applicable Laws and Change of Law⁵⁹

Article 41 Compliance⁶⁰

Article 42 Composition of this Contract⁶²

Article 43 Miscellaneous Provisions⁶³

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Annex 20.1 (a) Sorin Technology License Agreement

JOINT VENTURE CONTRACT

This Joint Venture Contract ("**Contract**") is executed on January 9th, 2014 in Shanghai by and between Shanghai MicroPort Medical (Group) Co., Ltd. (HQ) ("**MicroPort**"), and Sorin CRM Holding SAS ("**Sorin**").

Whereas

- (1) MicroPort is a leading medical technology company that develops, manufactures and sells high-end medical devices. It was set up at Shanghai Zhangjiang Hi-Tech Park in May 1998. The company has approximately 1,800 employees. Its products include devices used for vascular diseases and disorders, e.g. cardiovascular, endovascular, and neurovascular disorders and diseases, as well as devices for electrophysiology, orthopedic care, diabetic care, endocrinal management, and surgical management. MicroPort serves patients and physicians in more than 1,200 hospitals throughout China and over 20 countries in Asia Pacific, South America and Europe. On average, every 30 seconds, one patient somewhere in the world uses MicroPort's product to save life or to improve the quality of life through medical intervention.
- (2) MicroPort is the sole shareholder of MicroPort WeiBo Medical Devices (Shanghai) Co. Ltd. which is established and existing under Chinese law, with its legal address at Room 101, Unit 2, 501 Newton Road, Zhangjiang Hi-Tech Park, Shanghai 201203 and registered with the Pudong New Area Sub-bureau of Shanghai Administration for Industry and Commerce with the registration No. 310115002124521 ("**Subsidiary**").
- (3) Sorin Group is a global medical device company and a leader in the treatment of cardiovascular diseases. With 3,750 employees worldwide, Sorin Group focuses on two major therapeutic areas: cardiac surgery (cardiopulmonary products for open heart surgery and heart valve repair or replacement products) and cardiac rhythm management (pacemakers, defibrillators and non-invasive monitoring to diagnose and deliver anti-arrhythmia therapies as well as cardiac resynchronization devices for heart failure treatment). Every year, over one million patients are treated with Sorin Group devices in more than 80 countries.
- (4) It is the Parties' vision to work together in a stable long-term relationship, beneficial to both Parties, especially in order to assume together a significant role in the Chinese cardiac rhythm management ("**CRM**") market.
- (5) MicroPort and its Affiliates have the advantage of access to excellent production conditions in the PRC, established tendering and bidding capabilities, and an established distribution and after-sales network in the Chinese cardiovascular market, while Sorin has the

advantage of brand, technology and products in the high quality market for CRM and long standing management experience in the CRM business.

- (6) With these strongly complementary strategic advantages, the Parties have reached an understanding to jointly invest into the Subsidiary as set out in details in a separate Capital Increase and Accession Agreement. Pursuant to the Capital Increase and Accession Agreement the Subsidiary shall increase its registered capital and after such capital increase MicroPort shall subscribe 51% equity interest in the Subsidiary's registered capital and Sorin shall subscribe 49% equity interest in the Subsidiary's registered capital. By means of this, the Subsidiary will be converted from a domestic company to a Chinese-foreign joint venture company ("**Company**").
- (7) The Company shall be devoted to pacemakers, ICDs, CRTs, leads and programmers, components and other CRM related products ("**CRM Products**"). The Company shall exclusively facilitate the importation into and distribution in the Territory of Sorin's existing and future CRM Products for the Territory. Upon further mutual agreement between the Parties during the term of the Company, the Company may potentially supply certain products to other emerging markets in the Asia Pacific region or other global markets. The Company shall assemble pacemakers, ICD and CRT implantable pulse generators ("**CRM IPGs**") which would be deemed as domestic made CRM products, leveraging on Sorin's technology and MicroPort's manufacturing capacities in the PRC. The Company shall develop a new range of CRM IPGs with Sorin's support on technology and know how subject to relevant license agreement with Sorin. These products shall address the value segment in Mainland China, Hong Kong, Taiwan and Macao (together "**Greater China**") and other to be agreed Asia Pacific countries except Japan. Such products may also be sold in other global markets to be determined by the Parties upon mutual consents. It is the objective of the Parties that the Company will achieve 20–25% of market share of Chinese CRM business within 10 years of the start of the joint venture with both imported Sorin made products and products manufactured by the Company. The Company shall supply locally manufactured leads, programmers and other accessories to support imported Sorin products. The Parties agree that continuous efforts shall be made for the Company to reduce manufacturing costs, for example by identifying suitable local suppliers or manufacturing itself components for replacement of imported components. The Company shall also enhance international economic cooperation and technical exchanges and contribute to the development of the production of medical devices in the PRC, whilst increasing long term economic benefits for both Parties.
- (8) Now, after friendly consultations conducted in accordance with the principle of equality and mutual benefit, the Parties have agreed to jointly invest in an equity joint venture in Shanghai, the PRC, in accordance with the Law of the People's Republic of China on Equity Joint Ventures, the Implementing Rules of the Law of the People's Republic of China on Equity Joint Ventures, the Company Law of the People's Republic of China, other relevant laws and regulations of the PRC, and the Capital Increase and Accession Agreement between the Parties. The Parties hereby enter into the following Contract and agree on the rights and obligations of the Parties as follows:

PART I
GENERAL

Article 1
Parties to the Contract

1.1 The Parties to this Contract are:

- a. Shanghai MicroPort Medical (Group) Co.▪ Ltd., a limited liability company under Chinese law, with its legal address at 501 Newton Rd., Zhangjiang Hi-Tech Park, Shanghai 201203, the PRC, and registered with the Shanghai Administration for Industry and Commerce with the registration No. 310115400053238;

Legal Representative: Zhaohua Chang;

Nationality: Chinese.

and

- a. **Sorin CRM Holding SAS**, a French company under French law, with its principal business address at 4, avenue Reaumur, 92143 Clamart cedex. France, and registered with the Greffe du Tribunal de Commerce de Nanterre, France under no. 751 624 198 R.C.S. NANTERRE;

Legal Representative: Alexander H.J. Neumann;

Nationality: German.

Article 2
Definitions and Interpretations

Unless the terms or context of this Contract expressly provide otherwise, the defined terms shall have the meaning as follows:

- 2.1 **“Acceptance Period”** has the meaning as set out in Article 11.2 (c) of this Contract.
- 2.2 **“Administration for Industry and Commerce”** means the State Administration for Industry and Commerce and its subordinate branches of the PRC.
- 2.3 **“Affected Party”** has the meaning as set out in the relevant provision of Article 35 of this Contract.

- 2.4 **“Affiliate”** means, in relation to a Party, any corporation or other organization which is directly or indirectly controlled by, under common control with, or in control of, that Party, and for this purpose the term “control” means (i) ownership of fifty percent (50%) or more of the voting stock or registered capital of such corporation or other organization, (ii) ownership of such less equity interest deemed to be controlling under the laws of the jurisdiction where that corporation or other organization is organized, or (iii) being able to exercise significant influence on the resolutions of the shareholders’ meeting or the board of directors of such corporation or other organization on the basis of its voting rights derived from its capital contribution or stocks held or by other means including contractual relationships.
- 2.5 **“Alternate”** means a person appointed by a Director to exercise directors’ rights on his behalf in a Board of Directors meeting as set out in detail in Article 15.3 (f).
- 2.6 **“Anti-Corruption Laws”** means in relation to any person, collectively, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, Chinese anti-bribery laws, and any other anti-corruption laws, any export control and anti-money laundering laws and laws relating to the proceeds of crime and funding for terrorism insofar as they apply to that person.
- 2.7 **“Applicable Laws”** means in relation to any person, any and all laws, common law, statutes, secondary legislation, directives, regulations, resolutions, statutory guidance and codes of practice, civil, criminal or administrative law, notices, judgments, decrees, orders or rulings from any Governmental Authority, in each case having the force of law insofar as they apply to that person, including but not limited to Anti-Corruption Laws
- 2.8 **“Approval Date”** means the date on which this Contract is approved by the Examination and Approval Authority.
- 2.9 **“Articles of Association”** means the articles of association of the Company as executed by the Parties simultaneously with this Contract (Annex 6).
- 2.10 **“Assessment Period”** shall be either (i) the last three (3) fiscal years immediately prior to the date when the Non-Affected Party notified the Affected Party of its intention to exercise its Call Option I or II (as the case may be), or (ii) if the Company exists shorter than three (3) fiscal years after issuance of the Business License, during the period from issuance of the Business License to the date when the Non-Affected Party notified the Affected Party of its intention to exercise its Call Option I or II (as the case may be).
- 2.11 **“Board of Directors” or “BOD”** means the board of directors of the Company.
- 2.12 **“Business Day”** means Monday through Friday, except for public state holidays of the PRC.

2.13 **“Business License”** means the legal establishment certificate of the Company to be issued by the Administration for Industry and Commerce when the Company is established in accordance with this Contract and the Articles of Association of the Company.

- 2.14 **“Call Option I”** has the meaning as set out in Article 35.9 of this Contract.
- 2.15 **“Call Option II”** has the meaning as set out in Article 35.10 of this Contract.
- 2.16 **“Capital Increase and Accession Agreement”** means the agreement entered into by and between MicroPort, Sorin and Subsidiary which governs the Subsidiary's capital increase and Sorin's participation in the investment in the Subsidiary.
- 2.17 **“Chairman”** means the chairman of the Board of Directors of the Company.
- 2.18 **“Change of Control”** means the event that the direct or indirect control of one Party where (a) at least 51% of its equity interests, or (b) all of the assets to which this Contract applies, is acquired by a Third Party which is, on the effective date of this Contract, a CRM competitor (commercializing CRM Products in the Territory) of the other Party.
- 2.19 **“Company”** means the equity joint venture company formed by the Parties pursuant to this Contract and the Articles of Association.
- 2.20 **“Company Product”** or **“Product of the Company”** means the CRM Products and related components and parts I) for which the Company has valid product certifications, registrations and licenses as may be required under relevant Chinese regulations to assemble, manufacture and introduce such CRM Products, components and parts to the market, ii) which are assembled and/or manufactured by the Company in compliance with the related Sorin Agreement or the technical results independently researched and developed by the Company, and iii) which have been introduced to the market by the Company.
- 2.21 **“Competitor”** means any enterprise or entity, which is neither the Company nor a Party nor any Affiliates of a Party nor any entity directly or indirectly owned by the Company, engaged in the manufacturing and distributing of CRM Products.
- 2.22 **“Confidential Information”** means any confidential or proprietary information concerning the business, financial condition, proprietary technology, research and development and other confidential matters, whether written, including email, or unwritten, and regardless of whether or not marked as confidential.
- 2.23 **“Contract”** means this joint venture contract executed by the Parties as of January 9th, 2014.
- 2.24 **“Contribution”** means the contribution to the registered capital of the Company by MicroPort and Sorin in accordance with the terms and conditions hereof.
- 2.25 **“Contribution Date”** means the date on which the Parties shall make or have made, whatever date is earlier, their relevant respective contributions to the Company's registered capital as set forth under Article 9.

2.26 **“Core Business”** means the business operation in relation to the cardiac rhythm management.

- 2.27 **“CPA”** or **“Certified Public Accountant”** means an internationally recognized accounting service establishment licensed and registered in the PRC.
- 2.28 **“CRM”** means cardiac rhythm management.
- 2.29 **“CRM Assets”** means all CRM related assets of MicroPort and/or its Affiliates, which will be listed in Annex I, III, IV and V of the MicroPort CRM Business Transfer Agreement.
- 2.30 **“CRM IPGs”** means pacemaker devices, implantable cardioverter defibrillator (ICDs) and cardiac resynchronization therapy devices (CRTs), collectively called implantable pulse generators.
- 2.31 **“CRM Products”** means CRM IPGs, leads and programmers, components and other CRM related products.
- 2.32 **“CRT”** means cardiac resynchronization therapy device.
- 2.33 **“Cut-off Date”** means the last day of the calendar quarter preceding the day at which an event occurs that results in the necessity to determine the Net Asset Value of the Company.
- 2.34 **“DES”** drug eluting stents.
- 2.35 **“Director”** means any member of the Board of Directors.
- 2.36 **“Encumbrance”** means any lease, loan, mortgage, pledge, right of usufruct or any other form of security interest, including any other encumbrance on property as well as any other rights of any party other than the Company and the Parties of whatever nature.
- 2.37 **“Entitled Party”** has the meaning as set out in Article 11.2 of this Contract.
- 2.38 **“EP”** means electrophysiology.
- 2.39 **“EUR”** means Euro, the lawful currency of the European Monetary Union.
- 2.40 **“Examination and Approval Authority”** means the Ministry of Commerce of the People’s Republic of China or its subordinate branches or any other Governmental Authority or organs authorized to approve this Contract or any amendments, supplements hereto or any modifications or termination hereof.
- 2.41 **“First Business Plan”** means the business plan as agreed between the Parties for the Company concurrently with this Contract.

- 2.42 **“Force Majeure”** means any event, circumstance or condition that (i) directly or indirectly prevents the fulfilment of any material obligation under this Contract, (ii) is beyond the reasonable control of the relevant Party, and (iii) could not, by the exercise of reasonable prudent measures, have been avoided or overcome in whole or in part by such Party. Subject to the aforementioned items (i), (ii) and (iii), Force Majeure event includes but not limited to acts of God, war, terrorism, civil war, commotion, riot, blockade or embargo, strike, lock-out and other industrial action, fire, explosion, earthquake, epidemic, flood, windstorm.
- 2.43 **“General Manager”** means the head of the Company’s Management Office.
- 2.44 **“Governmental Approval”** means written document of consent or approval of, with, by or to any Governmental Authority.
- 2.45 **“Governmental Authority”** means, in any jurisdiction, any government. any other supranational, national, state, federal, regional, municipal, city, town or local government, any subdivision, court, arbitral tribunal, central bank or administrative agency or commission or other authority thereof, any quasi-governmental body exercising any regulatory, administrative, taxing, excise, customs importing or other governmental or quasi-governmental authority or any stock exchange or other regulatory or supervisory body or authority, a political party or a public international organization.
- 2.46 **“Government Official”** means any officeholder, employee or other official (including any immediate family member thereof) of a Governmental Authority, any person acting in an official capacity for a Governmental Authority or any candidate for political office.
- 2.47 **“Greater China”** means Mainland China, Hong Kong SAR, Taiwan and Macao SAR.
- 2.48 **“ICD”** means implantable cardioverter defibrillator.
- 2.49 **“IFRS”** means International Financial Reporting Standards as adopted by the International Accounting Standards Board in the version valid at the time that this Contract refers to in the relevant provision (most current version).
- 2.50 **“Increased Registered Capital”** has the meaning as set out in Article 7.2 of this Contract.
- 2.51 **“Intended Transferee”** has the meaning as set out in Article 11.2 (a) of this Contract.
- 2.52 **“IPR”** (intellectual property rights) means (a) patents, utility models, trademarks, service marks, rights in designs, trade or business names, copyrights (including rights in computer software), and all rights or forms of protection of a similar nature or having equivalent effect to any of the foregoing which may subsist anywhere else in the world, (b) applications for any of the foregoing, and (c) know-how and technical and proprietary information as well as designs.

2.53 **“Joint Venture Term”** means the term of the cooperation between the Parties as set forth in Article 35.1, including any extensions of such term pursuant to Articles 35.1 and 35.2 of this Contract.

- 2.54 **“Labour Guidelines”** means the labour guidelines of the Company, including any amendments thereto after initial adoption.
- 2.55 **“Labour Laws”** means any Laws and regulations of the PRC as regards labour issues.
- 2.56 **“Liability”** or **“Liabilities”** means damages, claims, debts, payables, loans, losses, charges, actions, suits, proceedings, deficiencies, taxes, interest, penalties, fines, settlements, judgments and related costs and expenses, whether present or future, known or unknown, or fixed or contingent.
- 2.57 **“Liquidation Panel”** means the body as specified in Article 36 of this Contract.
- 2.58 **“Management By-Laws”** means the management by-laws of the Company as adopted in accordance with Article 15.2 (m) of this Contract, and includes any amendments thereto after initial adoption as may be approved by the Board of Directors.
- 2.59 **“MicroPort”** means Shanghai MicroPort Medical (Group) Co., Ltd. as identified in Article 1.1 (a) of this Contract.
- 2.60 **“MicroPort Agreements”** means all contracts with MicroPort or any of its Affiliates on the one side and the Company on the other side as parties.
- 2.61 **“MicroPort CRM Business Transfer Agreement”** means the CRM Business Transfer Agreement to be signed by MicroPort/one of its Affiliates and the Company prior to or concurrently with this Contract.
- 2.62 **“MicroPort Directors”** means the Directors of the BOD nominated by MicroPort.
- 2.63 **“MicroPort Exclusive Master Distribution Agreement”** means the MicroPort Exclusive Master Distribution Agreement to be signed by MicroPort and the Company prior to or concurrently with this Contract.
- 2.64 **“Net Asset Value of the Company”** means the book value of the Company's net assets as contained in the Company's most recent audited balance sheet.
- 2.65 **“Non-Affected Party”** has the meaning as set out in the relevant provision of Article 35 of this Contract, either in the singular or in the plural.
- 2.66 **“Offered Interest”** has the meaning as set out in Article 11.2 (b) of this Contract.
- 2.67 **“Party”** means either of MicroPort or Sorin.
- 2.68 **“Parties”** means MicroPort and Sorin individually or collectively as the context may require.
- 2.69 **“PRC”** means the People's Republic of China excluding Hong Kong SAR, Macao SAR and Taiwan for the purpose of this Contract.

- 2.70 **“Pre-emptive Right”** means an Entitled Party’s right to purchase all or part of the Transferor’s Offered Interest, as described in more detail in Article 11 of this Contract.
- 2.71 **“RMB”** means Renminbi, the lawful currency of the PRC.

2.72

- 2.73 **“Sales Intermediaries”** means distributors, dealers, service centres and other sales representatives, including marketing agencies and consultants.
- 2.74 **“Secondees”** means technical, professional or management personnel seconded to the Company by a Party or any of its Affiliates in accordance with the relevant written agreements.
- 2.75 **“Secondment Agreement”** means the Secondment Agreement to be concluded between the Company on one side and MicroPort or Sorin or their respective Affiliate on the other side.
- 2.76 **“Sorin”** means Sorin CRM Holding SAS as identified in Article 1.1 (b) of this Contract.
- 2.77 **“Sorin Agreements”** means all contracts with Sorin or any of its Affiliates on the one side and the Company on the other side as parties.
- 2.78 **“Sorin Directors”** means the Directors of the BOD nominated by Sorin.
- 2.79 **“Sorin Exclusive Distribution Agreement”** means the Exclusive Distribution Agreement to be signed by Sorin/one of its Affiliates and the Company prior to or concurrently with this Contract.
- 2.80 **“Sorin Supply Agreement”** means the Supply Agreement to be signed by Sorin CRM SAS on the one side and the Company on the other side as parties.
- 2.81 **“Sorin Technology License Agreement”** means the Technology License Agreement to be signed by by Sorin/one of its Affiliates and the Company, a template of which is attached hereto as Annex 20.1 (a).
- 2.82 **“Sorin Trademark”** means any trademark or service mark either registered or for which registration has been applied for in the name of Sorin or any of its Affiliates anywhere in the world.
- 2.83 **“Statutory Funds”** means those funds to which the Company, according to Chinese mandatory law, has to allocate any portion of the after-tax profit of the Company, e.g. reserve funds.
- 2.84 **“Stream One Activity”** means the assembly activities set out in Article 22.1 (a).
- 2.85 **“Stream Two Activity”** means the development and manufacturing activities set out in Article 22.1 (b).
- 2.86 **“Subsidiary”** means MicroPort WeiBo Medical Devices (Shanghai) Co. Ltd.

- 2.87 **“Supervisor”** means each of the persons exercising the role of supervisor of the Company in accordance with the relevant provisions of the Company Law of the People's Republic of China.
- 2.88 **“Target Business Scope”** has the meaning as set out in Article 5.2.

- 2.89 **“Tax”** means any national, provincial, municipal or local tax, duty, fee, assessment or other governmental charge or levy, whether in the PRC or elsewhere, of whatever kind and whether or not designated officially as a tax (including but not limited to any income tax, franchise tax, sales or use tax, value added tax, business tax, property tax, registration or stamp fee, excise tax, customs duty, and withholding for insurance or social benefits), and any interest and penalties thereon and additions thereto.
- 2.90 **“Tax Consultant”** means any internationally recognized tax consulting service establishment licensed and registered in the PRC.
- 2.91 **“Tax Treaty”** means any convention for the avoidance of double taxation in effect between the PRC and any other country.
- 2.92 **“Territory”** means Mainland China, Macao SAR and Taiwan in terms of the Company’s marketing, distributing and selling the imported CRM Products and CRM IPGs of Sorin.
- 2.93 **“Third Party”** shall mean an individual or a legal entity other than the Company, MicroPort and Sorin and their respective Affiliates.
- 2.94 **“Transfer Acceptance Notice”** has the meaning as set out in Article 11.4 of this Contract.
- 2.95 **“Transfer Offer”** has the meaning as set out in Article 11.2 of this Contract.
- 2.96 **“Transferor”** has the meaning as set out in Article 11.2 of this Contract.
- 2.97 **“US\$”** means United States Dollar, the lawful currency of the United States of America.
- 2.98 **“Verification Report”** means a written report on the results of the verification of any contribution made by a Party to the Company’s registered capital in compliance with relevant Chinese law.
- 2.99 **“Vice Chairman”** means the vice chairman of the Board of Directors.

Words denoting the singular shall, where applicable, include the plural, and vice versa. The term “including” shall in all cases be deemed to be followed by the words “without limitation”.

PART II
COMPANY

Article 3
Formation of the Joint Venture

- 3.1 The Parties hereby agree to form an equity joint venture company, with MicroPort holding 51 % of the equity interest of the Company, and Sorin holding 49% of the equity interest of the Company, in accordance with the Sino-Foreign Equity Joint Venture Law of the People's Republic of China, the Implementing Regulations of this law, other relevant laws and regulations, and with the provisions of this Contract and the amended and restated Articles of Association of the Company.
- 3.2 The name of the Company shall be changed from ["_____"] in Chinese, and "MicroPort Sorin CRM (Shanghai) Co. Ltd." in English.
- 3.3 Sorin agrees to authorize or cause the Company to be authorized to use ["___"] in Chinese and "Sorin" in English in its name.

If the proportion of the equity interest held by Sorin and/or its Affiliates in the Company's registered capital falls below forty-nine percent (49%), Sorin and/or its Affiliates (as applicable) shall be entitled to send a written notification to the Company, requesting the Company to change its name and no longer use the respective of the words ["___"] and "Sorin" in the name of the Company.

Under such circumstances, the Parties agree that the Company will have a grace period twelve (12) months, commencing from the date of the name-change notification, to continue use [___] in Chinese and "Sorin" in English in its name, only for the purpose of smooth the business transition of the Company, including but not limited to the disposal of the products in stock. The Parties shall cause the Company to start all necessary internal procedures within fourteen (14) calendar days after receiving such name-change notification, and submit the name change application to the Examination and Approval Authority, the Administration for Industry and Commerce and other regulatory authorities as soon as possible in order to ensure that the legal formalities in relation to such name change be completed before the expiration of the said grace period.

- 3.4 MicroPort agrees to authorize or cause the Company to be authorized to use ["___"] in Chinese and "MicroPort" in English in its name.

However, when the proportion of the equity interest held by MicroPort and/or its Affiliates in the Company's registered capital falls below fifty-one percent (51%), MicroPort and/or its Affiliates (as applicable) shall be entitled to send a written notification to the Company, requesting the Company to change its name and no longer use the respective of the words ["___"] and "MicroPort" in the name of the Company.

Under such circumstances, the Parties agree that the Company will have a grace period of twelve (12) months, commencing from the date of the name-change notification, to continue use ["___"] in Chinese and "MicroPort" in English in its name, only for the purpose of smooth the business transition of the Company, including but not limited to the disposal of the products in stock. The Parties shall cause the Company to start all necessary internal procedures within fourteen (14) calendar days after receiving such name-change notification, and submit the name change application to the Examination and Approval Authority, the Administration for Industry and Commerce and other regulatory authorities as soon as possible in order to ensure that the legal formalities in relation to such name change be completed within the said grace period.

- 3.5 The legal address of the Company shall be Room 101, Building 2, 501 Newton Rd., Zhangjiang Hi-Tech Park, Shanghai 201203, PRC. The legal address of the Company can be changed according to the business needs of the Company.

Article 4

Legal Form and Independence of the Company

- 4.1 The Company shall be a legal entity in the form of a limited liability company established under the laws of the PRC. The activities of the Company shall be governed and protected by the laws, decrees and relevant rules and regulations of the PRC.
- 4.2 Except as explicitly otherwise provided in this Contract, a Party shall only be liable to render its subscribed contribution to the Company's registered capital.
- 4.3 The Company shall carry out its production and operation activities independent of the Parties to this Contract.
- 4.4 Unless expressly agreed by the Parties and by the Company in writing, no Party shall act as an agent of the Company, and no Party shall impose any obligation or Liability on the Company in the name of the Company or otherwise bind the Company towards Third Parties.
- 4.5 Unless expressly agreed by the concerned Party and the Company in writing, the Company shall in no case act as an agent of such Party, and the Company shall not impose any obligation or Liability on such Party or otherwise bind such Party towards Third Parties, and the Company shall not pledge the Party's credit and/or reputation at any time.
- 4.6 The Parties agree that the Company shall conduct its business on the basis of written agreements wherever reasonably practicable. Any transaction made by the Company shall be supported by appropriate documentation. Any supplies or services by a Party or any of its Affiliates to the Company shall be made or provided at arm's length terms and conditions in accordance with applicable law and with written agreements then formally executed.

Article 5

Purpose and Scope of Business

- 5.1 The purpose of the Company shall be to utilize the combined technological, management, operational and marketing strengths of the Parties within the approved scope of business of the Company to achieve good economic results and a return on investment satisfactory to the Parties. It is the Parties' vision to work together in a stable long-term relationship, beneficial to both Parties, especially in order to assume together a significant role in the Chinese CRM market.
- 5.2 The target business scope ("**Target Business Scope**") of the Company shall be the development, designing, assembly, manufacture and wholesale, retail, import and export of pacemaker devices, implantable cardioverter defibrillator (ICDs) and cardiac resynchronization therapy devices (CRTs), collectively called implantable pulse generators, leads and programmers, components and other CRM related products, and conducting related research and development activities, and the provision of technical consultation, technical services, information services, medical educational services and activities and after-sale services related to the products of the Company. In case the exact approved and registered business scope of the Company at the date of the issuance of the Company's Business License shall be different from the Target Business Scope due to regulatory reasons, the Parties agree to procure the Company to take all necessary actions and fulfill respective formalities in order to amend its business scope to reach the Target Business Scope as soon as practically possible.

Article 6
Articles of Association

- 6.1 The Parties agree to amend and restate the Articles of Association of the Company (Annex 6) in accordance with this Contract. The Contract and the amended and restated Articles of Association of the Company shall be signed by the duly authorized representatives of MicroPort and Sorin and shall be jointly submitted to the competent Examination and Approval Authority. In case of any inconsistency or conflict between the provisions of this Contract and the amended and restated Articles of Association of the Company, the provisions of this Contract shall prevail, and the Parties shall undertake to amend the amended and restated Articles of Association of the Company so as to conform to the provisions of this Contract.
- 6.2 The Company shall follow the Articles of Association and both Parties shall cause the Company to observe the Articles of Association at any time.
- 6.3 Any amendments to the Articles of Association of the Company shall be made by signing of amendments to and/or new Articles of Association between the Parties and to the extent required by Chinese law, obtaining the approval by the Examination and Approval Authority and conducting registration at the Administration for Industry and Commerce.

Article 7

Total Investment, Registered Capital and Subscribed Contributions

- 7.1 The total investment of the Company shall be RMB Three Hundred Sixty Six Million (RMB 366,000,000).
- 7.2 Subject to the Capital Increase and Accession Agreement, the registered capital of the Company shall be increased from RMB Four Hundred Fifty Thousand (RMB 450,000) to RMB One Hundred Twenty Two Million (RMB 122,000,000) (**"Increased Registered Capital"**).
- 7.3 The difference between the total investment and the Increased Registered Capital of the Company will be covered by the Company with external financing in accordance with Article 14 below.
- 7.4 The subscription and contributions to the Increased Registered Capital by the Parties shall be as follows:
- (a) MicroPort's subscribed contribution to the Increased Registered Capital of the Company is RMB Sixty Two Million Two Hundred Twenty Thousand (RMB 62,220,000), representing fifty-one percent (51 %) of the Increased Registered Capital of the Company.
 - (b) Sorin's subscribed contribution to the Increased Registered Capital of the Company is RMB Fifty Nine Million Seven Hundred Eighty Thousand (RMB 59,780,000), representing forty-nine percent (49%) of the Increased Registered Capital of the Company.

Article 8

Contributions

- 8.1 The capital contribution subscribed by MicroPort as per Article 7.4 (a) above shall entirely be made in cash.
- 8.2 The capital contribution subscribed by Sorin as per Article 7.4 (b) above shall entirely be made in cash.

Article 9

Payment of Contributions

- 9.1 MicroPort has already paid in RMB Four Hundred Fifty Thousand (RMB 450,000) of its capital contribution to which it subscribes as per Article 7.4 (a).
- 9.2 MicroPort shall pay twenty percent (20%) of its newly subscribed capital contribution during the capital increase in the amount of RMB Twelve Million Three Hundred Fifty Four Thousand (RMB 12,354,000) to the Company within fifteen (15) calendar days after the Approval Date, another thirty percent (30%) of its newly subscribed capital contribution in the amount of RMB Eighteen Million Five Hundred Thirty One Thousand (RMB 18,531,000) to the Company within six (6) months after the Approval Date and the remaining fifty percent (50%) of its newly subscribed capital contribution in the amount of RMB Thirty Million Eight Hundred Eighty Five Thousand (RMB 30,885,000) to the Company within eighteen (18) months after the Approval Date.
- 9.3 Sorin shall pay twenty percent (20%) of its capital contribution to which it subscribes as per Article 7.4 (b) above in the amount of RMB Eleven Million Nine Hundred Fifty Six Thousand (RMB 11,956,000) to the Company within fifteen (15) calendar days after the Approval Date, another thirty percent (30%) of its newly subscribed capital contribution in the amount of RMB Seventeen Million Nine Hundred Thirty Four Thousand (RMB 17,934,000) to the Company within six (6) months after the Approval Date and the remaining fifty percent (50%) of its newly subscribed capital contribution in the amount of RMB Twenty Nine Million Eight Hundred Ninety Thousand (RMB 29,890,000) to the Company within eighteen (18) months after the Approval Date.
- 9.4 Under no circumstances will any discrepancy between the amount or value of any contribution of any Party and the amount subscribed to by such Party to the Company's Increased Registered Capital lead to a change in the ratio of shareholdings in the Company or in the voting rights.
- 9.5 Both Parties may make and pay its cash capital contributions in EUR or US\$ or RMB or a combination thereof, to the extent permitted under law. Any exchange between a foreign currency and RMB required for the purposes of calculating the RMB value of any contribution made by a Party shall be made in accordance with the middle exchange rate for purchasing RMB for the foreign currency as quoted by the People's Bank of China at its headquarters in Beijing on the date the related contribution is actually deposited to the bank account of the Company.

Article 10

Verification of Contributions

- 10.1 Each time the Parties have paid in contributions to be made at any given Contribution Date, a verification of the relevant contributions of each Party shall be conducted as follows:

- (a) The CPA shall verify the relevant contributions and shall issue a Verification Report within ten (10) Business Days after the last contribution to be made at the relevant Contribution Date has been made.
- (b) The Chairman of the Board of Directors of the Company shall forward photocopies of the Verification Report to each Party immediately after the Company has received it.

(c) Any expenses for retaining the CPA for verification purposes shall be borne by the Company.

Each Party making a contribution shall ensure that the aggregate value of its contribution at any Contribution Date as verified in the relevant Verification Report equals the related amount subscribed by it as its contribution to the Company's registered capital as per the relevant Contribution Date.

If, on any Contribution Date, the aggregate contributions of a Party made up to such Contribution Date have a value less than the related amount subscribed by such Party as its Contribution to the Company as per such Contribution Date, such Party shall immediately, but no later than twenty (20) calendar days following the relevant Contribution Date, pay in cash the full amount of such short-fall (net of all bank charges, costs or other deductions) to the Company. Should such Party fail to pay such short-fall within the period specified in the preceding sentence, it shall, without prejudice to any other rights the Company or the other Party may have against such Party, promptly indemnify and hold harmless the Company and the other Party from any claims, losses, damages or other disadvantages they might suffer from such failure. In any event, such Party shall pay interest to the Company accruing on any short-fall amount from the relevant Contribution Date through to the date of payment at a rate equalling two times the lending rate of the People's Bank of China for one year loans for the same period.

Article 11

Assignment of Equity Interest

- 11.1 Without prior written consent from the other Party, neither Party may sell or otherwise transfer all or part of its equity interest in the Company.
- 11.2 A Party that wishes to sell or otherwise transfer all or part of its equity interest in the Company ("**Transferor**") shall give the other Party ("**Entitled Party**") written notice ("**Transfer Offer**") setting forth:
- (a) name/firm name, registration place and address of the intended transferee ("**Intended Transferee**");
 - (b) transfer price and key terms and conditions of the intended transfer of the Transferor's equity interest in the Company ("**Offered Interest**");
 - (c) validity term of the Transfer Offer but in any event such validity term shall be no less than sixty (60) days after receipt of the Transfer Offer by the other Party; in case equity interest is sold through an asset exchange centre as required by the applicable PRC laws and regulations, the acceptance period shall be prolonged to four (4) weeks after final determination of the purchase price ("**Acceptance Period**");
 - (d) the Intended Transferee's consent in writing to be bound by this Contract and the Articles of Association of the Company without any reservation; and
- which Transfer Offer shall constitute an irrevocable offer to sell and transfer the Offered Interest, in whole or in part, to the Entitled Party at the price and upon the other terms and conditions set forth in the Transfer Offer.
- 11.3 The Transferor undertakes that without the prior written consent of the Entitled Party, no Confidential Information of the Company or the Entitled Party shall be disclosed to the Intended Transferee, which consent shall not be unreasonably withheld but may be made subject to the availability of a non-disclosure agreement validly entered into by the Intended Transferee and in favour of the Company and the Parties.
- 11.4 If an Entitled Party selects to exercise its right of purchase and accept all or part of the equity interest to be sold under the Transfer Offer ("**Pre-emptive Right**"), such Entitled Party shall provide a written notice to the Transferor ("**Transfer Acceptance Notice**") within the Acceptance Period to exercise such right. Such Transfer Acceptance Notice shall set forth the amount of the equity interest the Entitled Party agrees to purchase.
- 11.5 If, due to any regulatory restrictions under Chinese law or governmental policies, an Entitled Party exercising its Pre-emptive Right of purchase is prevented from acquiring all or part of the Offered Interest it accepted in its Transfer Acceptance Notice, such Entitled Party may nominate in the Transfer Acceptance Notice a Third Party to acquire all or part of the Offered Interest at the price and the other terms and conditions set forth in the Transfer Offer, however in no way shall such Third Party be a Competitor.
- 11.6 To the extent that, within the Acceptance Period, the Entitled Party does not exercise its Pre-emptive Right or nominate a Third Party in case of Article 11.5 above or the Offered Interest that the Transferor requests to sell is not fully subscribed

by the Entitled Party or the Third Party nominated by the Entitled Party and provided that the Intended Transferee is not a Competitor, the Entitled Party shall provide within the Acceptance Period its written consent to the Transferor to sell such part of the Offered Interest to the Intended Transferee subject to the further terms and conditions hereunder, i.e. in particular for a price no less than the price set forth in the Transfer Offer and upon other terms and conditions no more favourable to the Intended Transferee than those set forth in the Transfer Offer.

- 11.7 Any Party hereto shall be entitled to sell or otherwise transfer all or part of its equity interest in the Company to its Affiliates. In such scenario, the other Party within thirty (30) days after receiving the notice of intention to transfer from the transferring Party shall provide its written consent for such sale or transfer and the provisions in Article 11.2 through 11.6 shall not apply.
- 11.8 When any Party exercises its right to sell or otherwise transfer all or part of its equity interest in the Company pursuant to this Article 11, the other Party hereto agrees to provide all necessary assistance, including signing all documents, providing relevant documents and information, causing its Director to vote for such equity interest transfer etc., so as to implement the transaction and related restructuring of the Company contemplated hereunder and to obtain all necessary Governmental Approval to consummate the transaction. MicroPort's related obligations hereunder in particular include to use its best efforts to obtain all approvals and the like authorizations which may be required to implement the concerned transaction without the performance of a statutory bidding or auctioning procedure and to arrive at a price for the concerned equity interest transfer equalling the one as determined in compliance with the relevant regulations under this Article 11. MicroPort shall ensure that in case of a statutory bidding or auctioning process none of its Affiliates will bid for MicroPort's equity interest in the Company that may be offered for transfer.

Article 12

Limitation on Encumbrance on Equity Interest

- 12.1 No Party shall pledge or create any Encumbrance on its equity interest in the Company, unless with the prior written consent of the other Party.

Article 13

Increase or Reduction of Registered Capital

- 13.1 Any increase in or reduction of the registered capital of the Company requires the prior written consent of the Parties, the unanimous resolution of the Board of Directors and, to the extent required by mandatory law approval of the Examination and Approval Authority. Unless otherwise agreed by the Parties in writing, any adjustment of the registered capital of the Company shall keep the ratio of the equity interest of the Parties in the Company unchanged.
- 13.2 If the Company's registered capital is increased or reduced, the Parties shall promptly modify this Contract and the Company's Articles of Association accordingly. The Company shall also handle the procedures for change of the registration with the relevant Administration for Industry and Commerce without undue delay.

Article 14
Further Financing

14.1 No Party shall be obliged to provide the Company with any loan, advance, guarantee or other security.

- 14.2 Necessary funds for the business needs of the Company which are not covered by the Company's equity shall be raised by loans or similar instruments by the Company subject to unanimous resolutions of the BOD. The Parties shall assist the Company in its efforts to procure external financing. MicroPort shall assist the Company in applying for loans from lenders in the PRC on competitive terms and conditions, and Sorin shall assist the Company in applying for loans from lenders outside the PRC on competitive terms and conditions.
- 14.3 Subject to the agreement between the Parties, the Parties may provide security as may be required by the Company to obtain external financing in proportion to their shares in the registered capital of the Company.
- 14.4 To cover the difference between the registered capital and the total investment or other financing needs of the Company, each Party or its designated Affiliates may, with the consent of the other Party and the Company, extend shareholder loans to the Company at arm's length terms and conditions.

Article 15

Board of Directors

15.1 Formation

- a. The date of the issuance of the Company's Business License shall be the date of establishment of the Board of Directors. The BOD shall be the highest authority of the Company and shall decide the development strategy and other long-term planning issues of the Company in compliance with the provisions of this Contract, the Articles of Association and any agreement between the Parties. No member of the BOD in its function as the BOD member shall interfere with the daily management of the Company. It is understood, however, that a Director may concurrently serve as a member of the Management Office of the Company and may in his function as a member of the Management Office carry out his duties as a manager.
- b. The BOD shall consist of four (4) directors (including the Chairman and the Vice Chairman), two (2) of whom shall be appointed by MicroPort ("**MicroPort Directors**"), and two (2) of whom shall be appointed by Sorin ("**Sorin Directors**"), provided however that none of the Directors appointed by a Party shall be shareholders, controlling parties, managers or consultants to a business which competes with the Core Business of the other Party. For the purpose of this Article 15.1 (b), the Parties and their Affiliates shall be deemed as not competing with the Core Business of the other Party. If any subsequent change in the ratio between MicroPort's and Sorin's equity interest in the Company requires that the number of the Directors and appointment rights for Directors be adjusted to properly reflect each Party's equity interest in the Company, the Parties shall promptly amend this Contract and the Articles of Association accordingly.
- c. Each Director, including the Chairman and the Vice Chairman, shall be appointed for a term of three (3) years, provided that the Party which has appointed a Director may remove that Director and appoint a replacement at its discretion and at any time. If a seat on the BOD is vacated by the retirement, resignation, removal, disability or death of a Director, the Party which originally appointed such Director shall immediately appoint a successor. Any Director may serve consecutive terms subject to a related appointment by the concerned Party.
- d. The Chairman of the BOD in the first term shall be appointed by MicroPort from one of the MicroPort Directors, and the Vice Chairman of the Board of Directors in the first term shall be appointed by Sorin from one of the Sorin Directors. The right to appoint the Chairman and the Vice Chairman of the BOD shall rotate every three (3) years between MicroPort and Sorin.
- e. The Chairman of the BOD shall be the legal representative of the Company. Without prejudice to convening BOD meetings as set forth hereunder, the Chairman and the Vice Chairman shall respectively carry out all functions and tasks as authorized specifically by the BOD in advance. Whenever the Chairman of the BOD is unable to perform or prevented from performing his functions for any reason, unless otherwise provided under this Contract, the Chairman or the Party that appointing the Chairman shall immediately designate one Director to exercise the functions of the Chairman temporarily. If no such Director is designated or such designated Director fails to perform the respective function within three (3) calendar days after the respective action shall have been taken by the Chairman, the Vice Chairman shall temporarily exercise the Chairman's function on behalf of the Chairman.
- f. MicroPort or Sorin, as the case may be, shall notify to the other Party and the Company in writing its appointment or removal of a Director or the designation or change of the Chairman or the Vice Chairman. The appointments and removals of Directors, and designations and changes of the Chairman or Vice Chairman shall become effective upon receipt of such notice by the other Party and the Company, unless they are not in compliance with this Contract. Such

appointments, removals, designations and changes shall be filed with the Administration for Industry and Commerce to the extent required by law.

- g. The Company shall, in accordance with relevant Chinese laws, indemnify the relevant Director against all claims and liabilities incurred by reason of his being a Director of the Company and in the course of performing his official duties as a Director of the Company, provided that the claim or liability does not result from intentional misconduct or gross negligence or graft or serious dereliction of duty or a violation of criminal laws by the Director.
- h. Unless concurrently serving as a member of the Management Office or otherwise agreed by the Parties, Directors shall serve without any remuneration from the Company, but the reasonable costs incurred by the Directors in the performance of their duties as Directors (including travel and accommodation expenses) shall in any case be reimbursed by the Company if so requested by the Director who incurred such costs to the extent such costs complies with the expenses and reimbursement policies of the Company.
- i.
- j. In addition to the other obligations under this Contract, each Party shall be responsible for the conducts of the Directors (in fulfilling their functions as Directors) appointed by It and shall cause its Directors to act In accordance with this Contract and the Articles of Association.

15.2 Powers

The Board of Directors, which shall be the highest authority of the Company, shall decide on all strategic and major issues of the Company in accordance with the provisions of this Contract, the Articles of Association and any relevant agreements between the Parties, including:

- a. Any amendment to this Contract and/or the Articles of Association;
- b. Any merger, division, suspension, termination, dissolution, liquidation, winding up, or debt restructuring of the Company, or change of corporate form of the Company, or change of principal business domicile of the Company, or filing for bankruptcy;
- c. Any alteration of the Company's registered capital or total investment including: (i) any transfer, increase, reduction, consolidation, subdivision or conversion; (ii) any creation, allotment, issue, acquisition, redemption, repurchase or repayment of securities, including equity, convertible bonds, options, warrants and other securities; and (iii) issue of any debentures or securities convertible into equity or debentures;
- d. Decisions on the Company's overall business policy and objectives, including annual, medium and long-term strategy, plans and budgets, capital investments and strategic partnerships; products (and components) development policy (Include licensing-in, out, IPR); financing plans; liquidation plan; determination of products and brands assembled or manufactured by the Company;
- e. Within the first quarter of each fiscal year, approval of annual financial statements of the Company of the previous year (balance sheet, profit and loss statement, cash flow statement);
- f. Approval of the distribution plan of annual profits and decision on dividend payment;
- g. Establishment and/or dissolution/liquidation of any subsidiaries;
- h. Investment by the Company in any other business including but not limited to transfer, assignment, sale, encumbrance or other disposal of any such investment; exercise of all the Company's rights resulting from its investment in any other business, except for CRM related business, whether under law or contract; delegation and appointment of members to the organs of such business, unless delegated to the Management Office;
- i. Acquisition, lease or sale of fixed assets or real property of the Company with a value exceeding the amount of RMB 2,000,000, unless contained in a plan previously approved by the BOD;
- j.
- k. Mortgage, pledge or other disposal of any material part of any undertaking, property or fixed assets, contract or other business of the Company or issuing of guarantees by or for the Company, unless contained in a plan previously unanimously approved by the BOD;
- l. The appointment and terms of employment (including entire remuneration) of the General Manager and Deputy General Managers and their dismissal in cases of violation of applicable laws or Internal rules and regulations or serious dereliction of duties;

- m. Appointment and dismissal of the CPA which is responsible for the audit of the Company and verifying the Parties' contributions as provided in this Contract;
- n. Adoption of a code of conduct for the Company and its personnel, consistent with all applicable laws and any important rules and regulations of the Company, and the guidelines for compliance, including the Management By-Laws proposed by the General Manager;
- o. Any amendment to, extension or early termination of the MicroPort Agreements and Sorin Agreements (including all license agreements);
- p. Acquisition of any IPR or disposal of any IPR of the Company;
- q. Granting of any loans, or advancing or giving any financial credit, guarantee or other security for the liabilities or obligations of any person, not contained in any planning unanimously approved by the BOD;
- r. Review and approval of the reports submitted by the General Manager;
- s. Entering into, amending and/or terminating any agreement or arrangement with a Party or the Parties;
- t. Other functions and powers as set forth under this Contract and the Articles of Association.

The matters set forth in above Article 15.2 (a) through to and including (p) require unanimous approval of the Board of Directors' members present in a duly convened meeting. All the other matters to be decided by the BOD shall be decided and approved by more than half (1/2) of the votes represented by the Board of Directors' members present in a duly convened meeting.

15.3 Meetings

- a. The first meeting of the BOD shall be held within one (1) month at the premise of the Company after the date of issuance of the Company's Business License. At such first BOD meeting the BOD shall:
 - a. ratify all agreements attached hereto in the Annexes on behalf of the Company and, as far as required by laws and regulations, instruct their due registration in accordance with the provisions and instructions as set forth therein;
 - a. appoint the General Manager and the Deputy General Managers and other personnel to be appointed by the BOD;
 - b. adopt the First Business Plan;
 - c. appoint a CPA which shall verify the Parties' contributions as provided in this Contract;
 - d. approve the CPA which is responsible for the Company's annual audit;
 - e. without prejudice to Article 15.3 {b) below, agree on the dates for the next four (4) BOD meetings to be convened in the next twelve (12) months; and
 - f. authorize the General Manager to sign relevant operational and commercial contracts on behalf of the Company to the extent within the competency of the General Manager under this Contract, the Articles of Association and the Management By-Laws.
- b. After the first Board of Directors meeting as per Article 15.3 {a) above, the Board of Directors shall hold regular BOD meetings (**"Regular Board Meeting"**) every three (3) months. In any case the notice of each Regular Board Meeting shall be given to each Director at least twenty-one (21) calendar days in advance, unless the requirement for such notice is waived by the Directors in writing. Special meetings of the Board of Directors (**"Special Board Meeting"**) may be convened upon a written request of at least two Directors and a notice shall be given at least fourteen (14) calendar days in advance. Any such notice shall include the time, place and agenda of the BOD meeting as well as drafts of documents to be reviewed and approved by the BOD at the BOD meeting. Any Director may prepare and submit a proposal for the matters to be decided by the BOD when he deems necessary.
- c. The Chairman of the Board of Directors shall be responsible for convening and presiding over the BOD meetings. BOD meetings may also be held by video or telephone conference upon the request of any Director, as long as all Directors agree and the member of the Board of Directors presiding over such meeting is able to confirm the identity of each participating Director.
- d. The quorum for a BOD meeting shall be three-quarters (3/4) of all the Directors (or their respective Alternate). If the

Board of Directors fails to proceed to business at a duly convened BOD meeting because of an insufficient quorum, then the Chairman or, in case of his failure to do so, the Vice Chairman shall immediately repeat the convention of the said BOD meeting with a fourteen (14) calendar days' notice rendering the same agenda and providing for the same meeting place. If at such second (repeated) meeting a quorum is not present at the time fixed for such meeting, such second (repeated) BOD meeting shall be entitled to adopt decisions on matters set out in such (repeated) agenda regardless of the number of Directors present or represented by Alternates, provided such effect has been explicitly stated in the Chairman's or, as the case may be, the Vice Chairman's notice convening such second (repeated) meeting.

- e. Except as otherwise provided for in this Contract, each Director attending the BOD meeting shall have one (1) vote for any matters requiring a BOD resolution. The Chairman has the tie-breaking vote for all BOD voting issues, except for certain major areas/issues which require unanimous approval to be specified in Article 15.2 (a) through to and including (p) of this Contract. In the event of a tie vote, there will be a fifteen (15) calendar day cooling off period in which no official BOD decision can be made, the Chairman's tie breaking vote shall not be effective during this period. During this period, all Directors shall discuss in good faith the matter in question until a simple majority of Directors can be reached. If after this fifteen (15) calendar day cooling off period no majority decision can be made, then there shall be an additional thirty (30) calendar day period where the respective corporate CEO's or their nominees of MicroPort and Sorin shall try to negotiate and mutually agree on the tie-breaking vote. If after this thirty (30) calendar day CEO negotiating period no majority decision can be made, then the Chairman's tie breaking vote shall be effective.
- f. Any Director may, by an instrument in writing (including in facsimile or electronic format, provided the signature is clearly shown) addressed to the Chairman and the Vice Chairman, at any time appoint any person (including another Director) to be his alternate ("**Alternate**"), who may concurrently be an Alternate of another Director and shall have all the rights, privileges and powers of the Director(s) for whom he is or shall be the Alternate in respect of any BOD meeting which such Director(s) is (are) unable to attend, and any Director who appoints an Alternate may at any time terminate such appointment. Each Alternate shall have one vote and, for the purpose of determining whether a quorum exists, shall be counted separately for every Director whom he represents. If such Alternate is also himself a Director then he shall have his vote and, for the purpose of determining whether a quorum exists, be counted separately in addition to the number of votes he has as an Alternate for any other Director(s). Any Director may invite translators, legal and other advisors, or other relevant persons to attend and assist in any BOD meeting, provided that the inviting Director shall notify the Chairman the name, identity, and title of his invitees 7 days prior to the BOD meeting and procure that each of the invitees shall be bound to respective confidentiality obligations. Such invitees shall not have any voting rights. The costs of the invitees shall be borne by the inviting Director, unless the Chairman and the Vice Chairman agree that such costs will be borne by the Company. The Director who invites such persons shall ensure that such persons shall keep confidential all the information of the Company they learn at the meeting.
- g.
- h. The working language of the Board of Directors shall be English and Chinese and the Company shall ensure appropriate translation as may be required for any BOD meetings or Board of Directors' dealings. The Board of Directors shall cause complete and accurate minutes of all BOD meetings in both Chinese and English language, and such minutes shall be signed by those Directors attending the meetings. Any resolutions made by the Board of Directors in a BOD meeting shall be prepared in Chinese and English for signature by all Directors voting in favour of the resolution. Draft minutes of BOD meetings shall be distributed to all the Directors within fifteen (15) Business Days from the date of such BOD meeting. Any Director who wishes to propose an amendment or addition shall submit the same in writing or through email to the Chairman and the Vice Chairman within ten (10) Business Days after receipt of the draft minutes. Once a Director (either directly or through his Alternate) has signed his approval of the text of a resolution, that Director may not propose any subsequent amendments or additions to such resolution. The Chairman and the Vice Chairman shall jointly complete the final minutes and distribute them to each Director and each Party not later than thirty (30) calendar days after the respective BOD meeting. If the Chairman and the Vice Chairman cannot agree on any part of the text of the minutes, they shall complete and distribute the rest of the final minutes as provided above, and the text at issue shall be placed on the agenda for the next BOD meeting. The Company shall maintain a file of all Board of Directors meeting minutes and make the same freely available to the Directors, the Parties and their authorized representatives.
- i. The Board of Directors may validly adopt decisions by written consent (including by facsimile) without holding a meeting, provided all Directors are given written notice (including by facsimile) of the resolutions proposed for adoption without a meeting in the same manner as provided in Article 15.3 (b), and in such event Article 15.2 shall apply in determining whether a majority or unanimous decisions of all the Directors shall be required for adoption of a resolution. Facsimile signatures of Directors shall be binding for this purpose. Written resolutions adopted in this manner shall be filed with the minutes of the Board of Directors proceedings which shall be presented to the Directors in the next duly convened meeting of the Board of Directors and shall have the same force and effect as a resolution adopted at a duly convened meeting of the Board of Directors.

Article 16

Management Office

16.1 Composition of the Management Office

- a. The Company shall have a Management Office under the leadership of the General Manager and the surveillance of the Board of Directors. The Management Office shall consist of the General Manager (CEO) and the Deputy General Manager for Finance (CFO). The term of office for each member of the Management Office shall be three (3) years and may be renewed.
- b. The General Manager (CEO) and the Deputy General Manager for Finance (CFO) shall be appointed by the BOD. Either Party shall have the right to nominate to the BOD the candidates for the General Manager (CEO) and the Deputy General Manager for Finance (CFO).
- c. If the positions of the General Manager or the Deputy General Managers are vacated by the retirement, removal, resignation, illness, disability, death or any other reason, the BOD shall appoint a successor in accordance with the nomination as set out in this Article 16.
- d. In material cases as may be further described in the Management-By-Laws the General Manager may apply to the BOD to replace any other member of the Management Office which the BOD shall seriously consider.
- e. As for the management personnel to be seconded to the Company by MicroPort and/or Sorin, MicroPort and/or Sorin and the Company shall respectively conclude a Secondment Agreement.

16.2 Duties and Authorities of the General Manager

Subject to the scope of authority of the BOD set out in Article 15.2, other relevant provisions of this Contract and the Articles of Association of the Company, any plans approved by the BOD and the Management-By-Laws, the General Manager shall have the following authorities and duties in relation to the Company:

- a. Organize and implement the resolutions, strategic business directions and plans approved by the BOD;
- b. Manage the day-to-day business and all relevant administrative matters;
- c. Prepare and implement the business plans, budgets, production plans, personnel and staffing plans, procurement and sales plans and other plans and programs and any revisions thereto, unless there is a material deviation from the relevant plans or budget approved and adopted by the BOD;
- d. Prepare and submit to the BOD for review and approval (i) the management and financial statements, (ii) the annual financial plan, the annual financial reports, income and expenditure accounts, profit and loss accounts, all in accordance with the requirements for such financial statements and accounts set out in Article 27 below as well as in line with the reporting requirements as notified by MicroPort and Sorin from time to time;
- e. Maintain control over all financial matters and guide the other members of the Management Office;
- f. Set up the management structure as contained in the Management-By-Laws approved by the BOD, hire and dismiss personnel not being members of the Management Office;
- g. Prepare any internal regulations of the Company, including any amendments thereto, and supervise their implementation, subject to their prior approval by the BOD if such approval is required under this Contract, the Articles of Association of the Company or the Management-By-Laws;
- h. Decide on incentive systems with regard to especially but not limited to the procurement and distribution activities of the Company;
- i. Promptly notify the Parties and the BOD about all matters coming to his notice which may materially affect the Company's business, premises, or property;
- j. Provide the Parties with other information and access as may be requested by the Parties; and
- k. Handle other matters entrusted or requested by the BOD.

Matters referred to in Article 15.2 and set out elsewhere in this Contract and/or the Articles of Association to be decided by the BOD shall require prior approval of the BOD, unless delegated by the BOD to the General Manager or contained in an

approved budget plan or in the Management By-Laws approved by the BOD. The Management Office shall prepare and submit proposals for those matters to be decided by the BOD for BOD's deliberation. The other members of the Management Office shall support the General Manager in his work and report directly to him.

16.3 Duties and Authorities of the Deputy General Managers

Subject to the scope of authority of the BOD set out in Article 15.2, other relevant provisions of this Contract and the Articles of Association of the Company, any plans approved by the BOD and the Management-By-Laws, the Deputy General Managers shall have the following authorities and duties in relation to the Company:

- a. To be responsible for specific functional departments of the Company to which they are assigned, e.g. product development, production, financial management, sales or other daily operation etc., all under the leadership of the General Manager and further detailed in the Management By-Laws;
- b. If requested by the BOD or the General Manager, to attend the BOD meeting as non-voting delegates;
- c. To assist the General Manager in organizing and implementing resolutions of the BOD and with the daily operation of the Company as instructed by the General Manager; and
- d. Other duties under his competences as provided in the Management By-Laws.

16.4 The General Manager has the final responsibility and authority for the daily operations of the Company and holds the final decision on operational and management issues within the scope and competency vested to him under this Contract, the Articles of Association, any plans approved by the BOD and the Management By-Laws. The Deputy General Managers shall support the General Manager to fulfill his management functions.

16.5

16.6 Other Regulations

- a. All members of the Management Office shall perform their duties on a full-time basis and shall not concurrently serve as a manager or other employee of any other company or enterprise, unless otherwise agreed by the Parties or approved by the BOD in writing in advance. No members of the Management Office may serve as a director of or consultant to, or hold any material interest in, any company or enterprise that competes with the Company, unless otherwise agreed by the Parties or approved by the BOD in writing in advance.
- b. The Company shall, in accordance with relevant Chinese laws, indemnify each member of the Management Office against all claims and liabilities incurred by reason of his being a member of the Management Office of the Company and in the course of performing his official duties as a member of the Management Office of the Company, provided that the claim or liability does not result from intentional misconduct or gross negligence or a violation of mandatory laws or the rules and regulations of the Company by the member of the Management Office.
- c. The working language of the Management Office shall be Chinese and English. All members of the Management Office shall have a determinant level of English.

Article 17 **The Supervisors**

17.1 Formation

- a. The Company shall have two (2) Supervisors of whom one (1) Supervisor shall be appointed by MicroPort and one (1) Supervisor shall be appointed by Sorin. The term of office of each Supervisor shall be three (3) years and may be renewed. Each Party may remove the Supervisor nominated and appointed by it and appoint a replacement at any time.
- b. The Directors, any member of the Management Office, or other senior staff of the Company shall not be allowed to concurrently serve as a Supervisor.

17.2 The Supervisors shall exercise the following functions and powers:

- a. Examining the Company's financial affairs;
- b. Supervising the Directors, members of the Management Office and other senior staff of the Company in the performance of their duties and proposing related replacements or dismissals;
- c. If an act of Director, member of the Management Office or other senior staff of the Company is detrimental to the interests of the Company, requiring him to rectify such act;

- d. Submitting motions to the BOD and the Parties;
 - e.
 - f. Instituting, upon written request by any of the Parties, legal proceedings against the Directors or members of the Management Office or other senior staff of the Company if such Directors or members of the Management Office or other senior staff of the Company violate laws, administrative regulations, this Contract or the Articles of Association of the Company in the course of performing their duties, thereby causing the Company losses;
 - g. Carrying out other functions as set forth by laws and regulations, this Contract and the Articles of Association of the Company.
- 17.3 Each Supervisor has the right to participate in BOD meetings as non-voting attendee. Reasonable and evidenced expenses incurred by the Supervisor in connection with his function as Supervisor of the Company shall be reimbursed by the Company to the extent that such costs complies with the expenses and reimbursement policies of the Company.
- 17.4 The Company shall indemnify each Supervisor for all claims and liabilities incurred in the course of performing his duties as Supervisor of the Company, provided that such claims or liabilities are not caused by intentional misconduct, gross negligence or graft or serious dereliction of duties or breach of criminal laws by such Supervisor.

PART III

OPERATIONS

Article 18
Plan of Business Activities

- 18.1 The Parties agree that the Company's business activities after the establishment of the Company shall be carried out according to the First Business Plan and the principle as specified in Article 18.2 to Article 18.5 below.
- 18.2 Both Parties agree and ensure that:
- a. The Company shall exclusively facilitate the importation and distribution of Sorin's existing and future CRM Products. The imported Sorin's CRM Products shall be marketed, promoted, distributed and sold by the Company only in Macao SAR, Taiwan and Mainland China (**"Territory"**);
 - b. The Company shall assemble CRM IPGs which shall be deemed as domestic made CRM products, leveraging on Sorin's technology and MicroPort's manufacturing capacities in the PRC; and
 - c. The Company shall retain the existing CRM R&D team of MicroPort in accordance with the MicroPort CRM Business Transfer Agreement.

- 18.3 The business activities of the Company shall be extended to the following activities:
- a. The Company shall supply imported Sorin's CRM Products to other emerging markets in the Asia Pacific region or other parts of the global markets upon the unanimous resolution of the BOD;
 - b. The Company shall develop a new range of CRM IPGs through its internal R&D activities and with Sorin's support on technology and know-how subject to the Sorin Technology License Agreement;
 - c. the CRM IPGs locally assembled and locally developed by the Company may be sold by the Company in Greater China and other Asia Pacific countries or regions (except Japan) to be agreed by the Parties in writing. Such products may also be sold in other global markets to be determined by the Parties upon the unanimous resolution of the BOD; and
 - d. Other CRM Products (leads, programmers, accessories, etc.) manufactured by the Company shall be sold in global markets, subject to local regulatory approvals.
- 18.4 Both Parties shall ensure that the Company shall undertake all necessary actions to obtain necessary production licenses and product approvals for locally manufactured CRM Products, leveraging the resources and with the support of the Parties. MicroPort undertakes to provide the Company with all necessary regulatory support.
- 18.5 Both Parties shall ensure that the Company shall establish a quality management system and a post-marketing surveillance system in compliance with applicable regulatory requirements and, where applicable and practical, with reference to the relevant Sorin standards.

Article 19

Site of Production and Business Operation

- 19.1 As soon as reasonably possible after the issuance of the Business License and subject to the BOD's unanimous resolution, the Company shall lease or purchase a proper production site and the related facilities by way of public tender or otherwise in Shanghai City to carry out its production and business operation.
- 19.2 MicroPort shall exert its utmost reasonable efforts to facilitate the Company and the landlord identified by the Company in the course of lease, land acquisition, development and project construction so as to reduce the land and construction costs and further to reduce the rent and other costs for the Company.

Article 20

Intellectual Property Rights on Technology and Trademarks

- 20.1 Unless this Contract and relevant license agreements provide otherwise, both Parties shall license all necessary CRM related IPR without charge to the Company for the purpose of commercialization of the imported products under Sorin Trademark and manufacturing CRM Products under the Company's own trademark(s), as per the Company's overall business policy and objectives decided by the Board of Directors (Article 15.2 (d)). Matters regarding such IPR license by Sorin are to be set out in the Sorin Technology License Agreement to be signed by the licensing party and the Company and attached hereto as Annexes 20.1 (a). If required by Chinese law, the Parties and the Company shall procure to carry out relevant registration of the licenses granted pursuant to this Contract.
- 20.2 All IPR, including but not limited to patent rights, trademarks, designs, copyright, knowhow, names and logos originally developed and owned by each Party remain the property of that Party. The Company shall not and the Parties shall ensure that the Company must not use outside of the PRC any IPR of the Parties and/or their Affiliates, or grant any sub-license without the licensing party's or its respective Affiliates' prior written approval or reverse engineer or re-engineer any product hardware or software owned by either Party and/or their Affiliates without its/their explicit prior written consent. Both Parties acknowledge all IPR of each other and agree that they must not at any time claim any interest in each other Party's IPR. The Parties further agree that any IPR licensed to the Company by any of the Parties hereto or by any of their Affiliates is provided for the use by the Company under this Contract only. Unless otherwise provided in a written agreement entered into by and between the licensing party and the Company or the other Party (or any of their Affiliates), during the term of this Contract and after its expiration or termination, the Company or the other Party (and its Affiliates) must not use by any means such IPR for any purpose, and shall abide by the confidentiality obligations set forth under this Contract.
- 20.3 The IPR developed by the Company itself shall be solely owned by the Company. Upon both Parties' agreement and by unanimous BOD resolutions, the Company shall identify and register a new brand as the trademark for the devices locally

manufactured by the Company.

Article 21

Procurement

- 21.1 The Parties agree and ensure that the Company shall comply with mandatory laws on localization in the course of purchasing production materials and services. During the purchase of production materials and services, comprehensive considerations on quality and price shall be taken by the Company. Subject to fulfillment of all quality and regulatory requirements, decisions of purchase shall be made according to the following principles: (i) If the prices of local production materials and services are lower than prices of those imported, then the local production materials and services shall be purchased; (ii) If the prices of local production materials and services are higher than the prices of those imported, then such production materials and services shall be imported. The concept of the price for purpose of this Article includes but is not limited to direct purchase cost, replacement cost, verification cost relating to the products, import and export formalities, transportation, services and delivery time, etc. The Company shall identify opportunities to save production costs by identifying potential local suppliers for components, or even locally manufacture itself those components, such as header, can, battery, etc.
- 21.2 Both Parties agree that subject to the Sorin Supply Agreement, the Company shall purchase electronic boards (hybrids) only from Sorin CRM SAS for assembly of localized devices. For the avoidance of doubt, in respect of CRM IPGs locally developed by the Company, the Company may purchase the electronic boards from alternative selected suppliers as appropriate with regards to price, quality and compatibility based on its own business judgment.
- 21.3 Aside from the electronic boards, subject to relevant agreements, a supply of other components (including leads, programmers and other accessories) necessary for the Company to manufacture and assemble IPGs will be made available by Sorin CRM SAS to the Company at the Company's cost, including all taxes, customs duties, shipping charges and other costs related to the delivery.
- 21.4 Except the electronic boards, the Company may for its manufacturing activities purchase from alternative selected suppliers raw materials and subassemblies (leads, programmers and other accessories) as appropriate with regards to price, quality and compatibility provided that such suppliers, raw materials and subassemblies fulfil the relevant necessary quality control requirements of Sorin.

Article 22

Production

- 22.1 With the objective of achieving the fastest time-to-market in the PRC, whilst meeting all necessary regulatory requirements for obtaining production licenses and product approvals, upon both Parties' agreement and by unanimous resolutions, the BOD shall decide upon the best balance between amount of local activities, complexity of start-up, and timing of initiating clinical trials and regulatory submission. The BOD shall continuously evaluate the benefit and associated return on continuing to pursue its local development program to achieve the goal of providing to the market a differentiated product accepted by the Chinese market as a Chinese domestic product. By unanimous resolutions the BOD shall decide on how to run the following multiple streams of products and whether to keep multiple programs running at the same time.
- a. For Stream One Activity, the Company shall assemble products from Sorin's existing and future platform under the Sorin Technology License Agreement.
 - b. For Stream Two Activity, the Parties shall discuss, evaluate and agree on the business case for the Company to manufacture hybrid for locally developed products.
 - c. Upon both Parties' agreement and the BOD's unanimous resolutions, the Company shall manufacture local pacemaker leads to complement the locally manufactured domestic pacemaker IPGs and ensure that a full suite of locally manufactured products are available to the Chinese CRM market. However, financial equilibrium has to be considered by both Parties and the BOD when deciding to manufacture internally towards procuring Third Party leads from other manufacturers. Upon both Parties' agreement and the BOD's unanimous resolutions, such leads manufactured by the Company may potentially be supplied to Sorin and/or other manufacturers for sale within the PRC, or exported outside of the PRC depending on regulatory clearance.
 - d. Upon both Parties' agreement and the BOD's unanimous resolutions, the Company shall manufacture and develop local ICD/CRT IPGs and leads at a later stage depending on the market development provided that the Company has gained key technological experience through manufacturing of pacemakers.

- e. Upon both Parties' agreement and/or the resolutions of the BOD (as the case may be), the Company will aspire to identify opportunities to save production costs by identifying qualified local suppliers for components, or even locally manufacture by itself, those components, such as header, can, and battery, etc.
- f. Upon both Parties' agreement and the BOD's resolutions, the Company shall manufacture a local CRM programmer, using an innovative approach (utilizing as much as possible commercially available computer hardware) and exploiting the opportunities offered by specific Chinese regulations. The Company shall ensure that such programmers are able to support both imported and locally manufactured CRM Products. This local programmer manufactured by the Company would eventually be Sorin's preferred programmer within the PRC and be used by Sorin globally depending on regulatory constraints, market requirements and Sorin's relevant requirements.
- 22.2 Both Parties shall agree upon an annual unit and volume target plan for the Company for locally manufactured products for the period 2014-2023 within the last quarter of a calendar year for the subsequent calendar year. The total units target shall be reviewed annually by both Parties according to the sales and marketing development.
- 22.3 Both Parties and the Company shall in all situations make best efforts to ensure that all new products manufactured by the Company will be accepted by the Chinese market as local products.

Article 23

Distribution and Sale

- 23.1 The Company shall actively market, promote and distribute the imported CRM Products of Sorin and locally manufactured CRM Products of the Company. The Company shall set up a competitive marketing, sales and after-sale service system in order to meet the market demand and to promote sales of the Sorin's and the Company's CRM Products
- 23.2 The Company shall leverage existing commercial and distribution channels of MicroPort's EP and DES product lines if suitable. MicroPort undertakes to make MicroPort's distribution network accessible to the Company at no costs for the Company by introducing existing and future dealers of MicroPort or of its Affiliates and exert its utmost reasonable efforts to cause such dealers to conclude dealership agreements with the Company on most preferential terms and conditions to the Company, assist the Company with opening up and maintaining sales channels, identifying suitable distributors, assist the Company In negotiating and concluding contracts with such distributors and in promoting the CRM Products of Sorin and the Company so as to procure the Company may realize the budgeted sales targets as set forth in the Company business plans.
- 23.3 The Company shall sign or have signed a separate Sorin Exclusive Distribution Agreement with Sorin Group Italia Sri. for the Company's distribution of the imported Sorin's products in the Territory which shall be renewed periodically.
- 23.4 The Company shall sign or have signed a separate MicroPort Exclusive Master Distribution Agreement with MicroPort for MicroPort's sales of products imported, assembled or developed by the Company.

Article 24

Non-Compete

- 24.1 During the effective term of this Contract, including any extension thereof, neither Party and its Affiliates may - directly or indirectly - develop, market, commercialize, manufacture or sell any CRM Products in the Territory which compete with the CRM Products manufactured, marketed, sold or distributed by the Company. MicroPort shall not and shall procure that its Affiliates do not, without the prior written approval of Sorin, engage in any CRM related activities within or outside the Territory except as provided under this Contract.
- 24.2 Any Party which breaches this Contract at any time during the effective term of this Contract, including any extension thereof which results in either (i) the termination of this Contract or (ii) the exercising of the Call Option as set forth in Article 35.9, the non-compete restriction under this Article 24 shall apply to the breaching Party for an additional period of two (2) years after the termination of this Contract or the exercising of the Call Option as set forth in Article 35.9. Should any Party become the full owner of the Company, these non-compete provisions under this Article 24 shall not apply to such Party (including any of its Affiliates owning 100% of the Company).
- 24.3 Notwithstanding Article 24.1 and without prejudice to Article 24.2, Sorin or its Affiliates shall be permitted to, directly or indirectly, market, commercialize and distribute CRM Products of Sorin in the Territory in case the exclusivity of the distributorship of the Company under the Sorin Exclusive Distribution Agreement is duly removed or the Sorin Exclusive Distribution Agreement is terminated or expires in accordance with the terms thereof.

Article 25
Related Agreements and Transition

At the same time the Contract is concluded by the duly authorized representatives of the Parties, all the relevant Sorin Agreements and MicroPort Agreements shall also be concluded and signed by the Company and the respective parties, and the required approval and registration formalities for such agreements shall be handled according to the requirements of the Chinese laws.

Article 26
Labour Management, Trade Union, Grassroots Party Organization

26.1 All labour matters of the Company shall be handled in accordance with the Labour Laws. Subject to Applicable Laws, the Company shall implement an internationally competitive and market-oriented human resources system, including the relevant human resources policies and standards appropriate for the particular conditions of the Company with due consideration to MicroPort's and Sorin's applicable human resources policies and standards.

26.2

26.3 Personnel

- a. The Company shall form, alter or terminate its labour relations with its employees according to Chinese labour law. The Company shall have the right to recruit, retain, dismiss, discipline and train its employees to the greatest extent permitted by the relevant Chinese labour laws and regulations. The Company will be using mainly local Chinese personnel, only employing expatriate personnel in cases deemed necessary. A collective labour contract compliant with relevant laws, to the extent required by law may be executed with the employees.
- b. The Parties agree that some of the employees, subject to their professional qualifications and work experience, may be hired under terms and conditions for comparable personnel of Sino-foreign equity joint ventures in the CRM industry and located in Shanghai.
- c. For selected job positions the Company may recruit Chinese or foreign individuals with an international work profile and specific qualifications for relevant senior positions in a Sino-foreign joint venture in the CRM industry. Their salaries and benefits shall be determined pursuant to common international and market practices. The number of such recruits shall be determined by the BOD.
- d. Employees will be selected from candidates according to their fit for a specific assignment in terms of professional qualification, personality, work experience, past performance, future potential and further criteria as formulated by the Management Office.

26.4 Reward and Disciplinary Measures

- a. All Company employees, including Secondedees, shall observe Chinese laws and the relevant Company regulations as well as undertake responsibilities diligently in accordance with their job descriptions. The Company shall implement a performance evaluation system for all employees.
- b. The Company shall have the right to effect reward and disciplinary measures in accordance with relevant Labour Guidelines.

26.5 The employees of the Company shall have the right to establish a Labour union in accordance with the Labour Laws and other relevant laws and regulations and select the Chairman and other staff members of the Labour union according to the statutory conditions and procedures. The Company shall make allocations to the Labour union fund in accordance with relevant Chinese laws. The Labour union may use these funds in accordance with the relevant control measures for Labour union funds formulated by the All China Federation of Labour Unions. Labour union activities are, whenever possible, to be conducted after normal working hours and, in any event, in such a manner as not to hinder the operation of the Company.

26.6 The party member employees of the Company may establish the organization of the Communist Party of China according to the provisions of the Constitution of CPC to conduct relevant activities. The Company shall provide necessary conditions and facilitation for such activities.

26.7

Article 27
Financial Affairs and Accounting

27.1 Accounting System

- a. The Company shall set up the accounting system and procedures in accordance with relevant Chinese accounting regulations and accounting principles for enterprises. The accounting system and procedures adopted by the Company shall be approved by the BOD and be filed with the relevant local departments of finance and tax for record to the extent required by law. The accounting system and procedures shall, to the extent possible, comply with the accounting requirements of MicroPort and Sorin. The Company shall also make available in English monthly financial reports including corresponding non-financial information as determined by Sorin according to the requirements of, and the formats as prescribed by Sorin from case to case.
- b. The Company shall adopt RMB as its bookkeeping base currency, and shall, as required by Sorin, provide periodical financial statements (in the English language) converted into foreign currency denominations as described by Sorin.
- c. All accounting records, vouchers and books as well as all financial statements and reports of the Company shall be made and kept in the Chinese language in accordance with Chinese statutory requirements, and important vouchers and books shall be kept until the end of the Joint Venture Term.

27.2 Reports

- a. The Company's accounts shall be kept at the legal address of the Company. Subject to prior notice, each of the Parties shall have access to such accounts and books of the Company so that they may continuously be informed about the Company's financial performance. The Company shall in addition provide MicroPort and Sorin with annual restated financial statements in accordance with IFRS including corresponding non-financial information in the form and language as determined by MicroPort and Sorin respectively, within thirty (30) calendar days of the end of the fiscal year.
- b. The Company shall submit to the Parties, in the formats and language as required by the relevant Party, monthly financial statements, and quarterly financial statements. The submission time shall meet the requirements of the Parties and finally not be later than ten (10) Business Days after the end of each month or each quarter. The monthly financial statement shall include a detailed three months liquidity and cash flow planning for RMB and all those foreign currencies as used by the Company. Upon request of Sorin, the Company shall provide annual financial statements to Sorin in an RMB and/or foreign currency denominated version, as adopted by the Company.

27.3 Auditing

- a. The Company shall engage an internationally recognized CPA to audit its accounts and examine and verify its annual financial statements and report. Drafts of the audited financial statements and report shall be provided to the Parties and to the BOD for review within two (2) months after the end of each fiscal year, and the final audited financial statements and report shall be completed within three (3) months after the end of each fiscal year. Such financial statements shall be prepared in accordance with Chinese law and regulations pursuant to Article 27.1 (a) above and shall be provided to the Company and the Parties in a Chinese and an English version.
- b. Each Party may appoint an accounting firm registered abroad or in the PRC to review or audit all financial accounts and records of the Company on behalf of such Party in accordance with Chinese accounting regulations or IFRS according to such Party's requirements. Access to the Company's financial records shall be given to such auditor, and the Party which appoints such auditor shall cause such auditor to keep confidential all documents examined. All expenses for such audit shall be borne by the Party which appointed such auditor, unless:
 - g. events in the Company (including but not limited to alleged fraud, bribery, loss of important records or other relevant financial misstatements that directly involves the rights and interests of the shareholders) have required such audit; or
 - h. the CPA referred to in subparagraph (a) above has refused to confirm the Company's important records.In such events the Company shall bear the expenses of such audits including the auditor's fees and expenses of the Party which appointed its own auditor.

27.4 Risk Controlling

The Company shall establish an appropriate risk controlling system to monitor and control, among others, foreign exchange risks, interest rate risks, equity risks and liquidity risks. Any risk hedging policy shall require the approval of the Board of Directors.

27.5 The Company shall adopt the calendar year as its fiscal year, with the result that each fiscal year shall begin on January

1st and end on December 31st of the same year. The first fiscal year of the Company shall begin on the date of the issuance of the Business License and end on December 31st of the same year. The last day of each calendar month shall be the financial settlement date of the Company.

27.6 Profit Distribution

- a. The Board of Directors shall determine to make annual allocations to the Statutory Funds from the after-tax net profits. The ratio for and specific amount of such allocation shall be determined by the Board of Directors.
- b. The Board of Directors shall decide the amount of after tax net profit of the Company after making up the accumulated losses of the previous years and allocations to the Statutory Funds to be distributed to the Parties.
- c. All remittances of dividends out of the PRC to Sorin shall be made in RMB or a freely convertible foreign currencies specified by Sorin to a foreign bank account designated by Sorin after withholding the Tax by the Company according to Chinese laws and regulations and subject to compliance with applicable Chinese foreign exchange control regulations.
- d. Expenses associated with any exchange of RMB to a freely convertible foreign currency or vice versa or bank remittance as provided for under this Contract shall be borne by and be a business expense of the Company.

Article 28

Taxation

- 28.1 The Company shall pay and, if applicable, withhold Tax under the relevant laws and regulations of the PRC. subject to any tax holidays, import tax reductions, waivers, exemptions, or exclusions granted to the Company from time to time by any local, municipal, provincial or central Governmental Authority or otherwise pursuant to relevant laws, regulations and policies and any applicable Tax Treaty.
- 28.2 The Company's Chinese and expatriate personnel shall pay individual income tax in accordance with the Individual Income Tax Law of the PRC and the relevant Tax Treaty in effect between the PRC and other countries. The Company shall withhold and turnover these taxes to the relevant Chinese authorities in accordance with Applicable Laws.
- 28.3 The Company shall apply for and strive to obtain all available Tax and financial benefits including Tax exemptions, holidays and reductions as well as incentives, preferential treatments or financial subsidies offered by any local, municipal, provincial or central Governmental Authority or otherwise pursuant to relevant laws, regulations and policies, subject to a related resolution of the Board of Directors.
- 28.4 Without prejudice to any specific stipulation contained in any of the Sorin Agreements, in case the Company is required to withhold Tax from the payments to Sorin or any of its Affiliates:
 - a. The Company shall exercise its best efforts to attain that the payment to Sorin or its respective Affiliate will, at the time of payment, be taxed at the reduced taxation rate of the relevant Tax Treaty and enjoy any preferential treatment granted by Chinese Tax laws and regulations;
 - b. the Company shall provide Sorin or its Affiliate with an original copy of the Tax assessment and the Tax payment certificate without delay, and these documents shall specify Sorin or its Affiliate as the taxpayer, the amount of Tax paid, the Tax rate and the amount or fee on which such rate is based, the Tax law and the legal regulation on which such Tax payment is based, and the date of payment of the Tax; and
 - c. If the documents of the Governmental Authority are issued in a language other than English, the Company shall have the documents translated into English at its own expense at the request of Sorin or its Affiliate and the translation shall be done by an officially certified translator.
- 28.5 Upon a respective decision of the Board of Directors, the Company shall engage a Tax Consultant for the preparation or review of all Tax returns and related filings with respect to all material Taxes (e.g. corporate income tax, value added tax, business tax) to be filed under applicable laws and regulations.
- 28.6 In no event shall the Company be responsible for any taxes, fees and charges payable by a Party under the relevant laws for its performance of its obligations hereunder, except for any withholding that the Company is obliged to make under relevant laws, and the Parties shall provide necessary assistances to the Company in connection herewith.

Article 29

Insurance

The Company shall effect and maintain adequate insurance coverage for the Company's assets or business operations, including product liability insurance and business interruption insurance, as normally maintained by similar joint venture companies in the PRC or as required by relevant laws in such amounts and categories as proposed by the General Manager and approved by the Board of Directors. The amount of insurance for any property loss or damage coverage shall be equivalent to that customarily maintained by similar joint venture companies, and such insurance shall be effected in the PRC with reasonable commercial terms and conditions. All the above insurance shall be secured from a reputable insurance company lawfully operating in the PRC.

Article 30

IT Systems

- 30.1 The Company shall establish and maintain information technology systems that adequately support all its operations.
- 30.2 For any interaction with the Parties or any of their Affiliates, the Company may use data storage, transmission and communication systems compatible with the Parties' or their Affiliate's systems with reference to the manner and form as recommended by the Parties. The Company shall pay for its use of IT systems to the relevant Party in accordance with a written agreement made by and between the Company and such relevant Party on at arm's length terms and conditions.

30.3

30.4 Any hardware and software purchased, leased and/or used by the Company shall be validly licensed to the Company, and the Company shall comply with all licenses.

PART IV

MISCELLANEOUS

Article 31

Responsibilities of the Parties

31.1 The corporate CEOs or presidents of both Parties shall meet at least twice a year to facilitate the operation and management, discuss and agree on the general strategy of the Company and further cooperation between the Parties.

31.2 In addition to its other obligations under this Contract, MicroPort shall:

- a. assist the Company in applying for all licenses and permits required for the construction, leasing, acquisition or use of the Company's facilities and the operation of the Company's business, including new product program approvals, registrations and announcements of the Company's products as may be required for their manufacture and distribution by the Company, approvals under any national and other plan, and other licenses and permits necessary or supporting the Company's business objectives;
- b. support, at no cost, the Company in obtaining timely all relevant production licenses and product approvals for manufacturing CRM Products and in ensuring such production licenses remain valid under Chinese law throughout the lifetime of the Company;
- c. assist the Company in the Company's application for preferential tax treatment, financial subsidies and other investment incentives offered by the Chinese local, municipal, provincial and central Governmental Authorities or otherwise pursuant to relevant regulations and policies;
- d. assist the Company in the Company's identifying, leasing or otherwise procuring land use rights, construction of workshops and facilities as required for the Company's production and operation as set forth in Article 19 above;
- e. assist the Company in the Company's purchasing, leasing or otherwise procuring in the PRC the equipment and machinery, tools, raw materials, office furniture and equipment, vehicles, and other materials and services required for the Company's production and operations;

- f. assist the Company in obtaining necessary licenses and permits for the import of equipment and machinery, tools, raw materials, office furniture and equipment, vehicles and other materials required for the Company's production and operations (including tax exemptions for the import of the equipment, machinery, tools, etc.), and assist the Company in carrying out all import and customs formalities of the Company In respect thereto;

g.

- h. make MicroPort's existing sales and distribution network of DES and EP business accessible to the Company and provide the Company with all necessary support from MicroPort's sales and distribution network of DES and EP business at no costs for the Company;
- i. assist the Company in upgrading the Company's dealers and dealer network as well as in marketing and promoting the Company's products In the domestic market;
- j. assist the Company in obtaining and maintaining a "Foreign Exchange Registration Certificate" and other necessary approvals to utilize the various foreign exchange balancing methods permitted under Chinese laws and regulations;
- k. assist the Company in obtaining a reliable supply of electricity, water, heating, gas, steam, telecommunications, postal services and transportation required for its production and operations, and assist the Company in securing continuous and uninterrupted supply of all such utilities in an amount and quality as is required by its operation as well as at the most favorable terms and conditions possible;
- l. assist the Company in obtaining relevant information on the PRC CRM policy matters and other information relevant to the operations of the Company; and
- m. take due care of all other matters entrusted by the Company to MicroPort and agreed to by MicroPort from time to time in writing.

31.3 In addition to its other obligations under this Contract and the Sorin Technology License Agreement, upon the request of the Company and subject to relevant agreements between Sorin and the Company, Sorin shall also:

- a. make the necessary CRM-related electronics, software and components and assembly, testing and manufacturing know-how for CRM Products accessible to the Company;
- b. make all necessary design, development and testing document accessible to the Company for registration and quality assurance system audit purpose or for fulfilling the requirement of the relevant regulatory authorities in relation to product registration, quality management or post-market surveillance activities of the Company;
- c. acquire all necessary licenses and approvals for imported CRM products;
- d. support the Company in establishing connections with international key opinion leaders and academic societies;

- e. assist Company in components procurement, product development and providing technical support for the Company's locally developed products and necessary training subject to the relevant Sorin Agreement;

- f. assist employees of the Company and members of the BOD in obtaining visas, and other necessary travel documents for business travel or training outside the PRC on behalf of the Company;
 - g. assist the Company in recruiting various types of qualified foreign personnel including skilled managers and technical personnel;
 - h. assist the Company in organizing various trainings for the Company's employees, including technical, financial, management, IT and compliance training, subject to the terms of the Sorin Technology License Agreement and any related written agreements between the Company and Sorin;
 - i. assist the Company in purchasing , leasing, installation and validation procedures for the machines, equipment, materials, office supplies, transportation tools, communication device and other materials necessary for production of the Company from outside the PRC, at the reasonable price, and in no event higher than the fair market price; and
 - j. take due care of all other matters entrusted by the Company to Sorin and agreed to by Sorin from time to time in writing.
- 31.4 To the extent that there is no prior written agreement between a Party and the Company, such Party shall not be entitled to any fees or payments from the Company for the performance of such responsibilities other than the reimbursement of reasonable and legally proper charges advanced by that Party on behalf of the Company to Third Parties or Affiliates against invoices issued by such Third Parties or Affiliates or official receipts issued by relevant governmental authorities.

Article 32

Confidentiality

- 32.1 The Parties acknowledge that, prior to and during the term of this Contract, each Party or its Affiliates have disclosed and will disclose to the other Party or any Affiliates of such other Party Confidential Information. Except as may be provided in other relevant confidentiality agreements, each Party shall maintain the secrecy and confidentiality of, and shall not without the prior written approval of the other Party, disclose to any Third Party or person, any Confidential Information relating to the Company, its business operations, the products or services of the Company, or any Confidential Information disclosed to a Party by the other Party about its own business at any time during, or for the purpose of, negotiation of this Contract, or the establishment or operation of the Company. Both Parties further agree not to use any know-how, data and Confidential Information relating to the Company, its business operation, the products of the Company, or belonging to the other Party for their own purposes or for any purpose other than the operation of the Company's business.

Each Party agrees to abide by these obligations of confidentiality and non-use during the term of this Contract, including any extension thereof, or for so long as the Company continues to exist, and for a period of five (5) years thereafter.

- 32.2 The provisions of Article 32.1 above shall not apply to Confidential Information that can be proven by the receiving Party to the disclosing Party to:
- a. be known by the receiving Party by written records made prior to disclosure by the disclosing Party;
 - b. be public knowledge prior to disclosure by the disclosing Party or to have become public knowledge thereafter by other means than through the receiving Party's breach of this Contract;
 - c. have been obtained by the receiving Party from a Third Party having no obligation of confidentiality with respect to such Confidential Information; or
 - d. be required by order of any competent court, arbitral tribunal, governmental authority or stock exchange to be disclosed, provided, if the Parties are required to make a public disclosure of the joint venture transaction as contemplated hereunder by the respective stock exchange where the Parties are listed respectively, the Parties shall use their best endeavour to make such public disclosure simultaneously, so that the rules of the stock exchange on which the Parties are respectively listed are duly complied with.

Neither Party shall, however, be entitled to make the objection that any specific Confidential Information had already been known to it or was rightfully obtained from a Third Party, if such receiving Party fails to inform the disclosing Party in writing (by stating the relevant circumstances) of its prior knowledge of the Confidential Information or of the rightful obtaining of the Confidential Information from a Third Party within a period of fourteen (14) calendar days after the particular Confidential Information was disclosed by the disclosing Party in case of prior knowledge, or within a period of fourteen (14) calendar days after obtaining the Confidential Information from a Third Party.

- 32.3 The Parties shall cause their directors, officers and employees, and those of their subsidiaries and Affiliates, to be also bound by and comply with the confidentiality obligations set forth in Article 32.1 above.
- 32.4 The Parties shall ensure that the Company implements rules and regulations to cause the members of the Board of Directors, the Management Office, senior staff and other employees of the Company as well as the Supervisors to also comply with the confidentiality obligations set forth in this Article 32. All members of the Board of Directors and the Management Office, senior staff and other employees as well as the Supervisors of the Company having access to Confidential Information shall be required to sign a confidentiality undertaking in a form acceptable to the Parties.
- 32.5 If any Party or the Company breaches any provision of this Article 32, the breaching Party shall pay liquidated damages of not less than RMB one (1) million per each violation, until

and unless remedied. The payment of liquidated damages shall be without prejudice to any other rights or remedies accrued as of the date of such breach.

- 32.6 The provisions of this Article 32 shall remain binding upon any Party including its successors and assignees and any purchaser of any equity interest in the Company even after such Party, successor, assignee or purchaser, through an assignment of equity interest and corresponding contractual rights and obligations, ceases to be a party to this Contract. In addition, the rights and obligations under this Article 32 shall survive the expiration or early termination of this Contract, and shall remain in effect for the periods stated herein, notwithstanding the dissolution of the Company.

Article 33

Representations and Warranties

33.1 Representations and Warranties

Each Party to this Contract hereby represents and warrants as follows:

- a. It has the capacity and authority to enter into and to perform its obligations under this Contract, and is duly incorporated and in good standing and valid existence under the laws of the jurisdiction in which it is incorporated;
- b. Its execution and delivery of this Contract or its performance of any provisions hereunder will not contravene, violate or deviate from, or constitute breach under, any contract, instrument, articles of association or bylaw, rules, regulations, orders, judgments, decree or laws to which it is a party or by which it is bound or constrained, nor will its execution of this Contract or its performance of any obligations and observance of any provisions hereof be restricted by any such contract, instrument, articles of association or bylaw, rules, regulations, orders, judgments, decree or laws;
- c. It has duly authorized, executed and delivered this Contract and that this Contract constitutes, following its effectiveness, legal, valid and binding obligations enforceable in accordance with its terms;
- d. It has willingly entered into this Contract, and it has never assumed nor will it ever assume any type of obligation or make any type of undertaking if such obligation or undertaking shall disrupt or interfere with in any way its acceptance or performance of any obligations hereunder; and
- e. At the time of execution, it has obtained all authorizations for execution and performance hereof, including any authorization required in order to comply with its internal policies and internal governance principles. In the course of this Contract, if there is any conflict with its internal policies and internal governance principles, this Contract shall prevail, however, the Company shall actively coordinate the issue with the relevant Party.

In addition to its representations and warranties under subsections (a) to (e) above, MicroPort undertakes that it will transfer to the Company all CRM Assets. In this regard, MicroPort shall warrant that upon completion of the said transfer the Company has good and marketable title to all CRM Assets free of any rights of MicroPort, its Affiliates and/or Third Parties, and that all personnel formerly employed by MicroPort and/or its Affiliates and engaged in or necessary for the operation of the CRM Assets, are solely employed by the Company.

33.2 Indemnification

- a. MicroPort shall indemnify and hold Sorin and the Company harmless from any and all obligations, losses, and damages caused as a result of or in connection with any false or misleading information in the representations and warranties MicroPort made under this Contract or any breach of any such representation and warranty on the part of MicroPort.
- b. MicroPort shall, as directed by Sorin and/or the Company, (i) take all necessary measures to remedy any false or misleading information in or any breach of any representations and warranties as set forth above within thirty (30) calendar days from the date of a notice given by Sorin and/or the Company; and/or (ii) indemnify Sorin and/or the Company in an amount equal to the loss and liabilities caused as a result of or in connection with any false or misleading information in or any breach of any representation and warranty on the part of MicroPort, provided however that such loss and liabilities would not have arisen in the absence of any such false or misleading representation and warranty or any such breach of any representation and warranty by MicroPort. Such claims by Sorin and/or the Company shall not prejudice or compromise any other remedies, including damages, which may arise and become available to Sorin and/or the Company in connection with such false or misleading representation and warranty or any such breach of any representation and warranty on the part of MicroPort.
- c. Sorin shall indemnify and hold MicroPort and the Company harmless from any and all obligations, losses, and damages caused as a result of or in connection with any false or misleading information in any representation and warranty it made under this Contract or any breach of any such representation and warranty on the part of Sorin.

- d. Sorin shall, as directed by MicroPort and/or the Company, (i) take all necessary measures to remedy any false or misleading information in or any breach of any representations and warranties as set forth above within thirty (30) calendar days from the date of a notice given by MicroPort and/or the Company; and/or (ii) indemnify MicroPort and/or the Company in an amount equal to the loss and liabilities caused as a result of or in connection with any false or misleading representation and warranty or any breach of any representation and warranty on the part of Sorin, provided however that such loss and liabilities would not have arisen in the absence of any such false or misleading representation and warranty or any such breach of any representation and warranty on the part of Sorin. Such claims by MicroPort and/or the Company shall not prejudice or compromise any other remedies, including damages, which may arise and become available to MicroPort and/or the Company in connection with such false or misleading representation and warranty or any such breach of any representation and warranty on the part of Sorin.

Article 34

Effectiveness of the Contract

- 34.1 This Contract shall come into effect on the Approval Date.
- 34.2 However, this Contract shall not be submitted to the Examination and Approval Authority for approval unless the Parties have acknowledged to each other that each of them was either satisfied that the following pre-conditions have been duly fulfilled or has waived those pre-conditions that may not have been fulfilled:
- a. this Contract, its Annexes, the Articles of Association and all other documents in relation to the Company's establishment which have to be submitted to the Examination and Approval Authority have been signed by duly authorised representatives of the Parties and other parties, who according to such document are foreseen to sign;
 - b. all those Sorin and MicroPort Agreements which either of the Parties requires to be signed by the relevant parties before the submission of the documents referred to in sub-paragraph (a) above have been signed by or on behalf of duly authorised representatives of such parties;
 - c. the Board of Directors of Sorin have given the unconditional approval to the signing and submission of this Contract and the above documents;
 - d. the Board of Directors of MicroPort have respectively given the unconditional approval on the signing and submission of this Contract and the above documents; and
 - e. all required anti-monopoly filings have been made, no objections have been received and all required anti-trust clearance including approvals have been obtained.
- 34.3 This Contract shall be binding upon the Parties as of the Approval Date, and the Parties agree to fulfil all their obligations pursuant to the provisions hereof. The Parties shall register this Contract at the Administration for Industry and Commerce within thirty (30) days after the Approval Date and shall carry out the formalities necessary for obtaining the Business License.

Article 35

Joint Venture Term

- 35.1 The Joint Venture Term established under this Contract shall be ten (10) years, commencing on the date of issuance of the Business License. The Joint Venture Term shall be extended for additional five (5) years periods, unless one Party disagrees with such extension by sending a prior written notice to the other Party at latest six (6) month before expiry of the then current Joint Venture Term.
- 35.2 If neither Party has disagreed about the extension of the Joint Venture Term as set out in Article 35.1, the Parties and the BOD shall jointly prepare all required documents (including any agreements between the Parties, BOD resolutions and amendments to this Contract and the Articles and Association) for the extension of the Joint Venture Term as set out in Article 35.1, and the application for extension shall be submitted by the Company to the Examination and Approval Authority for approval at latest six (6) months before expiry of the Joint Venture Term.
- 35.3 This Contract may be terminated at any time by the written agreement of the Parties.
- 35.4 Without prejudice to any other termination rights set out elsewhere in this Contract, any Party may unilaterally terminate this Contract by written notice to the other Party if:
- a. the conditions or consequences of Force Majeure significantly interfere with the normal functioning of the Company for

a period in excess of six (6) months and the Parties have been unable to find an equitable solution;

- b. the Company's Business License, approval certificate, the production license and/or other approvals or permits in respect of manufacturing and distribution of CRM Products are cancelled, revoked or suspended such that the Company is rendered unable to conduct its main business activities for more than one hundred and eighty (180) calendar days;
- c. a Party or Parties becomes bankrupt or insolvent, or is the subject of proceedings for liquidation or dissolution and such proceedings are not dismissed within sixty (60) calendar days from the date such proceedings are issued, or a Party enters into an arrangement with its creditor or ceases to carry on business or becomes unable to pay its debts as they come due;
- d. any Governmental Authority (including for this purpose any court) expropriates or requisitions, or orders the expropriation or requisition of, all or material portion of the assets or properties of the Company and such expropriation or requisition has a material adverse impact on the performance of the Company's business;
- e. such Party is prevented from enforcing any of its rights under this Contract, the Articles of Association of the Company or any Sorin Agreement or any MicroPort Agreement for a period of more than six (6) months due to an act of a Governmental Authority or due to a change of Chinese law or governmental policies.
- f.

35.5 Without prejudice to any other termination rights set out elsewhere in this Contract, a Party ("**Non-Affected Party**") may unilaterally terminate this Contract by written notice to the other Party, if:

- a. the other Party ("**Affected Party**") fails to make its contributions to the registered capital of the Company in the amount or value or within such times or at the terms and conditions as agreed between the Parties, and such failure is not cured within one (1) month after delivery of a written notice to the Affected Party by the Non-Affected Party or the Company in which the Non-Affected Party or the Company demands that it be cured by the Affected Party or other period as agreed by the Parties;
- b. the other Party ("**Affected Party**") materially breaches this Contract or violates the Company's Articles of Association and such breach or violation is not cured within one (1) month after delivery of a written notice to the Affected Party by the Non-Affected Party in which the Non-Affected Party identifies the breach and demands that it be cured by the Affected Party;
- c. the other Party ("**Affected Party**") or any of its Affiliates has materially violated any of the agreements that it has entered into with the Company, resulting in the Company's failure to operate normally, and, despite receipt of a written reminder of the Company or of the Non-Affected Party to such effect, does not remedy such breach within one (1) month upon the receipt of the said written reminder;
- d. the other Party ("**Affected Party**") transfers its equity interest in the Company or grants an Encumbrance or allows an Encumbrance to exist on its equity interest in the Company in violation of the provisions of this Contract;
- e. any Governmental Authority (including for this purpose any court) expropriates or requisitions, or orders the expropriation or requisition of, all or material portion of the assets or properties of Sorin or MicroPort (the concerned party is referred to as ("**Affected Party**") and such expropriation or requisition has a material adverse impact over the performance of the Company's business;
- f. a Change of Control occurs with respect to the other Party ("**Affected Party**") (including any legal successor of the Affected Party as shareholder of the Company).

35.6 Without prejudice to any other termination rights set out in other provisions of this Contract, Sorin may unilaterally terminate this Contract by a written notice to MicroPort, if the Capital Increase and Accession Agreement, the Sorin Technology License Agreement, the Sorin Supply Agreement, Sorin Exclusive Distribution Agreement terminates not due to a reason attributable to Sorin or its respective Affiliates. Without prejudice to any other termination rights set out in other provisions of this Contract, MicroPort may unilaterally terminate this Contract by a written notice to Sorin, if the Capital Increase and Accession Agreement or MicroPort Exclusive Master Distribution Agreement terminates not due to a reason attributable to MicroPort or its respective Affiliates.

35.7 If a Party entitled to terminate gives a notice of its intention to terminate the Contract to the other Party, the Parties shall immediately conduct negotiations to resolve the dispute. If:

- a. no resolution of the dispute is reached to the satisfaction of the notifying Party within one (1) month after the other Party's receipt of such notice; or

- b. the notified Party fails to cooperate by promptly commencing negotiations within one (1) month upon receipt of said notice,

the notifying Party shall be entitled to terminate this Contract immediately upon giving a termination notice to the other Party.

- 35.8 The termination under this Contract shall not affect or substitute any other rights, claims or remedies that may be available to a Party or the Company. Any termination shall neither relieve the Affected Party from liabilities accrued to the date of termination nor relieve the Affected Party from liabilities to the Non-Affected Party or the Company.
- 35.9 Without prejudice to any other termination rights set out in other provisions of this Contract, in the event that a Change of Control occurs with respect to the other Party ("**Affected Party**") (including any legal successor of the Affected Party as shareholder of the Company), the Affected Party must notify the other Party ("**Non-Affected Party**") in writing of such Change of Control immediately and the Non-Affected Party is entitled to acquire all or part of the equity interest held by the Affected Party ("**Share Transfer**") in the Company ("**Call Option I**"). The Non-Affected Party shall notify the Affected Party of its intention to exercise its Call Option I in writing within three (3) months of receipt of the written notice from the Affected Party about such Change of Control; otherwise, It is deemed that the Non-Affected Party waives its right to exercising Call Option I. The consideration for the Share Transfer shall be:
- a. If the Company at average has been unprofitable during the Assessment Period, the Net Asset Value of the Company at the Cut-off Date.
 - b. If the Company at average has been profitable during the Assessment Period the higher one of the following (i) or (ii):
 - a. ten (10) times the average net profit of the Company during the Assessment Period, or
 - a. the price based on the PIE ratio of the transaction resulting in the Change of Control.
- 35.10 Without prejudice to any other termination rights set out in other provisions of this Contract, in the event that one Party ("**Affected Party**") materially breaches this Contract or violates the Company's Articles of Association and such breach or violation is not cured within one (1) month after delivery of a written notice to the Affected Party by the Non-Affected Party in which the Non-Affected Party identifies the breach and demands that it be cured by the Affected Party, the Non-Affected Party is entitled to purchase all or part of the equity interest held by the Affected Party in the Company ("**Call Option II**"). The Non-Affected Party shall notify the Affected Party in writing of its intention to exercise its Call Option II within three (3) months of the end of the aforementioned one (1)-month cure period; otherwise, it is deemed that the Non-Affected Party waives Its right to exercising Call Option II. The consideration for such equity transfer shall be:
- a. If the Company at average has been unprofitable during the Assessment Period, the Net Asset Value of the Company at the Cut-off Date.
 - b. If the Company at average has been profitable during the Assessment Period, ten (10) times the average net profit of the Company during the Assessment Period.
- 35.11 Immediately upon the notification of the Non-Affected Party to the Affected Party of its intention to exercise Call Option I or II (as the case may be), the Parties shall enter into good faith negotiations to affect the Share Transfer pursuant to the principles set out in Articles 35.9 and 35.10. If no agreement is reached between the Parties on all terms and conditions of such Share Transfer within thirty (30) calendar days, the Non-Affected Party shall have the right to nominate a CPA to determine in accordance with applicable accounting laws and standards any of the following: (i) whether the Company has been on average profitable or unprofitable during the Assessment Period, (ii) the average profit of the Company during the Assessment Period, (iii) the price based on the P/E ratio of transaction resulting in the Change of Control, (iv) the Net Asset Value of the Company at the Cut-off Date. Such determination of the CPA shall be binding on the Parties. The cost of the CPA shall be borne by the Affected Party.
- 35.12 If, due to any requirements under Chinese law or governmental policies the exercise of the Call Option set out in Articles 35.9 and 35.10 results in the performance of a specific procedure granting anyone other than the Non-Affected Party or a person nominated by it the opportunity to acquire the concerned equity interest in the Company, then the Non-Affected Party shall have a pre-emptive right. If, due to any regulatory restrictions under Chinese law or governmental policies a Party, an Affiliate or a Third Party, as the case may be, is prevented from acquiring all or part of the Company's equity interest in accordance with Articles 35.9 and 35.10, the Non-Affected Party may nominate a Third Party or Affiliate which is neither a Competitor nor of the same nationality as the Non-Affected Party to acquire all or part of the equity interest of the Affected Party. Alternatively and at the request of the Non-Affected Party, the Affected Party shall take all necessary actions and undertakes to cooperate to change the Business Scope of the Company, pursuant to instructions by the Non-Affected Party, In such a way that the Non-Affected Party is no longer prevented from acquiring all or part of the

Company's equity interest. Such request may be made by the Non-Affected Party at any stage of the procedure required to implement any of its rights under this Article 35.

- 35.13 If any required Governmental Approvals cannot be obtained for the transfer of equity within one hundred eighty (180) calendar days after the signing of the related equity interest transfer agreement, such agreement shall be null and void and the Company shall be liquidated in accordance with the provisions of this Contract, unless an extension is mutually agreed to by the relevant parties or a written request is made by the Non-Affected Party.
- 35.14 In cases of termination and/or exercising Call Option in compliance with this Article 35 the Parties shall take all necessary actions, in particular execute all necessary agreements and other documents necessary to facilitate the transfer of equity interest or the liquidation of the Company and shall cause its appointees on the Board of Directors to pass resolutions in favour of and facilitating any and all matters regarding the related transfer of equity interest or liquidation and corresponding adjustment of the Contract and the Articles of Association of the Company, as well as use its best efforts to cooperate, coordinate and assist the Company in all aspects with regard to the transfer of equity interest or liquidation and corresponding adjustment of the Contract and the Articles of Association of the Company, including but not limited to submitting all relevant signed documents to the Examination and Approval Authority according to law and registration with the competent authority without any delay. MicroPort's related obligations hereunder include to use its best efforts to obtain all approvals and the like authorizations which may be required to implement the concerned transaction without the performance of a statutory bidding or auctioning procedure and to arrive at a price for the concerned equity interest transfer equalling the one as determined in compliance with the relevant regulations under this Article 35. MicroPort shall ensure that in case of a statutory bidding or auctioning process none of its Affiliates will bid for MicroPort's equity interest in the Company that may be offered for transfer.

Article 36

Liquidation

- 36.1 Liquidation shall be commenced on the date determined by a respective resolution of the Board of Directors, when approval to such liquidation is received from the Examination and Approval Authority, or on the date when the Company is dissolved or the Company's operations are otherwise terminated by virtue of any court order, arbitral award or administrative order, or on the date of expiry of the Joint Venture Term, whichever comes earliest.
- 36.2 The Board of Directors shall within fifteen (15) calendar days from the beginning of the liquidation, appoint a Liquidation Panel that shall represent the Company in all legal matters during the period of liquidation. The Liquidation Panel shall evaluate and liquidate the Company's assets in accordance with applicable Chinese laws and regulations and the principles set out herein.
- 36.3 Unless otherwise required by mandatory law, the Liquidation Panel shall be made up of as many members as the Company has Directors, and half of the members shall be appointed by MicroPort and the other half shall be appointed by Sorin. Members of the Liquidation Panel may be selected from the Directors of the Company. Any Party may also appoint professional advisors to be members of or to assist the Liquidation Panel.
- 36.4
- 36.5 The Liquidation Panel shall conduct a thorough examination of the Company's assets and liabilities, on the basis of which it shall, In accordance with the relevant provisions of this Contract, develop a liquidation plan which, if approved by the Board of Directors, shall be executed under the Liquidation Panel's supervision. Settlement of any claim, creditor's rights or debt under liquidation shall be approved by all members of the Liquidation Panel.
- 36.6 In developing and executing the liquidation plan, the Liquidation Panel shall exert every effort to obtain the highest possible price for the Company's assets.
- 36.7 The liquidation expenses, including remuneration to members of and advisors to the Liquidation Panel, shall be paid out of the Company's assets in priority to the claims of other creditors.
- 36.8 After the Liquidation Panel has paid the liquidation fee, the remuneration to the staff and the labour insurance charges as well as the taxes in arrear and has settled all legitimate debts of the Company in accordance with laws, any remaining assets shall be distributed to the Parties in accordance with the capital contribution ratio of the Parties. With respect to fixed assets, the Liquidation Panel shall have such assets appraised by a CPA to be retained by the Liquidation Panel and transformed into proceeds by selling it to the Parties against a compensation equalling the appraised value. As regards any fixed assets required or useful for the production of CRM Products, Sorin shall, and as regards other fixed assets, MicroPort shall enjoy the first right of refusal under the same conditions. Fixed assets not purchased by a Party within thirty (30) Business Days following the Parties' receipt of the relevant appraisal report shall be offered for sale to Third Party.

Fixed assets not sold to Third Party after ninety (90) Business Days shall be distributed to the Parties in accordance with their capital contribution ratio in the Company. In the process of selling fixed assets to Third Party, the Parties shall have the pre-emptive right over the Third Party during the liquidation period to purchase such fixed assets on the same terms and at the same price as offered to any Third Party.

36.9 On completion of liquidation, the Liquidation Panel shall prepare a liquidation report and the liquidation accounting statements. The Liquidation Panel shall, by unanimous decision, appoint an accounting firm to examine the report and statement and issue a verification report.

36.10 Upon expiry or termination of this Contract:

- a. the provisions of this Contract in relation to representations and warranties, compensation of damages, indemnification, confidentiality, settlement of disputes, termination, buy-out and liquidation of the Company shall survive the expiry or termination of this Contract; and
- b. unless upon specific prior written agreement between the Parties, no Party shall have any right to use, either directly or through its Affiliates, any IPR or similar rights owned by any other Party or by the Company or to produce or distribute any products of any other Party or its Affiliates that such other Party or its Affiliates have licensed to the Company or any products produced by the Company primarily based on the technical data or information provided by such other Party or its Affiliates.
- c.

Article 37

Force Majeure

37.1 Notice

Should any Party be prevented from performing the terms and conditions of this Contract due to the occurrence of a Force Majeure event, the prevented Party shall send notice to the other Party within fourteen (14) calendar days from the occurrence of the Force Majeure event stating in the details of such Force Majeure event.

37.2 Performance

Any delay or failure in performance of this Contract caused by a Force Majeure event shall not constitute a default by the prevented Party or give rise to any claim for damages, losses or penalties. Under such circumstances, the Parties are still under an obligation to take reasonable measures to perform this Contract and to mitigate any possible damage to the Company or any Party, so far as is practical. The prevented Party shall send notice to the other Party as soon as possible of the elimination of the Force Majeure event.

Article 38

Settlement of Disputes

38.1 In the event any dispute arises between the Parties out of or in relation to this Contract, including any dispute regarding its breach, termination or validity, the Parties shall attempt in the first instance to resolve such dispute through friendly consultations.

38.2 If the dispute has not been resolved by friendly consultations within sixty (60) calendar days after one Party has served written notice to the other Party requesting the commencement of such consultations, then any concerned Party may demand that the dispute be finally settled by arbitration under the Rules of the Hong Kong International Arbitration Centre in force at the time of commencement of the arbitration in accordance with said Rules and with the following provisions:

- a. the place of arbitration shall be Hong Kong;
- b. The arbitral proceedings shall be kept confidential, unless the disclosure is required in accordance with relevant laws and regulations. The language of the arbitral proceedings shall be English and the Chinese translation shall be provided at the costs for the Party who requires such translation;
- c. in any arbitration proceedings, any legal proceedings to enforce any arbitration award and in any other legal proceedings between the Parties pursuant to or relating to this Contract, each Party expressly waives the defense of sovereign immunity and any other defense based on the fact or allegation that it is an agency or instrumentality of a sovereign state or is otherwise entitled to immunity;
- d.
- e. the tribunal shall consist of three (3) arbitrators;

- f. the presiding arbitrator shall neither be an Italian nor a Chinese national;
- g. the Parties hereby agree that any arbitration award rendered in accordance with this Article shall be final and binding upon the concerned Parties, and the Parties further agree that such award may be enforced by any court having jurisdiction over the Party against which the award has been rendered or over the assets of such Party wherever the same may be located; and
- h. after submittal of the dispute to arbitration, the Parties shall continue to exercise any other rights and perform any other obligations hereunder, unless such obligations are directly related to the matter under dispute.

Article 39

Breach of Contract

In the event of a breach of contract committed by a Party, the liabilities arising from such breach of contract towards the Company and the other Party shall be borne by the breaching Party. In the event that a breach of contract is committed by more than one Party, each Party shall bear its individual share of the liabilities towards the Company and any non-breaching Party arising from such breach of contract.

Article 40

Applicable Laws and Change of Law

40.1 Applicable Laws

The formation of this Contract, its validity, interpretation, execution and any performance, and the settlement of any disputes hereunder, shall be governed by published and publicly available laws, rules and regulations of the PRC. If there are no published or publicly available Chinese laws, rules or regulations or international treaties or conventions governing a particular matter, the then current general business practices in the PRC shall apply, to the extent they are in conformity with generally accepted international business practices and principles.

40.2 Change of Law

If any Party's economic benefits as a holder of interest in the Company is adversely and materially affected by the promulgation of any new Chinese laws, rules or regulations or the amendment or interpretation of any existing Chinese laws, rules or regulations after the Approval Date, the Parties shall promptly consult with each other and use their best endeavours to implement any adjustments necessary to maintain each Party's economic benefits derived from this Contract on a basis no less favorable than the economic benefits it would have derived if such laws, rules or regulations had not been promulgated or amended or so interpreted.

Article 41

Compliance

- 41.1 The Parties shall comply and procure that the Company complies with all import and export control and embargo laws applicable to the Company.
- 41.2 Each Party in particular undertakes to one another that each Party shall procure that neither it nor any of its Affiliates nor the Company, nor any director, trustee, officer, employee, beneficiary, supplier, dealer and agent or representative (nor any of their immediate family members or spouses or other related persons) of any of them, nor any person associated with or acting for, or on behalf of, any of them, shall with respect to (i) the Parties' holding of equities in the Company and/or (ii) the matters and activities relating to the Company directly or indirectly:
 - a. make any unlawful payment to foreign or domestic Government Officials or to foreign or domestic political parties or campaigns or violate any Anti-Corruption Laws;
 - b. use any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity;
 - c. make any illegal contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any person, private or public, regardless of what form, whether in money, property, or services to any person:
 - i. to obtain favourable treatment for the Company or contracts secured,
 - j. to pay for favourable treatment for the Company or contracts secured,
 - k. to obtain special concessions or for special concessions already obtained, or
 - l. in violation of any Applicable Laws;

- d. establish or maintain any fund or asset that has not been properly recorded in the books or records of the Company; or
- e. authorise or tolerate any of the above.

Each Party shall notify the other Party and the Company in writing promptly upon the discovery of any non-compliance with its obligations set forth in this Article 41.2.

41.3 Compliance Guidelines, Compliance Programme and Organisation

- a. The Parties undertake to one another that each Party shall procure the adoption of the compliance guidelines at the first meeting of the Company's Board of Directors.
- b. The Board of Directors shall be responsible for the implementation (including but not limited to, the appointment and replacement of relevant officers) and continued improvement of a compliance programme and organisation at the Company which aim to ensure the conformity of the Company's activities with all Applicable Laws and the compliance guidelines in accordance with milestones to be established by the Board of Directors. Each Party may provide guidelines to the Company in relation to the Company's compliance programme and organisation, such guidelines may be adopted or amended by the resolutions of the Board of Directors in consideration of the specific situations of the Company.
- c. The Board of Directors shall have the right to modify or supplement the compliance guidelines and the compliance programme and organisation when and in a way as it deems fit. The Parties undertake to one another that each Party shall procure the implementation of any modifications of the compliance guidelines and the compliance programme and organisation and of all other decisions resolved by the Board of Directors at the level of the Company.

41.4 Remediation Obligation

- a. If a Party becomes aware of an indication that the Company may be in breach of Applicable Laws and/or the compliance guidelines, such Party shall provide a notice setting forth such indication to the other Party and the Company. Upon receipt of such notice the Company shall procure that:
 - m. the respective indication is being investigated by an accounting and/or law firm of international reputation; and
 - n. any measure that may be required to remedy potential breaches of Applicable Laws and/or compliance guidelines shown by such indication (including by dismissing employees that have breached Applicable Laws and/or compliance guidelines) is being taken.
- b. The Company shall cause the engaged accounting and/or law firm to provide a written report setting forth the work plan and, subsequently, the results of the investigation to the Parties. Each Party shall have the right to observe the implementation of such investigations and all related measures. All costs or loss of profits associated with the investigation and remediation of any violation of Applicable Laws and/or compliance guidelines shall be borne by the Company. The Parties undertake to one another that each Party shall procure the Company's adherence to its obligations set forth in this subparagraph.

41.5 Investigations by a Governmental Authority

The Parties undertake to one another that each Party shall procure the Company's adherence to the following: If a Governmental Authority initiates an investigation against the Company and requests information (including, but not limited to, books and records) from the Company in connection with such investigation, the Company shall procure the provision of any requested information to such Governmental Authority, and, upon request, to a Party; provided, however, that such disclosure is required by law.

41.6 Audit Rights, Suppliers and Sales Intermediaries Due Diligence

The Parties undertake to one another that each Party shall procure the Company's adherence to the following:

- a. Upon written request of a Party, the Company shall permit such Party and such Party's representatives, including external advisors, during normal working hours to examine the Company's compliance with Applicable Laws and/or the compliance guidelines by reviewing and making copies of the Company's books and records that are relevant for the verification of said compliance and matters relating to the business of the Company, provided that the examination of such Party and its representatives does not affect the normal operation of the Company. The Company shall assist such Party and such Party's representatives, including its external advisors, in every way to carry out its right as per the preceding sentence, in particular by:

- o. promptly providing all Information and materials, and
 - p. permitting unhindered access and inspection of said books and records.
- b. At any time a Party shall have the right to request the Company to conduct compliance due diligences with respect to all or some of the Company's suppliers or Sales Intermediaries. Upon such request, the Company shall procure that such due diligences are being conducted immediately and shall procure that the outcome of such due diligences are promptly being provided to the Parties. If, based on the outcome of such due diligences or otherwise, a Party becomes aware of (an) indication(s) that one or more suppliers or Sales Intermediaries may not be in compliance with Applicable Laws or the compliance guidelines, that Party shall have the right to instruct the Company to replace the respective supplier or Sales Intermediary or to amend the agreement(s) underlying the relationship between the Company and the respective supplier or Sales Intermediary. The Company shall procure the prompt implementation of such instruction. The Parties undertake to one another that each Party shall procure the Company's adherence to its obligations set forth in this subparagraph.

Article 42

Composition of this Contract

This Contract and its Annexes (such Annexes are hereby expressly incorporated into this Contract by reference, as integral parts hereof) as well as the Capital Increase and Accession Agreement shall constitute the entire agreement among the Parties in connection with the subject matter hereof, and shall supersede any and all prior agreements, contracts, representations and understandings, whether oral or written. In the event of any conflict between any provisions of this Contract and that of any of the Annexes, this Contract shall prevail.

Article 43

Miscellaneous Provisions

43.1 Language

- a. This Contract is made and executed in both Chinese and English, both of which shall have the same effect.
- b. If the Parties, the Company or any of its organs produce legal documents in Chinese and in English pursuant to this Contract, both versions shall be equally valid and authentic

43.2 Waiver and Preservation of Rights

No failure or delay on the part of any Party in exercising any right, power or privilege under this Contract shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or other exercise thereof hereunder. The rights and remedies herein provided are cumulative, and are not exclusive of any rights or remedies that any Party may otherwise have.

43.3 Costs

Unless otherwise provided in this Contract, each Party shall bear its own costs, expenses and Taxes Incurred or to be Incurred by that Party in connection with this Contract and the transactions and measures taken hereunder, including fees of professional advisors.

43.4 Notices

All notices or other communications under this Contract shall be in writing in the Chinese and English language and shall be delivered or sent to the correspondence addresses or facsimile numbers of the Parties set forth below or to such other addresses or facsimile numbers as may be hereafter designated In writing on seven (7) Business Days' notice by the relevant Party. All such notices and communications shall be effective: (i) when delivered personally; (ii) when sent by facsimile or other electronic means with sending machine confirmation; (III) ten (10) Business Days after having been sent by registered mail, return receipt requested, postage prepaid; or (iv) four (4) Business Days after deposit with a commercial overnight courier, with evidence of delivery provided by the courier.

To Micro Port:
Address: 501 Newton Rd., Zhangjiang Hi-Tech Park, Shanghai 201203
Att: Daozhi Liu
Fax: 86-21-50801305

To Sorin:
Address: 4, avenue Reaumur 92143 Clamart cedex FRANCE
Att: Alexander H.J. Neumann

Fax:33-1-46013460

With a copy to:

Sorin Group Corporate Legal Affairs

Att.: Alexander H.J. Neumann

Vice President, Corporate Legal Affairs

Cardiac Surgery Business Unit & Intercontinental

Lindberghstrasse 25

80939 München, Deutschland

Tel.: +49 89 323 01 400, Fax: +49 89 323 01 401

e-mail: alexander.neumann@sorin.com

and

TaylorWessing Law Firm, Beijing office

Att.: Johnny Zhao

Senior Counsel

Unit 2307&08, West Tower, Twin Towers B-12 Jianguomenwai Avenue, Chaoyang

District

Beijing 100022

Tel +86 (0)10 6567 5886, Fax +86 (0)10 6566 5857

Email: j.zhao@taylorwessing.com

43.5 Severability

If any provision of this Contract should be or become fully or partially invalid, illegal or unenforceable in any respect for any reason whatsoever, the validity, legality and enforceability of the remaining provisions of this Contract shall not in any way be affected or impaired thereby.

43.6 Modification and Amendment

No amendment or modification of this Contract, whether by way of addition, deletion or other change of any of its terms, shall be valid or effective unless a variation is agreed to in writing, signed by authorized representatives of each of the Parties and to the extent required by law, approved by the Examination and Approval Authority.

43.7 Successors

This Contract shall inure to the benefit of and be binding upon each of the Parties and their respective permitted successors and permissible assignees.

43.8 Headings

Descriptive headings in this Contract are for convenience only and shall not control or affect the meaning or construction of any of the provisions of this Contract or any Annexes hereto.

43.9 Originals

This Contract is executed in eight (8) original counterparts with equal legal effect, with two (2) for each Party, one (1) for each of the Examination and Approval Authority and the Administration for Industry and Commerce, and two (2) for the Company for the purpose of filing.

[Rest of the page intentionally left blank - execution page to follow as next page]

IN WITNESS WHEREOF, each of the Parties hereto has caused this Contract to be executed. by its duly authorized representative on the date first set forth above.

For and on behalf of Shanghai MicroPort For and on behalf of Sorin CRM Holding Medical (Group) Co., Ltd. (Company Chop) SAS

By:_____

Joyce Zhang (Chin. []

Title: President

Nationality: Chinese

By:_____

Alexander H.J. Neumann

Title: Directeur general

Nationality: German

January 9th, 2014

Shanghai MicroPort Medical (Group) Co., Ltd.

Sorin CRM Holding SAS

MicroPort WeiBo Medical Devices (Shanghai) Co. Ltd.

**CAPITAL INCREASE AND ACCESSION AGREEMENT IN RELATION TO
MICROPORT WEIBO MEDICAL DEVICES (SHANGHAI) CO. LTD.**

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CAPITAL INCREASE AND ACCESSION AGREEMENT

This capital increase and accession agreement (“**Agreement**”) is made by and between

1. **Shanghai MicroPort Medical (Group) Co., Ltd** with its legal address at 501 Newton Rd., Zhangjiang Hi-Tech Park, Shanghai 201203, the PRC, and registered with Shanghai Administration for Industry and Commerce under No. 310115400053238, legal representative Zhaohua Chang
(“MicroPort”)
2. **Sorin CRM Holding SAS** with its legal address at 4 avenue Reaumur, 92143 Clamart cedex, France, and registered with the Greffe du Tribunal de Commerce de Nanterre, France, under No. 751 624 198 R.C.S. NANTERRE, legal representative Alexander H.J. Neumann
(“Sorin”)
3. **MICROPORT WEIBO MEDICAL DEVICES (SHANGHAI) CO., LTD.** with its legal address at Room 101, Unit 2, 501 Newton Rd., Zhangjiang Hi-Tech Park, Shanghai 201203, and registered with the Pudong New Area Sub-bureau of Shanghai Administration for Industry and Commerce under No. 310115002124521, legal representative Qiyi Luo
(“Company”)

(MicroPort, Sorin and the Company each also a “**Party**” and collectively the “**Parties**”) on January 9th , 2014 (“**Signing Date**”) in Shanghai.

PREAMBLE

Whereas on 30 May 2013 as evidenced by the related business license of the same date MicroPort established MicroPort Weibo Medical Devices (Shanghai) Co., Ltd. (hereinafter "**Company**") with a total registered capital of RMB Four Hundred Fifty Thousand (RMB 450,000);

Whereas according to the Articles of Association of the Company, MicroPort holds the entire 100% equity interest in the Company's registered capital with a nominal value of RMB Four Hundred Fifty Thousand (RMB 450,000);

Whereas as evidenced by the related capital verification report dated 15 May 2013 MicroPort has paid one hundred percent (100%) of its subscribed capital contribution into the registered capital of the Company;

Whereas Sorin Group is the world leader in cardiac surgery and a global player in the cardiac rhythm management ("**CRM**") market;

Whereas both MicroPort and Sorin aspire to work together in a stable long-term relationship, beneficial for both Parties, with the aim of assuming a significant role in the Chinese CRM market;

Whereas MicroPort in view of Sorin's experience, technology and brand image is interested to have Sorin participate in the Company;

Whereas Sorin is prepared and willing to become a shareholder of the Company by subscribing and investing additional registered capital of the Company and to assume the rights and obligations associated with such status;

Whereas MicroPort is prepared and willing to also subscribe and invest new registered capital of the Company in addition to its current subscribed capital;

Whereas the Parties in preparation of the Capital Increase under this Agreement and Sorin's participation as a shareholder in the Company have elaborated a feasibility study in relation to their joint investment project which is attached hereto as Annex 3;

Accordingly the Parties hereby enter into this Agreement with the following terms and conditions:

Article 1 Definition

1.1 Definitions

Unless the terms or context of this Agreement otherwise provide, the following terms shall have the meanings as set out below:

- a. AIC means the competent Administration for Industry and Commerce, which according to law is competent to handle modification registration for the Company in respect of the transactions contemplated hereby.
- a. Approval Authority shall mean the Shanghai Commission of Commerce or any other authority which is the examination and approval authority competent to approve this Agreement.
- b. Articles of Association shall mean the Articles of Association of the Company executed by MicroPort on 7 May 2013.
- c. Business Day means Monday through Friday, except for public state holidays of the PRC.
- d. Capital Increase shall have the meaning as set out in Article 3.1 of this Agreement.
- e. Company shall mean MicroPort Weibe Medical Devices (Shanghai) Co., Ltd.
- f. CRM shall mean cardiac rhythm management.
- g. Effective Date shall mean the date on which this Agreement becomes valid and effective as per 0.1 of this Agreement.
- h. Increased Registered Capital has the meaning as set out in 0.1 of this Agreement.
- i. Joint Venture Contract shall mean the Joint Venture Contract entered into by and between MicroPort and Sorin on January 9th, 2014 and attached hereto as Annex 1.
- j. Knowledge means, with respect to any Person that is not an individual, the knowledge after due inquiry of such Person's directors and executive officers and all other officers and managers having responsibility relating to the applicable matter or, in the case of an individual, knowledge after due inquiry.
- k. Liability means any debt, loss, damage, adverse claim, fines, penalties, liability or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, determined or determinable, liquidated or unliquidated, or due or to become due, and whether in contract, tort, strict liability or otherwise), and including all costs and expenses relating thereto including all fees, disbursements and expenses of legal counsel, experts, engineers and consultants and costs of investigation).

l.

- m. Material Adverse Effect means a material adverse effect on (i) the near-term or long-term projected business, assets, properties, results of operations, condition (financial or otherwise) or prospects of the Company or (ii) the value of the Company.
- n. MicroPort shall mean Shanghai MicroPort Medical (Group) Co., Ltd.
- o. New Capital has the meaning as set out in 0.1 of this Agreement.
- p. Ordinary Course of Business means the ordinary and usual course of day-to-day operations of the business of the Company through the Signing Date consistent with past practice and in compliance with applicable laws.
- q. Person means any individual, corporation, limited liability company, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, university, or other entity or enterprise.
- r. PRC means the People's Republic of China which, for the purpose of this Agreement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.
- s. Revised Articles of Association shall mean the revised version of the Company's Articles of Association which is attached hereto as Annex 2.
- t. Revised Business License shall mean the revised business license of the Company to be issued by the competent AIC following the effectiveness of this Agreement.
- u. RMB means Renminbi, the lawful currency of the PRC.
- v. Sorin shall mean Sorin CRM Holding SAS.
- w. Transition Period has the meaning as set out in 0.3 of this Agreement.

1.2 Interpretation

Articles and headings are inserted for the purpose of convenience and reference only and shall not affect the interpretation or construction of this Agreement. Words denoting the singular shall, where applicable, include plural and vice versa. Reference to the masculine gender shall, where applicable, include the feminine gender and vice versa.

Article 2 Accession of Sorin

MicroPort and the Company agree to increase the registered capital of the Company and to allow Sorin to invest in, and Sorin agrees to such Capital Increase and to subscribing part of the increased registered capital of the Company subject to the terms and conditions of this Agreement, the Joint Venture Contract between MicroPort and Sorin attached hereto as Annex 1 as well as the Revised Articles of Association of the Company attached hereto as Annex 2.

Article 3 Increase of Registered Capital and Total Investment

- 3.1 On the Effective Date and subject to the terms and conditions set forth hereinafter, the Parties hereby agree to increase the registered capital of the Company from RMB Four Hundred Fifty Thousand (RMB 450,000) to RMB One Hundred Twenty Two Million (RMB 122,000,000) (**"Increased Registered Capital"**) and the difference between the current registered capital and the Increased Registered Capital (**"New Capital"**) shall be contributed through the investment respectively made by MicroPort and Sorin in accordance with 0 herein (**"Capital Increase"**).
- 3.2 The Parties further agree that the total investment of the Company shall be Three Hundred Sixty Six Million (RMB 366,000,000) after the completion of the Capital Increase.

Article 4 Subscription of New Capital

- 4.1 On the Effective Date and subject to the terms and conditions hereinafter, MicroPort shall subscribe RMB Sixty One Million Seven Hundred Seventy Thousand (RMB 61,770,000) of the New Capital which together with MicroPort's existing equity interest in the Company's registered capital accounts for fifty-one per cent (51%) of the Increased Registered Capital of the Company. The contribution of MicroPort to the New Capital of the Company shall be made as follows:

Cash: RMB Sixty One Million Seven Hundred Seventy Thousand (RMB 61,770,000)

- 4.2 On the Effective Date and subject to the terms and conditions hereinafter, Sorin shall subscribe RMB Fifty Nine Million Seven Hundred Eighty Thousand (RMB 59,780,000) of the New Capital which accounts for forty-nine per cent (49%) of the Increased Registered Capital of the Company. The contribution of Sorin to the Increased Registered Capital of the Company shall be made as follows :

Cash: RMB Fifty Nine Million Seven Hundred Eighty Thousand (RMB 59,780,000)

- 4.3 On the Effective Date, MicroPort and Sorin shall respectively have the following equity interests in the Increased Registered Capital of the Company:
- x. MicroPort's subscribed contribution to the Increased Registered Capital of the Company is RMB Sixty Two Million Two Hundred Twenty Thousand (RMB 62,220,000) and equals a fifty-one per cent (51%) equity interest of the Increased Registered Capital of the Company;
 - y. Sorin's subscribed contribution to the Increased Registered Capital of the Company is RMB Fifty Nine Million Seven Hundred Eighty Thousand (RMB 59,780,000) and equals a forty-nine per cent (49%) share of the Increased Registered Capital of the Company.
- 4.4 MicroPort and Sorin agree to make their respectively subscribed contributions to the Company's Increased Registered Capital as stipulated in the Joint Venture Contract, and the Revised Articles of Association as far as such contributions have not already been paid by a Party prior to the Effective Date.
- 4.5 MicroPort and Sorin further agree that upon the Effective Date they shall continue the Company, enjoy any and all rights and assume any and all obligations associated with their respective share in the Company's Increased Registered Capital as are set out in the Joint Venture Contract, its Annexes and the Revised Articles of Association.

Article 5 Covenants

- 5.1 Each Party shall from time to time during the term of this Agreement execute and deliver all such further documents and agreements and take all such further actions as the other Party may reasonably require and which are consistent with this Agreement in order to effectively consummate this Agreement.
- 5.2 Prior to the date of issuance of the Revised Business License, MicroPort shall keep, and shall cause the Company to, and the Company shall keep Sorin informed as to all material matters involving the operations and businesses of the Company. MicroPort shall, upon receiving a prior written request from Sorin, submit or cause the Company to and the Company shall submit to Sorin basic financial information of the Company including but without limitation to balance sheet, cash flow, and income statement on a monthly basis. No information provided to or obtained by Sorin pursuant to this Article 5.2 shall limit or otherwise affect the remedies available hereunder to Sorin (including Sorin's right to seek indemnification pursuant to Article 5.9), or the representations or warranties of the Parties hereto.

- 5.3 From the Signing Date until the date of issuance of the Revised Business License of the Company (**“Transition Period”**) MicroPort shall cause the Company to and the Company shall conduct the business of the Company in the Ordinary Course of Business. Any major business or other transactions outside the Ordinary Course of Business involving payment by the Company of an amount exceeding RMB 100,000 (in words: RMB One Hundred Thousand) or its equivalent in foreign exchange, as well as the disposal of any major assets (i.e. assets with an individual or combined value exceeding RMB 100,000 (in words: RMB One Hundred Thousand) or its equivalent in foreign exchange) shall be subject to prior written consent from Sorin.

5.4

5.5 During the Transition Period MicroPort shall exercise its voting or other rights pertaining to or deriving from its shares in the Company's registered capital solely in a way that does not have any adverse effect on the enterprise value of the Company to the disadvantage of Sorin and/or the Company. This includes in particular also the prohibition to declare any dividends, other profits or benefits and the distribution of such dividends, other profits or benefits.

5.6 During the Transition Period, MicroPort and the Company shall refrain from any action that might have an adverse effect on or might jeopardize due performance of this Agreement. In particular, prior to taking any action and/or activity in relation to the Company, and/or exercising any right MicroPort enjoys under the Articles of Association MicroPort and the Company (as applicable) shall consult and coordinate with Sorin and shall exercise the respective right only upon prior written consent from Sorin.

5.7 MicroPort and the Company shall cause the members of the Company's board of directors and the Company's supervisor(s) as well as the Company's senior managers to take all measures required or recommendable to timely perform this Agreement.

5.8 To the extent permitted by law, the Company shall and MicroPort shall procure the Company to commence the process of application for all approvals, permits, and/or fulfil the formalities with the competent authorities required for the due performance of this Agreement within sixty (60) calendar days from the Signing Date, including but not limited to all approvals, permits, and formalities required to be performed and preconditions to be satisfied by the Company for duly performing this Agreement, provided that both MicroPort and Sorin shall have prepared all the application documents required by the relevant governmental authorities to be issued or provided by them respectively. In order to obtain the approvals, permits, registrations and/or fulfil the formalities from the competent authorities required for the due performance of this Agreement in due time, MicroPort and Sorin shall respectively make their best efforts to issue and provide required documents. As far as any action by any Party is required in this regard, such Party shall carry out such action without undue delay.

5.9 MicroPort and the Company shall take all measures necessary or recommendable in favour of Sorin to ensure and safeguard in compliance with obligations of MicroPort and the Company under this Agreement that during the Transition Period the operation of the Company must not be disturbed, hindered, blocked or otherwise be affected to the disadvantage of the Company, or Sorin.

5.10 In the event of any breach or non-fulfilment by MicroPort or the Company of any obligation under this 0, MicroPort and the Company shall be jointly and severally liable for putting Sorin, or at the election of Sorin, the Company, into the same position it would be in if the defaulted or non-fulfilled obligation had been duly performed by MicroPort and/or the

Company, or at the election of Sorin, to pay all direct damages, losses and/or expenses for non-performance.

Article 6 Representations and Warranties

- 6.1 Each Party represents and warrants the following to the other Parties as of the Signing Date, as of the Effective Date of this Agreement and as of the date of issuance of the Revised Business License of the Company:
- z. it is properly and validly founded and is validly existing under the laws of the jurisdiction where it is registered;
 - aa. it has taken all action necessary under its jurisdiction of incorporation to authorize it to enter into this Agreement and its Annexes, and its representative whose signature is affixed hereto is fully authorized to sign this Agreement and its Annexes and to bind it;
 - bb. upon the Effective Date this Agreement and its Annexes shall constitute its legal, valid and binding obligation as is set out therein; and
 - cc. neither the execution of this Agreement, nor the performance of its obligations hereunder, will constitute a breach to any agreement, incorporation documents, law or regulations of its jurisdiction of incorporation .
- 6.2 Without prejudice to the representations and warranties set out in 0.1 of this Agreement , MicroPort and the Company additionally represent and warrant jointly and severally to Sorin, in the Knowledge that Sorin is entering into this Agreement in reliance on the accuracy of the representations and warranties as set out in 0.1 and Annex 5, that the representations and warranties set out in 0.1 and Annex 5 of MicroPort and the Company are in every aspect true and accurate, as of the Signing Date, as of the Effective Date and as of the date of issuance of the Revised Business License of the Company, irrespective of whether or not any deficiencies have already been known to Sorin with regard to the respective subject matter covered by any of the representations and warranties set out in 0.1 and Annex 5.
- 6.3 Each representation and warranty set out in 0.1 and Annex 5 shall be construed as an independent representation and warranty and shall not be limited by reference to or inference from any other terms of this Agreement or any other representations or warranties.
- 6.4 Each Party shall notify the other Parties immediately if the notifying Party becomes aware of a fact or circumstance which constitutes a breach of representations and warranties as set out in 0.1 and Annex 5, or has caused, or will or might cause, a representation or warranty under 0.1 and Annex 5 to become untrue, inaccurate, incomplete or misleading.
- 6.5 If any of the representations and warranties of MicroPort and the Company set out in 0.1 and Annex 5 should turn out to be false or incorrect, MicroPort and the Company shall be jointly and severally liable for immediately indemnifying and holding Sorin harmless from

any damages, losses, expenses and all other disadvantages of any kind and nature which would not exist if such representation, warranty or guarantee were true or correct.

- 6.6 If any of the representations and warranties of Sorin set out in 0.1 should turn out to be false or incorrect, Sorin shall be liable for immediately indemnifying and holding MicroPort and the Company harmless from any damages, losses, expenses and all other disadvantages of any kind and nature which would not exist if such representation, warranty or guarantee were true or correct.

Article 7 Confidentiality

- 7.1 The Parties agree to keep the terms and conditions of this Agreement strictly confidential. The Agreement, its Annexes or the terms and conditions thereof will only be disclosed if and to the extent indispensably required to obtain all necessary consents, approvals and registrations which are a prerequisite for the effectiveness and performance of this Agreement. Public announcements and any information to third parties regarding Sorin's participation in the Company shall only be made upon mutual consent of the Parties.
- 7.2 0.1 shall not prevent disclosure by a Party to the extent it can demonstrate that:
- dd. Disclosure is required by law or by any stock exchange or any regulatory, governmental or antitrust body (including any tax authority) having applicable jurisdiction (provided that the disclosing Party shall first inform the other Party of its intention to disclose such information and take into account the reasonable comments of the other Party);
 - ee. Disclosure is of information which was lawfully in the possession of that Party or any of its representatives (in either case as evidenced by written records) without any obligation of secrecy prior to its being received or held;
 - ff. Disclosure is of information which has previously become publicly available other than through that Party's fault (or that of its representatives);
 - gg. Disclosure is required for the purpose of any arbitral or judicial proceedings arising out of this Agreement.

Article 8 Effectiveness

- 8.1 This Agreement shall become effective upon fulfilment of the last of the following conditions precedent ("**Effective Date**"):
- hh. Signature of this Agreement and its Annexes by duly authorized representatives of the Parties;
 - ii. Approval of this Agreement and its Annex 1 and 2 by the Company's board of directors and shareholder;

- jj. Approval of this Agreement and its Annex 1 and 2 by the Approval Authority without changing their terms and conditions, unless the Parties have agreed thereto in writing.

- 8.2 MicroPort and the Company shall make their best efforts to ensure that the Company obtains all necessary approvals of this Agreement and its Annex 1 and 2 from the Approval Authority and immediately after its receipt forward copies thereof to Sorin.
- 8.3 Notwithstanding 0.1 and 0.2 above, Articles 5, 6, 7, 9, 10, 11 and 12 shall become effective and binding upon the Parties upon signing this Agreement by all Parties.

Article 9 Termination

The Parties agree that this Agreement may be terminated only if any of the following conditions arise:

- 9.1 This Agreement may be terminated at any time by the written agreement of all Parties.
- 9.2 Further, this Agreement may unilaterally be terminated before the date of issuance of the Revised Business License of the Company by written notice to the other Party(ies) of an intention to terminate this Agreement pursuant to the procedure set forth below in 0.4:
- kk. by the non-defaulting Party, if any other Party or Parties materially breach this Agreement, in particular but without limitation to, breach any obligations, covenants, representations and/or warranties in Articles 4, 5, 6 and 7 and Annex 5, and no adequate remedy as required by the non-defaulting Party is provided by the other Party or Parties within one (1) month after written notice of the non-defaulting Party or other period as agreed by the concerned Parties;
 - ll. By Sorin, in case of any change in the proprietary or management situation or financial position of the Company unless this belongs to the Ordinary Course of Business of the Company;
 - mm. By any Party, if the Company or the other Party becomes bankrupt, or is the subject of proceedings for liquidation or dissolution, or ceases or is unable to carry on normal and usual business or becomes unable to pay its debts as they become due;
 - nn. By any Party, if any governmental authority having authority over this Agreement or either Party requires any provision of this Agreement, the Joint Venture Contract and the Revised Articles of Association to be revised in such a way as to cause significant adverse consequences to the Company, or to such Party's original
 - oo. By Sorin, if any governmental authority expropriates or requisites all or portion of the assets or properties of the Company, and such expropriation or requisition is considered by Sorin as adversely influencing the normal operation of the Company;
 - pp. By Sorin, if any event or circumstance occurs which may cause Material Adverse Effect.

- 9.3 Either Party may further terminate this Agreement in case statutory laws or regulations permit such termination or in case the Joint Venture Contract terminates not due to a reason attributable to such terminating Party.
- 9.4 In the event that any Party gives notice to the other Parties pursuant to 0.2 ii) to vi) or 0.3 above of a desire to terminate this Agreement, the Parties shall immediately conduct negotiations and endeavour to resolve the situation. In the event matters are not resolved to the satisfaction of the notifying Party within one (1) month of issuance of such notice or a notified Party refuses to commence negotiations or performance within this period, the notifying Party shall be entitled to terminate this Agreement by issuing a written termination notice to the other Parties.
- 9.5 If any of the following conditions is not fulfilled within six (6) months from the Signing Date, unless it is otherwise agreed by the Parties, either Sorin or MicroPort may, irrespective of any of its other rights, terminate this Agreement by written notice to the other Parties at any time after expiry of the period.
- qq. Written approval of this Agreement by the Approval Authority without varying the terms or conditions of this Agreement or imposing any additional terms or conditions, unless explicitly consented to by Sorin and MicroPort in writing;
 - rr. Written approval of the Joint Venture Contract attached as Annex 1 and/or Revised Articles of Association of the Company attached as Annex 2 by the Approval Authority without varying the terms or conditions thereof or imposing any additional terms or conditions, unless explicitly consented to by Sorin and MicroPort in writing;
 - ss. Issuance of the approval reply and the approval certificate of the Company by the Approval Authority confirming its approval of the transaction under this Agreement (provided that the original of the approval reply and approval certificate have been shown to the Parties and the Parties have been permitted to make a copy);
 - tt. Registration of the Revised Articles of Association of the Company attached as Annex 2 by the AIC without varying the terms or conditions thereof or or imposing an additional terms or conditions, unless explicitly consented to by Sorin and MicroPort in writing; additional terms or conditions, unless explicitly consented to by Sorin and MicroPort in writing;
 - uu. Issuance of the Revised Business License of the Company by the AIC (provided that the original of the Revised Business License and its duplicate ("fu ben") have been shown to the Parties and the Parties have been permitted to make a copy).
- 9.6 For the purpose of this 0, the "date of termination" shall be:

- vv. The date of the termination of this Agreement by common consent of the Parties, if the termination is effected pursuant to 0.1 above; and
- ww. The thirtieth (30th) day after the date when notice of unilateral termination of this Agreement by any Party is issued if the termination is effected pursuant to 0.4 or 0.5 above.

- 9.7 Without prejudice to any other claims or remedies that may be available to a Party, if this Agreement is terminated before the date of issuance of the Revised Business License, unless this Agreement and the Joint Venture Contract provide otherwise, the Parties shall be under no obligation to make any contribution to the Increased Registered Capital. The Parties shall take all necessary measures to cease the procedures of application to the Approval Authority and/or AIC for approval and/or registration of this Agreement and its Annexes immediately if such approval and/or the Revised Business License have not yet been issued. If the approval and/or the Revised Business License have been issued, the Parties shall take all necessary measures to cause the Approval Authority and/or AIC to revoke/cancel the approval/registration and rewind the transaction contemplated hereunder.
- 9.8 The obligations and benefits stipulated in the confidentiality provisions of 0 and in the provisions on settlement of disputes of 0 shall survive the termination or expiry of this Agreement.

Article 10 Liabilities for Breach

- 10.1 If any Party breaches its undertakings and warranties hereof, or fails to perform its obligations pursuant to this Agreement , or the declarations or representations made by it are false, incomplete or misleading, such Party shall be deemed to be in breach of this Agreement. The defaulting Party shall indemnify the non-defaulting Party, or the Company, as the case may be, for all actual losses suffered by the non-defaulting Party due to such default.
- 10.2 Notwithstanding Article 10.1, the termination rights under Article 9 shall be in addition to and not in substitution of any claims or remedies that may be available to the non defaulting Party and any termination shall neither relieve the defaulting Party or Parties from Liabilities accrued to the date of termination nor relieve the defaulting Party or Parties from Liabilities against the non-defaulting Party due to its default.

Article 11 Settlement of Disputes

- 11.1 In the event any dispute arises between the Parties out of or in relation to this Agreement, including any dispute regarding its breach, termination or validity, the Parties shall attempt in the first instance to resolve such dispute through friendly consultations.
- 11.2 If the dispute has not been resolved by friendly consultations within sixty (60) calendar days after one Party has served written notice to the other Parties requesting the commencement of such consultations, then any concerned Party may demand that the dispute be finally settled by arbitration under the Rules of the Hong Kong International Arbitration Centre in

force at the time of commencement of the arbitration by three arbitrators appointed in accordance with said Rules and with the following provisions:

- yy. The place of arbitration shall be Hong Kong;
- zz. The arbitral proceedings shall be kept confidential, unless the disclosure is required in accordance with relevant laws and regulations. The language of the arbitral proceedings shall be English and the Chinese translation shall be provided at the costs for the Party who requires such translation;
- [[. in any arbitration proceedings, any legal proceedings to enforce any arbitration award and in any other legal proceedings between the Parties pursuant to or relating to this Agreement, each Party expressly waives the defence of sovereign immunity and any other defence based on the fact or allegation that it is an agency or instrumentality of a sovereign state or is otherwise entitled to immunity;
- aaa. The tribunal shall consist of three (3) arbitrators;
- bbb. The presiding arbitrator shall neither be an Italian nor a Chinese national;
- ccc. The Parties hereby agree that any arbitration award rendered in accordance with this Article shall be final and binding upon the concerned Parties, and the Parties further agree that such award may be enforced by any court having jurisdiction over the Party against which the award has been rendered or over the assets of such Party wherever the same may be located; and
- ddd. After submittal of the dispute to arbitration, the Parties shall continue to exercise any other rights and perform any other obligations hereunder, unless such obligations are directly related to the matter under dispute.

Article 12Notice

All notices or other communications under this Agreement shall be in writing in the Chinese and English language and shall be delivered or sent to the correspondence addresses or facsimile numbers of the Parties set forth below or to such other addresses or facsimile numbers as may be hereafter designated in writing on seven (7) Business Days' notice by the relevant Party. All such notices and communications shall be effective: (i) when delivered personally; (ii) when sent by facsimile or other electronic means with sending machine confirmation; (iii) ten (10) Business Days after having been sent by registered mail, return receipt requested, postage prepaid; or (iv) four (4) Business Days after deposit with a commercial overnight courier, with evidence of delivery provided by the courier.

To MicroPort:

Address: 501 Newton Rd., Zhangjiang Hi-Tech Park, Shanghai 201203

Att: Daozhi LIU

Fax: 86-21-50801305

To Sorin:

Address: 4, avenue Reaumur 92143 Clamart cedex FRANCE

Att: Alexander H.J. Neumann

Fax: 33-1-46013460

With a copy to:

Sorin Group Corporate Legal Affairs
Att: Alexander H.J. Neumann
Vice President, Corporate Legal Affairs
Cardiac Surgery Business Unit & Intercontinental
Lindberghstrasse 25
80939 Munchen, Deutschland
Tel.: +49 89 323 01 400, Fax: +49 89 323 01 401
e-mail: alexander.neumann@sorin.com

and

TaylorWessing Law Firm, Beijing office
Att.: Johnny Zhao
Senior Counsel
Unit 2307&08, West Tower, Twin Towers B-12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
Tel +86 (0)10 6567 5886, Fax +86 (0)10 6566 5857
Email:j.zhao@taylorwessing.com

To the Company:

Address : 501 Newton Rd.,Zhangjiang Hi-Tech Park, Shanghai 201203
Att: Daozhi LIU
Fax: 86-21-50801305

Article 13 Miscellaneous

- 13.1 To the extent permitted by Chinese law, failure or delay on the part of any Party hereto to exercise a right, power or privilege under this Agreement and the Annexes hereto shall not operate as a waiver thereof , nor shall any single or partial exercise of a right, power or privilege preclude any other future exercise thereof, unless explicitly otherwise regulated herein.

- 13.2 This Agreement and the rights and obligations of the Parties hereunder shall be construed and interpreted in accordance with the laws of the PRC. If there are no relevant Chinese laws, then the principles of the international commercial practice shall be applied.
- 13.3 All costs, expenses and public charges for obtaining the approval of this Agreement and its Annexes and duly registration thereof shall be borne by the Company. The costs of the Evaluation Report (Annex 4) shall be equally shared by MicroPort and Sorin.

13.4

13.5 No party shall be entitled to assign, pledge or transfer any of its rights under or deriving from this Agreement and/or its Annexes unless agreed by the other Parties in writing in advance.

13.6 Annex 1 up to and including Annex 5 shall form integral parts of this Agreement.

13.7 This Agreement and its Annexes shall be written in English and in Chinese being acknowledged by the Parties that both versions are consistent in all respects and are equally authentic. It is signed in eight (8) originals in each version and each of the Parties shall keep one (1) original of each version while the other originals shall be submitted to the relevant authorities as contemplated herein.

[Rest of the page intentionally left blank – execution page to follow as next page]

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed by its duly authorized representatives on the date set forth below:

**For and on behalf of
Shanghai MicroPort Medical Group) Co., Ltd. (Company
Chop)**

By:_____
Joyce Zhang

Title: President

**Nationality: Chinese
For and on behalf of
Sorin CRM Holding SAS**

By:_____
Alexander H.J. Neumann

Title: Director general

Nationality: German

**For and on behalf of
Microport WeiBo Medical
Devices (Shanghai) Co. Ltd. (Company Chop)**

By:_____
Qiyi LUO

Title: Executive Director

Nationality: Canadian

Capital Increase and Accession Agreement

Annex 4

Evaluation Report

Annex 4 Evaluation Report

Appraisal Report on All Shareholder Equity for the Potential Equity Transfer of Microport Weibo Medical Devices (Shanghai) Co., Ltd

HuDaHuaXiPingBao (2013) No.105

I. Introduction

Microport Weibo Medical Devices (Shanghai) Co., Ltd.:

Shanghai Dahua Certified Public Valuers Co., Ltd. was entrusted by Microport Weibo Medical Devices (Shanghai) Co., Ltd. (hereinafter referred to as Company) to appraise the complete equity value held by the Company's shareholders with respect to the potential equity transfer. The appraisal process conforms to asset appraisal standards and the national guidelines on asset appraisal, in accordance with the principles of objectivity, independence, fairness and scientific inquiry, and using the widely recognised asset appraisal methods. The appraisers of Dahua, following the necessary appraisal procedures, learned about the history of the Company, collected the relevant financial information and proof of property rights analysed the Company's current operating conditions, profitability and asset utilization status, and made a fair presentation on all the equity value held as of November 30, 2013 by the Company's shareholders. The details of asset appraisal circumstances and appraisal results are as below:

II. Overview of the Entrusting Party and the Appraised Company

The Entrusting Party is the Appraised Company.

1. Entrusting Party Intro

(1) Registered Company name: Microport Weibo Medical Devices (Shanghai) Co., Ltd.

Registered domicile: Room 101, Bloc 2, 501, Newton Road, Zhangjiang Hi-Tech Park, Shanghai

Registered capital: 450,000 RMB Paid-in capital: 450,000 RMB

Legal representative: QIYI LUO

Company type: One-person limited company (wholly foreign owned enterprise with legal entity sole investment)

(2) Business scope: Research and development of medical devices and providing medical devices-related technology consulting, technology transfer and technical services. (Where the company operations involve administrative permission, operate in line with permits).

(3) The Company was established on May 30, 2013 with the registered capital of 450,000 RMB, paid-in capital of 450,000 RMB, of which 450,000 RMB was paid by Shanghai MicroPort Scientific Corporation (with equity ratio of 100%). The legal representative is QIYI LUO. On May 30, 2013 the Corporate Legal Entity Business License was obtained with registration number 310115002124521. The Company's registered domicile is Room 101, Bloc 2, 501, Newton Road, Zhangjiang Hi-Tech Park, Shanghai.

The term of Company's operation lasts from May 30, 2013 to May 29, 2063. As of Nov 30, 2013, the base date of asset appraisal, the Company's equity structure is as followed:

Investor's name	Capital invested (10KRMB)	Investment ratio (%)
Shanghai MicroPort Scientific Corporation	45.00	100.00
Total	200.00	100.00

2. Financial situation of the Company

The Company follows the "Accounting System of Small-sized Enterprises" along with relevant supplemental provisions with the VAT rate of 17%.

3. The current operating status of the Company

The Company is a one-person limited company (wholly foreign owned enterprise with legal entity sole investment) primarily engaged in the research and development of medical devices, providing related technology consulting, technology transfer and technology services. The company was set up in May 2013, has been in operation for a relatively short period.

4. The users of the appraisal report

This appraisal report is to be used by the Entrusting Party, investors, government-related managing departments and other report users designated by the laws and regulations.

III. The purpose of the appraisal

The Company plans to transfer its equity. Thus the appraisal is aimed to provide basis for value references for that equity transfer.

IV. Target and scope of the appraisal

The appraisal scope is all the Company's current assets and all types of liabilities as of November 30, 2013. According to the financial statement provided by the Company before the appraisal, the total book value of the assets was 169,071.86 RMB, total liabilities 67,500.00 RMB and net assets 101,571.86 RMB.

1. Targets of appraisal are, specifically:

- (1) Current assets: book value of 169,071.86 RMB all of which was monetary funds 169,071.86 RMB.
- (2) Current liabilities: book value of 67,500.00 RMB all of which was other payables 67,500.00 RMB.
- (3) Total assets 169,071.86 RMB, total liabilities 67,500.00 RMB and net assets 101,571.86 RMB.

2. Explanations of the appraisal targets and scope.

- (1) The appraisal targets and scope mentioned above are identical to appraisal targets and scope involved in economic actions.
- (2) The appraisal scope above contains no external long-term investments.
- (3) The Company has no assets that are off the balance sheet.

(4) The physical assets within the appraisal scope above were all in good condition or being controlled. The Company appraised is currently in normal operating state.

For more details, please read the Detailed Appraisal Schedule

V. Value Type and Definition

The value type of the appraisal result for this report is market value.

Market value refers to the estimated amount of value for which the target of appraisal should exchange on the base date of appraisal between a willing buyer and a willing seller in a normal fair transaction wherein the parties each act rationally and without compulsion.

VI. Base Date of Asset Appraisal

According to the specific circumstances of the entrusting party and the company evaluated, effort was made to selecting the financial report date closest to the date on which the appraisal purpose is realised in order to better reflect the present value of the appraisal target and to facilitate the successful completion of appraisal purpose of this project. With confirmation from the entrusting party, the base date of asset appraisal of this project is the 30th November 2013.

The pricing standard of this appraisal is totally based on the valid price standards, interest rates, exchange rates and tax rates on the base date of asset appraisal.

VII. Basis of Asset Appraisal

(1) Basis of Action:

Power of attorney for asset appraisal.

(2) Legal Basis:

1. National laws and regulations regarding asset appraisal;
2. Provisions and administrative regulations of the City of Shanghai in terms of asset appraisal;

3. Articles of association, contracts and other legal instruments related to the appraisal.

(3) Proof of Property Rights

1. Scanned copy of business license and organisation code certificate of the company evaluated;
2. Documents of the company appraised including financial reports and capital verification report;
3. Relevant documents obtained during site survey by the appraisers.

(4) Standards Basis:

1. Standards for Asset Appraisal—Basic Standards
2. Standards for Professional Codes of Ethics for asset appraisal
3. Guiding Opinions on the Appraisal of Company Value (for Trial Implementation)
4. Standards for Asset Appraisal—Engagement Letter
5. Standards for Asset Appraisal—Appraisal Procedure
6. Standards for Asset Appraisal—Appraisal Report
7. Standards for Asset Appraisal—Working Paper
8. Guiding Opinions on the Appraisal of Company Value
9. Guiding Opinions on the Value Type of Asset Appraisal
10. Other Relevant provisions and guidance opinions.

(5) Basis of Pricing:

1. Financial documents and purchase contracts provided by the company;
2. Price information database of Dahua Certified Public Valuers Co., Ltd.;
3. Other relevant documents.

VIII. Appraisal Methods

(1) Analysis of the Selection of Appraisal Methods

There are three commonly adopted methods for the appraisal of the total value of shareholder's rights and interests: market method, income method and assets-based method.

Appraisers analyse the applicability of the three methods on the basis of relevant conditions such as appraisal purpose, appraisal target, value type and the circumstance of data collection in order to make appropriate selection of one or more basic appraisal methods for asset appraisal.

1. Market method, also known as market comparison method, is for the purpose of determining company value. It is an appraisal method that compares the company entrusted for appraisal with similar companies that had made transactions in the recent past. It is for the purpose of extracting the entrusting company value from the known value of the similar companies with recent transactions by analysing circumstances and dates of the transaction as well as all the main financial indexes and correcting certain individual factors. The appraisal principle of market comparison method serves the same as the principle of substitution in economics. Based on the economics transaction theory, in the same market and supply-demand environment, goods of the same function should share the same price and can be substituted for each other. Therefore, when two or more goods of the same function, in other words goods of substitution relationship coexist in the same market, the price of such goods will compete and restrain each other and eventually converge.

Due to lack of comparable transaction case data of similar companies, the market comparison method is considered inappropriate in this case for the appraisal of the company of this project.

2. The income method, or the present value method, is an approach to value the worth of the appraised object via discounting the expected future gains to present value on base date of the appraisal. The present value of earnings refers to the total current value of the company via discounting the expected future benefits to present value (or discounted present value for short).

The Income method has been reconsidered for its applicability before being used for this appraisal. Considering the company and its product properties, e.g. the company was only established for a short period of time, its expected benefits and the trend for product prices are neither stable nor predictable. The company was founded in May 2013, which is only half of a year since its establishment, therefore adopting the income method for this appraisal is not appropriate.

3. The asset-based approach, or the cost method, is also a method to value the worth of a company, which first appraises every single asset of the company, adds them up, and then minus the valuation of liabilities.

Valuation of total shareholder equity = valuation of total assets – valuation of total liabilities

Valuation of partial shareholder equity = valuation of total shareholder equity* shareholding ratio* premium (or discount) rate

Based on the above analysis, the asset-based method (cost method) is suitable for this appraisal.

(2) Technical approach of Asset-based Method

Total shareholder equity reflects the comprehensive value generated from business operation which involves both tangible and intangible assets, hence the asset-based method can also be used for all shareholder equity value.

Appraisal approach on asset-based method: valuation of total shareholder equity shall be measured in a fair way based on the valuation of the company's every single asset and liability.

Technical approach:

Total shareholder equity value = the sum of the valuation of each appraised asset – valuation of liabilities

(3) Asset-based method specific procedures

1. Appraisal of monetary funds

Monetary funds shall mainly be appraised via verifying the account: cash shall be checked on-site on a daily basis and be appraised according to the base date of the appraisal adopting retrospective adjustment; Cash in bank shall be appraised via checking the details and balance of every single account from all banks with bank statements on the base date of the appraisal.

2. Appraisal method for liabilities

Liabilities are economic liabilities that the entity is obliged to pay back by assets or labour services in the future. The current liabilities in this appraisal includes other payables, tax payable, and etc. Liabilities shall be appraised based on the amount of the effective liabilities that the property owner is obliged to shoulder after realizing the objective of this appraisal, and those liabilities which are not effective liabilities shall be measured as zero.

The total shareholder equity can then be appraised through the above valuation.

IX. Procedures and situations of the appraisal

In accordance with the relevant government provisions on appraisal of assets, we followed necessary procedures to appraise, which includes but not limited to accepting the engagement, carrying out asset inspection, valuating, summarising and checking, and submitting reports. The detailed procedures are as follows:

1. Acquire information about the entrusting party, the company being appraised, the aim of appraisal and the relevant situations; accept the engagement; make decision on the object and scope relevant to the aim through consultation; choose the base date of the appraisal through consultation. Agreement for asset appraisal is signed by the appraisal institute and the entrusting party, and the appraisal institution shall take on the commitment per relevant provisions and decide on the work contact and coordination methods for the appraisal after consultation;

2. Set up the appraisal team, draft appraisal plans, carry out on-site inspections and invite the company being appraised to cooperate;

3. Guide the Company being appraised to carry out overall inspections, take inventory, verify and check, and fill in the report for asset appraisal based on these information, prepare and provide all the documents required for this appraisal.

4. Visit the Company and its business assets sites being appraised; listen to relevant personnel from the company introducing the situation, history and current status of the appraised targets; examine the ownership rights documentation, cost documentation and the status of utilization, management, improvement and maintenance; physically check, survey and test the content and amount of the various assets with the inventory (declaration) form, carry out

random check of assets against the company's accounting documents, data and original receipts; take evidence when necessary.

5. Choose the appropriate appraise method and calculate method based on the aim, situation of the appraised company, and the information collected, documents collected, the specific situation of the appraised target. Search for pricing information in market and gather other relevant parameter information, and appraise the value of the target.

6. Based on the initial result, the appraisal team carries out summary analysis to prevent errors, repetition and omissions. The team also adjusts, corrects and improves the initial appraisal result, and writes the appraisal notes.

7. Draft an appraisal report in accordance with the appraisal work and adjusted appraisal result, gather feedback from the entrusting party and the appraised company. Submit the final asset appraisal report to the entrusting party after it has been reviewed by three different levels of internal departments.

X. Appraisal assumptions

1. The conclusion of this appraisal is a reflection of the open market value on the base date of the appraisal given that the current scale and purpose does not change for the assets appraised.

2. The assumed precondition for appraisal is that the appraised target is traded in the open market.

3. This appraisal report is only for providing a value reference for this specific appraisal purpose, and does not take into account the impact of other economic activity and derived value on the conclusion of the appraisal.

4. General preconditions for the validity of the conclusion in this appraisal:

4.1 The authenticity, validity, and accuracy of all the documents provided by the entrusting party and the appraised company. The legal rights certification is obtained for assets owned by the company.

4.2 There are no major changes in the country's macro-economic policies and socio-economic environment of the local region.

4.3 No major changes that are large enough to affect the conclusion of the appraisal such as tax policies, credit loan interest rates, and foreign exchange rates, which are the basis for business management and appraisal.

4.4 Did not consider the impact of natural forces and other force majeure conditions, and did not consider the possible impact of special transaction methods on the conclusion of the appraisal.

5. Appraisal assumptions and restrictive conditions for validity of the conclusions of the appraisal.

It is assumed that apart from projected earnings or liabilities that the registered asset appraiser knows of, there are no other projected earnings or liabilities.

6. The practicing registered asset appraiser for this project knows that the asset's liquidity may have a major impact on the appraisal target's value. Since it is impossible to obtain data on the industry or the related asset right trading situation, there is a lack of basis for the analysis of the asset liquidity. This round's appraisal conclusion does not take into account the impact of the liquidity of the asset on the value of the target to be appraised.

This appraisal report and appraisal conclusion is based on the above-mentioned appraisal assumptions and restricting conditions, including the results obtained through the principles, basis, conditions, methods, and procedures confirmed in the appraisal report. If there are any changes to the above-mentioned preconditions, this appraisal report and its appraisal conclusion will generally become automatically invalid.

XI. Appraisal conclusion

(I) Appraisal conclusion based on the asset based approach.

By appraising using the asset based approach, on the base appraisal date of November 30, 2013, the total book value of the Shanghai MicroPort Medical (Group) Co., Ltd. is RMB 169,071.86, with liabilities totalling RMB 67,500.00 and net assets totalling RMB 101,571.86.

Appraisal conclusion: Total appraised asset value = RMB 169,071.86. Total appraised liabilities = RMB 67,500.00. Total shareholder equity = RMB 101,571.86 (Spelt out in full as ONE HUNDRED AND ONE THOUSAND, FIVE HUNDRED AND SEVENTY ONE RENMINBI, EIGHT JIAO AND SIX FEN). The total shareholder's equity appreciated by Rmb 0.00 with an appreciation rate of 0.00% as compared with the net assets at book value.

Summary table for results of asset appraisal

Appraisal base date□November 30, 2013 **Unit: RMB**

Item		Book value	Adjusted book value	Appraised price	Appreciation / depreciation	Appreciation rate
		A	B	C	D=C-B	E=D/B*100%
Current assets	1	16.91	16.91	16.91	0.00	0.00
Total assets	2	16.91	16.91	16.91	0.00	0.00
Current liabilities	3	6.75	6.75	6.75	0.00	0.00
Total liabilities	4	6.75	6.75	6.75	0.00	0.00
Net assets	5	10.16	10.16	10.16	0.00	0.00

Based on the objective of this round's appraisal and the actual situation of the appraised company, the appraisal conclusion did not take into account the premium or discount factors that may arise from the controlling stake or minority shareholders, and also did not take into account the impact of liquidity on the appraisal results.

The date proposed in the asset appraisal report is December 19, 2013, and the valid period of usage for the appraisal conclusions is until November 29, 2014.

The appraisers for this project recommends that the entrusting party, shareholders, and the related parties, should take note of and support the appraisal conclusion's assumed preconditions, restricting conditions, and the appraisal report's "special item notes". At the same time, the appraisal conclusion should not be assumed to be a guarantee of value that could be realized from the appraisal target.

For the appraisal conclusion details, please refer to the asset appraisal result summary table or the detailed appraisal schedule.

(II) Conditions for appraisal conclusion to be valid

1. This appraisal conclusion is derived from the above-mentioned principle, basis, assumption, method, and procedure. It is valid on the condition that the above-mentioned principles, basis, and assumptions are true.

2. This appraisal report is only for providing a value reference provided for this specific appraisal purpose, and does not take into account the impact of other economic activity and

derived value on the conclusion of the appraisal. Therefore, the appraisal report and appraisal conclusion generally cannot be used for other appraisal purposes.

3. The appraisal conclusion fairly reflects the equity value of all the shareholders of the company being appraised on the appraisal base date.

4. The appraisal conclusion does not take into account the impact of special transaction methods on the appraisal conclusion.

5. The report's appraisal conclusion is produced by this appraisal agency, affected by the professionalism and ability of the appraisal staff of this agency.

XII. Special item notes

(I) Since the appraisal objective implementation date and the appraisal base date are not the same, there will be changes to the company's net assets during this period, which will have an impact on the company's value. We recommend that the user of the report should adjust the appraisal results by difference in the amount of company net assets on the base date and on different points in time.

(II) Unless otherwise specified, the appraisal value in this report is based on the appraised company having complete rights over its related assets, but does not take into account the debts related to the appraised company's unpaid expenses. We assume that new shareholders will have nothing to do with these debts.

(III) If the entrusting party and appraised company did not give special instructions and the appraising staff is generally unable to obtain knowledge of defects that may affect the company's appraisal based on professional experience, the appraisal agency and appraising staff shall not bear the related liabilities.

(IV) This appraisal did not consider or take into account the negative tax impact of the settling of special accounts, and the possible related negative tax impact due to the appreciation or depreciation of the company's value.

(V) This appraisal company did not conduct an independent review of evidential documents or responsibilities involved related to the appraisal provided by related personnel of

the entrusting party and asset rights holders, and will not be held accountable for the legality, integrity, and authenticity of the evidential documents mentioned above.

(VI) This round of appraisal made only a general review of the physical assets of the appraisal target due to conditions and professional capability constraints, and did not conduct professional tests on the inherent qualities such as functionality and structure. Therefore, it is not possible to determine if these contain inherent flaws. The report states only whether the assets can be used in a normal way based on the appraising staff's judgment and site investigation, and the precondition is that the inherent quality traits of the appraised asset complies with the applicable national standards and are sufficient for maintaining normal usage.

(VII) This report is prepared as an objective reflection of the value of the appraised asset and its related liabilities, and the appraising staff does not intend the related organizations to carry out the related accounting treatment based on the report's results and means of expression. The applicable taxation authorities shall decide on whether to proceed and how to proceed with the related accounting treatment, which shall comply with the national accounting system regulations.

(VIII) Major events after the base date of the appraisal report:

(1) It is necessary to clarify that events after the appraisal base date may affect the appraisal results.

(2) From the appraisal base date to the appraisal report issue date, the appraising staff did not find any major issue after the base date that may affect the appraisal conclusion and require clear disclosure.

(3) If there are any major events after the appraisal base date, this appraisal conclusion could not be used directly.

(4) After the appraisal base date and within the validity period, if there are any changes to the number of assets and the pricing standards, the user of the report should engage an appraisal agency in a timely manner to provide a re-determined appraisal value. This appraisal conclusion could not be used directly.

(5) The entrusting party should give adequate consideration to the change in pricing standards and number of assets after the appraisal base date and make the necessary adjustments.

(IX) As of the date of issue of the report, there were no events after the base date that could have a major impact on the appraisal conclusion.

(X) Other than the items disclosed above, the appraiser did not discover any defects that may cause major impact to appraisal conclusions in the economic actions corresponding to this asset appraisal.

In addition to this, till the date of the proposal of the appraisal report, the appraisal staff did not find any major issue after the base date that may affect the appraisal conclusion and require clear disclosure, and neither did the entrusting party, appraised company, and rights holders provide any such items.

The appraiser signatory of this report recommends that when used by users of the report, the users should pay attention to the special item notes above and the major events after the base date that may impact the appraisal conclusions and the potential impact of economic activities.

XIII. Instructions on restrictions on usage for the appraisal report

(I) The appraisal report can only be used for purposes and uses specified in the appraisal report.

(II) For all or part of the content in the appraisal report to be copied, quoted, or disclosed to the public media, that content must be reviewed by the appraisal agency, unless otherwise agreed with the related parties or stipulated by laws and regulations.

(III) Validity period for using this asset appraisal report: From the date of issue of the appraisal report, the valid period for usage of the appraisal conclusion is till November 29, 2014.

XIV. Proposal date of the appraisal report.

The proposal date of the appraisal report is December 19, 2013.

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(There is no official content on this page)

Dahua Certified Public Valuers Co., Ltd

Legal Representative:

Chief Appraiser:

Registered Asset Appraiser:

Annex 4 Evaluation Report

Registered Asset Appraiser:

December 19, 2013

Annex 4 Evaluation Report

Annex 5: Additional Representations and Warranties of MicroPort and the Company

1 Capitalization

- (a) The registered capital of the Company has been fully paid in by MicroPort and is available for and at the disposal of the Company.
- (b) There is no existing option, warrant, call, right or contract to which MicroPort or the Company is a party requiring, and there are no securities of the Company outstanding which upon conversion or exchange would require, the issuance, sale or transfer of any additional equity interest of the Company or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase any equity interest of the Company. There are no voting trusts, irrevocable proxies or other contracts or understandings to which the Company or MicroPort is a party or is bound with respect to the voting or consent of any equity interest in the Company.

2 Subsidiary and Branch

The Company does not own, directly or indirectly, any share capital or equity interest in any other Person, nor does the Company have any branch.

3 Corporate Records

The Company has delivered to Sorin true, correct and complete copies of the business license and articles of association or comparable organizational documents of the Company in each case as amended and in effect on the due date thereof, including all amendments thereto.

4 Operation

The Company has not engaged in any operative business (whether sales or procurement, production, R&D or otherwise) since its establishment.

5 No Liabilities

The Company has no Indebtedness or Liabilities (whether or not required under PRC GAAP to be reflected on a balance sheet or the notes thereto).

6 Labour

The Company has not hired or engaged any employee since its establishment.

7 Litigation Relating to the Company

There is no legal proceeding pending or, threatened against the Company, or to which the Company is otherwise a party before any court, arbitration tribunal or governmental body. The Company is not subject to any order, and the Company is not in breach or violation of any order.

8 Compliance with Laws; Permits

- (a) The Company is in compliance in all material respects with all applicable laws.
- (b) The Company currently has all valid permits, licenses and registrations which are required for the operation of its businesses as presently conducted and as currently proposed to be conducted. The Company is not in default or violation, and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation, of any term, condition or provision of any such permits and registrations.

9 Full Disclosure

No representation or warranty of the Company or MicroPort contained in this Agreement and no written statement made by or on behalf of the Company or MicroPort to Sorin pursuant to this Agreement contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading. There are no facts which the Company or MicroPort have not disclosed to Sorin in writing which could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Annex 5 Additional Representations and Warranties of MicroPort and the Company

MicroPort Sorin CRM (Shanghai) Co., Ltd. (“Company”)

Amendment

Agreement to the Joint Venture Contract and Articles of Association

In respect of

MicroPort Sorin CRM (Shanghai) Co., Ltd. (“Company”)

This Amendment Agreement (“Agreement”) is entered into on 19 May 2014 by:

Shanghai MicroPort Medical (Group) Co., Ltd. (“MicroPort”), a limited liability company under Chinese law, with its legal address at 501 Newton Rd., Zhangjiang Hi-Tech Park, Shanghai 201203, the PRC, and registered with the Shanghai Administration for Industry and Commerce with the registration No. 310115400053238;

Sorin CRM Holding SAS (“Sorin”), a French company under French law, with its principal business address at 4, avenue Reaumur, 92143 Clamart cedex. France, and registered with the Greffe du Tribunal de Commerce de Nanterre, France under no. 751 624 198 R.C.S. NANTERRE.

MicroPort and Sorin hereinafter individually referred to as a “Party” or collectively as the “Parties”.

Whereas

the Parties entered into the Capital Increase and Accession Agreement, the Joint Venture Contract (“JVC”) and the Articles of Association (“AoA”) in respect of the Company on 9 January 2014. The Capital Increase and Accession Agreement, JVC and AoA and the capital increase of the Company have been approved by the Shanghai Commission of Commerce on 5 May 2014.

Whereas, the Parties entered into the Capital Increase and Accession Agreement, the Joint Venture Contract (“JVC”) and the Articles of Association (“AoA”) in respect of the Company on 9 January 2014. The Capital Increase and Accession Agreement, JVC and AoA and the capital increase of the Company have been approved by the Shanghai Commission of Commerce on 5 May 2014.

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Whereas, according to Article 9.2 and 9.3 of the JVC and Article 9.2 and 9.3 of the AoA, the Parties shall pay twenty percent (20%) of their respective newly subscribed capital contribution within fifteen (15) calendar days after the Approval Date.

MicroPort and Sorin have foreseen that the special bank account of the Company legally required for receiving Sorin's capital contribution will not be available at a point in time so that Sorin may not be able to pay its related contribution to the Company within the aforementioned timeframe, and accordingly wish to postpone the due date for the first installment of their respective capital contribution.

Whereas, the Parties have foreseen that the special bank account of the Company legally required for receiving Sorin's capital contribution will not be available at a point in time so that Sorin may not be able to pay its related contribution to the Company within the aforementioned timeframe, and accordingly wish to postpone the due date for the first installment of their respective capital contribution.

MicroPort and Sorin hereby agree as follows:

Now, MicroPort and Sorin hereby agree as follows:

I. Amendment to the JVC

Amendment to the JVC

Article 9.2 and 9.3 of the JVC shall be amended and restated as follows:

Article 9.2 and 9.3 of the JVC shall be amended and restated as follows:

9.2 MicroPort shall pay twenty percent (20%) of its newly subscribed capital contribution during the capital increase in the amount of RMB Twelve Million Three Hundred Fifty Four Thousand (RMB 12,354,000) to the Company within thirty (30) calendar days after the issuance date of the Business License, another thirty percent (30%) of its newly subscribed capital contribution in the amount of RMB Eighteen Million Five Hundred Thirty One Thousand (RMB 18,531,000) to the Company within six (6) months after the Approval Date and the remaining fifty percent (50%) of its newly subscribed capital contribution in the amount of RMB Thirty Million Eight Hundred Eighty Five Thousand (RMB 30,885,000) to the Company within eighteen (18) months after the Approval Date.

MicroPort shall pay twenty percent (20%) of its newly subscribed capital contribution during the capital increase in the amount of RMB Twelve Million Three Hundred Fifty Four Thousand (RMB 12,354,000) to the Company within thirty (30) calendar days after the issuance date of the Business License, another thirty percent (30%) of its newly subscribed capital contribution in the amount of RMB Eighteen Million Five Hundred Thirty One Thousand (RMB 18,531,000) to the Company within six (6) months after the Approval Date and the remaining fifty percent (50%) of its newly subscribed capital contribution in the amount of RMB Thirty Million Eight Hundred Eighty Five Thousand (RMB 30,885,000) to the Company within eighteen (18) months after the Approval Date.

9.3 Sorin shall pay twenty percent (20%) of its capital contribution to which it subscribes as per Article 7.4 (b) above in the amount of RMB Eleven Million Nine Hundred Fifty Six Thousand (RMB 11,956,000) to the Company within thirty (30) calendar days after the issuance date of the Business License, another thirty percent (30%) of its newly subscribed capital contribution in the amount of RMB Seventeen Million Nine Hundred Thirty Four Thousand (RMB 17,934,000) to the Company within six (6) months after the Approval Date and the remaining fifty percent (50%) of its newly subscribed capital contribution in the amount of RMB Twenty Nine Million Eight Hundred Eighty Five Thousand (RMB 29,890,000) to the Company within eighteen (18) months after the Approval Date.

Sorin shall pay twenty percent (20%) of its capital contribution to which it subscribes as per Article 7.4 (b) above in the amount of RMB Eleven Million Nine Hundred Fifty Six Thousand (RMB 11,956,000) to the Company within thirty (30) calendar days after the issuance date of the Business License, another thirty percent (30%) of its newly subscribed capital contribution in the amount of RMB Seventeen Million Nine Hundred Thirty Four Thousand (RMB 17,934,000) to the Company within six (6) months after the Approval Date and the remaining fifty percent (50%) of its newly subscribed capital contribution in the amount of RMB Twenty Nine Million Eight Hundred Eighty Five Thousand (RMB 29,890,000) to the Company within eighteen (18) months after the Approval Date.

(RMB 17,934,000) to the Company within six (6) months after the Approval Date and the remaining fifty percent (50%) of its newly subscribed capital contribution in the amount of RMB Twenty Nine Million Eight Hundred Ninety Thousand (RMB 29,890,000) to the Company within eighteen (18) months after the Approval Date.

II. 章程修訂

Amendment to the AoA

章程第9.2條及9.3條修訂如下

Article 9.2 and 9.3 of the AoA shall be amended and restated as follows:

9.2 MicroPort 應於其新發行資本增加期間，於其資本增加的金額為人民幣一千二百三十五萬四千 (RMB 12,354,000) 之日起三十 (30) 個日曆日內，向公司繳納其新發行資本貢獻的百分之二十 (20%)，即人民幣一千二百三十五萬四千 (RMB 12,354,000)；於其資本增加的金額為人民幣一千八百五十三萬 (RMB 18,531,000) 之日起六 (6) 個月內，向公司繳納其新發行資本貢獻的百分之三十 (30%)，即人民幣一千八百五十三萬 (RMB 18,531,000)；於其資本增加的金額為人民幣三千八百八十五萬 (RMB 30,885,000) 之日起十八 (18) 個月內，向公司繳納其新發行資本貢獻的百分之五十 (50%)，即人民幣三千八百八十五萬 (RMB 30,885,000)。

MicroPort shall pay twenty percent (20%) of its newly subscribed capital contribution during the capital increase in the amount of RMB Twelve Million Three Hundred Fifty Four Thousand (RMB 12,354,000) to the Company within thirty (30) calendar days after the issuance date of the Business License, another thirty percent (30%) of its newly subscribed capital contribution in the amount of RMB Eighteen Million Five Hundred Thirty One Thousand (RMB 18,531,000) to the Company within six (6) months after the Approval Date and the remaining fifty percent (50%) of its newly subscribed capital contribution in the amount of RMB Thirty Million Eight Hundred Eighty Five Thousand (RMB 30,885,000) to the Company within eighteen (18) months after the Approval Date.

9.3 Sorin 應於其新發行資本增加期間，於其資本增加的金額為人民幣一千一百九十五萬六千 (RMB 11,956,000) 之日起三十 (30) 個日曆日內，向公司繳納其新發行資本貢獻的百分之二十 (20%)，即人民幣一千一百九十五萬六千 (RMB 11,956,000)；於其資本增加的金額為人民幣一千七百九十四萬 (RMB 17,934,000) 之日起六 (6) 個月內，向公司繳納其新發行資本貢獻的百分之三十 (30%)，即人民幣一千七百九十四萬 (RMB 17,934,000)；於其資本增加的金額為人民幣二千九百八十九萬 (RMB 29,890,000) 之日起十八 (18) 個月內，向公司繳納其新發行資本貢獻的百分之五十 (50%)，即人民幣二千九百八十九萬 (RMB 29,890,000)。

Sorin shall pay twenty percent (20%) of its capital contribution to which it subscribes as per Article 7.4 (b) above in the amount of RMB Eleven Million Nine Hundred Fifty Six Thousand (RMB 11,956,000) to the Company within thirty (30) calendar days after the issuance date of the Business License, another thirty

percent (30%) of its newly subscribed capital contribution in the amount of RMB Seventeen Million Nine Hundred Thirty Four Thousand (RMB 17,934,000) to the Company within six (6) months after the Approval Date and the remaining fifty percent (50%) of its newly subscribed capital contribution in the amount of RMB Twenty Nine Million Eight Hundred Ninety Thousand (RMB 29,890,000) to the Company within eighteen (18) months after the Approval Date.

III. 其他

Miscellaneous

本章程修訂案經公司董事會決議通過，並經股東大會決議通過。

Except for the amdenments addressed in the above, the other terms and conditions (including definitions) of the JVC and AoA shall remain unchanged.

此項修訂自通過之日起生效。

This Amendment shall become effective upon approval at the Examination and Approval Authority.

此項修訂自通過之日起成為JVC及AoA的組成部分。

This Amendemtn shall become integral part of the JVC and AoA.

此項修訂以中文及英文作出，兩者均具有同等效力。

The Amendement is made and executed in both Chinese and English, both of which shall have the same effect.

此項修訂以八(8)份同等法律效力的原文件執行，其中兩(2)份為各股東，一(1)份為審批及核准局，一(1)份為工業及貿易局，及兩(2)份為本公司，以作存檔之用。

The Amendemtn is executed in eight (8) original counterparts with equal legal effect, with two (2) for the Parties, one (1) for each of the Examination and Approval Authority and the Administration for Industry and Commerce, and two (2) for the Company for the purpose of filing.

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執行頁

Execution Page I of the Amendment

上海微創醫療集團有限公司 (公司印章)

For and on behalf of Shanghai MicroPort Medical (Group) Co., Ltd. (Company Chop)

簽署/By: _____

姓名

Name: Joyce Zhang

職位

Title: President

国籍

Nationality: Chinese

执行

Execution Page II of the Amendment

代表Sorin CRM Holding SAS

For and on behalf of Sorin CRM Holding SAS

代表/By:_____

代表Alexander H.J. Neumann

Name: Alexander H.J. Neumann

代表Directeur general

Title: Directeur general

□□□□

Nationality: German

上海微孔索林CRM(上海)有限公司

MicroPort Sorin CRM (Shanghai) Co., Ltd.

**Amendment Agreement (2) to the Joint Venture Contract in respect of
MicroPort Sorin CRM (Shanghai) Co., Ltd. (“Company”)**

2014年1月9日，上海微孔索林CRM(上海)有限公司(“公司”)根据

In accordance with the Law of the People’s Republic of China on Equity Joint Ventures, the Company Law and other related laws, Microport Sorin CRM(Shanghai)Co.,Ltd.(the “Company”)agrees to amend the Joint Venture Contract(“JVC”) which was signed on 9th Jan.2014 as follows:

原JVC第3.2条和第3.5条

Article 3.2 and 3.5 of the original JVC were agrees as follows:

3.2 公司“上海微孔索林CRM(上海)有限公司”英文名称“MicroPort Sorin CRM (Shanghai) Co., Ltd.”

The name of the Company shall be changed from “上海微孔索林CRM(上海)有限公司” to “MicroPort Sorin CRM (Shanghai) Co., Ltd.” in Chinese, and “MicroPort Sorin CRM (Shanghai) Co., Ltd.” in English.

3.5 公司法定地址为：上海市浦东新区张江高科技园区新金桥路501号2幢101室，邮编201203

The legal address of the Company shall be Room 101, Building 2, 501 Newton Rd., Zhangjiang Hi-Tech Park, Shanghai 201203, PRC. The legal address of the Company can be changes according to the business needs of the Company.

修改后的JVC

Article 3.2 and 3.5 of the JVC shall be amended and restated as follows:

3.2 公司“上海微孔索林CRM(上海)有限公司”英文名称“MicroPort Sorin CRM (Shanghai) Co., Ltd.”

The name of the Company shall be “上海微孔索林CRM(上海)有限公司”in Chinese, and “MicroPort Sorin CRM (Shanghai) Co., Ltd.” in English.

3.5 公司法定地址为：上海市浦东新区张江高科技园区新金桥路400号3幢401室，邮编201203

The legal address of the Company shall be Room 401, Building 3, 400 Fangchun Rd., Zhangjiang Hi-Tech Park, Shanghai China 201203, PRC. The legal address of the Company can be changed according to the business needs of the Company.

Miscellaneous

除上述修改外，JVC的其他条款和条件(包括定义)保持不变。

Except for the amendments addressed in the above, the other terms and conditions (including definitions) of the JVC shall remain unchanged.

本修订书

This Amendment shall become effective upon approval at the Examination and Approval Authority.

此項修訂書應成為JVC的組成部分。

This Amendment shall become integral part of the JVC.

該修訂書以中文及英文作出，兩者均具有同等效力。

The Amendment is made and executed in both Chinese and English, both of which shall have the same effect.

該修訂書以八(8)份原裝 counterparts 執行，具有同等法律效力，其中兩(2)份為各方，一份(1)份為審批及核准機關及工業及商業行政局，及兩(2)份為該公司，以作存檔之用。

The Amendment is executed in eight (8) original counterparts with equal legal effect, with two (2) for the Parties, one (1) for each of the Examination and Approval Authority and the Administration for Industry and Commerce, and two (2) for the Company for the purpose of filing.

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Execution Page I of the Amendment

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For and on behalf of Shanghai MicroPort Medical (Group) Co., Ltd. (Company Chop)

☐☐☐:_____

By: _____

☐☐☐☐☐

Name: Joyce Zhang

☐☐☐☐☐

Title: President

☐☐☐☐☐

Nationality: Chinese

Execution Page II of the Amendment

☐☐☐☐☐☐☐

☐☐Sorin CRM Holding SAS

For and on behalf of Sorin CRM Holding SAS

☐☐☐:_____

By:_____

☐☐☐Alexander H.J. Neumann

Name: Alexander H.J. Neumann

Director general

Title: Directeur general

Nationality: German

David S. Wise
Senior Vice President
Human Resources & Information Technology
(281) 228-7268 Direct Line
(281) 283-5369 Facsimile

January 12, 2016

R. Jason Richey
1400 McKinney, Suite 3602
Houston, TX 77010

Dear Jason,

We are delighted to offer you a promotion with Cyberonics, Inc., a wholly-owned subsidiary of LivaNova PLC. (the "Company") to the position of President, Neuromodulation Business Unit reporting to André-Michel Ballester, Chief Executive Officer, subject to the approval of the Board of Directors, effective immediately. We are confident that your 15 years of experience at Cyberonics and your notable accomplishments during that time will equip you well to be a successful senior leader in the Company.

The terms of our offer are set forth as follows:

Base Salary: You will be paid a bi-weekly salary of \$15,384.62, equivalent to \$400,000.12 annually.

Annual Bonus: You will be eligible to participate in the Company's Executive Bonus Program. The target amount of your annual bonus is 75% of your annual base salary. Your actual bonus may be more or less than your target bonus amount based on your and our achievement of business and individual performance objectives.

Equity: This position is eligible for receipt of annual equity awards. The issuance of an equity award is subject to approval by the Compensation Committee of the Company's Board of Directors at its regularly scheduled quarterly meeting. At the next quarterly meeting following your commencement of your new role as Business Unit President, the Company will recommend approval of an initial equity award having a grant-date value of \$600,000. Future equity awards may vary in value depending on your performance and the performance of the Company.

Designated Insider: LivaNova PLC is a public company with shares traded on the NASDAQ Stock Exchange and the London Stock Exchange (LIVN). As such, all transactions in LivaNova securities, including common stock, stock options and other securities offered by LivaNova, are subject to the Securities Exchange Act of 1934. As a consequence of the information to which you will have access as a Business Unit President, you will be classified as a "Designated Insider." All your transactions involving LivaNova stock will be subject to LivaNova's Policy No. 8.15, Insider Trading Policy, regarding compliance with applicable securities regulations.

Other Benefits: In addition to the terms set forth above, the position you are being offered is eligible to participate in the variety of employee benefits, with which you are already familiar.

This letter is not a legally binding agreement, express or implied, to employ you and does not guarantee employment with the Company for any specific duration. You or the Company may terminate the employment relationship at will, with or without cause, at any time and for any reason. This letter is not intended to alter the employment-at-will relationship between you and the Company in any way. It does, however, supersede any other written and/or verbal representations made by any representative of the Company relative to your employment with the Company.



Health innovation that matters

In the event of a dispute concerning this employment offer or your employment relationship with the Company, you and the Company agree to submit the matter to binding arbitration before a single arbitrator under the then-current rules of the American Arbitration Association.

If the terms and conditions of this offer of employment are acceptable to you, please sign this conditional offer letter.

We hope you look favorably on this offer and choose to accept this new challenge.

Very Truly Yours,

David S. Wise
Senior Vice President, Human Resources & Information Technology

Accepted and Agreed:

R. Jason Richey

Date:_____

GRUPPO SORIN R&D

Amendment Agreement in relation to the
Finance Contract signed on
6 May 2014 in Luxembourg

between the

European Investment Bank

and

Sorin S.p.A., LivaNova PLC, Sorin CRM S.A.S.
and Sorin Group Italia S.r.l.

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[AMENDED AND RESTATED](#)

THIS AMENDMENT AND RESTATEMENT AGREEMENT (this “**Agreement**”) is dated

2 October 2015 and made between:

- (1) **The European Investment Bank**, having its seat at 100 blvd Konrad Adenauer, Luxembourg,
L-2950 Luxembourg (the “**Bank**”);

- (2) **Sorin S.p.A.**, a company incorporated in Italy having its registered office at Via Benigno Crespi, 17, 20159 Milano, Italy (the “**Italian Holdco**”);
- (3) **Sorin CRM S.A.S.**, a company incorporated in France having its registered office at 4 Avenue Reaumur, 92140 Clamart Cedex – France (the “**French Subsidiary**”);
- (4) **Sorin Group Italia S.r.l.**, a company incorporated in Italy, having its registered office at Via Benigno Crespi, 17, 20159 Milano, Italy (the “**Italian Subsidiary**”); and
- (5) **LivaNova PLC**, a public limited company incorporated in England and Wales with registered number 9451374, having its registered office at c/o Legalinx Limited, 1 Fetter Lane, London EC4A 1BR, United Kingdom (the “**UK Holdco**”).

WHEREAS:

- (A) The Italian Holdco, the French Subsidiary, the Italian Subsidiary and the Bank entered into a research and development finance contract dated 6 May 2014 (the “**Finance Contract**”).
- (B) The Italian Holdco has entered into a transaction agreement dated 23 March 2015 with, among others, Cyberonics, Inc., a Delaware corporation listed on NASDAQ (“**Cyberonics**”) (the “**Transaction Agreement**”). Pursuant to the Transaction Agreement, it is expected that the Italian Holdco will merge with and into its wholly-owned subsidiary UK Holdco, with UK Holdco being the surviving entity.
- (C) The Italian Holdco, the French Subsidiary, the Italian Subsidiary and the Bank have agreed to enter into this agreement in order to amend the terms of the Finance Contract in the manner set out below.
- (D) The parties acknowledge that the purpose of the Finance Contract, being research and development activities in Italy and France for the 2014–2016 period, is not impacted by the transaction.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement:

“**Companies**” means, collectively, the UK Holdco, the Italian Holdco, the French Subsidiary and the Italian Subsidiary.

“**Effective Date**” means the date on which the Bank confirms to UK Holdco in writing (including by electronic mail or other electronic means) that the Bank has received in a form and substance satisfactory to it (acting reasonably) each of the documents and other evidence listed in Schedule 1 (*Conditions Precedent*).

“**Merger**” has the meaning given to it under the Finance Contract (as amended and restated pursuant to this Agreement).

1.2 Construction

- (a) Terms defined in the Finance Contract (as amended and restated pursuant to this Agreement) shall have the same meaning when used in this Agreement.
- (b) In this Agreement, references to:
 - (i) Clauses and Schedules are, save if explicitly stipulated otherwise, references respectively to clauses of, and recitals and schedules to this Agreement;
 - (ii) A provision of law are references to that provision as amended or re-enacted; and
 - (iii) Any other agreement or instrument are references to that other agreement or instrument as amended, novated, supplemented, extended or restated.

1.3 Third Party Rights

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Agreement.

2. AMENDMENT AND RESTATEMENT OF THE FINANCE CONTRACT

2.1 The Finance Contract

With effect from (and including) the Effective Date, the Finance Contract shall be amended and restated as set out in Schedule 2 (*Amended and Restated Finance Contract*).

2.2 Continuing Effect

Except as amended by the terms of this Agreement, the Finance Contract shall remain in full force and effect and any reference in the amended and restated Finance Contract or to any provision of the Finance Contract will be construed as a reference to the amended and restated Finance Contract, or that provision, as amended and restated by this Agreement.

2.3 Further Assurance

Each Company shall, at the reasonable request of the Bank and at its own expense, do all such acts and things necessary or desirable to give effect to the amendments effected or to be effected pursuant to this Agreement.

3. GUARANTOR CONFIRMATION

3.1 Guarantee Confirmation

Each Co-debtor confirms that, with effect from (and including) the Effective Date, the co-debtorship under Article 1.11 (*Co-debtorship: joint and several liability*) of the amended and restated Finance Contract and the guarantees and indemnities set out in Article 7.01 (*Guarantee and Indemnity*) of the amended and restated Finance Contract shall:

- (a) Continue to apply in respect of the obligations of each Co-debtor under the amended and restated Finance Contract; and
- (b) Extend to all new obligations of any Co-debtor under the amended and restated Finance Contract arising from the amendments effected by this Agreement, subject only to the guarantee limitations set out in Article 7.011 (*Limitation of the Obligations of the French Subsidiary*) of the amended and restated Finance Contract.

3.2 Changes to the parties of the Finance Contract

- (a) As a result of and with effect from the completion of the Merger, UK Holdco shall by operation of law assume all of the rights and obligations of Italian Holdco, including those under the original Finance Contract.
- (b) With effect from (and including) the Effective Date, and subject to the completion of the Merger, UK Holdco agrees to be a party to the amended and restated Finance Contract as the “Parent” and to be bound by the obligations expressed to be performed by the “Parent” thereunder.

4. REPRESENTATIONS AND WARRANTIES

UK Holdco, the French Subsidiary and the Italian Subsidiary make each of the representations and warranties in Article 6.15 (*General Representations and Warranties*) of the amended and restated Finance Contract (by reference to the facts and circumstances then existing) on;

- (a) the date of this Agreement, provided that any reference in Article 6.15 (*General Representations and Warranties*) of the amended and restated Finance Contract to “this Contract” shall be read as though it were a reference to this Agreement; and
- (b) the Effective Date.

5. FEES AND EXPENSES

5.1 Costs and Expenses

- (a) Each Company shall pay promptly on demand to the Bank the amount of all charges and expenses, including professional, banking or exchange charges incurred by the Bank in connection with the preparation, execution, implementation, enforcement and termination of this Agreement or any related document and any amendment, supplement or waiver in respect of this Agreement or any related document.
- (b) Each Company shall pay all Taxes, duties, fees and other impositions of whatsoever nature, including stamp duty and registration fees, arising out of the execution or implementation of this Agreement.

5.2 Amendment Fee

An amendment fee of EUR 25,000.00 (twenty-five thousand euros) shall be due by the Companies to the Bank in connection with the execution of this Agreement. This amount shall be paid within 15 days following the date of the relevant invoice sent by the Bank to the Companies, indicating the number of the Bank's invoice as reference.

6. MISCELLANEOUS

6.1 Counterparts

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

6.2 Partial Invalidity

If at any time any term of this Agreement is or becomes illegal, invalid or unenforceable in any respect, or this Agreement is or becomes ineffective in any respect, under the laws of any jurisdiction, such illegality, invalidity, unenforceability or ineffectiveness shall not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Agreement or the effectiveness in any other respect of this Agreement in that jurisdiction; or
- (b) the legality, validity or enforceability in other jurisdictions of that or any other term of this Agreement or the effectiveness of this Agreement under the laws of such other jurisdictions.

6.3 Remedies and Waivers

No failure or delay or single or partial exercise by the Bank in exercising any of its rights or remedies under this Agreement shall be construed as a waiver of such right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

7. GOVERNING LAW AND JURISDICTION

7.1 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

7.2 Jurisdiction

- (a) The courts of England have exclusive jurisdiction to settle any dispute (a **“Dispute”**) arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement or the consequences of its nullity) or any non-contractual obligation arising out of or in connection with this Agreement.
- (b) The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes between them and, accordingly, that they will not argue to the contrary.

7.3 Agent of Service

Without prejudice to any other mode of service allowed under any relevant law, each of the Italian Holdco, the French Subsidiary and the Italian Subsidiary hereby irrevocably appoints LivaNova PLC, at c/o Legalinx Limited, 1 Fetter Lane, London EC4A 1 BR, United Kingdom as its agent of service for the purposes of accepting service on its behalf of any writ, notice, order, judgement or other legal process (and UK Holdco by its execution of this Agreement accepts that appointment). Each of the Italian Holdco, the French Subsidiary and the Italian Subsidiary agrees that failure by a process agent to notify it of the process will not invalidate the proceedings concerned.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed in 6 (six) originals in the English language.

SCHEDULE 1

CONDITIONS PRECEDENT

1) Companies

- a) A copy of the constitutional documents of each Company or a certificate of an authorised signatory of each relevant Company certifying that the constitutional documents previously delivered to the Bank for the purposes of the original Finance Contract have not been amended and remain in full force and effect.
- b) A copy of the relevant authority of signatories of each Company, including a resolution of the board of directors, or any other competent corporate authority, of each of UK Holdco, the French Subsidiary and the Italian Subsidiary:
 - i. approving the terms of, and the transactions contemplated by, this Agreement and resolving that it execute this Agreement;
 - ii. authorising a specified person or persons to execute this Agreement on its behalf; and
 - iii. in the case of a Company other than UK Holdco, authorising UK Holdco to act as its agent in connection with this Agreement.
- c) If applicable, a copy of any power of attorney authorising the person or persons specified therein to sign this Agreement to which

it is a party.

- d) A specimen of the signature of each person authorised by the resolution referred to in paragraph (b) above and, if applicable, any power of attorney referred to in paragraph (c).
- e) A certificate of an authorised signatory of the relevant Company certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

2) Amendment agreement

Two originals of this Agreement duly executed by the parties thereto.

3) Legal Opinions

Legal opinions issued by the external legal counsel of the Companies on (i) the due incorporation, capacity and corporate authorizations of each of the Companies; and (ii) on the legal, valid, binding and enforceable obligations by each of the Companies under this Agreement in accordance with their respective law of their jurisdiction of incorporation, substantially in the form distributed to the Bank prior to signing this Agreement.

4) Merger

- a) Copy of the Transaction Agreement executed by the parties to that document.
- b) A certificate of UK Holdco (signed by a director) certifying that:
 - i. The Merger has become effective (attaching supporting evidence including a copy of the order given by the High Court of England and Wales sanctioning the Merger).
 - ii. each of the matters specified in sections 6.01 and 6.02 of the Transaction Agreement relating to the Merger have been satisfied or, with the consent of the Bank, waived, except for any waiver which is not materially adverse to the interests of the Bank;
 - iii. the Transaction Agreement has not been amended, varied, novated, supplemented, superseded, waived or terminated in a way which is materially adverse to the interests of the Bank, except with the consent of the Bank; and
 - iv. UK Holdco is not aware of any material breach of any warranty or any material claim under the Transaction Agreement.

5) Other documents or evidence

Evidence of the payment of the amendment fee set out in Article 5.2 (*Amendment Fee*) of this Agreement.

SCHEDULE 2

AMENDED AND RESTATED FINANCE CONTRACT

FI N° 83.445 (IT)

Serapis N° 2013-0335

Finance Contract

between the

European Investment Bank

and

Livano PLC, Sorin CRM S.A.S.
and Sorin Group Italia S.r.l.

Luxembourg, 6 May-2014

(as amended and restated pursuant to an amendment
and restatement agreement dated 2 October 2015)

THIS CONTRACT IS MADE BETWEEN:

The European Investment Bank having its seat at 100 blvd Konrad Adenauer,
Luxembourg, L-2950 Luxembourg, (the **“Bank”**)

of the first part, and

Livano PLC, a public limited company incorporated in England and Wales with registered number 9451374, having its registered office at c/o Legalinx Limited, 1 Fetter Lane, London EC4A 1BR, United Kingdom, (the **“Parent”**)

of the second part, and

Sorin CRM S.A.S., a company incorporated in France having its registered office at, 4 Avenue
Reaumur-92140 Clamart Cdx – France (the **“French Subsidiary”**)

of the third part, and

Sorin Group Italia S.r.l., a company incorporated in Italy, having its registered office at Via Benigno Crespi, 17, 20159 Milano,
Italy, (the **“Italian Subsidiary”**)

Of the fourth part,

The Parent, the French Subsidiary and the Italian Subsidiary are collectively referred to herein as the **“Borrowers”**, and each of them a **“Borrower”**.

The Bank and the Borrowers are collectively referred to herein as the **“Parties”**.

WHEREAS:

- (1) The Borrowers have stated that they are undertaking a project of research and development (R&D) related to various new products and product improvements in heart failure (cardiovascular diseases) with a particular focus on (i) cardiac surgery (heart valves and cardiopulmonary), (ii) cardiac rhythm management and (iii) new ventures (innovative medical devices related to heart failure). The project covers the entire product development from pre-clinical studies up to clinical trials for the period 2014- 2016. The project will be carried out in Italy (43%) and France (57%), as more particularly described in the technical description (the **“Technical Description”**) set out in Schedule A (the **“Project”**).
- (2) The total cost of the Project, as estimated by the Bank, is EUR 286,200,000.00 (two hundred eighty six million two hundred thousand euros) and the Borrowers stated that they intend to finance the Project as follows :

Source	Amount (EUR)
Credit from the Bank	100,000,000.00
Other funding sources	186,200,000.00
TOTAL	286,200,000.00

- (3) In order to fulfil the financing plan set out in Recital (2), the Borrowers have requested from the Bank a credit of EUR 100,000,000.00 (one hundred million euros).
- (4) The Bank, considering that the financing of the Project falls within the scope of its functions, and having regard to the statements and facts cited in these Recitals, has decided to give effect to the Borrowers' request providing to them a credit in an amount of EUR 100,000,000.00 (one hundred million euros) under this Finance Contract (the 'Contract' provided that the amount of the Bank loan shall not, in any case, exceed 50% (fifty percent) of the total cost of the Project set out in Recital (2)).
- (5) The Borrowers have authorised the borrowing of the sum of EUR 100,000,000.00 (one hundred million euros) represented by this credit on the terms and conditions set out in this Contract.
- (6) The Statute of the Bank provides that the Bank shall ensure that its funds are used as rationally as possible in the interests of the European Union; and, accordingly, the terms and conditions of the Bank's loan operations must be consistent with relevant policies of the European Union.
- (7) The Bank considers that access to information plays an essential role in the reduction of environmental and social risks, including human rights violations, linked to the projects it finances and has therefore established its Transparency policy, the purpose of which is to enhance the accountability of the EIB Group towards its stakeholders and the citizens of the European Union in general.
- (8) The processing of personal data shall be carried out by the Bank in accordance with applicable European Union legislation on the protection of individuals with regard to the processing of personal data by the EC institutions and bodies and on the free movement of such data.

NOW THEREFORE it is hereby agreed as follows:

INTERPRETATION AND DEFINITIONS

(a) Interpretation

In this Contract:

- (i) References to Articles, Recitals, Schedules and Annexes are, save if explicitly stipulated otherwise, references respectively to articles of, and recitals, schedules and annexes to this Contract.
- (ii) References to a provision of law are references to that provision as amended or re enacted.
- (iii) References to any other agreement or instrument are references to that other agreement or instrument as amended, novated, supplemented, extended or restated.

(b) Definitions

In this Contract:

"Acceptance Deadline" for a notice means:

- (a) 16h00 Luxembourg time on the day of delivery, if the notice is delivered by 14h00 Luxembourg time on a Business Day; or
- (b) 11h00 Luxembourg time on the next following day which is a Business Day, if the notice is delivered after 14h00 Luxembourg time on any such day or is delivered on a day which is not a Business Day.

"Accounting Date" shall mean each 30 June and 31 December.

"Amendment and Restatement Agreement" means the amendment and restatement agreement dated 2 October 2015 and entered into between, amongst others, the Borrowers and the Bank.

"Authorisation" means an authorisation, permit, consent, approval, resolution, license, exemption, filing, notarisation or registration.

“Business Day” means a day (other than a Saturday or Sunday) on which the Bank and commercial banks are open for general business in Luxembourg.

“Change-of-Control Event” has the meaning given to it in Article 4.03A(3).

“Change-of-Law Event” has the meaning given to it in Article 4.03A(4).

“Co-debtor” means each of the Parent, the Italian Subsidiary and the French Subsidiary acting as co-debtor under Article 1.11 and guarantor under Article 7.01.

“Completion” means the date on which the “Cyberonics Merger Effective Time” (as such term is defined in the Transaction Agreement) occurs.

“Compliance Certificate” means a certificate substantially in the form set out in Schedule D.2.

“Consolidated EBITDA” shall mean in relation to the Group the consolidated profit and loss statement of the Group and determined in accordance with IFRS:

- (i) the net revenues (ricavi netfl) of the Group;
- (ii) plus other revenues and income (altri ricavi e provent . change in inventory of work in progress, semifinished goods and finished goods (variazione rimanenze prodotti in lavorazione, semilavorauve finit1) and increase in Borrower-produced additions to non-current assets (incremento di immobilizzazioni per lavori interm);
- (iii) minus cost of raw material and other materials (costi per materie prime ed altri materiali), cost of services used (costi per servizi), personnel expenses (costi per il personale) and miscellaneous operating costs (altri costi di funzionamento).

“Consolidated Net Financial Indebtedness” shall mean at any time:

- (i) the aggregate at that time of Financial Indebtedness of the members of the Group from sources external to the Group (including guarantees for an aggregate amount exceeding Euro 30,000,000.00 (thirty million euros), or following, and subject to, Completion, USO 33,000,000.00 (thirty-three million US dollars) at that times); less
- (ii) the aggregate amount at that time of: (aa) cash; (bb) debt securities issued or guaranteed by any member state of the OECO; (cc) debt securities issued by leading entities and listed on national stock exchanges of any member of the European Union; (dd) receivables from derivative financial instruments; and (ee) deposits or notes purchased in respect of the credit enhancements of securitisation programmes up to an aggregate amount not exceeding Euro 30,000,000.00 (thirty million euros), or following, and subject to, Completion, USO 33,000,000.00 (thirty-three million US dollars) for each financial year.

“Consolidated Total Net Interest Payable” shall mean for a period in relation to Group:

- (i) interest accrued during such period as an obligation of any member of the Group (whether or not paid or capitalised during or deferred for payment after such period);
- (ii) less any interest received or receivable by any member of the Group (after deducting any applicable withholding tax) in such period.

“Contract” has the meaning given to it in Recital (4).

“Credit” has the meaning given to it in Article 1.01.

“Criminal offence” means any of the following criminal offences as applicable: fraud, corruption, coercion, collusion, obstruction, money laundering, financing of terrorism.

“Deferment Indemnity” means an indemnity calculated on the amount of disbursement deferred or suspended at the percentage rate (if higher than zero) by which:

- the interest rate net of the Margin that would have been applicable to such amount had it been disbursed to the Borrowers on the Scheduled Disbursement Date

exceeds

- EURIBOR (one month rate) less 0.125% (12.5 basis points), unless this value is less than zero, in which case it will be set at zero.

Such indemnity shall accrue from the Scheduled Disbursement Date to the Disbursement Date or, as the case may be, until the date of cancellation of the Notified Tranche in accordance with this Contract.

“Disbursement Notice” means a notice from the Bank to the Borrowers pursuant to and in accordance with Article 1.02C.

“Disbursement Request” means a notice substantially in the form set out in Schedule C.1.

“Disruption Event” means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with this Contract; or
- (b) the occurrence *of* any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of either the Bank or a Borrower, preventing that party:
 - (i) from performing its payment obligations under this Contract; or
 - (ii) from communicating with other parties,

and which disruption (in either such case as per (a) or (b) above) is not caused by, and is beyond the control of, the party whose operations are disrupted.

“Effective Date” shall have the meaning given to it in the Amendment and Restatement Agreement.

“Environment” means the following, in so far as they affect human health and social well being:

- (a) fauna and flora;
- (b) soil, water, air, climate and the landscape; and
- (c) cultural heritage and the built environment,

and includes, without limitation, occupational and community health and safety.

“Environmental Approval” means any Authorisation required by Environmental Law.

“Environmental Claim” means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

“Environmental Law” means:

- (a) EU law, including principles and standards;
- (b) national laws and regulations; and
- (c) applicable international treaties of which a principal objective is the preservation, protection or improvement of the Environment.

“EURIBOR” has the meaning given to it in Schedule B.

“EUR” or “euro” means the lawful currency of the Member States of the European Union which adopt or have adopted it as their currency in accordance with the relevant provisions of the Treaty on European Union and the Treaty on the Functioning of the European Union or their succeeding treaties.

“Event of Default” means any of the circumstances, events or occurrences specified in Article 10.01.

“Financial Indebtedness” shall mean any indebtedness for or in respect of:

- (i) moneys borrowed;
- (ii) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (iv) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (v) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis - including true sale IFRS - under an arrangement other than a Permitted Receivables Disposal);

- (vi) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and lease back arrangements and sale and purchase arrangements having deferred payment terms longer than terms customary on the market) having the financial effect of a borrowing;
- (vii) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (fair value) shall be taken into account);
- (viii) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (ix) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (viii) above.

“Final Availability Date” means the 16 November 2015.

“Fixed Rate” means an annual interest rate determined by the Bank in accordance with the applicable principles from time to time laid down by the governing bodies of the Bank for loans made at a fixed rate of interest, denominated in EUR and bearing equivalent terms for the repayment of capital and the payment of interest. Fixed Rate shall include the Margin.

“Fixed Rate Tranche” means a Tranche on which Fixed Rate is applied.

“Floating Rate” means a fixed-spread floating interest rate, that is to say an annual interest rate determined by the Bank for each successive Floating Rate Reference Period equal to the EURIBOR plus the Spread.

“Floating Rate Reference Period” means each period from one Payment Date to the next relevant Payment Date; the first Floating Rate Reference Period shall commence on the date of disbursement of the Tranche.

“Floating Rate Tranche” means a Tranche on which Floating Rate is applied.

“GAAP” means generally accepted accounting principles in the United States, including JFRS.

“Group” means the Parent and its Subsidiaries.

“IFRS” means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

“Indemnifiable Prepayment Event” means a Prepayment Event other than those specified in paragraphs 4.03A(2) or 4.03A(5).

“Loan” means the aggregate amount of Tranches disbursed from time to time by the Bank under this Contract.

“Margin” means the component of the rate of interest quantified in Article 3.01.

“Market Disruption Event” means any of the following circumstances:

- (a) there are, in the reasonable opinion of the Bank, events or circumstances adversely affecting the Bank's access to its sources of funding;
- (b) in the opinion of the Bank, funds are not available from its ordinary sources of funding in order to adequately fund a Tranche in the relevant currency and/or for the relevant maturity and/or in relation to the reimbursement profile of such Tranche;
- (c) in relation to a Tranche in respect of which interest is or would be payable at Floating Rate:
 - (A) the cost to the Bank of obtaining funds from its sources of funding, as determined by the Bank, for a period equal to the Floating Rate Reference Period of such Tranche (i.e. in the money market) would be in excess of the applicable EURIBOR;or
 - (B) the Bank determines that adequate and fair means do not exist for ascertaining the applicable EURIBOR of such Tranche or it is not possible to determine the EURIBOR in accordance with the definition contained in Schedule B.

“Material Adverse Change” in relation to a Borrower and/or any of its Subsidiaries, any event or change of **condition**, as compared with the condition at the Effective Date, affecting respectively that Borrower and/or any of its Subsidiaries, which, in the reasonable opinion of the Bank, materially impairs the ability respectively of that Borrower and/or of any of its Subsidiaries to perform the financial and other obligations under this Contract or which materially affect any security provided hereunder.

“Maturity Date” means the last repayment date of a Tranche specified pursuant to Article 4.01A(b)(iv).

“Merger” means the merger on the terms of the Transaction Agreement of Sorin S.p.A. with and into LivaNova PLC by way of a cross-border merger in accordance with EU Directive 2005/56/EC of the European Parliament and Council of October 26, 2005 on cross-border mergers of limited liability companies.

“Notified Tranchen” means a Tranche in respect of which the Bank has issued a Disbursement Notice.

“Payment Date” means: the annual, semi-annual or quarterly dates specified in the Disbursement Notice until the Maturity Date, save that, in case any such date is not a Relevant Business Day, it means:

- (a) for a Fixed Rate Tranche, the following Relevant Business Day, without adjustment to the interest due under Article 3.01; and
- (b) for a Floating Rate Tranche, the next day, if any, of that calendar month that is a Relevant Business Day or, failing that, the nearest preceding day that is a Relevant Business Day, in all cases with corresponding adjustment to the interest due under Article 3.01.

“Permitted Receivables Disposal” means (i) any factoring programme with recourse (*pro solvendo*) or without recourse (*pro soluto*) of receivables of the Group which are already concluded at date of signature of this Contract; and/or (ii) any securitisation and/or factoring programme of the receivables of the Group previously consented by the Bank, such consent not to be unreasonably withheld.

“Prepayment Amount” means the amount of a Tranche to be prepaid by the Borrowers in accordance with Article 4.02A.

“Prepayment Date” means the date, which shall be a Payment Date, on which the Borrowers proposes to effect prepayment of a Prepayment Amount.

“Prepayment Event” means any of the events described in Article 4.03A.

“Prepayment Indemnity” means in respect of any principal amount to be prepaid or cancelled, the amount communicated by the Bank to the Borrowers as the present value (as of the Prepayment Date) of the excess, if any, of:

- (a) the interest net of the Margin that would accrue thereafter on the Prepayment Amount over the period from the Prepayment Date to the Maturity Date if it were not prepaid; over
- (b) the interest that would so accrue over that period, if it were calculated at the Redeployment Rate, less 0.15% (fifteen basis points).

The said present value shall be calculated at a discount rate equal to the Redeployment Rate, applied as of each relevant Payment Date.

“Prepayment Notice” means a written notice from the Bank to the Borrowers in accordance with Article 4.02A.

“Prepayment Request” means a written request from a Borrower to the Bank to prepay all or part of the Loan, in accordance with Article 4.02A.

“Project” has the meaning given to it in Recital (1).

“Redeployment Rate” means the Fixed Rate excluding the Margin in effect on the day of the indemnity calculation for fixed-rate loans denominated in the same currency and which shall have the same terms for the payment of interest and the same repayment profile to the Maturity Date as the Tranche in respect of which a prepayment is proposed or requested to be made. For those cases where the period is shorter than 48 months, the most closely corresponding money market rate equivalent will be used, that is the EURIBOR minus 0.125% (12.5 basis points) for periods of up to 12 (twelve) months. For periods falling between 12 and 48 months, the bid point on the swap rates as published by Reuters for the related currency and observed by the Bank at the time of calculation will apply.

“Relevant Business Day” means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 (TARGET2) is open for the settlement of payments in EUR.

“Scheduled Disbursement Date” means the date on which a Tranche is scheduled to be disbursed in accordance with Article 1.02C.

“Security” means any mortgage, pledge, lien, charge, assignment by way of security (*cessione dei crediti in garanzia*) or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“Spread” means the fixed spread to the EURIBOR (being either plus or minus) determined by the Bank including the Margin and notified to the Borrowers in the relevant Disbursement Notice.

“Subsidiary” means in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (b) more than half the issued share capital (which gives rise to voting rights) of which is beneficially owned, directly or indirectly by the first mentioned company or corporation;

Or

- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs, exercise a dominant influence over it and/or to control the composition of its board of directors or equivalent body and is fully consolidated in the consolidated financial statements on a line-by-line basis for such period.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Technical Description**” has the meaning given to it in Recital (1).

“**Tranche**” means each disbursement made or to be made under this Contract.

“**Transaction Agreement**” shall have the meaning given to it in the Amendment and Restatement Agreement.

“**USO**” means the lawful currency of the United States of America.

ARTICLE 1

Credit and Disbursements

1.01 Amount of Credit

By this Contract the Bank establishes in favour of the Borrowers, and the Borrowers accept, the credit in an amount of EUR 100,000,000.00 (one hundred million euros) for the financing of the Project (the “**Credit**”).

1.02 Disbursement procedure

1.02A Tranches

The Bank shall disburse the Credit in up to 2 (two) Tranches. The amount of each Tranche, if not being the undrawn balance of the Credit, shall be in a minimum amount of EUR 50,000,000.00 (fifty million euros).

1.02B Disbursement Request

- (a) Each of the Borrowers may present to the Bank a Disbursement Request for the disbursement of a Tranche, such Disbursement Request to be received at the latest 15 (fifteen) days before the Final Availability Date. The Disbursement Request shall be in the form set out in Schedule C and shall specify:
 - (i) the amount of the Tranche
 - (ii) the preferred disbursement date for the Tranche; such preferred disbursement date must be a Relevant Business Day falling at least 15 (fifteen) days after the date of the Disbursement Request and, in any event, on or before the Final Availability Date, it being understood that notwithstanding the Final Availability Date the Bank may disburse the Tranche up to 4 (four) calendar months from the date of the Disbursement Request;
 - (iii) whether the Tranche is a Fixed Rate Tranche or a Floating Rate Tranche, each pursuant to the relevant provisions of Article 3.01;
 - (iv) the preferred interest payment periodicity for the Tranche, chosen in accordance with Article 3.01;
 - (v) the preferred terms for repayment of principal for the Tranche, chosen in accordance with Article 4.01;
 - (vi) the preferred first and last dates for repayment of principal for the Tranche; and
 - (vii) the IBAN code (or appropriate format in line with local banking practice) and SWIFT BIC of the bank account to which disbursement of the Tranche should be made in accordance with Article 1.02D.
- (b) If the Bank, following a request by any of the Borrowers, has provided that Borrower, before the submission of the Disbursement Request, with a non-binding fixed interest rate or spread quotation to be applicable to the Tranche, that Borrower may also at its discretion specify in the Disbursement Request such quotation, that is to say:
 - (i) in the case of a Fixed Rate Tranche, the aforementioned fixed interest rate previously quoted by the Bank; or
 - (ii) in the case of a Floating Rate Tranche, the aforementioned spread previously quoted by the Bank,applicable to the Tranche until the Maturity Date.

(c) Each Disbursement Request shall be accompanied by evidence of the authority of the person or persons authorised to sign it and the specimen signature of such person or persons or a declaration by the relevant Borrower that no change has occurred in relation to the authority of the person or persons authorised to sign Disbursement Requests under this Contract.

(d) Subject to Article 1.02C(b), each Disbursement Request is irrevocable.

1.02C Disbursement Notice

(a) Not less than 10 (ten) days before the proposed Scheduled Disbursement Date of a Tranche the Bank shall, if the Disbursement Request conforms to this Article 1.02, deliver to the relevant Borrower a Disbursement Notice which shall specify:

(i) the amount of the Tranche;

(ii) the Scheduled Disbursement Date;

(iii) the interest rate basis for the Tranche, being: (i) a Fixed Rate Tranche; or (ii) a Floating Rate Tranche all pursuant to the relevant provisions of Article 3.01;

(iv) the first interest Payment Date and the periodicity for the payment of interest for the Tranche;

(v) the terms for repayment of principal for the Tranche;

(vi) the first and last dates for repayment of principal for the Tranche;

(vii) the applicable Payment Dates for the Tranche; and

(viii) for a Fixed Rate Tranche the Fixed Rate and for a Floating Rate Tranche the Spread applicable to the Tranche until the Maturity Date

(b) If one or more of the elements specified in the Disbursement Notice does not reflect the corresponding element, if any, in the Disbursement Request, the relevant Borrower may following receipt of the Disbursement Notice revoke the Disbursement Request by written notice to the Bank to be received no later than 12h00 Luxembourg time on the next Business Day and thereupon the Disbursement Request and the Disbursement Notice shall be of no effect. If the relevant Borrower have not revoked in writing the Disbursement Request within such period, such Borrower will be deemed to have accepted all elements specified in the Disbursement Notice.

(c) If the relevant Borrower has presented to the Bank a Disbursement Request in which such Borrower has not specified the fixed interest rate or spread as set out in Article 1.02B(b), such Borrower will be deemed to have agreed in advance to the Fixed Rate or Spread as subsequently specified in the Disbursement Notice.

1.02D Disbursement Account

Disbursement shall be made to the account of the relevant Borrower as that Borrower shall notify in writing to the Bank not later than 15 (fifteen) days before the Scheduled Disbursement Date (with IBAN code).
Only one account may be specified for each Tranche.

1.03 Currency of disbursement

The Bank shall disburse each Tranche in EUR.

1.04 Conditions of disbursement

1.04A First Tranche

The disbursement of the first Tranche under Article 1.02 is conditional upon receipt by the Bank in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date, of the following documents or evidence:

(a) evidence that the execution of this Contract by the Borrowers have been duly authorised and that the person or persons signing this Contract on behalf of each of the Borrowers is/are duly authorised to do so together with the specimen signature of each such person or persons;

- (b) evidence that the Borrowers have obtained all necessary Authorisations, required in connection with this Contract and the Project;
- (c) legal opinions issued by the external legal counsel of the Borrowers (at the cost of the Borrowers) on (i) the due incorporation, capacity and corporate authorizations of each of the Borrowers; and (ii) on the legal, valid, binding and enforceable obligations by each of the Borrowers under this Contract in accordance with their respective law of their jurisdiction of incorporation;
- (d) legal memorandum by the external legal counsel of the Borrowers (at the cost of the Borrowers) on the execution of this Contract by the French Subsidiary as Co-debtor;
- (e) evidence that any process agent referred to in Article 11.03 has accepted its appointment;
- (f) evidence of compliance by the relevant Borrower with the financial covenants pursuant to Article 6.07;
- (g) evidence of payment of the appraisal fee in full pursuant to Article 1.08; and
- (h) evidence that the Parent has repaid in full the loans, together with accrued interest, and all other amounts accrued or outstanding, under the Finance Contract between the Bank and the Parent in Milan on 6 December 2007 (Fl N° 24.239(1T) Serapis N 2004-0233) denominated “Sorin Tecnologie Medicali R & D”.

1.04B All Tranches

The disbursement of each Tranche under Article 1.02, including the first, is subject to the following conditions:

- (a) that the Bank has received, in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date for the proposed Tranche, of the following documents or evidence:
 - (i) a certificate from the Borrower in the form of Schedule D.1, signed by an authorised representative of the Borrower and dated no earlier than the date falling 15 (fifteen) days before the Scheduled Disbursement Date;
 - (ii) a copy of any other authorisation or other document, opinion or assurance which the Bank has notified the Parent is necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, this Contract or the validity and enforceability of the same.
- (b) that on the Disbursement Date for the proposed Tranche:
 - (i) the representations and warranties which are repeated pursuant to Article 6.15 are correct in all material respects; and
 - (ii) no event or circumstance which constitutes or would with the passage of time or giving of notice under this Contract constitute:
 - (aa) an Event of Default, or
 - (bb) a Prepayment Event,
 has occurred and is continuing unremedied or unwaived or would result from the disbursement of the proposed Tranche.

1.05 Deferment of disbursement

1.05A Grounds for deferment

Upon the written request of the relevant Borrower, the Bank shall defer the disbursement of any Notified Tranche in whole or in part to a date specified by the relevant Borrower being a date falling not later than 6 (six) months from its Scheduled Disbursement Date and not later than 60 (sixty) days prior to the first repayment date of the Tranche indicated in the Disbursement Notice. In such case, the relevant Borrower shall pay the Deferment Indemnity calculated on the amount of disbursement deferred.

Any request for deferment shall have effect in respect of a Tranche only if it is made at least 5 (five) Business Days before its Scheduled Disbursement Date.

If for a Notified Tranche any of the conditions referred to in Article 1.04 is not fulfilled as at the specified date and at the Scheduled Disbursement Date (or the date expected for disbursement in case of a previous deferment), disbursement will be deferred to a date agreed between the Bank and the relevant Borrower falling not earlier than 5 (five) Business Days following the fulfilment of all conditions of disbursement (without prejudice to the right of the Bank to suspend and/or cancel the undisbursed portion of the Credit

in whole or in part pursuant to Article 1.06B). In such case, the relevant Borrower shall pay the Deferment Indemnity calculated on the amount of disbursement deferred.

1.05B Cancellation of a disbursement deferred by 6 (six) months

The Bank may, by notice in writing to the relevant Borrower, cancel a disbursement which has been deferred under Article 1.05A by more than 6 (six) months in aggregate. The cancelled amount shall remain available for disbursement under Article 1.02.

1.06 Cancellation and suspension

1.06A Borrower's right to cancel.

The Parent, on behalf of the Borrowers, may at any time by notice in writing to the Bank cancel, in whole or in part and with immediate effect, the undisbursed portion of the Credit. However, the notice shall have no effect in respect of (i) a Notified Tranche which has a Scheduled Disbursement Date falling within 5 (five) Business Days of the date of the notice or (ii) a Tranche in respect of which a Disbursement Request has been submitted but no Disbursement Notice has been issued.

1.06B Bank's right to suspend and cancel

- (a) The Bank may, by notice in writing to the Parent, on behalf of the Borrowers, suspend and/or cancel the undisbursed portion of the Credit in whole or in part at any time and with immediate effect
 - (i) upon the occurrence of a Prepayment Event or an Event of Default or an event or circumstance which would with the passage of time or giving of notice under this Contract constitute a Prepayment Event or an Event of Default; or
 - (ii) if a Material Adverse Change occurs.
- (b) Any suspension shall continue until the Bank ends the suspension or cancels the suspended amount.

1.06C Indemnity for suspension and cancellation of a Tranche

1.06C(1) SUSPENSION

If the Bank suspends a Notified Tranche, whether upon an Indemnifiable Prepayment Event or an Event of Default or upon the occurrence of a Material Adverse Change, the Parent, on behalf of the Borrowers, shall pay to the Bank the Deferment Indemnity calculated on the amount of disbursement suspended.

1.06C(2) CANCELLATION

If pursuant to Article 1.06A, any of the Borrowers cancels:

- (a) a Fixed Rate Tranche which is a Notified Tranche, it shall indemnify the Bank under Article 4.028;
- (b) a Floating Rate Notified Tranche or any part of the Credit other than a Notified Tranche, no indemnity is payable.

If the Bank cancels:

- (i) a Fixed Rate Tranche which is a Notified Tranche upon an Indemnifiable Prepayment Event or pursuant to Article 1.05B, the relevant Borrower shall pay to the Bank the Prepayment Indemnity; or
- (ii) a Notified Tranche upon an Event of Default, the relevant Borrower shall indemnify the Bank under Article 10.03.

Save in these cases, no indemnity is payable upon cancellation of a Tranche by the Bank. The indemnity shall be calculated as if the cancelled amount had been disbursed and repaid on the Scheduled Disbursement Date or, to the extent that the disbursement of the Tranche is currently deferred or suspended, on the date of the cancellation notice.

1.07 Cancellation after expiry of the Credit

On the day following the Final Availability Date, and unless otherwise specifically agreed to in writing by the Bank, the part of the Credit in respect of which no Disbursement Request has been made in accordance with Article 1.028 shall be automatically cancelled, without any notice being served by the Bank to the Borrowers and without liability arising on the Parties.

1.08 Appraisal fee

The Parent, on behalf of the Borrowers, shall pay or cause to be paid to the Bank within the earlier of (i) 31 July 2014 and (ii) the date of disbursement of the first Tranche an appraisal fee in respect of the appraisal conducted by the Bank in relation to the Project.

The amount of the appraisal fee is EUR 150,000.00 (one hundred fifty thousand euros). The Parent, on behalf of the Borrowers, authorises the Bank to retain out of the first Tranche an amount equal to the appraisal fee and such amount so retained by the Bank shall be treated as having been disbursed by the Bank in payment of the appraisal fee.

1.09 Non-utilisation fee

The Parent, on behalf of the Borrowers, shall pay to the Bank a non-utilisation fee calculated on the daily undrawn un-cancelled balance of the Credit from the date falling 12 (twelve) months from the date of the Contract at a rate of 0.10% (ten basis points) per annum, the accrued non-utilisation fee being payable:

- (a) on each 1 June, 1 September, 1 December and 1 March of each year; and
- (b) on the Final Availability Date; or, if the Credit is cancelled in full under Article 1.06 prior to the Final Availability Date, on the date of cancellation.

If the date on which the non-utilisation fee is due to be paid is not a Relevant Business Day, payment shall be made on the next day, if any, of that calendar month that is a Relevant Business Day or, failing that, the nearest preceding day that is a Relevant Business Day, in all cases with a corresponding adjustment to the amount of non-utilisation fee due.

1.10 Sums due under Article 1

Sums due under Articles 1.05 and 1.06 shall be payable in EUR. They shall be payable within 15 (fifteen) days of the Borrower's receipt of the Bank's demand or within any longer period specified in the Bank's demand.

1.11 Co-debtorship: joint and several liability

Each Co-debtor is jointly and severally liable for all amounts due by the other Co-debtors under this Contract and for all the relevant obligations of the other Co-debtors under this Contract.

ARTICLE 2

The Loan

2.01 Amount of Loan

The Loan shall comprise the aggregate amount of Tranches disbursed by the Bank under the Credit, as confirmed by the Bank pursuant to Article 2.03.

2.02 Currency of repayment, interest and other charges

Interest, repayments and other charges payable in respect of each Tranche shall be made by the Borrower in the currency in which the Tranche is disbursed. Any other payment shall be made in the currency specified by the Bank having regard to the currency of the expenditure to be reimbursed by means of that payment.

2.03 Confirmation by the Bank

Within 10 (ten) days after disbursement of each Tranche, the Bank shall deliver to the relevant Borrower the amortisation table referred to in Article 4.01, if appropriate, showing the Disbursement Date, the amount disbursed, the repayment terms and the interest rate of and for that Tranche.

ARTICLE 3

Interest

3.01 Rate of interest

For the purposes of this Contract “**Margin**” means 101 basis points (1.01 %).

Fixed Rates and Spreads are available for periods of not less than 4 (four) years.

3.01A Fixed Rate Tranches

The relevant Borrower shall pay interest on the outstanding balance of each Fixed Rate Tranche at the Fixed Rate quarterly, semi-annually or annually in arrears on the relevant Payment Dates as specified in the Disbursement Notice, commencing on the first such Payment Date following the Disbursement Date of the Tranche. If the period from the Disbursement Date to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

Interest shall be calculated on the basis of Article 5.01(a).

3.01B Floating Rate Tranches

The relevant Borrower shall pay interest on the outstanding balance of each Floating Rate Tranche at the Floating Rate quarterly, semi-annually or annually in arrears on the relevant Payment Dates, as specified in the Disbursement Notice commencing on the first such Payment Date following the Disbursement Date of the Tranche. If the period from the Disbursement Date to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

The Bank shall notify the Floating Rate to the relevant Borrower within 10 (ten) days following the commencement of each Floating Rate Reference Period.

If pursuant to Articles 1.05 and 1.06 disbursement of any Floating Rate Tranche takes place after the Scheduled Disbursement Date the EURIBOR applicable to the first Floating Rate Reference Period shall apply as though the disbursement had been made on the Scheduled Disbursement Date.

Interest shall be calculated in respect of each Floating Rate Reference Period on the basis of Article 5.01(b). If the Floating Rate for any Floating Rate Reference Period is below zero, it will be set at zero.

3.02 Interest on overdue sums

Without prejudice to Article 10 and by way of exception to Article 3.01, if any of the Borrowers fails to pay any amount payable by it under this Contract on its due date, interest shall accrue on any overdue amount payable under the terms of this Contract from the due date to the date of actual payment at an annual rate equal to:

- (i) for overdue sums related to Floating Rate Tranches, the applicable Floating Rate plus 2% (200 basis points);
- (ii) for overdue sums related to Fixed Rate Tranches, the higher of (a) the applicable Fixed Rate plus 2% (200 basis points) or (b) the EURIBOR plus 2% (200 basis points);
- (iii) for overdue sums other than under (i) or (ii) above, the EURIBOR plus 2% (200 basis points) and shall be payable in accordance with the demand of the Bank. For the purpose of determining the EURIBOR in relation to this Article 3.02, the relevant periods within the meaning of Schedule B shall be successive periods of one month commencing on the due date.

If the overdue sum is in a currency other than the currency of the Loan, the following rate per annum shall apply, namely the relevant interbank rate that is generally retained by the Bank for transactions in that currency plus 2% (200 basis points), calculated in accordance with the market practice for such rate.

3.03 Market Disruption Event

If at any time (i) from the issuance by the Bank of the Disbursement Notice in respect of a Tranche, and (ii) until the date falling 30 (thirty) calendar days prior to the Scheduled Disbursement Date, a Market Disruption Event occurs, the Bank may notify to the Borrower that this clause has come into effect. In such case the rate of interest applicable to such Notified Tranche until the Maturity Date shall be the percentage rate per annum which is the sum of:

- the Margin and
- the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank. The Borrower shall have the right to refuse in writing such disbursement within the deadline specified in the notification and shall bear charges incurred as a result, if any, in which case the Bank shall not make the disbursement and the corresponding Credit shall remain available for disbursement under Article 1.02B. If the Borrower does not refuse the disbursement in time, the parties agree that the disbursement and the conditions thereof shall be fully binding for both parties.

The Spread or Fixed Rate previously notified by the Bank in the Disbursement Notice shall no longer be applicable.

ARTICLE 4

Repayment

4.01 Normal repayment

- (a) Each Borrower shall repay each Tranche by instalments on the Payment Dates specified in the relevant Disbursement Notice in accordance with the terms of the amortisation table delivered pursuant to Article 2.03.

(b) Each amortisation table shall be drawn up on the basis that:

- (i) in the case of a Fixed Rate Tranche, repayment shall be made annually, semi annually or quarterly by equal instalments of principal or constant instalments of principal and interest;
- (ii) in the case of a Floating Rate Tranche, repayment shall be made by equal annual, semi-annual or quarterly instalments of principal;
- (iii) the first repayment date of each Tranche shall be a Payment Date falling not earlier than 60 (sixty) days from the Scheduled Disbursement Date and not later than the first Payment Date immediately following the first anniversary of the Scheduled Disbursement Date of the Tranche; and
- (iv) the last repayment date of each Tranche shall be a Payment Date falling not earlier than 4 (four) years and not later than 7 (seven) years from the Scheduled Disbursement Date.

4.02 Voluntary prepayment

4.02A Prepayment option

Subject to Articles 4.028, 4.02C and 4.04, a Borrower may prepay all or part of any Tranche, together with accrued interest and indemnities if any, upon giving a Prepayment Request with at least 1 (one) month's prior notice specifying (i) the Prepayment Amount, (ii) the Prepayment Date, (iii) if applicable, the choice of application method of the Prepayment amount in line with Article 5.05C(i) and (iv) the contract number ("Fl nr") mentioned on the cover page of this Contract.

Subject to Article 4.02C the Prepayment Request shall be binding and irrevocable

4.02B Prepayment indemnity

4.02B(1) FIXED RATE TRANCHE

If any of the Borrowers prepays a Fixed Rate Tranche, that Borrower shall pay to the Bank on the Prepayment Date the Prepayment Indemnity.

4.02B(2) FLOATING RATE TRANCHE

A Borrowers may prepay a Floating Rate Tranche without indemnity on any relevant Payment Date.

4.02C Prepayment mechanics

Upon presentation by a Borrower to the Bank of a Prepayment Request, the Bank shall issue a Prepayment Notice to the Borrowers, not later than 15 (fifteen) days prior to the Prepayment Date. The Prepayment Notice shall specify the Prepayment Amount, the accrued interest due thereon, the Prepayment Indemnity payable under Article 4.02B or, as the case may be, that no indemnity is due, the method of application of the Prepayment Amount and the Acceptance Deadline.

If the relevant Borrower accepts the Prepayment Notice no later than by the Acceptance Deadline, it shall effect the prepayment. In any other case, the Borrowers may not effect the prepayment.

The relevant Borrower shall accompany the prepayment by the payment of accrued interest and indemnity, if any, due on the Prepayment Amount, as specified in the Prepayment Notice.

4.03 Compulsory prepayment

4.03A Prepayment Events

4.03A(1) PROJECT COST REDUCTION

If the total cost of the Project falls below the figure stated in Recital (2) so that the amount of the Credit exceeds 50% (fifty per cent) of such total cost, the Bank may forthwith, by notice to the Borrowers, cancel the undisbursed portion of the Credit and/or demand prepayment of the Loan up to the amount by which the Credit exceeds 50% (fifty per cent) of the total cost of the Project. The Borrowers shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

4.03A(2) *PARI PASSU* TO NON-EIB FINANCING

If any of the Borrowers (or any member of the Group) voluntarily prepays (for the avoidance of debt, prepayment shall include a repurchase or cancellation where applicable) a part or the whole of any Non-EIB Financing and:

- such prepayment is not made within a revolving credit facility (save for the cancellation of the revolving credit facility);
- such prepayment is not made out of the proceeds of a loan or other indebtedness having a term at least equal to the unexpired

terms of the Non-EIB Financing prepaid,

the Bank may, by notice to the Borrowers, cancel the undisbursed portion of the Credit and demand prepayment of the Loan. The proportion of the Loan that the Bank may require to be prepaid shall be the same as the proportion that the prepaid amount of the Non-EIB Financing bears to the aggregate outstanding amount of all Non-EIB Financing.

The relevant Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article, “**Non-EIB Financing**” includes any loan, (save for the Loan and any other direct loans from the Bank to the Borrower (or any other member of the Group)), credit bond or other form of financial indebtedness or any obligation for the payment or repayment of money originally granted to the Borrower (or any other member of the Group)) for a term of more than 3 (three) years.

4.03A(3) CHANGE OF CONTROL

Each of the Borrowers shall promptly inform the Bank if a Change-of-Control Event has occurred or is likely to occur in respect of itself {or, in case of the Parent, in respect of any Borrower}. At any time after the occurrence of a Change-of-Control Event, the Bank may, by notice to the Borrowers, cancel the undisbursed portion of the Credit and demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract.

In addition, if the Borrowers have informed the Bank that a Change-of-Control Event is about to occur, or if the Bank has reasonable cause to believe that a Change-of-Control Event is about to occur, the Bank may request that the Borrowers consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request. After the earlier of (a) the lapse of 30 (thirty) days from the date of such request for consultation, or (b) at any time thereafter, upon the occurrence of the anticipated Change of-Control Event the Bank may, by notice to the Borrowers, cancel the undisbursed portion of the Credit and demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract.

The Borrowers shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article:

- (a) a “Change-of-Control Event” occurs if:
 - (i) any person or group of persons acting in concert gains control of the Parent or of the entity directly or ultimately controlling the Parent;
 - (ii) the Parent ceases to be the beneficial owner directly or indirectly through wholly owned subsidiaries of more than 50% (fifty per cent) of the issued share capital of the French Subsidiary; or
 - (iii) the Parent ceases to be the beneficial owner directly or indirectly through wholly owned subsidiaries of more than 50% (fifty per cent) of the issued share capital of the Italian Subsidiary;
- (b) “acting in concert” means acting together pursuant to an agreement or understanding (whether formal or informal); and
- (c) “control” means the power to direct the management and policies of an entity, whether through the ownership of voting capital, by contract or otherwise.

4.03A(4) CHANGES OF LAW

The Borrowers shall promptly inform the Bank if a Change-of-Law Event has occurred or is likely to occur. In such case, or if the Bank has reasonable cause to believe that a Change-of-Law Event has occurred or is about to occur, the Bank may request that the Borrowers consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request. If, after the lapse of 30 (thirty) days from the date of such request for consultation the Bank is of the reasonable opinion that the effects of the Change-of-Law Event cannot be mitigated to its satisfaction, the Bank may by notice to any of the Borrowers, cancel the undisbursed portion of the Credit and demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract.

The Borrowers shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article “Change-of-Law Event” means the enactment, promulgation, execution or ratification of or any change in or amendment to any law, rule or regulation (or in the application or official interpretation of any law, rule or regulation) that occurs after the Effective Date and which, in the opinion of the Bank, would materially impair any of the Borrowers' ability to perform their obligations under this Contract.

4.03A(5) ILLEGALITY

If it becomes unlawful in any applicable jurisdiction for the Bank to perform any of its obligations as contemplated in this Contract or to fund or maintain the Loan, the Bank shall promptly notify the Borrowers and the Bank may immediately (i) suspend or cancel

the undisbursed portion of the Credit and/or (ii) demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract on the date indicated by the Bank in its notice to the Borrowers.

4.03B Prepayment mechanics

Any sum demanded by the Bank pursuant to Article 4.03A, together with any interest or other amounts accrued or outstanding under this Contract including, without limitation, any indemnity due under Article 4.03C and Article 4.04, shall be paid on the date indicated by the Bank in its notice of demand.

4.03C Prepayment indemnity

In the case of an Indemnifiable Prepayment Event, the indemnity, if any, shall be determined in accordance with Article 4.028.

4.04 General

A repaid or prepaid amount may not be reborrowed. This Article 4 shall not prejudice Article 10.

If any Borrower prepays a Tranche on a date other than a relevant Payment Date, that Borrower shall indemnify the Bank in such amount as the Bank shall certify is required to compensate it for receipt of funds otherwise than on a relevant Payment Date.

ARTICLE 5

Payments

5.01 Day count convention

Any amount due by way of interest, indemnity or fee from a Borrower under this Contract, and calculated in respect of a fraction of a year, shall be determined on the following respective conventions:

- (a) in respect of interest and indemnities due under a Fixed Rate Tranche, a year of 360 (three hundred and sixty) days and a month of 30 (thirty) days;
- (b) in respect of interest and indemnities due under a Floating Rate Tranche, a year of 360 (three hundred and sixty) days and the number of days elapsed;
- (c) in respect of fees, a year of 360 (three hundred and sixty) days and the number of days elapsed.

5.02 Time and place of payment

Unless otherwise specified in this Contract or in the Bank's demand, all sums other than sums of interest, indemnity and principal are payable within 15 (fifteen) days of the relevant Borrower's receipt of the Bank's demand.

Each sum payable by the Borrowers under this Contract shall be paid to the relevant account notified by the Bank to the relevant Borrower. The Bank shall notify the account not less than 15 (fifteen) days before the due date for the first payment by the relevant Borrower and shall notify any change of account not less than 15 (fifteen) days before the date of the first payment to which the change applies. This period of notice does not apply in the case of payment under Article 10.

The Borrower shall indicate in each payment made hereunder the contract number ("Fi nr") found on the cover page of this Contract.

A sum due from a Borrower shall be deemed paid when the Bank receives it.

Any disbursements by and payments to the Bank under this Contract shall be made using account(s) acceptable to the Bank. For the avoidance of doubt, any account in the name of a Borrower held with a duly authorized financial institution in the jurisdiction where that Borrower is incorporated or where the Project is undertaken is deemed acceptable to the Bank.

5.03 No set-off by the Borrower

All payments to be made by any Borrower under this Contract shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

5.04 Disruption to Payment Systems

If either the Bank determines (in its discretion) that a Disruption Event has occurred or the Bank is notified by any of the Borrowers that a Disruption Event has occurred:

- (a) the Bank may, and shall if requested to do so by the Parent, consult with the Parent on behalf of the Borrowers with a view to agreeing with the Parent on behalf of the Borrowers such changes to the operation or administration of this Contract as the Bank may deem necessary in the circumstances;

- (b) the Bank shall not be obliged to consult with the Parent in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes; and
- (c) the Bank shall not be liable for any damages, costs or losses whatsoever arising as a result of a Disruption Event or for taking or not taking any action pursuant to or in connection with this Article 5.04.

5.05 Application of sums received

- (a) General

Sums received from a Borrower shall only discharge its payment obligations if received in accordance with the *terms* of this Contract.

- (b) Partial payments

If the Bank receives a payment that is insufficient to discharge all the amounts then due and payable by a Borrower under this Contract, the Bank shall apply that payment:

- (i) first, in or towards payment pro rata of any unpaid fees, costs, indemnities and expenses due under this Contract;
- (ii) secondly, in or towards payment of any accrued interest due but unpaid under this Contract;
- (iii) thirdly, in or towards payment of any principal due but unpaid under this Contract; and
- (iv) fourthly, in or towards payment of any other sum due but unpaid under this Contract.

- (c) Allocation of sums related to Tranches

- (i) In case of:

- a partial voluntary prepayment of a Tranche, the Prepayment Amount shall be applied pro rata to each outstanding instalment, or, at the request of the Borrower, in inverse order of maturity,
- a partial compulsory prepayment of a Tranche, the Prepayment Amount shall be applied in reduction of the outstanding instalments in inverse order of maturity.

- (ii) Sums received by the Bank following a demand under Article 10.01 and applied to a Tranche, shall reduce the outstanding instalments in inverse order of maturity. The Bank may apply sums received between Tranches at its discretion.
- (iii) In case of receipt of sums which cannot be identified as applicable to a specific Tranche, and on which there is no agreement between the Bank and the Parent on behalf of the Borrowers on their application, the Bank may apply these between Tranches at its discretion.

ARTICLE 6

Borrower undertakings and representations

The undertakings in this Article 6 remain in force for so long as any amount is outstanding under this Contract or the Credit is in force.

A. Project undertakings

6.01 Use of Loan and availability of other funds

Each of the Borrowers shall use all amounts borrowed by it under the Loan for the execution of the Project.

Each of the Borrowers shall ensure that it has available to it the other funds listed in Recital (2) and that such funds are expended, to the extent required, on the financing of the Project.

6.02 Completion of Project

Each Borrower shall carry out the Project in accordance with the Technical Description as may be modified from time to time with the approval of the Bank, and complete it by the final date specified therein.

6.03 Increased cost of Project

If the total cost of the Project exceeds the estimated figure set out in Recital (2), the Parent on behalf of the Borrowers shall obtain the finance to fund the excess cost without recourse to the Bank, so as to enable the Project to be completed in accordance with the Technical Description. The plans for funding the excess cost shall be communicated to the Bank without delay.

6.04 Procurement procedure

Each Borrower shall purchase equipment, secure services and order works for the Project (a) in so far as they apply to it or to the Project, in accordance with European Union law in general and in particular with the relevant European Union Directives and (b) in so far as European Union Directives do not apply, by procurement procedures which, to the satisfaction of the Bank, respect the criteria of economy and efficiency and, in case of public contracts, the principles of transparency, equal treatment and non-discrimination on the basis of nationality.

6.05 Continuing Project undertakings

Each Borrower shall:

- (a) **Maintenance:** maintain, repair, overhaul and renew all property forming part of the Project as required to keep it in good working order;
- (b) **Project assets:** unless the Bank shall have given its prior consent in writing retain title to and possession of all or substantially all the assets comprising the Project or, as appropriate, replace and renew such assets and maintain the Project in substantially continuous operation in accordance with its original purpose; provided that the Bank may withhold its consent only where the proposed action would prejudice the Bank's interests as lender to the Borrowers or would render the Project ineligible for financing by the Bank under its Statute or under Article 309 of the Treaty on the Functioning of the European Union;
- (c) **Insurance:** insure all works and property forming part of the Project with first class insurance companies in accordance with the most comprehensive relevant industry practice;
- (d) **Rights and Permits:** maintain in force all rights of way or use and all Authorisations necessary for the execution and operation of the Project; and
- (e) **Environment:**
 - (i) implement and operate the Project in compliance with Environmental Law;
 - (ii) obtain and maintain requisite Environmental Approvals for the Project; and
 - (iii) comply with any such Environmental Approvals.
- (f) **Integrity:** take, within a reasonable timeframe, appropriate measures in respect of any member of its management bodies who has been convicted by a final and irrevocable court ruling of a Criminal Offence perpetrated in the course of the exercise of his/her professional duties, in order to ensure that such member is excluded from any of that Borrower's activity in relation to the Loan or the Project.

B General undertakings

6.06 Disposal of assets

6.06A Each Borrower shall not (and the Parent shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset.

6.06B Paragraph 6.06A above does not apply to any sale, lease, transfer or other disposal for fair market value and at arm's length:

- (a) made in the ordinary course of trading of the disposing entity;

- (b) of assets in exchange of other assets comparable or superior as to type, value and quality;
- (c) of obsolete or redundant vehicles, plant and equipment for cash;
- (d) of receivables being part of Permitted Receivables Disposals; or
- (e) of assets not falling within paragraphs (a),(b), (c) and (d) above, provided that over the life of the Loan the aggregate value of the disposed asset and other disposals of assets not falling within paragraphs (a), (b), (c) and (d) above, shall not exceed 10 per cent of the total assets of the Group as reported in the latest audited consolidated financial statements.

6.06C Notwithstanding anything to the contrary contained in this Article 6.06, each of the undertakings contained in this Article 6.06 are subject to all transactions contemplated under Article I (*The Mergers*) and Article II (*Effect of the Merger on Capital Stock*) of the Transaction Agreement.

6.07 Financial Covenants

So long as any part of the Loan remains outstanding, the Parent shall ensure that all the financial ratios set out in Schedule E are fulfilled.

6.08 Limitations on distributions

6.08A Except as permitted under paragraphs 6.088 and 6.08C below, no Borrower shall (and the Parent shall ensure that no member of the Group will):

- (a) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);
- (b) repay or distribute any dividend or share premium reserve;
- (c) pay or allow any member of the Group to pay any management, advisory or other fee to or to the order of any of the direct or indirect shareholders of the Parent (other than in respect of financial services rendered by any such shareholder in the ordinary course of its business to the Parent or a Subsidiary);
- (d) redeem, repurchase or repay any of its share capital or resolve to do so; or
- (e) reduce its share capital.

6.08B Paragraph 6.08A. above does not apply to:

- (i) reduction of share capital when mandatorily required under articles 2446 or 2447 of the Italian civil code (or any other applicable provision of law) (provided that the share capital is simultaneously reinstated at an amount not lower than the minimum amount required by any applicable law); or
- (ii) the payment of a dividend to any of the Parent, the Italian Subsidiary, the French Subsidiary or any of their wholly-owned Subsidiaries.

6.08C Notwithstanding paragraph A. above, the Parent may distribute dividends and/or redeem, repurchase or repay any of its share capital or resolve to do so if:

- (a) all payments by any Borrower under this Contract have been punctually made when due;
- (b) no Event of Default or Prepayment Event is continuing unremedied or unwaived; and
- (c) the Parent is in compliance with the financial covenants pursuant to Article 6.07.

6.08D Notwithstanding anything to the contrary contained in this Article 6.08, each of the undertakings contained in this Article 6.08 are subject to all transactions contemplated under Article I (*The Mergers*) and Article II (*Effect of the Merger on Capital Stock*) of the Transaction Agreement.

6.09 Change of Business

The Parent shall procure that no substantial change is made to the general nature of the business of the Parent or the Group:

- (i) from that carried on at the Effective Date; or (ii) following the implementation of the merger of Cypher Merger Sub Inc. with Cyberonics, Inc. as set out in the Transaction Agreement, from Completion.

6.10 Acquisition

6.10A No Borrower shall (and the parent shall ensure that no other member of the Group will) acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them).

6.10B Paragraph 6.10A does not apply to acquisition for cash consideration of all or the majority of the issue share capital of a limited liability company but not only if:

- (a) no Event of Default is continuing on the closing date for the acquisition or would occur as a result of the acquisition;
- (b) the acquired company, business or undertaking is engaged in a business substantially the same as (or ancillary or related to) that carried on by the Group; and
- (c) the consideration (including associated costs and expenses) for the acquisition and any Financial Indebtedness or other assumed actual or contingent liability in each case remaining in the acquired company (or any such business) at the date of acquisition (the **“Individual Purchase Price”**) when aggregated with the consideration (including associated costs and expenses) for any other acquisition permitted under this Contract and any Financial Indebtedness or other assumed actual or contingent liability, in each case remaining in any such acquired companies or businesses at the time of acquisition (the **“Total Purchase Price”**) does not exceed in aggregate Euro 200,000,000.00 (two hundred million euros), or following, and subject to, Completion, US\$ 280,000,000.00 (two hundred and eighty million US dollars) or its equivalent over the life of the Tranches.

Any acquisition whose Individual Purchase Price exceeds in aggregate Euro 50,000,000.00 (fifty million euros), or following, and subject to, Completion, US\$ 75,000,000.00 (seventy five million US dollars) or its equivalent will only be permitted under paragraph (c) above if the Parent has delivered to the Bank not later than 30 (thirty) Business Days before legally committing to make such acquisition a certificate signed by two directors of the Parent to which is attached a copy of the latest audited accounts (or if not available, management accounts) of the target company or business.

Such certificate must give calculations showing in reasonable detail that the Parent would have remained in compliance with its obligations under Article 6.07 if the covenant tests were recalculated for the relevant period ending on the most recent Accounting Date consolidating the financial statements of the target company (consolidated if it has Subsidiaries) or business with the financial statements of the Group for such period on a pro forma basis and as if the consideration for the proposed acquisition had been paid at the start of that relevant period.

6.10C Notwithstanding anything to the contrary contained in this Article 6.10, each of the undertakings contained in this Article 6.10 are subject to all transactions contemplated under Article I (*The Mergers*) and Article II (*Effect of the Merger on Capital Stock*) of the Transaction Agreement.

6.11 Financial Indebtedness

The Borrower shall ensure that the Subsidiary Financial Indebtedness does not exceed at any time 35% (thirty five per cent) of Group Financial Indebtedness.

For the purposes of this Article:

- (a) **“Group Financial Indebtedness”** means the Financial Indebtedness of the Group;
- (b) **“Subsidiary Financial Indebtedness”** means the aggregate Financial Indebtedness of each Subsidiary excluding the Financial Indebtedness of the Borrowers.

For the avoidance of doubt and notwithstanding anything to the contrary, intra-group debt shall not constitute or in any way be included in the definition of Indebtedness for Subsidiary Financial Indebtedness.

Notwithstanding anything to the contrary contained in this Article 6.11, each of the undertakings contained in this Article 6.11 are subject to all transactions contemplated under Article I (*The Mergers*) and Article II (*Effect of the Merger on Capital Stock*) of the Transaction Agreement.

6.12 Compliance with laws

Each Borrower shall comply in all respects with all laws and regulations to which it or the Project is subject.

6.13 Merger

No Borrower shall (and the Parent shall ensure that no other member of the Group will) enter into any amalgamation, demerger, merger or corporate reconstruction other than a Permitted Transaction.

For the purposes of this Article 6.13 “**Permitted Transaction**” means:

- (a) a merger between a Borrower and any Subsidiary that is consolidated within the consolidated financial statements of the Parent, provided that such Borrower is in each case the surviving entity;
- (b) any solvent amalgamation or merger among members of the Group which are not a Borrower;
- (c) the solvent liquidation or reorganisation of any member of the Group which is not a Borrower so long as any payments or assets distributed as a result of such liquidation or reorganisation are distributed to other members of the Group; and
- (d) the merger of Cypher Merger Sub Inc. with Cyberonics, Inc. in accordance with paragraph (a) of section 1.01 (*The Mergers*), section 1.02 (*Closing Date*), section 1.03 (*Effective Times*), section 1.04 (*Organizational Documents; Directors and Officers*), section 2.02 (*Conversion of Securities in the Cyberonics Merger*), section 2.05 (*Exchange of Cyberonics Certificates; Payment for Cyberonics Shares*) and section 2.06 (*Treatment of Cyberonics Equity Awards*) of the Transaction Agreement,

in each case provided that ratios specified in Article 6.07 are satisfied at any time.

Notwithstanding anything to the contrary contained in this Article 6.13, each of the undertakings contained in this Article 6.13 are subject to all transactions contemplated under Article I (*The Mergers*) and Article II (*Effect of the Merger on Capital Stock*) of the Transaction Agreement.

6.14 Books and records

Each Borrower shall ensure that it has kept and will continue to keep proper books and records of account, in which full and correct entries shall be made of all financial transactions and the assets and business of that Borrower, including expenditures in connection with the Project, in accordance with GAAP as in effect from time to time.

6.15 General Representations and Warranties

6.15A The Parent represents and warrants to the Bank that it is duly incorporated and validly existing as a public limited company under the laws of England and Wales and it has power to carry on its business as it is now being conducted and to own its property and other assets.

6.15B The French Subsidiary represents and warrants to the Bank it is duly incorporated and validly existing as a limited liability company (*societe par actions simplifiee*) under the laws of France and it has power to carry on its business as it is now being conducted and to own its property and other assets.

6.15C The Italian Subsidiary represents and warrants to the Bank that it is duly incorporated and validly existing as a limited liability company (*societa a responsabilita limitata*) under the laws of Italy and it has power to carry on its business as it is now being conducted and to own its property and other assets.

6.15D Each of the Borrowers represents and warrants to the Bank that:

- (a) it has the power to execute, deliver and perform its obligations under this Contract and all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and performance of the same by it;
- (b) this Contract constitutes its legally valid, binding and enforceable obligations;
- (c) the execution and delivery of, the performance of its obligations under and compliance with the provisions of this Contract do not and will not:
 - (i) contravene or conflict with any applicable law, statute, rule or regulation, or any judgement, decree or permit to which it is subject;
 - (ii) contravene or conflict with any agreement or other instrument binding upon it which might reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Contract;
 - (iii) contravene or conflict with any provision of its by-laws or memorandum and articles of association;
- (d) the latest available audited accounts of that Borrower (and, in case of the Parent, latest available audited accounts of the Parent) have been prepared on a basis consistent with previous years and have been approved by its auditors as representing a true and fair view of the results of its operations for that year and accurately disclose or reserve against all the liabilities (actual or contingent) of that Borrower;

- (e) there has been no Material Adverse Change since 30 June 2015;
- (f) no event or circumstance which constitutes an Event of Default has occurred and is continuing unremedied or unwaived;
- (g) no litigation, arbitration, administrative proceedings or investigation is current or to its knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against it or any of its subsidiaries any unsatisfied judgement or award;
- (h) it has obtained all necessary Authorisations in connection with this Contract and in order to lawfully comply with its obligations hereunder, and the Project and all such Authorisations are in full force and effect and admissible in evidence;
- (i) its payment obligations under this Contract rank not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law applying to companies generally;
- (j) it is in compliance with Article 6.05(e) and to the best of its knowledge and belief (having made due and careful enquiry) no Environmental Claim has been commenced or is threatened against it;
- (k) it is in compliance with all undertakings under this Article 6;
- (l) no financial covenants have been concluded with any other creditor of the Group which are more restrictive than the ones contained in the Contract; and
- (m) to the best of its knowledge, no funds invested in the Project by the Borrower or by its controlling entities or by another member of the Group are of illicit origin, including products of money laundering or linked to the financing of terrorism. The Borrower shall promptly inform the Bank if at any time it becomes aware of the illicit origin of any such funds.

The representations and warranties set out above shall survive the execution of this Contract and are, with the exception of the representation set out in paragraph (e) of Article 6.150 above, deemed repeated on each Disbursement Request, Disbursement Date and on each Payment Date.

ARTICLE 7

Guarantee and indemnity. Security

7.01 Guarantee and indemnity.

7.01A Guarantee and indemnity

Each Co-debtor irrevocably and unconditionally jointly and severally:

- (a) guarantees to the Bank punctual performance by each Borrower of all that Borrower's obligations under this Contract or other transactional documents;
- (b) undertakes with the Bank that whenever a Borrower does not pay any amount when due under or in connection with this Contract or other transactional documents, that Co-debtor shall immediately on demand pay that amount as if it was the principal Borrower; and
- (c) agrees with the Bank that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Bank immediately on demand against any cost, loss or liability it incurs as a result of a Borrower not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under this Contract on the date when it would have been due. The amount payable by a Co-debtor under this indemnity *will* not exceed the amount it would have had to pay under this Article 7.01 if the amount claimed had been recoverable on the basis of a guarantee.

7.01B Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Borrower under this Contract, regardless of any intermediate payment or discharge in whole or in part.

7.01C Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of any Borrower or any security for those obligations or otherwise) is made by the Bank in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Co-debtor under this Article 7.01 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

7.01D Waiver of defences

The obligations of each Co-debtor under this Article 7.01 will not be affected by an act, omission, matter or thing which, but for this Article, would reduce, release or prejudice any of its obligations under this Article 7.01 (without limitation and whether or not known to it or the Bank) including:

- (a) any time, waiver or consent granted to, or composition with, any Borrower or other person;
- (b) the release of any other Borrower or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Borrower or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Borrower or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of this Contract or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under this Contract or other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under this Contract or any other document or security; or
- (g) any insolvency or similar proceedings.

7.01E Immediate recourse

Each Co-debtor waives any right it may have of first requiring the Bank (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Co-debtor under this Article 7.01. This waiver applies irrespective of any law or any provision of this Contract to the contrary.

7.01F Appropriations

Until all amounts which may be or become payable by the Borrowers under or in connection with this Contract have been irrevocably paid in full, the Bank (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by the Bank (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Co-debtor shall be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from any Co debtor or on account of any Co-debtor's liability under this Article 7.01.

7.01G Deferral of Co-debtors' rights

Until all amounts which may be or become payable by the Borrowers under or in connection with this Contract have been irrevocably paid in full and unless the Bank otherwise directs, no Co-debtor will exercise any rights which it may have by reason of performance by it of its obligations under this Contract or by reason of any amount being payable, or liability arising, under this Article 7.01:

- (a) to be indemnified by an Borrower;
- (b) to claim any contribution from any other guarantor of any Borrower's obligations under this Contract;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Bank under this Contract or of any other guarantee or security taken pursuant to, or in connection with, this Contract by the Bank;

- (d) to bring legal or other proceedings for an order requiring any Borrower to make any payment, or perform any obligation, in respect of which any Co-debtor has given a guarantee, undertaking or indemnity under Article 7.01A;
- (e) to exercise any right of set-off against any Borrower; and/or
- (f) to claim or prove as a creditor of any Borrower in competition with the Bank.

If a Co-debtor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Bank by the Borrowers under or in connection with this Contract to be repaid in full on trust for the Bank and shall promptly pay or transfer the same to the Bank or as the Bank may direct for application in accordance with Article 5.05(b).

7.01H **Additional security**

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Bank.

7.01I **Limitation of the obligations of the French Subsidiary**

The obligations of the French Subsidiary as Co-debtor under Article 1.11 and under this Article 7.01 shall not exceed an amount equal to the maximum outstanding amount of any intercompany loans advanced or made available to the French Subsidiary by the Parent and the Italian Subsidiary out of the proceeds of the Credit.

7.01J **Borrowers' Agent**

- (a) Each Borrower (other than the Parent) by its execution of this Contract irrevocably appoints the Parent (acting through one or more authorised signatories) to act on its behalf as its agent in relation to this Contract and irrevocably authorises:
 - (i) the Parent on its behalf to supply all information concerning itself contemplated by this Contract to the Bank and to give all notices and instructions (including, in the case of a Borrower, Disbursement Requests); and
 - (ii) the Bank to give any notice, demand or other communication to that Borrower pursuant to this Contract to the Parent,and in each case the Borrower shall be bound as though the Borrower itself had given the notices and instructions (including, without limitation, any Disbursement Requests) or received the relevant notice, demand or other communication.
- (b) Every act, omission, agreement, undertaking, settlement, waiver, amendment, supplement, variation, notice or other communication given or made by the Parent or given to the Parent under this Contract on behalf of another Borrower or in connection with this Contract shall be binding for all purposes on that Borrower as if that Borrower had expressly made, given or concurred with it. In the event of any conflict between any notices or other communications of the Parent and any other Borrower, those of the Parent shall prevail.

7.02 **Negative pledge**

So long as any part of the Loan remains outstanding, the Parent shall not and shall not permit that any of its Subsidiaries create on its own behalf or permit to subsist any Security Interest on, or with respect to, any of their present or future businesses, obligations, undertakings, assets or revenues (including any uncalled capital) with the exception of Permitted Security.

For the purpose of this Contract “**Security Interest**” shall mean any guarantee for the benefit of any company of the Group or any third party, mortgage, pledge, lien, charge, assignment, hypothecation, title retention, preferential right, priority or trust arrangement or security interest or any other agreement or arrangement having the effect of conferring security.

For the purpose of this Contract “**Permitted Security**” shall mean:

- (a) any Security Interest listed in Schedule F (Existing Security) except to the extent the principal amount secured by that Security exceeds the amount stated in that Schedule;
- (b) any Security Interest arising by operation of law and in the ordinary course of trading;
- (c) any guarantee comprising a netting or set-off arrangement entered into by the Parent or any of its Subsidiaries in the ordinary course of their banking arrangements for the purpose of netting debt and credit balances;

- (d) any Security Interest securing indebtedness the outstanding principal amount of which (when aggregate with the outstanding principal amount of any other indebtedness which has the benefit of Security Interest given by any member of the Group other than any permitted under (a) to (c) above) does not exceed in aggregate EUR 10,000,000.00 (ten million euros), or following, and subject to, Completion, USO 15,000,000.00 (fifteen million US dollars) (or its equivalent);

For the purpose of this Article 7.02 the Parent declares that at the date of the execution of this Contract no Security Interest other than Permitted Security exists over its assets or the assets of any of the companies of the Group.

7.03 Pari passu

Each of the Borrowers shall ensure that its payment obligations under this Contract rank, and will rank, not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by Jaw applying to companies generally.

7.04 Clauses by inclusion

If at any time while the Loan is outstanding, any member of the Group concludes with any other medium or long term financial creditor a financing agreement that includes a covenant or other provision imposing minimum financial ratios stricter than the ones indicated in Schedule E hereto, the Parent shall so inform the Bank and shall, at the request of the Bank, execute an agreement to amend this Contract so as to provide for an equivalent provision in favour of the Bank.

ARTICLE 8

Information and Visits

8.01 Information concerning the Project

(a) The Parent (and, upon request of the Bank, the relevant Borrower) shall deliver to the Bank:

- (i) the information in content and in form, and at the times, specified in Schedule A.2 or otherwise as agreed from time to time by the parties to this Contract; and
- (ii) any such information or further document concerning the financing, procurement, implementation, operation and environmental matters of or for the Project as the Bank may reasonably require within a reasonable time,

provided always that if such information or document is not delivered to the Bank on time, and the Parent (and, upon request of the Bank, the relevant Borrower) does not rectify the omission within a reasonable time set by the Bank in writing, the Bank may remedy the deficiency, to the extent feasible, by employing its own staff or a consultant or any other third party, at the Parent's expense and the Borrowers shall provide such persons with all assistance necessary for the purpose;

(b) The Borrowers shall submit for the approval of the Bank without delay any material change to the Project, also taking into account the disclosures made to the Bank in connection with the Project prior to the signing of this Contract, in respect of, inter alia, the price, design, plans, timetable or to the expenditure programme or financing plan for the Project;

(c) The Borrowers shall promptly inform the Bank of:

- (i) any action or protest initiated or any objection raised by any third party or any genuine complaint received by any Borrower or any Environmental Claim that is to its knowledge commenced, pending or threatened against it with regard to environmental or other matters affecting the Project;
- (ii) any fact or event known to any Borrower, which may substantially prejudice or affect the conditions of execution or operation of the Project;
- (iii) a genuine allegation, complaint or information with regard to Criminal Offences related to the Project;
- (iv) any non-compliance by it with any applicable Environmental Law; and
- (v) any suspension, revocation or modification of any Environmental Approval, and set out the action to be taken with respect to such matters.

(d) The Borrowers shall provide to the Bank, if so requested:

- (i) a certificate of its insurers showing fulfilment of the requirements of Article 6.05(c); and
- (ii) annually, a list of policies in force covering the insured property forming part of the Project, together with confirmation of payment of the current premiums.

8.02 **Information concerning the Borrowers**

- (a) The Parent shall deliver to the Bank:
 - (i) as soon as they become available but in any event within 180 (one hundred and eighty) days after the end of each of its financial years its audited consolidated and unconsolidated annual report, balance sheet, profit and loss account and auditors report for that financial year together with a Compliance Certificate as set out in Schedule 0.2 signed by two directors reported on by reputable independent auditors confirming compliance with the financial covenants pursuant to Article 6.07 and with evidence of such compliance and related calculations; and
 - (ii) as soon as they become publicly available but in any event within 120 days after the end of each of the relevant accounting periods its interim consolidated and unconsolidated semi-annual report, balance sheet and profit and loss account for the first half-year of each of its financial years together with a Compliance Certificate as set out in Schedule D.2 signed by two directors confirming compliance with the financial covenants pursuant to Article 6.07 and with evidence of such compliance and related calculations;
 - (iii) as soon as Completion occurs, a certificate signed by a director of the Parent certifying that the “Cyberonics Merger Effective Time” (as such term is defined in the Transaction Agreement) has occurred in accordance with the Transaction Agreement; and
 - (iv) from time to time, such further information on its general financial situation as the Bank may reasonably require or such certificates of compliance with the undertakings of Article 6 as the Bank may deem necessary;
and
- (b) Each of the Borrowers shall inform the Bank immediately of:
 - (i) any material alteration to its by-laws or memorandum and articles of association or shareholding structure and of any change of ownership of 5% or more of its shares after the Effective Date, other than in accordance with Article I (*The Mergers*) and Article II (*Effect of the Merger on Capital Stock*) of the Transaction Agreement;
 - (ii) any fact which obliges it to prepay any financial indebtedness or any European Union funding;
 - (iii) any event or decision that constitutes or may result in a Prepayment Event;
 - (iv) any intention on its part to grant any security over any of its assets in favour of a third party;
 - (v) any intention on its part to relinquish ownership of any material component of the Project;
 - (vi) any fact or event that is reasonably likely to prevent the substantial fulfilment of any obligation of the Borrowers under this Contract;
 - (vii) any event listed in Article 10.01 having occurred or being threatened or anticipated;
 - (viii) any investigations concerning the integrity of the members of any of the Borrowers' Board of Directors or other administrative body or managers;
 - (ix) to the extent permitted by law, any material litigation, arbitration, administrative proceedings or investigation carried out by a court, administration or similar public authority, which, to the best of its knowledge and belief, is current, imminent or pending against any Borrower or any of their controlling entities or members of any of the Borrowers' management bodies in connection with Criminal Offences related to the Loan or the Project;
 - (x) any measure taken by the Borrowers pursuant to Article 6.05(f) of this Contract; and

- (xi) any litigation, arbitration or administrative proceedings or investigation which is current, threatened or pending and which might if adversely determined result in a Material Adverse Change.

8.3 Visits by the Bank

Each Borrower shall allow persons designated by the Bank, as well as persons designated by other institutions or bodies of the European Union when so required by the relevant mandatory provisions of European Union law,

- (a) to visit the sites, installations and works comprising the Project,
- (b) to interview representatives of that Borrower, and not obstruct contacts with any other person involved in or affected by the Project; and
- (c) to review that Borrower's books and records in relation to the execution of the Project and to be able to take copies of related documents to the extent permitted by the law.

Each Borrower shall provide the Bank, or ensure that the Bank is provided, with all necessary assistance for the purposes described in this Article.

Each Borrower acknowledges that the Bank may be obliged to communicate information relating to any of the Borrowers and the Project to any competent institution or body of the European Union in accordance with the relevant mandatory provisions of European Union law.

ARTICLE 9

Charges and expenses

9.01 Taxes, duties and fees

Each Borrower shall pay all Taxes, duties, fees and other impositions of whatsoever nature, including stamp duty and registration fees, arising out of the execution or implementation of this Contract or any related document and in the creation, perfection, registration or enforcement of any security for the Loan to the extent applicable.

Each Borrower shall pay all principal, interest, indemnities and other amounts due by it under this Contract gross without deduction of any national or local impositions whatsoever, save as may be required by applicable law. If any of the Borrowers is obliged under applicable law to make any such deduction, it will gross up the payment to the Bank so that after such deduction, the net amount received by the Bank is equivalent to the sum due.

9.02 Other charges

Each Borrower shall bear all charges and expenses, including professional, banking or exchange charges incurred in connection with the preparation, execution, implementation, enforcement and termination of this Contract or any related document, any amendment, supplement or waiver in respect of this Contract or any related document, and in the amendment, creation, management, enforcement and realisation of any security for the Loan.

9.03 Increased costs, indemnity and set-off

- (a) Each Borrower shall pay to the bank any sums or expenses incurred or suffered by the Bank as a consequence of the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or compliance with any law or regulation made after the Effective Date, in accordance with or as a result of which (i) the Bank is obliged to incur additional costs in order to fund or perform its obligations under this Contract, or (ii) any amount owed to the Bank under this Contract or the financial income resulting from the granting of the Credit or the Loan by the Bank to the Borrower is reduced or eliminated.
- (b) Without prejudice to any other rights of the Bank under this Contract or under any applicable law, each Borrower shall indemnify and hold the Bank harmless from and against any loss incurred as a result of any payment or partial discharge that takes place in a manner other than as expressly set out in this Contract.
- (c) The Bank may set off any matured obligation due from any Borrower under this Contract (to the extent beneficially owned by the Bank) against any obligation (whether or not matured) owed by the Bank to that Borrower regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Bank may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If either obligation is unliquidated or unascertained, the Bank may set off in an amount estimated by it in good faith to be the amount of that obligation.

ARTICLE 10

Events of Default

10.01 Right to demand repayment

Each Borrower shall repay all or part of the Loan (as requested by the Bank) forthwith, together with accrued interest and all other accrued or outstanding amounts under this Contract, upon written demand being made by the Bank in accordance with the following provisions.

10.01A Immediate demand

The Bank may make such demand immediately:

- (a) if any Borrower does not pay on the due date any amount payable pursuant to this Contract at the place and in the currency in which it is expressed to be payable, unless (i) its failure to pay is caused by an administrative or technical error or a Disruption Event and (ii) payment is made within 3 (three) Business Days of its due date;
- (b) if any information or document given to the Bank by or on behalf of any of the Borrowers or any representation, warranty or statement made or deemed to be made by any of the Borrowers in or pursuant to this Contract or in connection with the negotiation or performance of this Contract is or proves to have been incorrect, incomplete or misleading in any material respect;
- (c) if, following any default of any Borrower or any other member of the Group in relation to any Loan, or any obligation arising out of any financial transaction, other than the Loan
 - (i) any Borrower or any other member of the Group is required or is capable of being required or will, following expiry of any applicable contractual grace period, be required or be capable of being required to prepay, discharge, close out or terminate ahead of maturity such other loan or obligation; or
 - (ii) any financial commitment for such other loan or obligation is cancelled or suspended,

and such other loans or obligations or commitments falling under paragraphs (i) and/or (ii) above are in an aggregate principal amount in excess of EUR 5,000,000.00 (five million euros), or following, and subject to, Completion, USD 7,500,000.00 (seven million and five hundred thousand US dollars) or its equivalent in any other currency or currencies;

- (d) if any Borrower or any member of the Group is unable to pay its debts as they fall due, or suspends its debts, or makes or seeks to make a composition with its creditors;
- (e) if any corporate action, legal proceedings or other procedure or step is taken in relation to the suspension of payments, a moratorium of any indebtedness, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) or an order is made or an effective resolution is passed for the winding up of any Borrower or any member of the Group, or if any Borrower or any member of the Group takes steps towards a substantial reduction in its capital, is declared insolvent or ceases or resolves to cease to carry on the whole or any substantial part of its business or activities;
- (f) if an encumbrancer takes possession of, or a receiver, liquidator, administrator, administrative receiver or similar officer is appointed, whether by a court of competent jurisdiction or by any competent administrative authority or by any person, of or over, any part of the business or assets of any Borrower or any member of the Group or any property forming part of the Project;
- (g) if any Borrower or any member of the Group defaults in the performance of any obligation in respect of any other loan granted by the Bank or financial instrument entered into with the Bank;
- (h) if any Borrower or any member of the Group defaults in the performance of any obligation in respect of any other loan made to it from the resources of the Bank or the European Union;
- (i) if any distress, execution, sequestration or other process is levied or enforced upon the property of the Borrower or any

property forming part of the Project and is not discharged or stayed within 14 (fourteen) days;

- (j) if a Material Adverse Change occurs, as compared with the Borrowers' condition at the Effective Date; or
- (k) if it is or becomes unlawful for any Borrower to perform any of its obligations under this Contract or other transactional documents or this Contract or other transactional documents is not effective in accordance with its terms or is alleged by any Borrower to be ineffective in accordance with its terms.

10.01B **Demand after notice to remedy**

The Bank may also make such demand:

- (a) if any Borrower fails to comply with any obligation under this Contract not being an obligation mentioned in Article 10.01A; or
- (b) if any fact related to the Borrower or the Project stated in the Recitals materially alters and is not materially restored and if the alteration either prejudices the interests of the Bank as lender to the Borrower or adversely affects the implementation or operation of the Project,

unless the non-compliance or circumstance giving rise to the non-compliance is capable of remedy and is remedied within 5 (five) Business Days from a notice served by the Bank on the Parent on behalf of the Borrowers.

10.02 **Other rights at law**

Article 10.01 shall not restrict any other right of the Bank at law to require prepayment of the Loan.

10.3 **Indemnity**

10.03A **Fixed Rate Tranches**

In case of demand under Article 10.01 in respect of any Fixed Rate Tranche, each Borrower shall pay to the Bank the amount demanded together with the Prepayment Indemnity on any amount of principal due to be prepaid. Such Prepayment Indemnity shall accrue from the due date for payment specified in the Bank's notice of demand and be calculated on the basis that prepayment is effected on the date so specified.

10.03B **Floating Rate Tranches**

In case of demand under Article 10.01 in respect of any Floating Rate Tranche, each Borrower shall pay to the Bank the amount demanded together with a sum equal to the present value of 0.15% (fifteen basis points) per annum calculated and accruing on the amount of principal due to be prepaid in the same manner as interest would have been calculated and would have accrued, if that amount had remained outstanding according to the original amortisation schedule of the Tranche, until the Maturity Date.

The value shall be calculated at a discount rate equal to the Redeployment Rate applied as of each relevant Payment Date.

10.03C **General**

Amounts due by any Borrower pursuant to this Article 10.03 shall be payable on the date of prepayment specified in the Bank's demand.

10.04 **Non-Waiver**

No failure or delay or single or partial exercise by the Bank in exercising any of its rights or remedies under this Contract shall be construed as a waiver of such right or remedy. The rights and remedies provided in this Contract are cumulative and not exclusive of any rights or remedies provided by law.

ARTICLE 11

Law and jurisdiction, miscellaneous

11.01 **Governing Law**

This Contract and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

11.02 **Jurisdiction**

- (a) The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with

this Contract (including a dispute regarding the existence, validity or termination of this Contract or the consequences of its nullity) or any non-contractual obligation arising out of or in connection with this Contract.

- (b) The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes between them and, accordingly, that they will not argue to the contrary.

11.03 Agent of Service

Without prejudice to any other mode of service allowed under any relevant law, each Borrower (other than the Parent) hereby irrevocably appoints LivaNova PLC, at c/o Legalinx Limited, 1 Fetter Lane, London EC4A 1BR, United Kingdom as its agent of service for the purposes of accepting service on its behalf of any writ, notice, order, judgement or other legal process (and the Parent accepts that appointment). Each Borrower (other than the Parent) agrees that failure by a process agent to notify it of the process will not invalidate the proceedings concerned.

11.04 Place of performance

Unless otherwise specifically agreed by the Bank in writing, the place of performance under this Contract shall be the seat of the Bank.

11.05 Evidence of sums due

In any legal action arising out of this Contract the certificate of the Bank as to any amount or rate due to the Bank under this Contract shall, in the absence of manifest error, be prima facie evidence of such amount or rate.

11.06 Third party rights

A person who is not a party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Contract.

11.07 Entire Agreement

This Contract constitutes the entire agreement between the Bank and the Borrowers in relation to the provision of the Credit hereunder, and supersedes any previous agreement, whether express or implied, on the same matter.

11.08 Invalidity

If at any time any term of this Contract is or becomes illegal, invalid or unenforceable in any respect, or this Contract is or becomes ineffective in any respect, under the laws of any jurisdiction, such illegality, invalidity, unenforceability or ineffectiveness shall not affect:

- (c) the legality, validity or enforceability in that jurisdiction of any other term of this Contract or the effectiveness in any other respect of this Contract in that jurisdiction; or
- (d)
- (e) the legality, validity or enforceability in other jurisdictions of that or any other term of this Contract or the effectiveness of this Contract under the laws of such other jurisdictions.

11.09 Amendments

Any amendment to this Contract shall be made in writing and shall be signed by the parties hereto.

11.10 Counterparts

This Contract may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

ARTICLE 12

Final clauses

12.01 Notices to the Parties

Notices and other communications given under this Contract addressed to a party to this Contract shall be made to the address or facsimile number as set out below, or to such other address or facsimile number as such party previously notifies to the other parties in writing:

For the Bank

Attention: Ops A/MA/2-IM BK&CORP/-/- 100 boulevard Konrad Adenauer
L-2950 Luxembourg
Facsimile no: +352 4379 55420

For the Parent

Attention: Head of Treasury
LivaNova PLC, Italian Branch Via Benigno Crespi, 17
Italy, 20159 Milano
Facsimile no.: + 39 02 69969513

For the French Subsidiary

Finance Manager Sorin CRM SAS
4 Avenue Reaumur
France, 92140 Clamart Cdx Facsimile no.: +33 146013460

For the Italian Subsidiary

Finance Manager
Via Benigno Crespi, 17 Italy, 20159 Milano
Facsimile no.: + 39 02 69969513

12.02 Form of notice

Any notice or other communication given under this Contract must be in writing.

Notices and other communications, for which fixed periods are laid down in this Contract or which themselves fix periods binding on the addressee, may be made by hand delivery, registered letter or facsimile. Such notices and communications shall be deemed to have been received by the other party on the date of delivery in relation to a hand-delivered or registered letter or on receipt of transmission in relation to a facsimile.

Other notices and communications may be made by hand delivery, registered letter or facsimile or, to the extent agreed by the parties by written agreement, by email or other electronic communication.

Without affecting the validity of any notice delivered by facsimile according to the paragraphs above, a copy of each notice delivered by facsimile shall also be sent by letter to the relevant party on the next following Business Day at the latest.

Notices issued by any Borrower pursuant to any provision of this Contract shall, where required by the Bank, be delivered to the Bank together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the relevant Borrower and the authenticated specimen signature of such person or persons.

12.03 Recitals and Schedules

The Recitals and following Schedules form part of this Contract:

- Schedule A Technical Description and Reporting
- Schedule B Definition of EURIBOR
- Schedule C Forms for Borrowers
- Schedule D Certificates to be provided by the Borrowers
- Schedule E Financial Ratios
- Schedule F Existing Security

Schedule A

Project Specification and Reporting

A.1 Technical Description (Article 6.02)

Purpose, Location

The project concerns the company's research and development (R&D) of various new products and product improvements in heart failure with a particular focus on i) cardiac surgery (heart valves and cardiopulmonary), and ii) cardiac rhythm management. The project is covering the entire product development from pre-clinical studies up to clinical trials.

The project will be managed from Milan and implemented on the promoter's R&D sites in France and Italy.

Description

This project concerns developments for i) cardiac surgery ii) cardiac rhythm management and finally iii) disruptive technologies addressing heart failure (new ventures).

Cardiac surgery:

The R&D activities within the cardiopulmonary segment will focus on the development of new devices including disposable / accessories and life cycle management of existing flagship devices. Example projects would be a new infant and neonatal oxygenator, a new heater and cooler

system needed for heart-lung machines, multi-parametric in-line blood monitor systems and new auto transfusion systems for low-bleeding surgeries.

For heart valves the promoter will focus on different sizes of the sutureless valve and different tissues valves.

Within the cardiac rhythm management the promoter intends to further exploit its SonR technology for the development of its CRT devices. This technology consists of a sensor encapsulated inside the tip of an electrostimulation lead, which is implanted in the patient and is used to optimize the delivery of cardiac resynchronisation therapy. The implementation of this technology resulted in a rise in the rate of patients responding to the therapy from 62% to 86%. In collaboration with Orange Business Services, Sorin is engaged in the development of the remote monitoring project, an innovative technology to access patient data from implanted devices while the patient is at home. The company is into the development of blood monitoring system based on its innovative lab-on-a-chip technology.

New Ventures:

In this area the promoter invests in disruptive technologies relating to heart diseases through acquiring shares in start-up companies active in this field. Current projects include i) neuromodulation and ii) percutaneous interventions. The project focuses on proof of concept studies as well as clinical trials to obtain the CE mark and FDA approval.

Calendar

The project will be implemented from January 2014 until December 2016.

A.2 Information Duties under Article 8.01(a)

1. Dispatch of information: designation of the person responsible

(xii)

(xiii) The information below has to be sent to the Bank under the responsibility of:

Company	LivaNova PLC, Italian Branch
Contact person	Mr. Maurizio Borelli
Title	Head of Treasury
Function/Department	
Address	Via Benigno Crespi, 17 Italy, 20159 Milano
Phone	39 02 69969 717
Fax	39 02 69969 513
Email	maurizio.borelli@livanova.com

The above-mentioned contact person(s) is (are) the responsible contact(s) for the time being.

The Borrower shall inform the EIB immediately in case of any change.

2. Information on the project's implementation

The Borrower shall deliver to the Bank the following information on project progress during implementation at the latest by the deadline indicated below.

Document/Information	Deadline	Frequency of reporting
Project Progress Report - <i>A brief update on the technical description, explaining the reasons for significant changes vs. initial scope;</i> - <i>Update on the date of completion of each of the main project's components, explaining reasons for any possible delay;</i> - <i>Update on the cost of the project (actual and updated forecasts for the following years), explaining reasons for any significant cost variations vs. initial budgeted costs - refer to table 1 below;</i> - <i>A description of any major issue with impact on the environment;</i> - <i>Update on the project's demand or usage and comments;</i>	31/01/2016	Intermediate

- Any significant issue that has occurred and any significant risk that may affect the project's operation;		
- Any legal action concerning the project that may be on-going.		

Please use the format of the table 1 below to report past actual expenditures and actualised forecasts.

Table1: Project cost summary (monitoring reference).

EUR m	Initial distribution	2014	2015	2016	TIC
CS global		48.2	48.1	48.9	145.3
CSItaly	65.2%	31.4	31.4	31.9	94.7
CS France	— %	0.0	—	0.0	0.0
Cardiac Surgery		31.4	31.4	31.9	94.7
CRM global		58.9	59.9	58.8	177.7
CRM Italy	15.0%	8.8	9.0	8.8	26.6
CRM France	69.4%	40.9	41.6	40.8	123.3
Cardiac Rhythm Management		49.7	50.6	49.6	149.9
NV global		11.4	14.2	31.6	57.2
NV Italy	3.7%	0.4	0.5	1.2	2.1
NV France	68.9%	7.9	9.8	21.8	39.5
New Ventures		8.3	10.3	23.0	41.6
Total Italy		40.6	40.9	41.9	123.4
Total France		48.8	51.4	62.6	162.8
TOTAL		89.4	92.3	104.5	286.2

3. Information on the end of works and first year of operation

The Borrower shall deliver to the Bank the following information on project completion and initial operation at the latest by the deadline indicated below.

Document / information	Date of delivery to the Bank
<p>Project Complete on Report, including:</p> <ul style="list-style-type: none"> – A brief description of the technical characteristics of the project as completed, explaining the reasons for any significant change; – The implementation results of each of the main project's components explaining reasons for any variation and/or delay; – The final cost of the project, explaining reasons for any possible cost variations vs. initial budgeted cost - refer to table1; – The number of people employed during the implementation of the R&D project (2014-2016): yearly average workload (FTEs) actually generated by the project in Italy and France; Please provide the breakdown by BU and location; – The number of new jobs created (R&D, operations) as a result of the R&D project in Italy and France if any, and the actual total number of R&D employees (FTEs) at the end of the project by segment (CS, CRM, NV) and by location (worldwide and Europe); – Update on the market trends for CS (HV and CP), CRM and NV and Sorin's market share and competitive position; – The following information: <ul style="list-style-type: none"> o Sorin's accounts for the period 2014-2016 (P&L, Balance Sheet, Cash Flow statements); 	30/06/2017

<ul style="list-style-type: none"> o <i>The number of patent applications and the number of patents granted during the period 2014-2016; Please provide the breakdown per year and per segment CS (HV&CP) and CRM; Any additional information regarding NV would also be appreciated;</i> o <i>The number of publications in the CRM segment (clinical publications); any additional information on the other segments would also be useful.</i> – <i>A description of any major issue with impact on the environment;</i> – <i>Update on the project’s demand or usage and comments;</i> – <i>Any significant issue that has occurred and any significant risk that may affect the project’s operation;</i> – <i>Any legal action concerning the project that may be on-going</i> 	
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Language of reports	English
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Schedule B

Definitions of EURIBOR

A. EURIBOR

“EURIBOR” means:

- (a) in respect of a relevant period of less than one month, the Screen Rate (as defined below) for a term of one month;
- (b) in respect of a relevant period of one or more months for which a Screen Rate is available, the applicable Screen Rate for a term for the corresponding number of months; and
- (c) in respect of a relevant period of more than one month for which a Screen Rate is not available, the rate resulting from a linear interpolation by reference to two Screen Rates, one of which is applicable for a period next shorter and the other for a period next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the **“Representative Period”**).

For the purposes of paragraphs (b) and (c) above, “available” means the rates, for given maturities, that are calculated and published by Global Rate Set Systems Ltd (GRSS), or such other service provider selected by the European Money Markets Institute (EMMI), under the sponsorship of EMMI and EURIBOR ACI, or any successor to that function of EMMI and EURIBOR ACI as determined by the Bank.

“Screen Rate” means the rate of interest for deposits in EUR for the relevant period as published at 11h00, Brussels time, or at a later time acceptable to the Bank on the day (the “Reset Date”) which falls 2 (two) Relevant Business Days prior to the first day of the relevant period, on Reuters page EURIBOR 01 or its successor page or, failing which, by any other means of publication chosen for this purpose by the Bank.

If such Screen Rate is not so published, the Bank shall request the principal euro zone offices of four major banks in the euro-zone, selected by the Bank, to quote the rate at which EUR deposits in a comparable amount are offered by each of them as at approximately 11h00, Brussels time, on the Reset Date to prime banks in the euro zone interbank market for a period equal to the Representative Period. If at least 2 (two) quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations.

If fewer than 2 (two) quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in the euro-zone, selected by the Bank, at approximately 11h00, Brussels time, on the day which falls 2 (two) Relevant Business Days after the Reset Date, for loans in EUR in a comparable amount to leading European Banks for a period equal to the Representative Period.

If the rate resulting from the above is below zero, EURIBOR will be deemed to be zero.

If no rate is available as provided above, EURIBOR shall be the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then

applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

B. GENERAL

For the purposes of the foregoing definitions:

- (a) AH percentages resulting from any calculations referred to in this Schedule will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with halves being rounded up.
- (b) The Bank shall inform the relevant Borrower without delay of the quotations received by the Bank.
- (c) If any of the foregoing provisions becomes inconsistent with provisions adopted under the aegis of EMMI and EURIBOR ACI (or any successor to that function of EMMI and EURIBOR ACI as determined by the Bank), the Bank may by notice to the relevant Borrower amend the provision to bring it into line with such other provisions.

Schedule C

Forms for Borrower

C.1 Form of Disbursement Request (Article 1.02B)

Disbursement Request [*To be provided on paper bearing the relevant Borrowers's letterhead*]

Italy – GRUPPO SORIN R&D (2013-0335)

Date:

Please proceed with the following disbursement:

GRUPPO SORIN R&D (2013-0335)

Loan name (*):

83.445 (IT)

Signature Date (*): Contract FI number:

Proposed disbursement date:

Currency and amount requested:

Currency Amount

Reserved for the Bank (contract currency)

Total Credit Amount:

Disbursed to date:

Balance for disbursement:

Current disbursement:

Balance after disbursement:

Disbursement deadline:

Max. number of
disbursements:

Minimum Tranche Size:

Total allocations to date:

Conditions precedent: Yes / No

C A P I T A L I N T E R E S E S T

Int. rate basis (Art. 3.01)

Rate (% or Spread)

OR (please indicate only ONE)

Maximum Rate (% or Maximum
Spread)

Annual

Semi-annual

Quarterly

Frequency (Art. 3.01)

Payment Dates (Art. 5)

Repayment frequency

Annual

Semi-annual

Quarterly

Repayment methodology

Equal instalments

Constant annuities

(Art. 4.01)

Maturity Date:

Relevant Borrower's account to be credited:

Acc. No: _____

(please provide IBAN format in case of disbursements in EUR, or appropriate format for the relevant currency)

Schedule D

Certificates to be provided by the Borrowers

D.1 Form of Certificate from Borrower (Article 1.04B)

To: European Investment Bank

From: [Borrowers]

Date:

Subject: Finance Contract between European Investment Bank and [Borrower] dated (the "Finance Contract")

FI number 83.445 (IT) Serapis number 2013-0335

Dear Sirs,

Terms defined in the Finance Contract have the same meaning when used in this letter.

For the purposes of Article 1.04 of the Finance Contract we hereby certify to you as follows:

- (a) no Prepayment Event has occurred and is continuing unremedied;
- (b) we are in compliance with the financial covenants pursuant to Article 6.07 and attached is evidence of such compliance and related calculations;
- (c) no security of the type prohibited under Article 7.02 has been created or is in existence;
- (d) there has been no material change to any aspect of the Project or in respect of which we are obliged to report under Article 8.01, save as previously communicated by us;
- (e) we have sufficient funds available to ensure the timely completion and implementation of the Project in accordance with Schedule A.1;
- (f) no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an Event of Default has occurred and is continuing unremedied or unwaived;
- (g) no litigation, arbitration administrative proceedings or investigation is current or to our knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against us or any of our subsidiaries any unsatisfied judgement or award;
- (h) the representations and warranties to be made or repeated by us under Article 6.15 are true in all material respects; and
- (i) no Material Adverse Change has occurred, as compared with the situation at the Effective Date.

Yours faithfully,

For and on behalf of [Borrowers]

Date:

D.2 Form of Compliance Certificate

To: European Investment Bank

From: [Parent]

Date:

Subject: Finance Contract between European Investment Bank and [Borrower] dated (the “Finance Contract”)

FI number 83.445 (IT) Serapis number 2013-0335

Dear Sirs,

We refer to the Finance Contract. This is a Compliance Certificate. Terms defined in the Finance Contract have the same meaning when used in this Compliance Certificate.

We hereby confirm:

- (i) *[insert details and computations of covenants to be certified ;*
- (ii) [no security of the type prohibited under Article 7.02 has been created or is in existence;]
- (iii) [no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an Event of Default has occurred and is continuing unremedied or unwaived. *[If this statement cannot be made, this certificate should identify any potential event of default that is continuing and the steps, if any, being taken to remedy it.*

Yours faithfully,

For and on behalf of [Parent / reputable independent auditor]

[director] [director]

APPENDIX

Financial information

[To be attached relevant financial statements and calculations of relevant financial items and the relevant financial ratios for the purposes of the ComplD.2 Form of Compliance Certificate]

Schedule E

1) FINANCIAL RATIOS

For the purpose of this Contract:

Accounting Period shall mean a period of one year or six months ending an Accounting Date for which financial statements are required to be prepared under this Contract.

Consolidated Net Worth in respect of the Group shall mean the consolidated net worth of the Group determined in accordance with IFRS.

Test Period shall mean a period of six or, as the case may be, twelve months starting on 1January of a financial year and ending on an Accounting Date in that financial year.

Financial ratios

The Parent shall ensure that:

- (a) **Consolidated Net Financial Indebtedness to Consolidated EBITDA:** Consolidated Net Financial Indebtedness as at any Accounting Date shall not be more than 2.50x times the Consolidated EBITDA for the Test Period ending on that Accounting Date, provided that for the purposes of determining this ratio as of an Accounting Date falling on 30 June, “**Consolidated EBITDA**” shall mean the “Consolidated EBITDA” calculated in respect of the period of twelve months ending on the last day of the first semester of the Borrowers' fiscal year
- (b) **Consolidated Net Financial Indebtedness to Consolidated Net Worth:** Consolidated Net Financial Indebtedness as at any Accounting Date shall not be more than 0.50 x times the Consolidated Net Worth as at that Accounting Date.

(c) **Consolidated EBITDA to Consolidated Total Net Interest Payable:** Consolidated EBITDA for the Test Period ending on an Accounting Date shall not be lower than 6.30 x times the Consolidated Total Net Interest Payable for that Test Period.

(d) **Consolidated Net Worth:** the Consolidated Net Worth shall at no times be lower, at any time, than USO 725,000,000.00.

Financial testing

The financial ratios set out above shall be calculated starting 31 December 2014 in accordance with GAAP and tested by reference to each of the financial ratios and/or each Compliance Certificate delivered pursuant the Paragraph below.

Compliance Certificate

The Parent shall supply to the Bank for the financial situation as of 30 June and as of 31 December of each year on 30 September and 30 June respectively a Compliance Certificate setting out (in reasonable detail) computations as to compliance with the financial ratios set out above as at the date at which those financial ratios were drawn up.

Each Compliance Certificate shall be signed by two directors of the Parent and shall be accompanied by a report signed by reputable independent auditors.

Schedule f

Existing Security

Grantor	Beneficiary	Transaction	Amount as of 31/03/2014	Expiry	Type of Security
Sorin CRM SAS	BpiFrance	Term Loan	150,000.00	31/20/2019	Cash collateral
Sorin Group Italia Srl	Banca Regionale Europea	Mortgage Loan	1,307,000.00	10/01/2020	Mortgage
Sorin Site Management Srl	Banca Regionale Europea	Mortgage Loan	697,000.00	10/01/2020	Mortgage
Sorin Group Italia Srl	Mediocredito Italiano	Mortgage Loan	526,000.00	30/09/2021	Mortgage
Sorin Group Italia Srl	Mediocredito Italiano	Mortgage Loan	509,000.00	29/09/2026	Mortgage
		Total amount	3,189,000.00		

SIGNATORIES

THE BANK

Signed for and on behalf of the

EUROPEAN INVESTMENT BANK

The Head of Division

The Financial Monitoring Officer

Massimo NOVO

Marcella BELLUCCI

This 2nd day of October 2015, in Luxembourg

THE ITALIAN HOLDCO

for and on behalf of **Sorin S.p.A.**

Name:

Title:

THE FRENCH SUBSIDIARY

for and on behalf of **Sorin CRM S.A.S.**

Name:

Title:

THE ITALIAN SUBSIDIARY

for and on behalf of **Sorin Group Italia S.r.l.**

Name:

Title:

THE UK HOLDCO

for and on behalf of **LiaNova PLC**

by its duly authorized attorney pursuant to

a power of attorney dated 20 July 2015

Name: Mr. Giorgio Cottura

Title: Duly authorized attorney

LIVANOVA PLC

AMENDMENT TO RESTRICTED STOCK UNIT AGREEMENT

This Amendment, dated and effective as of February 17, 2016 (this “Amendment”), is made by and between LivaNova PLC, a public limited company incorporated under the laws of England and Wales (the “Company”), and André-Michel Ballester, the Chief Executive Officer of the Company (the “Participant”), and amends that certain Restricted Stock Unit Award Grant Notice (the “Grant Notice”), dated November 18, 2015, and that certain Restricted Stock Unit Award Agreement, dated November 18, 2015 (the “Award Agreement”), between the Company and the Participant. Any term capitalized but not defined in this Amendment shall have the meaning set forth in the Award Agreement or the Sub-Plan (as defined below).

WHEREAS, the Company granted the Participant 89,174 RSUs under the Company’s 2015 Incentive Award Sub-Plan (the “Sub-Plan”), pursuant to the Grant Notice and the Award Agreement;

WHEREAS, the Company desires to amend the Award Agreement to provide that the vesting of the RSUs will fully accelerate upon a Change in Control, subject to the terms herein;

WHEREAS, Section 3.8 permits the Award Agreement to be amended without the consent of the Participant if the amendment does not adversely affect the RSUs in any material way;

WHEREAS, this Amendment does not adversely affect the RSUs;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the parties hereto, intending to be legally bound, hereby agree as follows:

- Amendment**. Notwithstanding anything to the contrary in the Grant Notice or the Award Agreement, in the event of a Change in Control that occurs following the Grant Date, the RSUs, to the extent not otherwise vested immediately prior to such Change in Control, shall become fully vested and exercisable immediately prior to, but subject to the consummation of, such Change in Control, subject to the Participant’s continuous employment with or service to the Company or a Subsidiary through such Change in Control.
- Entire Agreement**. The Grant Notice and the Award Agreement, as amended by this Amendment, contain the entire agreement between the parties with respect to the subject matter thereof and hereof. Except as amended hereby, all of the terms, provisions and conditions of the Grant Notice and the Award Agreement are hereby ratified and confirmed and shall remain in full force and effect pursuant to their terms.
- Counterparts**. The parties may execute this Amendment in one or more counterparts, all of which together shall constitute but one agreement.

[signature page follows]

IN WITNESS WHEREOF, the Company has duly executed this Amendment as of the date first written above.

LIVANOVA PLC

By: _____
Brian Sheridan
Sr. Vice President & General Counsel

February 26, 2015

Edward Andrie
By hand

Re: Change in Control Severance Payment

Dear Edward:

SV\1460909.6

Reference is hereby made to that certain employment letter from Sorin Group (the “Company”) to you, dated August 30, 2010 (the “Employment Letter”), and that certain letter from the Company to you regarding your expatriate assignment, dated December 29, 2010, as such expatriate assignment letter was amended on July 23, 2014 (the “Expatriate Assignment Letter” and collectively with the Employment Letter, the “Original Letters”, and the Original Letters, collectively with this letter, the “Letters”). Capitalized terms used but not defined herein shall have the meanings set forth in the Original Letters. The Company desires to make certain changes to the Original Letters in connection with the contemplated merger transaction involving the Company and Cyberonics, Inc., a Delaware corporation (the “Contemplated Transaction”). If the Contemplated Transaction does not close prior to February 26, 2016, this letter shall be null ab initio.

Severance

Pursuant to Section 3 of the Employment Letter, the Company has agreed to provide you with severance pay in the amount of 12 months of your base salary in the event that your employment is terminated by the Company for any reason (including change in control of the Company or a sale, merger or consolidation of the business) other than for Good Cause (within the meaning of the Employment Letter), or should you choose to terminate employment for Good Reason (within the meaning of the Employment Letter). The Company hereby agrees that, if your employment is terminated by the Company other than for Good Cause within the two years following the closing of the Contemplated Transaction, the amount of your severance pay will increase to equal two times the sum of your base salary and your target bonus. Payment of such severance amount is contingent upon your execution of a full and complete release in the Company’s customary form within 21 days (or 45 days if such longer period is required under applicable law) after the date of termination and such release becoming effective and enforceable in accordance with applicable law after the expiration of any applicable revocation period. Subject to the holdback provisions described herein, such payment will be made in a lump sum on the 60th day following your termination of employment, provided that the release has become effective during such 60-day period following any applicable revocation period.

In addition, upon a termination of your employment within two years following the closing of the Contemplated Transaction described in the previous paragraph, all of your equity-based awards other than any such awards to be granted to you upon consummation of the Contemplated Transaction will fully vest, with the performance criteria for performance-based awards deemed to be met at the 100% level. (Any equity-based awards granted to you upon consummation of the Contemplated Transaction will vest on a prorated basis upon such a termination of employment, as will be further described in the award agreement governing such grants.) In addition, upon such a termination of your employment, any lock-up period applicable with respect to your equity awards will terminate.

Section 280G Parachute Payments – “Best Net”

Notwithstanding any other provisions of this letter, in the event that any payment or benefit received or to be received by you (including any payment or benefit received in connection with the Contemplated Transaction or the termination of your employment, whether pursuant to

the terms of this letter or any other plan, arrangement or agreement) (all such payments and benefits being hereinafter referred to as the “Total Payments”) would be subject (in whole or part) to the excise tax (the “Excise Tax”) imposed under Section 4999 of the Internal Revenue Code, as amended (the “Code”), then, after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, arrangement or agreement, the cash severance payments shall first be reduced, and the noncash severance payments shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which you would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments). The Total Payments shall be reduced by the Company in its reasonable discretion in the following order: (x) reduction of any payment or benefits otherwise payable to you that are exempt from Section 409A of the Code and (y) reduction of any other payments or benefits otherwise payable to you on a pro-rata basis or such other manner that complies with Section 409A of the Code.

For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which you shall have waived at such time and in such manner as not to constitute a “payment” within the meaning of Section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the written opinion of independent auditors of nationally recognized standing (“Independent Advisors”) selected by the Company, does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the “base amount” (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

Section 409A

The parties hereto acknowledge and agree that, to the extent applicable, the Letters shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A (the “Section 409A”) of the Code. Notwithstanding anything herein to the contrary, no provision of the Letters shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from you or any other individual to the Company or any of its affiliates, employees or agents. Notwithstanding anything herein to the contrary, with respect to any amounts payable under the Letters that the Company determines constitute “nonqualified deferred compensation” within the meaning of Section 409A: (i) any such termination or other similar payments and benefits shall be payable to you only if your termination constitutes a “separation from service” within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) if you are deemed at the time of your separation from service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of any termination or other similar payments and benefits to which you may be entitled under the Letters (after taking into account all exclusions applicable to such payments or benefits under Section 409A) is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of such payments and benefits shall not be provided to you prior to the earlier of (x) the expiration of the six-month period measured from the date of your “separation from service” with the Company (as such term is defined in the Department of Treasury Regulations issued under Section 409A) or (y) the date of your death; provided that upon the earlier of such dates, all payments and benefits deferred pursuant to this paragraph shall be paid in a lump sum to you, and any remaining payments and benefits due under the Letters shall be provided as otherwise specified herein; (iii) the determination of whether you are a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of your separation from service shall be made by the Company in accordance with the terms of Section 409A (including, without limitation, Section 1.409A-1(i) of the Department of Treasury Regulations and any successor provision thereto); (iv) to the extent that any installment payments under the Letters or otherwise are deemed to constitute “nonqualified deferred compensation” within the meaning of Section 409A, for purposes of Section 409A (including, without limitation, for purposes of Section 1.409A-2(b)(2)(iii) of the Department of Treasury Regulations), each such payment that you may be eligible to receive shall be treated as a separate and distinct payment; (v) to the extent that any reimbursements or corresponding in-kind benefits provided to you under the Letters are deemed to constitute “deferred compensation” under Section 409A, such reimbursements or benefits shall be provided reasonably promptly, but in no event later than December 31 of the year following the year in which the expense was incurred, and in any event in accordance with Section 1.409A-3(i)(1)(iv) of the Department of Treasury Regulations; and (vi) the amount of any such payments or expense reimbursements in one calendar year shall not affect the expenses or in-kind benefits eligible for payment or reimbursement in any other calendar year, and your right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

The effect of this Letter is conditioned upon and expressly subject to the approval of the Contemplated Transaction by the Extraordinary Shareholders Assemblies of Sorin and Cyberonics, respectively, and the successful Closing of the Contemplated Transaction, as contemplated in the relevant contractual documentation supporting the Contemplated Transaction (which include the satisfaction of regulatory and other Closing conditions).

This letter shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the state of Colorado. Except as specifically addressed above, the

Original Letters shall remain in full force and effect and the provisions thereof are hereby incorporated by reference.

Very truly yours,

Sorin Group

By: _____

Name & Title: _____

Please sign below to acknowledge your acceptance of the terms of this letter.

Edward Andrie

**AVENANT AU CONTRAT DE TRAVAIL DU
4 FÉVRIER 2008**

**AMENDMENT TO THE EMPLOYMENT CONTRACT DATED
FEBRUARY 4, 2008**

ENTRE LES SOUSSIGNES

La société Sorin Groupe France SAS, société par Actions Simplifiée, au capital de 82.200.000 euros, enregistrée au registre du commerce et des sociétés de Nanterre, sous le numéro 477 828 412, dont le siège social est sis 4, avenue Réaumur 92140 CLAMART ci-après « la Société »

ET

Monsieur Michel Darnaud, né le 2 juillet 1949 à TOULOUSE, demeurant 51, Avenue du Grand Veneur 78110 LE VESINET

BETWEEN THE UNDERSIGNED

Sorin Groupe France SAS, a company with a share capital of € 82.200.000, registered with the Registry of Commerce and Companies of Nanterre under the number 477 828 412, having its registered office at 4, avenue Réaumur 92140 CLAMART (the « **Company** »)

AND

Mr. Michel Darnaud, né le 2 juillet 1949 à TOULOUSE, demeurant 51, Avenue du Grand Veneur 78110 LE VESINET

PRÉAMBULE

Dans le cadre de la fusion envisagée entre le groupe Sorin et la société Cyberonics Inc (la « Transaction Envisagée »), les parties ont décidé d'apporter les modifications ci-après exposées au contrat de travail de Monsieur Darnaud.

Si la Transaction Envisagée n'est pas approuvée par l'assemblée extraordinaire des actionnaires, respectivement de Sorin SPA et Cyberonics INC, ou n'est pas définitivement réalisée (le « Closing ») avant le 26/02/2016, les dispositions du présent avenant seront caduques *ab initio* et Monsieur Bessette ne pourra en solliciter l'application.

RECITAL

The parties desire to make certain changes to the initial employment contract between the Company and Mr. Darnaud in connection with the contemplated merger transaction involving the Sorin Group and Cyberonics Inc. (the "Contemplated Transaction").

If the Contemplated Transaction is not approved by the Extraordinary Shareholder Assemblies of, respectively, Sorin SPA and Cyberonics INC, or does not close for whatsoever reason prior to 26/02/2016, the amendment set out in this agreement and the agreement itself shall be null *ab initio* and Mr. Bessette shall not be entitled to request the benefit of it

1 – INDEMNITÉ DE RUPTURE

1 – TERMINATION INDEMNITY

En cas de licenciement pour motif économique ou de licenciement In the event that Mr. Darnaud is dismissed for economic reasons or is consécutif à une invalidité de 3^{ème} catégorie reconnue et telle que dismissed following a recognized 3rd category invalidity as defined by définie par le Code de la Sécurité sociale, au cours des 24 mois suivant the Social Security Code during the period of 24 months beginning on le Closing, la Société s'engage à proposer à Monsieur Darnaud un the date of closing of the Contemplated Transaction, the Company accord transactionnel au sens de l'article 2044 du Code civil français shall undertake to submit to Mr. Darnaud a settlement agreement as au titre duquel Monsieur Darnaud renoncerait à toute instance et action defined by article 2044 of the French Civil code pursuant to which Mr. à l'encontre de la Société et des sociétés du Groupe auquel elle Darnaud will waive his rights to any claim or action of whatever appartient, relatives à la conclusion, l'exécution et la rupture de son nature and any other benefit related to the entering into or the contrat de travail. performance or termination of his employment contract with the Company and the companies of the Group.

En contrepartie de cet accord transactionnel, la Société s'engage à undertakes to pay to Mr. Darnaud, a final and lump sum settlement proposer à Monsieur Darnaud, une indemnité globale, définitive et indemnity. transactionnelle.

La Société s'engage à ce titre que la somme de tous les montants sums (in gross) Mr. Darnaud shall benefit from the termination of his (exprimés en brut) auquel Monsieur Darnaud a droit au titre de la employment contract (inclusive of any notice indemnity or indemnity rupture de son contrat de travail (en ce compris toute indemnité de in-lieu of notice, dismissal indemnity as provided for in the applicable préavis ou indemnité compensatrice de préavis, indemnité collective bargaining agreement or by law or other contractual conventionnelle, légale et contractuelle de licenciement) et l'indemnité provisions) and the settlement indemnity will be equal to: transactionnelle seront égales à :

- o 24 (vingt-quatre) mois de rémunération brute moyenne mensuelle de base perçue au cours des 12 (douze) mois précédant la date de notification de la rupture du contrat de travail.
- o 24 months of Mr. Darnaud base salary based on the monthly gross base remuneration received during the 12 past months before the notification of the termination.
- o une somme brute équivalant à 2 fois le montant brut de son bonus annuel tel que défini au titre de l'année où la rupture telle que définie ci-dessus interviendrait.
- o gross payment of 2 years' bonus based on the bonus criteria and targets applicable to you in the year during which the contract is terminated.

The settlement indemnity will be subject to and paid after deduction of all applicable social security contributions and CSG/CRDS tax in accordance with applicable legislation.

Sur cette indemnité transactionnelle, la Société prélèvera les charges et cotisations sociales ainsi que la CSG/CRDS conformément aux dispositions applicables en la matière.

En outre, en cas de rupture du contrat de travail de Monsieur Darnaud telle que définie précédemment et intervenant dans les deux ans à compter du Closing, l'ensemble des actions ou avantages similaires (« equity-based awards ») attribués à Monsieur Darnaud, autres que ceux qui lui seraient attribués à la réalisation de la Transaction Envisagée, seraient alors totalement vestés en faisant application des conditions prévues en cas d'atteinte de 100% des critères de performance (tout equity-based awards attribué à Monsieur Darnaud à la réalisation de la Transaction Envisagée seront vesté de manière proratisée à la rupture de son contrat de travail, conformément aux termes visés dans l'accord qui régit ces attributions). En outre, à la rupture de son contrat de travail, toute période de blocage applicable aux equity awards serait levée.

In addition, upon a termination of Mr. Darnaud's employment within two years following the closing of the Contemplated Transaction, in the circumstances described above, all of Mr. Darnaud's equity-based awards, other than any such awards to be granted to him upon consummation of the Contemplated Transaction will fully vest, with the performance criteria for performance-based awards deemed to be met at the 100% (one hundred) level. (Any equity-based awards granted to Mr. Darnaud upon consummation of the Contemplated Transaction will vest on a prorated basis upon such a termination of employment, as will be further described in the award agreement governing such grants). In addition, upon such a termination of his employment, any lock-up period applicable with respect to Mr Darnaud's equity awards will terminate.

2 – DISPOSITIONS FINALES

Sous réserve de la réalisation définitive de la Transaction Envisagée avant le 26/02/2016 :

- Les dispositions de la présente s'appliquent à compter du Closing ;
- Toute disposition du contrat de travail ou de ses avenants, annexes ou autre accord entre les parties qui ne porte pas sur le même objet que le présent avenant demeure inchangée ;
- le présent avenant annule et remplace toute disposition contractuelle et tout engagement au bénéfice de Monsieur Darnaud ayant un objet similaire ou identique aux présentes.

La présente contrat est régi par le droit français. Seule la version française s'applique entre les parties.

Fait en double original,

à, le 2015

Par : André-Michel Ballester*

Monsieur Darnaud*

** signature précédée de la mention manuscrite « lu et approuvé »*

2 – FINAL PROVISIONS

Subject to the Contemplated Transaction closing before 26/02/2016, as set forth in the recital:

- The provisions of this agreement shall become effective as of the closing date of the Contemplated Transaction;
- All of the provisions of the contract of employment, amendments, annexes or other agreements between the parties, that do not refer to termination indemnities, shall remain unchanged;
- The present amendment replaces all prior contractual provisions and undertakings benefiting Mr. Darnaud that have a same or similar object to the present amendment.

This schedule shall be governed by French law. Only the French language version is binding upon the parties.

Executed in two originals,

In, on 2015,

(signature)

By: André-Michel Ballester *

(signature)

Mr. Darnaud*

** in handwriting: "read and approved" ("lu et approuvé")*

**AVENANT AU CONTRAT DE TRAVAIL DU
15 JUILLET 2005**

**AMENDMENT TO THE EMPLOYMENT CONTRACT DATED
JULY 15, 2005**

ENTRE LES SOUSSIGNES

La société Sorin CRM SAS, société par Actions Simplifiée, au capital de 50.000.000 euros, enregistrée au registre du commerce et des sociétés de Nanterre, sous le numéro 309 786 481, dont le siège social est sis 4, avenue Réaumur 92140 CLAMART- ci-après « la Société »

BETWEEN THE UNDERSIGNED

Sorin CRM SAS, a company, with a share capital of € 50.000.000, registered with the Registry of Commerce and Companies of Nanterre under the number 309 786 481, having its registered office at 4, avenue Réaumur 92140 CLAMART (the « **Company** »)

ET

Monsieur Stéfano Di Lullo, né le 16 juin 1961 à MONTREAL, demeurant 16, Allée de la Clairière 78590 NOISY LE ROI

AND

Mr. Stéfano Di Lullo, né le 16 juin 1961 à MONTREAL, demeurant 16, Allée de la Clairière 78590 NOISY LE ROI

PRÉAMBULE

Dans le cadre de la fusion envisagée entre le groupe Sorin et la société Cyberonics Inc (la « Transaction Envisagée »), les parties ont décidé d'apporter les modifications ci-après exposées au contrat de travail de Monsieur Di Lullo.

RECITAL

The parties desire to make certain changes to the initial employment contract between the Company and Mr. Di Lullo in connection with the contemplated merger transaction involving the Sorin Group and Cyberonics Inc. (the "Contemplated Transaction").

Si la Transaction Envisagée n'est pas approuvée par l'assemblée extraordinaire des actionnaires, respectivement de Sorin SPA et INC, or does not close for whatsoever reason prior to 26/02/2016, the Cyberonics INC, ou n'est pas définitivement réalisée (le « Closing ») amendment set out in this agreement and the agreement itself shall be avant le 26/02/2016, les dispositions du présent avenant seront null *ab initio* and Mr. Bessette shall not be entitled to request the caduques *ab initio* et Monsieur Bessette ne pourra en solliciter benefit of it l'application.

If the Contemplated Transaction is not approved by the Extraordinary Shareholder Assemblies of, respectively, Sorin SPA and Cyberonics

1 – INDEMNITÉ DE RUPTURE

1 – TERMINATION INDEMNITY

En cas de licenciement pour motif économique ou de licenciement In the event that Mr. Di Lullo is dismissed for economic reasons or is
consécutif à une invalidité de 3^{ème} catégorie reconnue et telle que dismissed following a recognized 3rd category invalidity as defined by
définie par le Code de la Sécurité sociale, au cours des 24 mois suivant the Social Security Code during the period of 24 months beginning on
le Closing, la Société s'engage à proposer à Monsieur Di Lullo un the date of closing of the Contemplated Transaction, the Company
accord transactionnel au sens de l'article 2044 du Code civil français shall undertake to submit to Mr. Di Lullo a settlement agreement as
au titre duquel Monsieur Di Lullo renoncerait à toute instance et action defined by article 2044 of the French Civil code pursuant to which Mr.
à l'encontre de la Société et des sociétés du Groupe auquel elle Di Lullo will waive his rights to any claim or action of whatever nature
appartient, relatives à la conclusion, l'exécution et la rupture de son and any other benefit related to the entering into or the performance or
contrat de travail. termination of his employment contract with the Company and the
companies of the Group.

En contrepartie de cet accord transactionnel, la Société s'engage à undertakes to pay to Mr. Di Lullo, a final and lump sum settlement
proposer à Monsieur Di Lullo, une indemnité globale, définitive et indemnity.
transactionnelle.

La Société s'engage à ce titre que la somme de tous les montants sums (in gross) Mr. Di Lullo shall benefit from the termination of his
(exprimés en brut) auquel Monsieur Di Lullo a droit au titre de la employment contract (inclusive of any notice indemnity or indemnity
rupture de son contrat de travail (en ce compris toute indemnité de in-lieu of notice, dismissal indemnity as provided for in the applicable
préavis ou indemnité compensatrice de préavis, indemnité collective bargaining agreement or by law or other contractual
conventionnelle, légale et contractuelle de licenciement) et l'indemnité provisions) and the settlement indemnity will be equal to:
transactionnelle seront égales à :

- o 24 (vingt-quatre) mois de rémunération brute moyenne mensuelle de base perçue au cours des 12 (douze) mois précédant la date de notification de la rupture du contrat de travail.
- o 24 months of Mr. Di Lullo base salary based on the monthly gross base remuneration received during the 12 past months before the notification of the termination.
- o une somme brute équivalant à 2 fois le montant brut de son bonus annuel tel que défini au titre de l'année où la rupture telle que définie ci-dessus interviendrait.
- o gross payment of 2 years' bonus based on the bonus criteria and targets applicable to you in the year during which the contract is terminated.

The settlement indemnity will be subject to and paid after deduction of all applicable social security contributions and CSG/CRDS tax in accordance with applicable legislation.

Sur cette indemnité transactionnelle, la Société prélèvera les charges et cotisations sociales ainsi que la CSG/CRDS conformément aux dispositions applicables en la matière.

En outre, en cas de rupture du contrat de travail de Monsieur Di Lullo awards, other than any such awards to be granted to him upon telle que définie précédemment et intervenant dans les deux ans à consummation of the Contemplated Transaction will fully vest, with compter du Closing, l'ensemble des actions ou avantages similaires the performance criteria for performance-based awards deemed to be (« equity-based awards ») attribués à Monsieur Di Lullo, autres que met at the 100% (one hundred) level. (Any equity-based awards ceux qui lui seraient attribués à la réalisation de la Transaction granted to Mr. Di Lullo upon consummation of the Contemplated Envisagée, seraient alors totalement vestés en faisant application des Transaction will vest on a prorated basis upon such a termination of conditions prévues en cas d'atteinte de 100% des critères de employment, as will be further described in the award agreement performance (tout equity-based awards attribué à Monsieur Di Lullo à governing such grants). In addition, upon such a termination of his la réalisation de la Transaction Envisagée seront vesté de manière employment, any lock-up period applicable with respect to Mr Di proratisée à la rupture de son contrat de travail, conformément aux Lullo's equity awards will terminate.
termes visés dans l'accord qui régit ces attributions). En outre, à la rupture de son contrat de travail, toute période de blocage applicable aux equity awards serait levée.

2 – DISPOSITIONS FINALES

Sous réserve de la réalisation définitive de la Transaction Envisagée avant le 26/02/2016 :

- Les dispositions de la présente s'appliquent à compter du Closing ;
- Toute disposition du contrat de travail ou de ses avenants, annexes ou autre accord entre les parties qui ne porte pas sur le même objet que le présent avenant demeure inchangée ;
- le présent avenant annule et remplace toute disposition contractuelle et tout engagement au bénéfice de Monsieur Di Lullo ayant un objet similaire ou identique aux présentes.

La présente contrat est régi par le droit français. Seule la version française s'applique entre les parties.

Fait en double original,

à, le 2015

Par : André-Michel Ballester *

Monsieur Di Lullo*

** signature précédée de la mention manuscrite « lu et approuvé »*

2 – FINAL PROVISIONS

Subject to the Contemplated Transaction closing before 26/02/2016, as set forth in the recital:

- The provisions of this agreement shall become effective as of the closing date of the Contemplated Transaction;
- All of the provisions of the contract of employment, amendments, annexes or other agreements between the parties, that do not refer to termination indemnities, shall remain unchanged;
- The present amendment replaces all prior contractual provisions and undertakings benefiting Mr. Di Lullo that have a same or similar object to the present amendment.

This schedule shall be governed by French law. Only the French language version is binding upon the parties.

Executed in two originals,

In, on 2015,

By: André-Michel Ballester *

Mr. Di Lullo*

** in handwriting: “read and approved” (“lu et approuvé”)*

February 26, 2015

Jacques Gutedel
By hand

Re: Change in Control Severance Payment

Dear Jacques,

Reference is hereby made to the Employment Agreement between Sorin Group International SA (the “Company”) and you, dated March 1, 2009 (the “Employment Agreement”), as amended from time to time.

The Company desires to make certain changes to the Employment Agreement in connection with the contemplated merger transaction involving the Company and Cyberonics, Inc., a Delaware corporation (the “Contemplated Transaction”). The effect of this Letter is conditioned upon and expressly subject to the approval of the Contemplated Transaction by the Extraordinary Shareholders Assemblies of Sorin and Cyberonics, respectively, and the successful Closing of the Contemplated Transaction, as contemplated in the relevant contractual documentation supporting the Contemplated Transaction (which include the satisfaction of regulatory and other Closing conditions). If the Contemplated Transaction does not close prior to February 26, 2016, this letter shall be null ab initio.

Severance

The Company shall provide you with severance pay in the amount of gross 12 months of your base salary in the event that your employment is terminated by the Company for any reason not set by you (within the meaning of Art. 340c para 2 CO) (including change in control of the Company or a sale, merger or consolidation of the business). For the avoidance of any doubt, no severance will be owed or paid if you terminate the employment with the Company for whatsoever reason.

The Company hereby agrees that, if any such termination of employment occurs within two years following the closing of the Contemplated Transaction, the amount of your severance pay will increase to equal two times the sum of your base salary gross and your target bonus gross.

Payment of such severance amount is contingent upon your execution of a full and complete release in a form as defined by the Company (waiver of all further claims, including any salary and/or compensation during the notice period) within 30 days after the receipt of the notice of termination. Should you remain an employee during the notice period or parts thereof, the severance amount shall be reduced by any payment made to you of whatsoever nature during such notice period. Should the Company not be able to give notice of termination due to an illness etc. (Art. 336c CO), the severance shall be reduced by any payment made to you of whatsoever nature as of the date of the intended notice of termination (which intention must be documented in writing). A severance payment will be made in a lump sum within 45 days after the end of the employment relationship.

In addition, upon such termination of your employment within two years following the closing of the Contemplated Transaction described in the previous paragraphs, there will be a pro-rata acceleration of the SAR Retention Program (subject to full payout at discretion of Holdco) that was communicated to you today. In such case, in addition, all of your other equity-based awards, if any, will vest, with the performance criteria for performance-based awards deemed to be met at the 100% level.

This letter shall exclusively be construed, interpreted and the rights of the parties determined in accordance with the laws of Switzerland. Except as specifically addressed above, the Employment Agreement shall remain in full force and effect and the provisions thereof are hereby incorporated by reference.

Very truly yours,

Sorin Group International S.A.

By: _____

André-Michel Ballester

CEO

Please sign below to acknowledge your acceptance of the terms of this letter.

Jacques Gutedel

Agreed with regard to the pro-rata acceleration of the Holdco SAR Retention Program

Sand Holdco Ltd

By: André-Michel Ballester

CEO

February 26, 2015

Pritpal Shinmar
By hand

Re: Change in Control Severance Payment

Dear Pritpal:

LO5141591.6

Reference is hereby made to the Statement of Terms and Conditions of Employment between Sorin Group UK Ltd (“Sorin UK”) and you dated 7 January 2013 (the “Employment Agreement”). Sorin UK desires to make certain changes to the Employment Agreement in connection with the contemplated merger transaction involving the Sorin Group and Cyberonics, Inc., a Delaware corporation (the “Contemplated Transaction”). The effect of this Letter is conditioned upon and expressly subject to the approval of the Contemplated Transaction by the Extraordinary Shareholders Assemblies of Sorin and Cyberonics, respectively, and the successful Closing of the Contemplated Transaction, as contemplated in the relevant contractual documentation supporting the Contemplated Transaction (which include the satisfaction of regulatory and other Closing conditions). If the Contemplated Transaction does not close prior to February 26, 2016, this letter shall be null ab initio.

Severance

Sorin UK hereby agrees that, if within two years following the closing of the Contemplated Transaction your employment is terminated by Sorin UK for any reason other than for “Cause” (as defined below) then, you will be eligible to receive a severance payment equal to 2 years’ worth of (i) your annual base salary; and (ii) your target bonus (together the “**Severance Payment**”). The Severance Payment will be inclusive of your contractual and statutory notice period (or any payments in lieu of notice) set out at Section 13 of the Employment Agreement. Payment of the Severance Payment is in full and final settlement of any and all statutory and contractual rights and/or claims you may have against Sorin UK or the wider Sorin Group arising out of your employment with Sorin UK or the termination of that employment. You agree to waive, release and discharge any and all such rights and claims and agree that payment of the Severance Payment is conditional upon: (i) you entering into (within 21 days after the date of termination) a full and complete settlement agreement waiving all such statutory and contractual claims against Sorin UK and any Group Company (as defined below) on terms acceptable to Sorin UK; and (ii) that settlement agreement becoming effective and enforceable in accordance with applicable law.

In addition, upon a termination of your employment within two years following the closing of the Contemplated Transaction described in the previous paragraph, all of your equity-based awards other than any such awards to be granted to you upon consummation of the Contemplated Transaction will fully vest, with the performance criteria for performance-based awards deemed to be met at the 100% level. (Any equity-based awards granted to you upon consummation of the Contemplated Transaction will vest on a prorated basis upon such a termination of employment, as will be further described in the award agreement governing such grants.) In addition, upon such a termination of your employment, any lock-up period applicable with respect to your equity awards will terminate.

Definitions

Finally, for purposes of this letter: (1) “Cause” shall mean: (i) if you are guilty of any gross misconduct or behaviour which tends to bring yourself, Sorin UK or any company within the Sorin Group (each a “Group Company”) into disrepute; (ii) if you commit any material or persistent breach of the Employment Agreement (in the case of a non-material persistent breach, having been given notice in writing of the breach and a reasonable opportunity to rectify the breach) or you fail to comply with any reasonable order or direction of the board of directors of Sorin Group (the “Board”); (iii) if you fail to perform your duties to the reasonable satisfaction of the Board (having been given notice in writing of: (a) the areas of underperformance; (b) the improvements in performance that are reasonably required by the Board; and (c) a reasonable period of time to make the necessary improvements in performance); (iv) if you become insolvent or bankrupt or compound with or grant a trust deed for the benefit of your creditors; (v) if your behaviour (whether or not in breach of the Employment Agreement) can reasonably be regarded as materially prejudicial to the interests of Sorin UK or any Group Company, including if you are found guilty of any criminal offence punishable by imprisonment (whether or not such sentence is actually imposed); (vi) if you have an order made against you disqualifying you from acting as a company director; (vii) if you become of unsound mind; (viii) if you are found guilty of a serious breach of the rules or regulations as amended from time to time of the UK Listing Authority (including the Model Code for transactions in securities by directors), or any other regulatory authority relevant to Sorin UK or any Group Company or any code of practice issued by Sorin UK or any Group Company (as amended from time to time).

Any Severance Payment payable pursuant to this letter will be subject to deduction of income tax and National Insurance contributions at the appropriate rate before payment is made.

This letter shall be construed, interpreted and the rights of the parties determined in accordance with the laws of England and Wales. Except as specifically addressed above, the Employment Agreement shall remain in full force and effect and the provisions thereof are hereby incorporated by reference. Very truly yours,

Sorin Group

By: _____

Name & Title: _____

Please sign below to acknowledge your acceptance of the terms of this letter.

its terms

I, Pritpal Shinmar, confirm that I have read and understood the letter and agree to be bound by

Pritpal Shinmar

Date

Milano, 26 Febbraio 2015

Alla Cortese attenzione del dott. Brian Sheridan

Via raccomandata a mano

Oggetto: indennità per cessazione del rapporto di lavoro

Egregio Brian,

come a Lei noto, la nostra Società sta per procedere ad un'operazione societaria di fusione per incorporazione (la "Fusione") con la società Cyberonics Inc., che diventerà definitivamente efficace una volta ottenute le dovute autorizzazioni e completate le formalità previste dalla legge.

Nell'ambito di tale operazione e facendo seguito agli accordi intercorsi, Le confermiamo l'impegno della nostra Società alla corresponsione in Suo favore di un'indennità (l'"Indennità"), nei termini ed alle condizioni qui di seguito precisati.

L'Indennità Le verrà corrisposta qualora, entro 2 anni dalla data di definitiva efficacia della Fusione, (i) la Società receda dal rapporto di lavoro per motivi diversi dalla giusta causa ex art. 2119 c.c. e/o di un giustificato motivo soggettivo. Ai sensi e per gli effetti del presente accordo, per "giusta causa" deve intendersi qualsivoglia causa che non consenta la prosecuzione, anche provvisoria, del rapporto.

L'Indennità sarà pari a due volte la somma tra (i) la Sua retribuzione fissa annua lorda ed (ii) il Suo Target Bonus annuale lordo, calcolati al momento della cessazione del rapporto di lavoro, dedotto un importo lordo pari all'indennità sostitutiva del preavviso calcolata al momento della cessazione del rapporto, se ed in quanto a Lei dovuta.

Inoltre, qualora - entro i due anni dalla Fusione - la Società receda dal rapporto di lavoro in assenza di una giusta causa ex art. 2119 c.c. e/o di un giustificato motivo soggettivo, i Suoi eventuali equity-based awards si vestiranno immediatamente, con applicazione dei criteri basati sul raggiungimento del 100% della performance, ad eccezione di quanto previsto dal SAR retention program, per i quali valgono i principi previsti nella lettera ricevuta in data odierna e nelle successive comunicazioni ad esso relative.

Resta inteso che il Suo diritto a percepire l'Indennità nonché all'immediata vestizione degli equity-based awards maturerà esclusivamente a condizione che le parti, entro 21 giorni dalla cessazione del rapporto di lavoro avvenuta nei limiti di quanto sopra descritto, aderiscano alla sottoscrizione di un accordo individuale, formalizzato in una delle sedi di cui all'art. 2113 c.c., avente efficacia di transazione generale novativa ex artt. 1965, 1975 e 1976 c.c. per effetto del quale - tra gli altri termini e condizioni - Lei rinunci espressamente all'impugnazione del licenziamento.

Resta altresì inteso che la corresponsione dell'Indennità - qualora ne sussistano i relativi presupposti - dovrà intendersi sostitutiva di ogni altro trattamento economico previsto dalla legge e/o dal contratto collettivo applicato (ivi compresa l'eventuale indennità supplementare) fatta eccezione per le competenze obbligatorie di fine rapporto (es. TFR).

Qualora l'operazione di fusione, incluso il management retention plan in essa compreso, non fosse approvata dalle Assemblee Straordinarie degli azionisti, rispettivamente di Sorin S.p.A. e Cyberonics Inc. o il completamento della stessa per qualsiasi motivo non avvenisse entro il 26 Febbraio 2016, la presente è da considerarsi nulla ab initio e Lei non avrà diritto a beneficiare degli effetti in essa contenuti.

La preghiamo di restituirci copia della presente lettera, debitamente sottoscritta per accettazione dei relativi termini e condizioni.

Cordiali saluti

André-Michel Ballester

Milan, 26 February 2015

To the kind attention of Mr. Brian Sheridan

Subject : Termination of employment and compensation

Dear Brian

As you know, our company is going to carry out a corporate merger by incorporation (the "Merger ") with the company Cyberonics Inc., which will become finally effective after obtaining the necessary authorizations and completed the formalities prescribed by law.

In this transaction, and following up on the agreements reached , we confirm the commitment of our company to the payment of an allowance in your favor (l ' " Indemnity ") , under the terms and conditions set out below.

This Indemnity will be paid if, within two years from the final effective date of the Merger, (i) the Company terminates the employment for other reasons than just cause (Art . 2119 Italian Civil Law Code) and / or subjective justified reason . Pursuant to and for the purposes of this Agreement, " just cause" is any cause that does not allow the continuation , even temporary, of the labour contract.

The Indemnity will be equal to two times the amount of (i) your annual gross base salary and (ii) your gross annual target bonus, calculated at the date of termination of the employment relationship, deducted a gross amount calculated as the "Notice period Indemnity", if due to you.

Furthermore, if - within two years from the Merger - the Company terminates your contract without just cause (Art . 2119 Italian Civil Law) and / or a objective justified reason, your eventual "equity-based awards" will immediately be vesting, with the application of criteria based on the achievement of 100 % of the performance, except of SAR retention program provisions, for which we apply the principles set in the letter received today and in following communications relating to it.

It is understood that your right to receive the Indemnity as well as the immediate vesting of equity-based awards will accrue only in case that the Company and you, within 21 days of termination of the employment relationship under conditions described above, adhere to underwriting an individual agreement, formalized in one of the locations described in art. 2113 Italian Civil Code, which took effect on general settlement under Art. 1965, 1975 and 1976 of the Italian Civil Code, a result of which - among other terms and conditions - You expressly waived the appeal of the dismissal.

It is also understood that the Indemnity payment - as they fulfill the assumptions underlying them - will be in lieu of any other compensation provided for by law and / or collective bargaining provisions (including any additional benefits) except for the mandatory severance pay (eg . TFR) .

If the merger, including the management retention plan included, was not approved by the Extraordinary Shareholders' meetings , respectively Sorin S.p.A. and Cyberonics Inc. or Merger for any reason does not take place by 26 February 2016, this letter has to be considered void ab initio and you will not be entitled to the benefits it contains.

CEO

Milano, li _____

Per ricevuta e accettazione

Please give us back a copy of this letter , duly signed for acceptance of its terms and conditions .

Kind regards,

André-Michel Ballester
CEO

Milan, _____

For receipt and acceptance

SEVERANCE AGREEMENT

THIS AGREEMENT (the "Agreement"), made and entered into effective as of September 30, 2002 (the "Effective Date"), is by and between Cyberonics, Inc., a Delaware corporation (the "Company"), and Jason Richey (the "Employee").

WHEREAS, Employee is a key employee of the Company; and

WHEREAS, the Company recognizes that the possibility of a Change of Control (as defined below) of the Company is unsettling and may result in the departure of key employees to the detriment of the Company and its stockholders; and

WHEREAS, the Company recognizes that the possibility of a Change of Control (as defined below) of the Company is unsettling and may result in the departure of key employees to the detriment of the Company and its stockholders; and

WHEREAS, the Board of the Company (the "Board") has authorized this Agreement and certain similar agreements in order to retain key employees to ensure the continuity of its management;

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Employee agree as follows:

1. **Term.** This Agreement shall commence on the Effective Date and shall continue until December 31, 2003; provided , however, that commencing on December 31, 2002 and on each December 31st thereafter, the Term of this Agreement shall automatically be extended for one additional year, unless at least six months prior to such December 31 date the Board shall give written notice to Employee that the Term of this Agreement shall cease to be so extended; provided further, however, that if a Change of Control shall occur during the Term, the Term shall automatically continue in effect for a period of not less than one year from the date of such Change of Control. Notwithstanding the foregoing, except as provided in Section 3, this Agreement shall automatically terminate on Employee's termination of employment; provided, however, termination of this Agreement shall not alter or impair any rights of Employee arising hereunder on or prior to such termination.

2. **Change of Control.** For purposes of this Agreement , a Change of Control of the Company shall mean:

(i) the acquisition by any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than the Company, a subsidiary of the Company or a Company employee benefit plan, of "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; or

(ii) the consummation of a reorganization, merger, consolidation or other form of corporate transaction or series of transactions , in each case, with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger or consolidation or other transaction do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities in substantially the same proportions as their ownership immediately prior to such event; or

(iii) the sale or disposition by the Company of all or substantially all the Company's assets; or

(iv) a change in the composition of the Board, as a result of which fewer than a majority

of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of October 2, 2000, or (B) are elected, or nominated for election, thereafter to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination, but "Incumbent Director" shall not include an individual whose election or nomination is in connection with (i) an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or an actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board or (ii) a plan or agreement to replace a majority of the then Incumbent Directors; or

(v) the approval by the Board or the stockholders of the Company of a complete or substantially complete liquidation or dissolution of the Company.

3. **Termination on or Following a Change of Control.** If a Change of Control occurs during the Term, Employee shall be entitled to the benefits provided in Section 4 hereof if, during the Protected Period (as hereinafter defined), Employee becomes disabled or Employee's employment is terminated, unless such termination is (a) due to Employee's death, (b) by the Company either for Cause or Employee's Disability, or (c) by Employee for other than a Good Reason. Anything in this Agreement to the contrary notwithstanding, if Employee's employment with the Company is terminated during the Term and prior to the date on which a Change of Control occurs, and it is reasonably demonstrated that such termination (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control, or (ii) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the Change of Control shall be deemed to have occurred on the date immediately prior to the date of Employee's termination and Employee shall be deemed terminated by the Company during the Protected Period other than for Cause. For purposes of this Agreement, the "Protected Period" shall mean the period of time beginning with the Change of Control and ending on the first anniversary of such Change of Control or Employee's death, if earlier.

(i) **Disability.** If, as a result of Employee's incapacity due to physical or mental illness, Employee shall have been absent from Employee's duties with the Company on a full-time basis for 150 consecutive calendar days, and within 30 days after written Notice of Termination (as defined hereinafter) Employee shall not have returned to the full-time performance of Employee's duties, the Company may terminate Employee's employment for "Disability"; provided, however, a termination of Employee's employment for Disability under this Agreement shall not alter or impair Employee's rights as a "disabled employee" under any of the Company's employee benefit plans.

(ii) **Cause.** The Company may terminate Employee's employment for Cause. For the purposes of this Agreement, the Company shall have "Cause" to terminate Employee's employment hereunder only upon (A) the willful and continued failure by Employee to perform substantially Employee's duties with the Company, other than any such failure resulting from Employee's incapacity due to physical or mental illness, which continues unabated after a written demand for substantial performance is delivered to Employee by the Board that specifically identifies the manner in which the Board believes that Employee has not substantially performed Employee's duties or (B) Employee willfully engaging in gross misconduct that is materially and demonstrably injurious to the Company. For purposes of this paragraph, an act or failure to act on Employee's part shall be considered "willful" only if done or omitted to be done by Employee otherwise than in good faith and without reasonable belief that Employee's action or omission was in the best interest of the Company. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Employee a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board, at a meeting of the Board called and held for such purpose (after reasonable notice to Employee and an opportunity for Employee, together with Employee's counsel, to be heard before the Board), finding that in the good faith opinion of the Board, Employee was guilty of conduct set forth in clauses (A) or (B) of this subsection (ii) and specifying the particulars thereof in reasonable detail.

(iii) **Good Reason.** Employee may terminate Employee's employment for Good Reason.

For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following without Employee's express written consent:

(A) an adverse change (as determined by Employee in good faith, which determination shall be controlling for all purposes under this Agreement) in Employee's (i) positions, duties, responsibilities or status with the Company from that in effect immediately prior to the Change of Control, or (ii) reporting responsibilities, titles or offices as in effect immediately prior to the Change of Control; or any removal of Employee from, or any failure to re-elect or appoint Employee to, any of such responsibilities, titles, offices or positions, except in connection with the termination of Employee's employment for Cause or Disability, or as a result of Employee's death, or by Employee for other than a Good Reason;

(B) a reduction in Employee's annual rate of base salary as in effect immediately prior to the Change of Control or as the same may be increased from time to time thereafter (the "Base Salary");

(C) a failure by the Company to continue the Company's Annual Incentive Compensation Plan as the same may be modified from time to time, but substantially in the form in effect immediately prior to the Change of Control (the "Bonus Plan"), or a failure by the Company to continue Employee as a participant in the Bonus Plan in at least the same amount (the "Bonus Amount") as Employee's target bonus amount under the Bonus Plan with respect to the fiscal year ending immediately prior to the Change of Control or with respect to the current fiscal year if Employee has been employed by the Company for a shorter period (Bonus Amounts related to less than a full fiscal year shall be annualized for this purpose);

(D) the failure by the Company to continue in effect any other employee benefit or compensation plan program or policy, in which Employee is participating immediately prior to the Change of Control, unless the Company establishes such new plans, programs or policies as is necessary to provide Employee with substantially comparable benefits; the taking of any action by the Company not required by law that would adversely affect Employee's participation in or reduce Employee's benefits under any of such plans, programs or policies or deprive Employee of any material fringe benefit enjoyed by Employee immediately prior to the Change of Control;

(E) the Company's requiring Employee to relocate to an office more than 25 miles from the Company's office to which Employee was assigned immediately prior to the Change of Control, except for required travel on the Company's business to an extent substantially consistent with Employee's business travel obligations immediately prior to the Change of Control;

(F) the amendment, modification or repeal of any provision of the Company's Certificate of Incorporation, as amended, or the Bylaws of the Company which was in effect immediately prior to such Change of Control, if such amendment, modification or repeal would adversely affect Employee's right to indemnification by the Company;

(G) the failure of the Company to obtain the assumption of this Agreement by any successor as contemplated in Section 6 hereof; or

(H) any purported termination of Employee's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of subparagraph (iv) below and, if applicable, subparagraph (ii) above; and for purposes of this Agreement, no such purported termination shall be effective.

Employee's right to terminate employment for a Good Reason hereunder shall not be affected by Employee's incapacity due to a physical or mental illness nor shall Employee's continued employment following any circumstance that constitutes a Good Reason hereunder, regardless of the length of such continued employment, constitute a consent to or a waiver of Employee's rights hereunder with respect to such circumstance.

(iv) **Notice of Termination.** Any termination by the Company pursuant to subparagraphs

(i) or (ii) above, or by Employee pursuant to subparagraph (iii) above, shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under the provision so indicated.

(v) **Date of Termination.** "Date of Termination" shall mean (A) if Employee is terminated for Disability, 30 days after Notice of Termination is given, provided that Employee shall not have returned to the performance of Employee's duties on a full-time basis during such 30-day period, (B) if Employee's employment is terminated pursuant to subparagraph (iii) above, the date specified in the Notice of Termination, (C) with respect to a termination prior to a Change of Control, which is deemed to be after such Change of Control as provided in Section 3, the date of such termination, and (D) if Employee's employment is terminated for any other reason on or after a Change of Control, the date of such termination.

4. **Compensation During Disability or Upon Termination.**

(i) If, during the Protected Period, Employee fails to perform Employee's normal duties due to Disability, Employee shall continue during the period of such disability to receive Employee's full Base Salary and any awards, deferred and nondeferred, payable during such period under the Bonus Plan, less any amounts paid to Employee during such period of disability pursuant to the Company's short term disability or sick-leave program(s) until Employee's employment is terminated as provided herein or such Disability ends. This Section 4(i) shall not reduce or impair Employee's rights to terminate employment for a Good Reason as otherwise provided herein.

(ii) If, during the Protected Period, Employee's employment shall be terminated (x) by the Company for Cause, (y) by Employee's death, or (z) by Employee other than for a Good Reason, the Company shall pay Employee 's earned but unpaid Base Salary through the Date of Termination and the Company shall have no further obligations to Employee under this Agreement.

(i) If, during the Protected Period, (1) the Company shall terminate Employee other than for Cause or Disability or (2) Employee shall terminate Employee's employment for a Good Reason, then subject to subparagraph (v) below, the Company shall pay to Employee, by certified or bank cashier's check or wire transfer within five business days after the Date of Termination, an amount equal to: (A) twice the sum of Employee's Base Salary and Bonus Amount; plus (B) that portion of Employee's Base Salary earned, and vacation pay vested for the prior year and accrued for the current year to the Date of Termination, but not paid or used, and all other amounts previously deferred by Employee or earned but not paid as of such date under all Company bonus or pay plans or programs.

(ii) If any payment due under the terms of this Agreement is not timely made or otherwise withheld by the Company, its successors or assigns, interest shall accrue on such payment at the highest maximum legal rate permissible under applicable law from the date such payment first became due through the date of payment thereof.

(iii) It is the intent of the parties hereto that, notwithstanding any provision of this Agreement to the contrary, in the event any payment to be made to or on behalf of Employee pursuant to this Agreement , when aggregated with any other payments and benefits to or on behalf of Employee outside of this Agreement , would constitute an "excess parachute payment", within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, Employee shall elect (absent an Employee election, the Company shall elect) which payment(s) and/or benefit(s) will be reduced in whole or in part so that no part of the payments received hereunder will constitute excess parachute payments. However, any such reduction(s) shall be made only if by reason of such reduction(s) Employee's net after-tax benefit, after such reductions, shall exceed Employee's net after-tax benefit if such reduction(s) were not made. The determination of whether any amount or benefit would be an "excess parachute payment" shall be made by an independent certified public accounting firm mutually agreed upon by the Company and Employee. The costs of obtaining such determination shall

be borne solely by the Company.

5. **No Mitigation or Offset.** The provisions of this Agreement are not intended to, nor shall they be construed to, require that Employee mitigate the amount of any payment provided for in this Agreement by seeking or accepting other employment, nor shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by Employee as the result of employment by another employer or otherwise. Without limitation of the foregoing, the Company's obligations to make the payments to Employee required under this Agreement shall not be affected by any set off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against Employee.

6. **Successors; Binding Agreement.**

(i) The Company will require any successor, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all of the business and/or assets of the Company, by agreement in form and substance reasonably satisfactory to Employee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would have been required if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Employee to payment from the Company in the same amount and on the same terms as Employee would be entitled hereunder if Employee had terminated Employee's employment for Good Reason, provided that Employee first notifies the Company in writing of the Employee's election to either (A) terminate employment effective as of the date on which any such succession becomes effective; or (B) maintain the employment relationship, subject to reducing any obligation of Company or its successor to pay severance or separation payments to Employee at any point thereafter by the full value of any payment hereunder. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that executes and delivers the agreement provided for in this Section 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(ii) This Agreement shall inure to the benefit of and be enforceable by Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Employee should die while any amounts would still be payable to Employee hereunder if Employee had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to Employee's beneficiary as filed with the Company pursuant to this Agreement or, if there be no such designated beneficiary, to Employee's estate.

7. **Notice.** All notices, consents, waivers, and other communications required under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by facsimile (with confirmation of receipt), provided that a copy is mailed by certified mail, return receipt requested, or (c) when received by the addressee, if sent by a nationally recognized overnight delivery service, in each case to the appropriate addresses and facsimile numbers set forth below (or to such other addresses and facsimile numbers as a party may designate by notice to the other parties):

If to the Company:

Cyberonics, Inc.

Facsimile No.: _____

If to Employee:

8. **Miscellaneous.** No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Employee and by the Chairman of the Board or an authorized officer of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

9. **Validity.** The interpretation, construction and performance of this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas without regard to conflicts of laws principles. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, each of which shall remain in full force and effect.

10. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

11. **Descriptive Headings.** Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

12. **Corporate Approval.** This Agreement has been approved by the Board, and has been duly executed and delivered by Employee and on behalf of the Company by its duly authorized representative.

13. **Disputes.** The parties agree to resolve any claim or controversy arising out of or relating to this Agreement by binding arbitration under the Federal Arbitration Act before one arbitrator in the City of Austin, State of Texas, administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The Company shall reimburse Employee, on a current basis, for all legal fees and expenses incurred by Employee in connection with any dispute arising under this Agreement, including, without limitation, the fees and expenses of the arbitrator, unless the arbitrator finds Employee brought such claim in bad faith, in which event each party shall pay its own costs and expenses and Employee shall repay to the Company any fees and expenses previously paid on Employee's behalf by the Company.

The parties stipulate that the provisions hereof shall be a complete defense to any suit, action, or proceeding instituted in any federal, state, or local court or before any administrative tribunal with respect to any controversy or dispute arising during the period of this Agreement and which is arbitrable as herein set forth. The arbitration provisions hereof shall, with respect to such controversy or dispute, survive the termination of this Agreement.

14. **Taxes.** The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

IN WITNESS WHEREOF, the Company and Employee have executed this Agreement in multiple counterparts effective for all purposes as of the Effective Date.

	CYBERONICS, INC.
	By: <u>/s/ Robert P. Cummins</u>
	Name: <u>Robert P. Cummins</u>
	Title: <u>Chairman & CEO</u>
	EMPLOYEE
	<u>/s/ R. Jason Richey</u>

AMENDMENT TO SEVERANCE AGREEMENT

THIS AMENDMENT TO SEVERANCE AGREEMENT (the “Amendment”), made and entered into effective as of this 23rd day of December 2008 (the “Effective Date”), is by and between **Cyberonics, Inc.**, a Delaware corporation (the “Company”), and **Jason Richey** (the “Employee”).

WHEREAS, Employee is a key employee of the Company;

WHEREAS, the Company and Employee previously entered into a Severance Agreement (the “Agreement”) seeking to retain Employee despite the possibility of a Change of Control (as defined in the Agreement) and the fact that this possibility is unsettling and may result in the departure of key employees to the detriment of the Company and its stockholders;

WHEREAS, the Agreement remains in full force and effect as of this date; and

WHEREAS, the Company and Employee desire to amend the terms and conditions of the Agreement so as to bring the Agreement into documentary compliance with the final Treasury Regulations under Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”);

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Employee agree to modify the Agreement as follows:

1. The first paragraph of Section 3 shall be amended to delete the following language:

“Anything in this Agreement to the contrary notwithstanding, if Employee’s employment with the Company is terminated during the Term and prior to the date on which a Change of Control occurs, and it is reasonably demonstrated that such termination (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control, or (ii) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the Change of Control shall be deemed to have occurred on the date immediately prior to the date of Employee’s termination and Employee shall be deemed terminated by the Company during the Protected Period other than for Cause.”

2. Section 3(v) shall be amended to replace the provision in its entirety with the following:

“(v) **Date of Termination.** “Date of Termination” shall mean (A) if Employee is terminated for Disability, 30 days after Notice of Termination is given, provided that Employee shall not have returned to the performance of Employee’s duties on a full-time basis during such 30-day period, (B) if Employee’s employment is terminated pursuant to subparagraph (iii) above, the date which is thirty (30) days from the date of the Notice of Termination, and (C) if Employee’s employment is terminated for any other reason on or after a Change of Control, the date of such termination.”

3. Section 4(i) shall be amended to replace the provision in its entirety with the following:

“(i) If, during the Protected Period, Employee fails to perform Employee’s normal duties as a result of Disability, Employee shall continue during the period of such Disability (prior to termination of employment) to receive Employee’s full Base Salary and any awards, deferred and nondeferred, payable during such period under the Bonus Plan, less any amounts paid to Employee during such period of Disability pursuant to the Company’s short term disability or sick-leave program(s) until Employee’s employment is terminated or such Disability ends. This Section 4(i) shall not reduce or impair Employee’s rights to terminate employment for a Good Reason as otherwise provided herein.”

4. Section 4(iii) shall be amended to replace the provision in its entirety with the following:

“(iii) If, during the Protected Period, (1) the Company shall terminate Employee other than for Cause or Disability or (2) Employee shall terminate Employee’s employment for a Good Reason, then subject to subparagraph (v) below, Employee shall be entitled to the following payments and benefits:

(A) the Company shall forgive any amount payable by Employee to the Company under the Relocation Agreement, if applicable;

(B) the Company shall pay to Employee, an amount equal to the sum of Employee’s Base Salary, Target Annual Bonus and Annual Earned Commission amount where applicable;

(C) the Company shall pay to Employee that portion of Employee's Base Salary earned, and vacation pay vested for the prior year and accrued for the current year to the Date of Termination, but not paid or used, and

(D) the Company shall pay to Employee all other amounts previously deferred by Employee or earned but not paid as of such date under all Company bonus or pay plans or programs.

Subject to Section 14, the payments and benefits under clause (A) and (B) above shall be paid within five business days after Employee's Separation from Service resulting from Employee's termination under this Section 4(iii). The payment under clause (C) above shall be made within five business days after the Date of Termination. The payments (if any) under clause (D) above shall be paid at such time and in such manner as set forth in such plans or programs subject to compliance with Code Section 409A.

As used herein, "Annual Earned Commission" means the total commissions actually paid to Employee during the four fiscal quarters immediately preceding the Date of Termination. If Employee has been employed for at least one fiscal quarter and less than four fiscal quarters as of the Date of Termination, the "Annual Earned Commission" shall be equal to four times the quarterly average of commissions actually paid to Employee during the relevant fiscal quarters. If Employee has been employed less than one fiscal quarter as of the Date of Termination, the "Annual Earned Commission" shall be the total amount of Employee's commissions targeted for the four fiscal quarters following the Date of Termination. For purposes of this Agreement, "Separation from Service" shall mean Employee's separation from service as determined in accordance with Code Section 409A and the applicable standards of the Treasury Regulations issued thereunder."

5. Section 4(v) shall be amended to replace the provision in its entirety with the following:

(v) Notwithstanding any provision of this Agreement to the contrary, in the event any payment or benefit to be made to or on behalf of Employee pursuant to this Agreement, when aggregated with any other payments and benefits to or on behalf of Employee outside of this Agreement, would constitute a "parachute payment", within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, then such payments and/or benefits will be subject to reduction to the extent necessary to assure that Employee receives only the greater of (i) the amount of those payments and benefits which would not constitute such a parachute payment or (ii) the amount which yields Employee the greatest after-tax amount of benefits after taking into account any excise tax imposed under Section 4999 of the Code on the payments and benefits provided Employee under this Agreement (or on any other payments or benefits to which Employee may become entitled in connection with any change in control or ownership of the Company or the subsequent termination of his or her employment with the Company). The determination of whether any amount or benefit would be a "parachute payment" shall be made by an independent certified public accounting firm mutually agreed upon by the Company and Employee. The costs of obtaining such determination shall be borne solely by the Company. Should a reduction in benefits be required to satisfy the benefit limit of Section 4(v), then the portion of any parachute payment otherwise payable in cash to Employee shall be reduced first to the extent necessary to comply with such benefit limit. Should such benefit limit still be exceeded following such reduction, then the number of shares which would otherwise vest on an accelerated basis under each of Employee's options or other equity awards (based on the amount of the parachute payment attributable to each such option or equity award under Code Section 280G) shall be reduced to the extent necessary to eliminate such excess, with such reduction to be made in the same chronological order in which those awards were made."

6. The Agreement shall be amended to include the following as a new Section 14:

"14. Section 409A.

(i) This Agreement is intended to comply with the requirements of Section 409A of the Code. Accordingly, all provisions herein shall be construed and interpreted to comply with Code Section 409A and if necessary, any such provision shall be deemed amended to comply with Code Section 409A and the regulations thereunder.

(ii) Notwithstanding any provision to the contrary in this Agreement, no payments or benefits to which Employee becomes entitled under this Agreement in connection with the termination of Employee's employment with the Company shall be made or paid to Employee prior to the **earlier** of (i) the first day of the seventh (7th) month following the date of Employee's Separation from Service due to such termination of employment or (ii) the date of Employee's death, if Employee is deemed, pursuant to the procedures established by the Board in accordance with the applicable standards of Code Section 409A and the Treasury Regulations thereunder and applied on a consistent basis for all for all non-qualified deferred compensation plans subject to Code Section 409A, to be a "specified employee" at the time of such Separation from Service and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable Code Section 409A(a)(2) deferral period, all payments deferred pursuant to this Section 14(ii) shall be paid in a lump sum to Employee, and any remaining payments due under this Agreement shall be paid in accordance with the normal payment dates specified for them herein. In addition, if Employee is deemed to be a specified

employee at the time of Separation from Service and there is an amount payable by Employee to the Company under the Relocation Agreement (the "Relocation Amount"), then notwithstanding Section 4(iii)(A), the following provisions shall apply: (i) the Company shall forgive the portion of the Relocation Amount up to the applicable dollar amount under Code Section 402(g)(1)(B), (ii) Employee shall repay to the Company any Relocation Amounts in excess of such limit (the "Repaid Amount") and (iii) upon the expiration of the applicable Code Section 409A(a) (2) deferral period, the Company shall pay to the Employee the Repaid Amount in a lump sum. The specified employees subject to a delayed commencement date shall be identified on December 31 of each calendar year. If Employee is so identified on any such December 31, he shall have specified employee status for the twelve (12)-month period beginning on April 1 of the following calendar year."

7. **Right to Advice of Counsel.** Employee acknowledges that Employee has had the right to consult with counsel and is fully aware of his rights and obligations under Agreement and this Amendment
8. Except as expressly modified by this Amendment, the provisions of the Agreement remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Company and Employee have caused this Amendment to be executed by their duly authorized representative as of the date and year set forth above.

Cyberonics, Inc.

Employee

By:_____

By:_____

Date:_____

Date:_____

REVISED

August 30, 2010

Edward Andrie
15 Meadow Lane North
Minneapolis, MN 55422

Dear Ed,

I am pleased to confirm our offer of employment as Vice President, Business Development & Strategic Planning, reporting directly to Andre-Michel Ballester, Chief Executive Officer, Sorin S.p.A. Your biweekly pay will be \$12,807.69 (which equates to \$333,000.00 annually). Your hire date is anticipated to be September 6, 2010.

Additional elements of your offer are listed below:

1. Bonus

You will be eligible to participate in Sorin Group's Management Bonus Plan. Sorin Group's Management Bonus Plan is based upon achievement of personal objectives and key financial measures for Sorin Group. Your target bonus will be 50% of your year-end salary, which will be prorated based on your hire date with the Company. A document detailing the plan will be provided to you upon hire.

2. Long Term Incentive

You will be eligible to participate in the Second Cycle (2010 – 2012) Long Term Incentive Program under the plan directed at "Key Managers" of Sorin Group, subject to approval by Sorin S.p.A. Shareholders at the next Shareholders Meeting, anticipated to occur in mid September 2010. The number of shares for which you will be eligible, subject to approval, is 110,000. The issuance of shares is contingent upon achieving Sorin Group performance objectives in terms of EBITDA Margin and Net Profit. The number of shares, plan objectives, and rules and conditions of the plan will be communicated to you following the aforementioned approval at the Shareholders Meeting.

3. Severance Pay

In the event that your employment is terminated for any reason (including change in control of the company or a sale, merger or consolidation of the business) other than for Good Cause, or should you choose to terminate employment for Good Reason, you will be eligible to receive a severance payment equal in amount to twelve (12) months salary at the time of separation from the Company.

Notwithstanding any employee handbooks, memos or any other policies of the Company, Good Cause shall be defined as:

Sorin Group USA, Inc.
14401 W. 65th Way
Arvada, CO 80004-3599
United States of America

Tel.: 303 425-5508
800 221-7943
FAX: 303 467-6212

<http://www.sorin.com>

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Having been convicted or pleaded nolo contendere to any crime or offense (other than minor traffic violations or similar offenses), which is likely to have a material adverse impact on the business; or

Proven failure to observe or perform any duties and obligations if that failure continues for a period of thirty (30) business days from the date of your receipt of written notice from the Company specifying the acts or omissions deemed to amount to that failure.

Good Reason shall be defined as: Change in title or significant reduction in compensation, duties, and responsibilities.

Should you choose to terminate employment with the Company without Good Reason, you will be ineligible for severance pay. You agree to provide the Company twelve (12) weeks notification of intent to terminate.

Should the Company revise its severance policy between your hire and termination dates, this agreement will supersede that policy unless this agreement is nullified in writing by you and a Company Official within sixty (60) days of the revised severance policy having been issued.

4. Travel/Location

You will be expected to travel frequently based on business opportunities and demands. While in Italy, you will be based out of our headquarters in Milan. While in the US, you may spend office time in our Plymouth, Minnesota location. It is expected that you spend on average one (1) week per month in the Plymouth, Minnesota office.

5. Company Car/Car Allowance

While in Italy, you will be provided a service car in line with business needs and the Company's Car Policy. Separately, while in the US, you will receive a car allowance, the amount of which will be calculated by taking into account your specific geographical location as well as standard costs. This allowance will be calculated and paid by the Company's current US vehicle allowance vendor, Runzheimer. Further details will follow after your hire date.

6. Housing/Goods & Services

The Company will provide you accommodations while you stay in Italy equivalent to €35,000 annually.

7. Taxation – US

- You will be responsible to contribute the amount of US wage tax according to general practice. Thus, during your employment, you will not pay more nor less taxes than had you continued living and working in the US full-time (hypothetical taxes). This method is called "Tax Equalization," and it is a benefit provided by the Company under the advisement of its US tax consultants.

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August 30, 2010

8. Taxation – Italy

You may be liable to file an Italian income tax return and pay due taxes. Since you would have already fulfilled your tax obligation via hypothetical taxes withheld from your income, Sorin Group will pay any additional tax payable while resulting from your time in Italy. Such reimbursement may again generate taxable income to you and thus additional income tax payable. In such event, the Company will also reimburse you for this additional income tax. Please carefully note it is likewise your obligation to pay back the Company any balance that our tax specialists deem to be your responsibility. Sorin Group reserves the right to withhold any such amounts otherwise due to you from the Company if not paid by you.

9. Tax Filing Assistance

The Company will provide you with reasonable assistance of outside professional tax experts in the US and in Italy to assist you in completing and filing your tax returns in both countries for the tax years while you are employed by Sorin Group.

10. US Benefits

You will be eligible to participate in the Company's current competitive US benefit plans that include health, dental, life and disability insurance, 401(k), and Company paid holidays. Additionally, as a Vice President, you will be eligible for US executive perquisites, including:

- Vacation accrual at the rate of four weeks per year,
- Eligibility for executive health exams,
- Participation in the Executive Deferred Compensation Plan that includes an annual employer contribution of 6% of salary regardless of whether you personally contribute to the plan,
- Executive Life and Long Term Disability insurance.

Your employment with the Company is contingent upon completion of a pre-employment drug screening and background check where the results are satisfactory in the sole discretion of the Company. You will be required to sign our Inventions, Confidentiality and Non-Compete Agreement and our Arbitration Agreement prior to employment with Sorin Group USA, Inc. This offer is also contingent on the verification of your eligibility to work in the United States.

You covenant and agree, and your current and continued employment is contingent upon, that by entering into this Agreement and performing the job duties hereunder, you are not and will not be in violation of any agreement or obligation to which you are subject or by which you are bound.

The information in this letter is not intended to constitute a contract of employment, either expressed or implied. Your employment with Sorin Group USA, Inc. is at-will and either you or the Company may terminate the relationship at anytime.

August 30, 2010

Ed, we look forward to you joining Sorin Group as a valued member of our Executive Leadership Team and a critical contributor to our continued success.

Best Regards,

Stephane Bessette
Vice President, Human Resources Worldwide

Certification of Job Offer Acceptance:

I have read and agree to all the conditions expressed in this letter. I further understand that no modification of these conditions will be made by Sorin Group, Inc. or myself unless they are mutually agreed upon, made in writing, and signed by both parties, including by an official of the Company and myself.

I am accepting the offer of employment, and my hire date will be _____

Edward Andrie Date

SSN Date of Birth

Please sign above and return a scanned version of this letter to stephane.bessette@sorin.com.

December 29, 2010

MR. EDWARD ANDRLE

Dear Ed:

We herewith confirm the terms and conditions, as well as the compensation package and the allowances established for you, in connection with your expatriate assignment to Sorin S.p.A. (hereinafter "the Company") in Milan, Italy. For the sake of clarity, you will remain at all times an employee of Sorin Group USA, Inc.

The assignment will start on February 1, 2011 (or once the working VISA is obtained) until the end of the validity of said VISA (24 months with potential 12 month extension for a total of 36 months).

1. Base Salary

In the position of Vice President, Business Development & Strategic Planning, reporting to André-Michel Ballester, Chief Executive Officer, Sorin S.p.A., your bi-weekly base salary has been set at USD \$12,807.69 (which equates to \$333,000.00 annually). During your expatriate assignment, you will continue to receive base salary compensation via US payroll, specifically the payroll of Sorin Group USA, Inc. Salary reviews will take place in accordance with the salary guidelines as established for Sorin Group.

2. Bonus

In addition to your base salary, you will be eligible to participate in Sorin Group's Management Bonus Plan. Sorin Group's Management Bonus Plan is based upon achievement of personal objectives and key financial measures for Sorin Group. Your target bonus will be 50% of your year-end salary.

3. Long-Term Incentive Plan

You will be eligible to participate in the Long Term Incentive Program under the plan directed at "Key Managers" of Sorin Group, subject to approval by Sorin S.p.A. Shareholders. The number of shares for which you will be eligible, subject to approval, is 110,000. The issuance of shares is contingent upon achieving Sorin Group performance objectives in terms of EBITDA Margin and Net Profit. The number of shares, plan objectives, and rules and conditions of the plan will be communicated to you following the aforementioned approval by the Shareholders.

4. Severance Pay

In the event that your employment is terminated for any reason (including change in control of the company or a sale, merger or consolidation of the business) other than for Good Cause, or should you choose to terminate employment for Good Reason, you will be eligible to receive a severance payment equal in amount to twelve (12) months salary at the time of separation from the Company.

Notwithstanding any employee handbooks, memos or any other policies of the Company, Good Cause shall be defined as:

Having been convicted or pleaded nolo contendere to any crime or offense (other than minor traffic violations or similar offenses), which is likely to have a material adverse impact on the business; or

Proven failure to observe or perform any duties and obligations if that failure continues for a period of thirty (30) business days from the date of your receipt of written notice from the Company specifying the acts or omissions deemed to amount to that failure.

Good Reason shall be defined as: Change in title or significant reduction in compensation, duties, and responsibilities.

Should you choose to terminate employment with the Company without Good Reason, you will be ineligible for severance pay. You agree to provide the Company twelve (12) weeks notification of intent to terminate.

Should the Company revise its severance policy between your hire and termination dates, this agreement will supersede that policy unless this agreement is nullified in writing by you and a Company Official within sixty (60) days of the revised severance policy having been issued.

5. Social Security

During the period of assignment, you will be kept in the US social security system. You will also be eligible for all US retirement benefits available to Sorin Group USA, Inc. employees in the US.

6. Health Insurance

You will be covered under US Health Insurance according to the US plans. However, if an out of pocket expense should occur due to potential out of network residency, the Company will reimburse you up to a maximum of €4,000 per annum, upon submission of receipts. The Company reserves the right to replace this offering in the event we institute a health insurance policy that would cover all employees on an expatriate assignment.

7. Housing / Goods & Services

The Company will provide you accommodations while you stay in Italy equivalent to €35,000 annually. Should you choose more expensive accommodations, the excess cost will be borne by you. Any possible tax liability arising in Italy on the living accommodations will be covered under the tax equalization benefit (please see paragraphs 9, 10, & 11, below).

8. Company Car

While in Italy, you will be provided a service car in line with business needs and the Company's Car Policy. Separately, while in the US, you will receive a car allowance, the amount of which will be calculated by taking

into account your specific geographical location as well as standard costs. This allowance will be calculated and paid by the Company's current US vehicle allowance vendor, Runzheimer. Any possible tax liability arising in Italy on the company car will be covered under the tax equalization benefit (please see paragraphs 9, 10, & 11, below).

9. Home Country Taxes

You will be responsible to contribute the amount of US wage tax according to general practice. Thus, during your assignment period, you will not pay more nor less taxes than had you continued living and working in the US (hypothetical taxes). This method is called "Tax Equalization," and it is an additional benefit provided by Sorin Group USA Inc. based on the advice of its US tax consultants.

10. Host Country Taxes

You will be personally responsible for filing your Italian income tax returns and for payment of taxes due while on assignment in Italy. Since you will have already fulfilled your tax obligation via hypothetical tax withheld from your income, Sorin Group USA, Inc. will pay any additional tax payable while on or resulting from your expatriate assignment. Such reimbursement may again generate taxable income to you and thus additional income tax payable. In such event, Sorin Group USA, Inc. will also reimburse you for this additional income tax. Please carefully note it is likewise your responsibility to pay back Sorin Group USA, Inc. any balance that our tax specialists deem to be your responsibility. Your obligations under this benefit will remain regardless of your employment status at the time of your return to the US. Sorin Group USA, Inc. reserves the right to withhold any such amounts otherwise due to you from the company if not paid by you.

11. Tax Filing Assistance

The Company will provide you with reasonable assistance of outside professional tax experts in the US and in Italy to assist you in completing and filing your home and host country tax returns, for the tax years in which you are on assignment, as well as for the full tax year immediately following the expatriate assignment.

12. US Benefits

You will be eligible to participate in the Company's current competitive US benefit plans. Additionally, as a Vice President, you will be eligible for US executive perquisites, including:

- Eligibility for executive health exams while in the US,
- Participation in the Executive Deferred Compensation Plan that includes an annual employer contribution of 6% of salary regardless of whether you personally contribute to the plan,
- Executive Life and Long Term Disability insurance.

You covenant and agree, and your current and continued employment is contingent upon, that by entering into this Agreement and performing the job duties hereunder, you are not and will not be in violation of any agreement or obligation to which you are subject or by which you are bound.

The information in this letter is not intended to constitute a contract of employment, either expressed or implied. Your employment with Sorin Group USA, Inc. is at-will and either you or the company may terminate the relationship at anytime.

Ed, we trust that these terms and conditions meet your expectations and sincerely wish you every success during your assignment.

V.P. Human Resources, North America	Director, Corporate Human Resources
(Shelby Peralta)	(Enrico Caldera)

For acceptance:

Ed Andrie	Date
-----------	------

cc: Stephane Bessette, V.P. Human Resources, Worldwide

July 23, 2014

MR. EDWARD ANDRLE

Dear Ed:

With reference to the Agreement of December 29, 2010, related to your expatriate assignment which started February 2011, we herewith confirm that the above mentioned assignment is extended from now and until February 2016. All relevant terms and conditions will remain in full force, including during the extension period, you will continue to be assigned to Sorin S.p.A. (hereinafter "the Company") while remaining at all times an employee of Sorin Group USA, Inc. Prior to the end of the extension period, we will reevaluate your assignment taking into account the Company's Expatriate Policy and business needs at such time.

Ed, we trust these terms and conditions meet with your expectations. Please kindly sign this letter below accordingly.

V.P., Human Resources, Worldwide V.P., Human Resources, Corporate & USA
(Stephane Bessette) (Shelby Peralta)

For acceptance:

(Ed Andrle) Date

Sorin Group USA, Inc.
14401 W. 65th Way
Arvada, CO 80004-3599
United States of America

Tel.: 303 425-5508
800 221-7943
FAX: 303 467-6212

<http://www.sorin.com>

January 2013

Private & Confidential

Mr. Pritpal Shinmar
21 Cheyham Way
Cheam, Surrey
SM2 7HX
United Kingdom

Dear Mr. Shinmar,

It is with great pleasure I outline below the offer of employment within Sorin Group UK Ltd.

Position	Vice President, Global Health Economics and Reimbursement
Start Date	January 7 2013
Holiday entitlement	Holiday entitlement is based on a full 12 months' employment and is 24 days. Your 2013 entitlement will be pro rata from your date of commencement with the Company.

The details of this offer and the terms of your contract of employment are further outlined in the accompanying Terms and Conditions of Employment. Please sign and return the enclosed copy of this letter to me, together with the Terms and Conditions of Employment to confirm your acceptance of this offer at the earliest opportunity.

We hope this is an offer you feel acceptable and we all look forward to welcoming you to Sorin Group UK Ltd.

Yours sincerely

Joop Jansen
HR UK, Benelux, Nordics and Iberia

I accept the offer of employment as explained above and, in accordance, with the terms set out in the accompanying statement, a copy of which I am returning with this letter.

Signed: _____ Date: _____

STATEMENT OF TERMS AND CONDITIONS OF EMPLOYMENT

This document is a summary of the agreed contractual terms between Sorin Group UK Ltd (hereafter referred to as the Company) and the employee named below (hereafter referred to as the employee). The document is also a statement of terms and conditions as required by all employees under the provisions of section 1 (1-5) of the Employment Rights Act 1996. The Company has produced a Company Handbook which it is important that you read and fully understand.

Full name of employee: Pritpal Shinmar

Employer: Sorin Group UK Ltd

Place of work: For administrative purposes only, your place of work shall be at the company's office in the United Kingdom. Your position will require your presence at our Company Headquarters in Milan (Italy) on a regular basis, and frequent travels.

Reporting to: CEO

Contract type: Permanent

1. Effective date

Your date of commencement in this new role will be **January 7 2013**

Your first six months of employment will be a probationary period. The Company reserves the right to extend the probationary period, at their discretion, for up to 9 months.

2. Payment

Your basic salary will be **£200.000,-** per annum. This sum will be paid in monthly equal payments by bank transfer, on the 25th day of each month.

Your salary will be subject to annual pay reviews, with any increase in salary being at the discretion of the Company.

3. Company Bonus Scheme

You will be entitled to a variable compensation ("**Variable Compensation**") equivalent to 35% of Base Salary of the reference year, as per at point 2, upon 100% achievement of the assigned targets. Any Variable Compensation shall be subject to the achievement of both Sorin Group's targets and personal objectives, which shall be established on an annual basis with reference to the then applicable policy for incentives and bonuses. Details of the applicable policy for incentives and bonuses currently applicable will be provided separately. For 2013 your Variable Compensation will be pro rata based on your date of commencement.

4. Long Term Incentive

You shall be eligible to participate in the Long Term Incentive Program, based on

performance shares, under the plan directed at "Key Managers" of Sorin Group, subject to approval by Board of Directors of Sorin S.p.A. The issuance of shares is contingent upon achieving Sorin Group performance objectives. The number of shares you will be eligible to receive, plan objectives, and rules and conditions of the plan will be communicated to you following the aforementioned approval by Board of Directors of Sorin S.p.A.

5. Company Car

You will receive a car 'cash' allowance of **£ 980,-** per month, in lieu of a Company vehicle.

6. Hours of work

Your paid hours of work will be 35 per week, 0900h to 1700h.

However, due to the nature of your position, you are expected to increase your hours/change your working pattern on some occasions in order to meet the needs of the business without payment of over-time.

You should note there is occasionally a need to work at weekends, usually to support business related activity such as conferences and symposiums. Where this is the case, you will be granted reasonable compensatory rest. The company will strive to give reasonable notice of any changes to your normal working week, so as to minimize any personal inconvenience.

7. Rest breaks

Full time employees are entitled to 1 x 60 minute lunch break, Monday to Friday inclusive, which is unpaid. This is pro-rata for part-time employees. This should be implemented with discretion, in line with total daily working hours.

8. Holiday entitlement

Sorin Group UK Ltd employees are entitled to 24 days' paid holiday in any complete holiday year that runs from January to December. (This is pro-rata for part-timers depending on the number of days normally worked). Entitlement will be adjusted pro-rata for any part year work, calculated at 2 days per completed month of service.

Holiday entitlement should be used in the corresponding holiday year, as detailed in the Company Employee Handbook.

Holiday entitlement will increase with length of service, as detailed in the Company Employee Handbook, to a maximum of 29 days. The time at which holiday can be taken is subject to operational requirement and holiday must be approved and signed off by your line manager in advance. As a general rule, three weeks' notice should be given for requests for holidays, but the Company endeavours to adopt a flexible attitude dependent upon individual circumstances.

Should you be sick during any period of holiday taken, such period of sickness will be counted as part of your annual leave.

On leaving the Company, if you have taken more holiday entitlement than you have accrued up to your leave date, then the Company shall be entitled to deduct the equivalent money from your final

salary payment. Any holiday owing will be taken either prior to termination of contract or will be given as a payment *in lieu* as authorised by your line manager.

9. Absence and sick pay

The procedures and policies that apply to the notification of sickness absence and the arrangements for pay are detailed in the Company Employee Handbook. It should be noted that full company sick pay is paid at the discretion of management. Full sick pay will be paid only after successful completion of your probationary period.

10. Medical Insurance and Medical evidence of fitness to work

The company has private medical insurance for all employees currently provided by BUPA and you will be invited to join this immediately upon joining the Company.

Employees are required to declare significant medical conditions requiring hospital admission and prolonged medication. The Company reserves the right to require you to undergo medical examination at any time (at the Company's expense) by doctor(s) appointed by the Company for any purpose related to your employment with the Company.

11. Pensions/benefits

After three months' employment with the Company, you will be invited to join the Company's pension scheme and the Company will contribute **15 %** of your monthly gross salary and bonus payments. This does not include commission or other payments such as car allowance. The particulars of the terms and conditions relating to this and all other Company benefits can be found in the Company Employee Handbook.

Details of the policies concerning compassionate leave, maternity leave and jury service and other forms of special leave are also listed in the Employee Handbook.

11.a Life and Travel Assurance

You are covered by the Company's Life and travel Assurance. You will receive a copy of the details of the policy.

12. Notice periods/leaving the company

You will be required to give 3 months' notice in writing of the termination of your contract of employment. The Company will similarly give you 3 months' notice in writing of the termination of your contract of employment for any reason other than gross misconduct. This will not affect your statutory rights under UK legislation, which entitles you to one week's notice for each year of employment up to a maximum of 12 weeks. During the probationary period, the notice period will be one month's notice on either side.

In cases of gross misconduct no notice will be given.

Should you leave without notice or during your notice period (whether notice is served by you or the Company) without the permission of the Company, the Company reserves the right to deduct a day's pay for each day not worked during the notice period, including deductions from wages, accrued holiday pay, or other monies due to you and/or non payment of wages due to you.

The Company reserves the right in its absolute discretion to terminate your employment by paying you in lieu of notice. The payment shall be your basic salary at the rate payable when the option is exercised without taking into account any bonus, pension contributions or benefits in kind and shall be subject to deductions for income tax and National Insurance contributions as appropriate. You will not under any circumstances have any right to payment in lieu unless the Company has exercised its option to pay in lieu by notice to you.

If either you or the Company serves notice on the other to terminate your employment the Company may require you to take “garden leave” for all or

part of the remaining period of employment. If you are required to take garden leave you:

- may not attend your place of work or any other premises of the Company or any associated company;
- may be asked to resign immediately from any offices you hold in the Company or any associated company;
- may not be required to carry out duties during the remaining period of your employment;
- must return to the Company all documents and other materials (including copies) belonging to the Company or associated companies containing confidential information;
- may not without the prior written permission of the Company contact or attempt to contact any client, customer, supplier, agent, professional advisor, broker or banker of the Company or any associated company or any employee of the Company or associated company.

During any period of garden leave you will continue to receive your full salary and benefits.

The normal retirement age for your role is currently 65. Your employment will automatically terminate at the end of the month in which you attain the normal retirement age.

13. Collective agreement

Your contract of employment is not subject to any collective agreements between a Trade Union and the Company.

14. Disciplinary and appeal rules and procedure

The disciplinary rules which apply to you can be found in the Company Employee Handbook. They do not form part of your contract of employment. If you are dissatisfied with any disciplinary decision that affects you, you should apply in first instance to your immediate line manager or the HR Manager, as appropriate. All applications should be made in writing within 7 days of the decision.

15. Grievance procedure

Full details of the grievance procedure are outlined in the Company Employee Handbook. The grievance procedure does not form part of your contract of employment. If you have a grievance about your employment you should, in the first instance, raise it with your line manager or where this is not appropriate, with the HR Manager.

16. Non competition

Upon establishment of your employment with the Company, you shall enter into a noncompetition, and a non-solicitation covenant, which will each apply for a period of 12 months following the termination date of your employment, irrespective of the reasons for termination of your employment. The decision to exercise or not exercise this right will be communicated in writing to you.

The non-competition covenant shall apply at the Company's sole and exclusive option and shall include restrictions on the performance of professional activities for competitors operating in the business of Heart Valves (mechanical, tissue and sutureless valves, annuloplasty rings for prosthetic replacement and valve repair), Cardiopulmonary (heart-lung machines, oxygenators, autotransfusion systems), Cardiac Rhythm Management (implantable cardiac defibrillator, pacemakers, cardiac resynchronization therapy systems, arrhythmia assessment systems), Heart Failure or Mitral Valve Regurgitation and shall apply in Europe, Japan and the United States. In addition, and pursuant to a second covenant, for a period of twelve months following the termination date of your employment, you shall not directly or indirectly solicit or induce or attempt to solicit or induce any employee, representative or consultant of the Company to terminate their employment or other association with the Company.

During the period of validity of the above non competition covenant(s) you shall be entitled to compensation equivalent to 80% of your Base Salary in force at the time of the termination of your employment. It is understood that such payment shall not be owed to you in the event the Company should decide not to exercise its right to the non-competition covenant.

18. Confidentiality

You shall not, except as authorised by the Company or required by your duties under your employment contract, use for your own benefit or gain or divulge to any persons, firm, company or organisation whatsoever any of the trade secrets or any other confidential information of the Company, or any of its associated companies, including in particular but not limited to information about business plans, maturing new business opportunities, research and development projects, product formulae, processes, plant and equipment inventions, designs, discoveries or know-how, sales, statistics, marketing surveys and plans, database of placements or any information relating to the identity of the placements, cost profit or loss, prices and discount structures, training materials, Company turnover, the names addresses and contact details of customers and potential customers or suppliers and potential suppliers (whether or not recorded in writing or on computer disk or tape) which the Company or any of its associated companies treats as confidential. This restriction shall cease to apply to any information or knowledge, which may subsequently come into the public domain other than by way of unauthorised disclosure.

All confidential records, documents and other papers, together with any copies or extracts thereof, made or acquired by you in the course of your employment shall be the property of the Company and must be returned to the Company on the termination of your employment or commencement of garden leave if applicable.

19. Variation to standard and other terms and conditions

The Company reserves the right to make reasonable changes to these and any other agreed terms and conditions of employment. Minor changes of detail (e.g. in procedures) may be made from time to time and will be effected by a general notice to employees. You will be given not less than one month's written notice before significant changes are made.

20. Data Protection

You agree that personal data (other than sensitive personal data) as defined in the Data Protection Act 1998, relating to you and your employment may be processed by the Company to the extent that it is reasonably necessary in connection with your employment or the business of the Company.

You agree that the Company may process sensitive personal data relating to you, including medical details and details of gender, race and ethnic origin. Personal data relating to gender, race and ethnic origin will be processed by the Company only for the purpose of monitoring the Company's equal opportunities policy. You agree that the Company may disclose or transfer such sensitive personal data to other persons if it is required or permitted by law to do so for the purpose of monitoring the Company's equal opportunity policy.

Your consent to the transfer and disclosure of personal data as set out above shall apply regardless of the country of residence of the person to whom the data is to be transferred. Where the disclosure or transfer is to a person resident outside the European Economic Area, the Company shall take reasonable steps to ensure that your rights and freedom in relation to the processing of the relevant personal data are adequately protected.

You agree that the Company and any associated companies to which you provide services may intercept and monitor communications sent via any private telecommunication systems or services of the Company or any such associated Company.

21. Choice of law

This agreement and any dispute or claim arising out of or in connection with it shall be governed by and construed in accordance with English law.

All disputes or claims arising out of or relating to this Agreement shall be subject to the exclusive jurisdiction of the English courts to which the parties irrevocably submit.

Signed on behalf of the Company:

Stéphane Bessette	Giulio Cordano
Vice President, Human Resources Worldwide	Group Accounting Officer

I have read the above terms and conditions and accept them as being part of my contract.

Signed: _____ Date: _____

EMPLOYMENT AGREEMENT

between

SORIN GROUP INTERNATIONAL S.A.

World Trade Center Lausanne, Avenue Gratte-Paille 2, CP 476, CH-1000 Lausanne 30 Grey hereinafter the "**Company**"

and

Mr. Jacques Gutedel, Gurnmenweg 4, Rurnisberg 4539, Switzerland hereinafter the "**Employee**"

RECITALS

- A) The Company is an affiliate of the Sorin Group of Companies (hereinafter "**Sorin Group**").
- B) The Employee acknowledges and agrees to the fact that the employment relationship will give him/her access to customers and to business secrets of the Company and the Sorin Group and that the use of such knowledge other than for the benefit of the Company would significantly damage the Company and/or the Sorin Group. The Employee further acknowledges and agrees that as a result of its employment by the Company, he/she will become acquainted with other employees of the Company and the Sorin Group and their abilities and that such information is proprietary to the Company and/or the Sorin Group.

Company and Employee hereby agree on the terms and conditions of the employment agreement as follows:

1. **Commencement of Employment**

- 1.1 The employment shall commence on March 1st 2009 ("**Effective Date**"). The first three months of your employment will be your probationary period.

2. **Position, Place of Work**

- 1.2 The Employee shall be employed and appointed by the Company as Vice President, Intercontinental. The Employee shall report to the President, Cardio pulmonary Business Unit and Intercontinental.
- 1.3 The Employee's place of work shall be at the Company's offices at the branch office of Sorin Group International SA in Zürich or other premises in Switzerland that may be eventually decided. The Employee's duties will require the Employee to regularly travel on business for the Company to other locations, both in Switzerland and abroad.

3. **Legal Compliance**

- 1.4 The Employee expressly declares that there are no legal and/or contractual hindrances, which would prohibit a contract of employment with the Company.

4. **Remuneration**

- 1.5 The base salary shall be CHF 422'500.- gross p.a. payable in 12 equal monthly installments in arrears on or around the last working day in the respective month ("**Base Salary**"). The Base Salary shall be the remuneration for both regular working time and overtime and any other service rendered by the Employee for the Company.
- 1.6 The Employee shall also be entitled to a variable bonus ("**Variable Bonus**") equivalent to 35% of Base Salary of the reference year, as per at point 4.1, upon 100% achievement of the assigned targets. Any Variable Bonus shall be subject to the achievement of both Sorin Group's targets and Employee's personal objectives, which shall be established on an annual basis with reference to the then applicable policy for incentives and bonuses. Details of the applicable policy for incentives and bonuses currently applicable will be provided separately. For 2009, the bonus will be pro-rata.

- 1.7 Unless otherwise expressly agreed upon in writing, the payment of any gratuities, bonus, profit shares, premiums or other extra payments as well as fringe benefits shall be on a voluntary basis, subject to the provision that even repeated payments without the explicit repetition of such reservation, shall not create any claim for the Employee, either in respect to their cause or their amount, either for the past or for the future.

5. Reimbursement of Expenses

The expenses reasonably incurred by the Employee in performing his/her services for the Company shall be reimbursed by the Company, against lawful invoices/receipts and in accordance with the policies and procedures established by the Company from time to time.

6 Fringe Benefits

- 6.1 The Employee will be entitled to a company car, in line with the Company's car policy. However, as agreed, the Employee will receive a car allowance in stead. The Company will provide the Employee with a fuel card.
- 6.2 Furthermore, the Company shall provide the Employee with a Mobile Telephone, laptop and an Electronic Agenda.

7. Social Security and Insurance

- 7.1 The contributions for social security (such as compulsory old-age, disability and unemployment insurance) shall be charged in accordance with the cantonal legislation in place at the time.

8. Pension Scheme

The Employee shall participate in the Pension Plan of the Company according to the plan rules and regulations. Monthly deductions will be made according to the relevant plan rules. The Company deducts the Employee's contributions from his gross salary.

9. Hours of Work

The hours of work are as may be required for the proper performance of the Employee's duties without any additional remuneration nor the grant of extra time off or other compensation.

10. Employee's General Obligations

10.1 The Employee shall faithfully and diligently perform his/her tasks, in compliance with the instructions given to him/her by the assigned superior.

10.2 The Employee shall devote his/her full working time to the Company and shall not undertake any other professional activities, whether paid or unpaid, and/or accept other employments, duties or assignments.

11. Incapacity

11.1. Should the Employee be incapacitated due to illness, accident or the like to perform his/her duties required under this Agreement, the Employee shall inform his/her superiors immediately and shall provide a medical certificate evidencing such incapacity in case the incapacity is more than three days. The Company reserves the right to require the Employee, at any time, to undergo a medical examination conducted by the Company's medical doctor, at the Company's expense, and to provide a medical certificate. The Employee hereby authorizes such medical doctor to disclose and discuss with the Company the results of its examination relating to the Employee's incapacity to work.

11.2 During absence from work due to illness, accident or the like, the Employee shall be paid in accordance with the Swiss law and the insurance in place at the time.

12. Holidays

12.1 The Employee shall be entitled to 25 days of holiday p.a. (pro rata) in addition to the public holidays as applicable in the jurisdiction of the registered place of incorporation or the assigned place of work.

12.2 Holidays shall be taken in the periods agreed with the assigned superior. Sufficient notice period of intention to take holiday must be given.

13. Term and Termination

This Agreement shall run for an indefinite period of time. It may be terminated by either party giving 6 months prior written notice. The notice period will start

at the beginning of the month immediately following the month in which the letter of termination has been delivered to the other party and the employ-

ment is effectively terminated at the end of the month in which the notice pe- 1//

riod has expired. *f*;

14. **Confidentiality**

- 14.1 As used herein, "Confidential Information" shall include, but not be limited to, all technical, business and trade information of the Company and the Sorin Group (including any subsidiary/sister/parent companies), and of any third party, whether patentable or not, which is of a confidential, trade secret and/or proprietary character and which is either developed by the Employee (alone or with others) or to which the Employee has had access during his/her employment hereunder.
- 14.2 The Employee shall not, at any time during the continuance of his/her employment hereunder or at any time thereafter, directly or indirectly, use for his/her own purpose or for any purposes other than those of the Company, record, divulge, disclose or communicate to any person, company, business entity or other organization or, through any failure to exercise due care and diligence, cause any unauthorized disclosure of, any trade secrets or Confidential Information, except as may be necessary for the proper performance of the Employee's duties or as may be specifically authorized in writing by the Managing Director or the Board of Directors.
- 14.3 Upon termination of his/her employment hereunder (for whatever reason) and at any other time at the Company's request the Employee shall, without retaining any copies or other records thereof, deliver to the Company or any person the Company may nominate each and every document (in paper and electronic form) and all other material of whatever nature in the possession or under the control of the Employee containing or relating directly or indirectly to any Confidential Information.
- 14.4 The confidentiality undertaking set forth in this Section shall cease to apply to any information which shall become available to the public generally other than through the default of the Employee.

15. **Intellectual Property, Inventions and Designs**

- 15.1 All inventions and designs and other proprietary work effort which the Employee either alone or in conjunction with others invents, conceives, makes or produces while employed by the Company (whether during working hours or not) and which directly or indirectly:
- a) relates to matters within the scope of the Employee's duties or field of responsibility; or
 - b) are based on the Employee's knowledge of the actual or anticipated business or interests of the Company or any company of the Sorin Group; or
 - c) are aided by the use of time, materials, facilities or information of the Company or any company of the Sorin Group;
- shall be the sole and exclusive property of the Company.

- 15.2 The Company reserves the right to acquire any invention, design and proprietary work effort invented, conceived, made or produced by the Employee merely on occasion of his/her employment activity, but not during the performance of his/her contractual duties. The Company shall inform the Employee in writing within six months upon receipt of the Employee's notice whether it wishes to acquire the rights to such invention, design, or proprietary work effort or whether such invention, design or proprietary work effort will be released to the Employee.
- 15.3 The Employee shall execute and perform at the expense of the Company both during the continuance of his/her employment hereunder and at all times thereafter all such applications, assignments, documents, acts and things as may reasonably be required by the Company for the purpose of obtaining and enforcing in such countries as the Company may direct all necessary legal protection in respect of inventions, designs and other proprietary work effort owned by the Company and for vesting the same in the Company or as the Company may direct.
- 15.4 For all inventions, designs and other proprietary work efforts that are invented by the Employee while performing its employment activity, the Company shall pay to the Employee such compensation as is payable under the applicable mandatory laws (Article 332 ff Swiss Code of Obligations).

16. Data Protection

With the execution of this Agreement, the Employee consents that the Company may store, transfer, change and delete all personal data in connection with this employment relationship. In particular, the Employee consents to the transfer of personal data concerning the Employee by the Company to an affiliated company of the Company outside Switzerland.

17. Restriction on Competition

- 17.1 The Employee shall not, for as long as he/she remains an employee of the Company and, upon written request by the Company, during a period of 12 months from the taking effect of the termination of this Agreement, alone or jointly with, or as manager, agent or director for, or employee of any person or as a shareholder, directly or indirectly, carry on or be engaged, concerned or interested in any business competitive to the business of the Company in the territory of Latin America, Mediterranean & Africa, South East Asia and Greater China, Middle East, Turkey, India, Pakistan, Austria, Central and Eastern Europe, Japan, Canada and Australia. The non-compete undertaking set forth in this Section shall apply to any product competing with the Company's products line, and in particular but not limited to, Cardiopulmonary, Cardiac Rhythm Management and Heart Valve products.

- 17.2 In the case that the non-compete covenant is enforceable, you shall be entitled to a single non-compete indemnity of a lump sum amount equal to 6 months of gross remuneration (base salary plus the average variable paid out in the last three years of employment) unless the Company waives the effective application of the non-compete covenant. In the case of enforcement of the non-compete covenant and if you fail to comply with its provisions, you shall repay to the Company the non-compete equivalent to this indemnity, without prejudice to any additional damages which the Company may claim.
- 17.3 If the Employee is terminated for cause, he/she shall not receive any compensation for the non-competition obligation described above.
- 17.4 The Employee shall not, for as long as he/she remains an employee of the Company and during a period of one year from the taking effect of the termination of this Agreement, i.e. from the end of this Agreement (i) solicit, induce or attempt to induce any person who is an employee of the Company and the Sorin Group to leave the Sorin Group or to engage in any business that competes with the Sorin Group; or (ii) hire or assist in the hiring of any person who is an employee of the Sorin Group to work for any business that competes with the Company or the Sorin Group.
18. Contractual Penalty

For each violation of the covenants set forth in the Sections covering the Confidentiality and the Non-Compete Clause, the Employee shall pay to the Company an amount of CHF 200'000.- as liquidated damages plus such additional damages as may be incurred by the Company. The payment of this sum shall not operate as a waiver of the above obligation. The Company shall, in addition to all other damages, be entitled to obtain a court's order for specific performance, as well as adequate injunctive relief or any other adequate judicial measure, to immediately stop such breach.



19. **Special Undertaking**

The Employee hereby confirms that he/she has no special professional obligations vis-à-vis a former employer. The employee further confirms that he/she has fulfilled all legal obligations vis-à-vis former employers, particularly that there is no obligation concerning a non-compete clause.

20. **General Provisions**

20.1 The Employee is not allowed during the whole term of this Agreement to accept or to request in connection with his/her position of the Company either directly or indirectly any gifts, commissions, benefit or indemnifications from any third party.

20.2 All notices shall be addressed to the other party at the address specified at the beginning of this Agreement, or to any other address as provided by the parties through subsequent written notice.

20.3 This Agreement constitutes the entire agreement and understanding among the parties with respect to the employment of the Employee with the Company, and shall supersede all prior oral and written agreements or understandings of the parties relating hereto. Any representations or statement (in whatever form) made to the Employee in connection with the Employee's employment not incorporated in this Agreement shall not be valid and have no effect.

20.4 This Agreement may only be modified or amended by a document signed by the Employee and the Company. Any provisions contained in this Agreement may only be waived by a document signed by the party waiving such provision. No waiver of any violation or non-performance of this Agreement in one instance shall be deemed to be a waiver of any violation or non-performance in any other instance. All waivers must be in writing.

20.5 If any provision of this Agreement is found by any competent authority to be void, invalid or unenforceable, such provision shall be deemed to be deleted from this Agreement and the remaining provisions of this Agreement shall continue in full force. In this event, the Agreement shall be construed, and, if necessary, amended in a way to give effect to, or to approximate, or to achieve a result which is as close as legally possible to the result intended by the provision hereof determined to be void, illegal or unenforceable.

20.6 The rights of a party shall not be prejudiced or restricted by any indulgence or forbearance extended to any other party. A waiver to pursue any breach of contract by a party shall not operate as a waiver of the respective right or as a waiver to claim any subsequent breach. Any provision of this Agreement may be waived only by a written statement of the waiving party.

21. **Governing Law and Jurisdiction**

21.1 This Agreement, including the jurisdiction clause shall be governed by, interpreted and construed in accordance with the applicable laws of Switzerland.

21.2 Exclusive jurisdiction for all disputes arising out of or in connection with this Agreement shall be with the ordinary courts at the registered place of incorporation of the Company, the place of work or the place of living of the Employee.

Place, Date Place, Date

Employee



1.3.2009

Sorin Group International



From: **SNIA SPA**

To : **Mr. Brian Sheridan**

Milan, November 14th, 2003

Dear Brian

We are delighted to inform you that effective date November 17, 2003 you are an employee of this Company.

1. This contract has no temporal limit and could be terminated with the appropriate notice period required.
From this date you perform subordinated work; working conditions are disciplined by Industrial Dirigenti (Executive) Collective Agreement, Company internal rule book and this employment letter.
2. Your individual conditions are
 - Qualification: Dirigente (Executive)
 - Job title: Director Corporate Legal affairs
 - Workplace: Milan
 - Annual gross salary: 160.000,00 € paid in 14 monthly payslip divided into

Minimum	3.436,54 €
Special indemn.	226.21 €
Superminimum	7.765,82 €

Total 11.428,57€

13th and 14th payslip will be paid respectively end of December and end of June every year.

You will be eligible to receive an annual bonus payment of 30% of your annual gross salary. The bonus plan is based upon achievement of your individual objectives. You will start to be included in this Performance bonus plan in 2004.

Considering higher costs and inconvenience due to Milan as your workplace the Company will pay for the next two years a gross amount of 30.000,00€ . This amount includes holidays and 13th and 14th monthly rateo and will be divided into twelve month (2.500,00 € gross each) paid from December 2003 to November 2005.

If in future you decide to move your own family from Padua to Milan the Company will pay relocation cost (furniture and belongings) upon presentation of invoices and expense notes. Under this circumstance the Company is available to examine agreements not yet discussed with you.

You also are eligible to every economics statements for Dirigenti status:complementary pension, health assistance, insurance coverage.

We will separately communicate your Company ID number written down in Company Registration book.

3. Your role as Dirigente (Executive) includes the possibility to cover - without any other further compensation – additional roles in other Companies directly or non directly controlled, in Italy or abroad.
Remuneration for these additional roles will be paid directly from other Companies to this Company. Compensation written above in this letter already includes other roles'compensation.
 4. Please give back to this Company a copy signed of this agreement letter for acceptance and ,more specific, Clause n° 3 acceptance.
- Kind regards,
-

EMPLOYMENT AGREEMENT

This Employment Agreement (“Agreement”) is made by and between Cyberonics, Inc., a Delaware corporation (the “Company”) and David S. Wise (“Employee”).

The Company desires to maintain Employee’s employment and to encourage Employee’s attention and dedication to the Company as a member of the Company’s management, in the best interests of the Company and its shareholders;

Employee desires to maintain employment with the Company;

The Company and Employee desire to enter into this Agreement to set forth the terms and conditions on which Employee is employed by the Company from and after the Effective Date.

This Agreement contemplates that Employee is a key employee of the Company. As such, the Company will continue to make available to Employee confidential information and will continue to make a substantial investment in Employee for the benefit of the Company and its shareholders. The Company and Employee recognize that the goodwill derived therefrom is a valuable asset of the Company. The Company and Employee agree that such confidential information and goodwill are entitled to protection during the term of this Agreement and for a reasonable time thereafter. Company acknowledges that Employee brings to the Company experience and non-confidential general knowledge of the medical device industry.

The Company and Employee are sophisticated business persons. Each has been advised by counsel with respect to this Agreement, or has had the opportunity to be advised by counsel, including with respect to the post-termination restrictions and acknowledges that these restrictions are appropriate protection of the Company’s confidential information and goodwill, and that Employee has entered into this Agreement fully knowing the effect of such restrictions and voluntarily accepting the restrictions, which the parties believe to be reasonable in temporal and geographic scope.

Now, therefore, for good and valuable consideration, the receipt and sufficiency of such consideration being hereby acknowledged, and for and in consideration of the mutual promises, covenants, and obligations contained herein, Company and Employee agree as follows:

1. Employment. The Company shall employ Employee, and Employee hereby accepts such employment, on the terms and conditions set forth in this Agreement.
2. Term. Unless terminated pursuant to Section 9, this Agreement shall be effective as of January 1, 2015 (the “Effective Date”) and shall terminate at 12:01 a.m. on January 1, 2016, the period during which this Agreement remains in effect being referred to as the “Employment Period.” Notwithstanding the foregoing, if a Change of Control occurs during the Employment Period, the Employment Period shall automatically continue in effect for a period of not less than two years from the date of such Change of Control.
3. Duties. During the Employment Period, Employee agrees to devote his full energy, attention, abilities, and productive time to the diligent performance of his duties and responsibilities as may from time to time be assigned to him by the Company’s

Board of Directors (“Board”) or its designated representative. Employee agrees and acknowledges that Employee owes fiduciary duties to the Company and will act accordingly.

4. Outside Business Activities. During the Employment Period, Employee shall not, without the prior written consent of the Company, engage in any other business activity, with or without compensation. Notwithstanding the foregoing, Employee shall be permitted to spend a reasonable amount of time on civic, charitable, and other non-commercial activities, and activities related to Employee’s investments, provided such activities are consistent in nature and scope as exist on the Effective Date and do not interfere with Employee’s duties and obligations under this Agreement.

5. Base Salary. For all services rendered by Employee during the Employment Period, the Company shall pay Employee an annual base salary of three hundred thirty thousand dollars (\$330,000) (the “Base Salary”) per year. This amount shall be payable bi-weekly in equal installments, in arrears, according to the Company’s customary payroll practices, less all amounts required to be held by federal, state, or local law, and all applicable deductions authorized by Employee or required by law. The Compensation Committee of the Company’s Board of Directors (“Compensation Committee”) shall meet at least annually to review Employee’s Base Salary. The Base Salary, at the discretion of the Compensation Committee, may be increased, but may not be decreased materially during the Employment Period.

6. Annual Bonus Opportunity. During the Employment Period, Employee shall be eligible to earn a bonus payable within a reasonable period following the end of each of the Company’s fiscal years based on the achievement of certain objectives (the “Bonus Objectives”) to be determined by the Compensation Committee within the first ninety (90) days of each such fiscal year. Employee’s annual bonus (the “Annual Bonus”) for achievement of all Bonus Objectives at target (the “Target Bonus Amount”) will be seventy-five percent (75%) of the Base Salary paid in such fiscal year (or pro rata as to any portion of the fiscal year), but the actual amount of the Annual Bonus may exceed 75% of Base Salary or be less than 75% of Base Salary based on overachievement of the Bonus Objectives, underachievement of the Bonus Objectives, or in the case of underachievement, the discretion of the Compensation Committee. If awarded, the Annual Bonus for a fiscal year shall be paid in the fiscal year following such fiscal year after the Compensation Committee determination of the amount of the Annual Bonus, if any, but no later than the 15th day of the third month of such subsequent fiscal year and shall be subject to all amounts required to be withheld by federal, state, or local law and all applicable deductions properly authorized by Employee or required by law.

7. Benefits. Employee shall be eligible for the following benefits:

(a) All welfare benefit plans generally applicable to all employees of the Company, subject to the general eligibility requirements of such plans. The Company shall have the right to amend, modify, or terminate any such plans from time to time at its discretion; provided that, such action is generally applicable to all employees.

(b) Reimbursement of all actual, reasonable, and customary business expenses incurred during the Employment Period by Employee in performing services for the Company, including all reasonable expenses of travel on business; provided that, such

expenses are incurred and accounted for in accordance with policies and procedures established by the Company.

(c) Fringe benefits and perquisites (including, but not limited to, reasonable vacation time) in accordance with the plans, practices, programs, and policies of the Company from time to time in effect and which are commensurate with Employee's position.

8. Confidential Information. During the Employment Period, the Company shall continue to provide Employee with trade secrets and confidential information, knowledge, and data relating to the business of the Company or to the business of other entities with which the Company has a confidential relationship (including trade secrets, being collectively referred to as "Confidential Information"). Employee shall hold in confidence in a fiduciary capacity for the benefit of the Company during the Employment Period and thereafter all Confidential Information that Employee obtained during Employee's employment by the Company and that shall not have become public knowledge (other than by acts by Employee in violation of this Agreement). Employee agrees to return all Confidential Information, including all photocopies, extracts, and summaries thereof, and any such information stored electronically on tapes, computer disks, or in any other manner to the Company at any time upon request by the Company and upon the termination of Employee's employment for any reason. Except as may be required or appropriate in connection with carrying out Employee's duties under this Agreement and in furtherance of the Company's business, Employee shall not, during and after the Employment Period, without the prior written consent of the Company or as may otherwise be required by law, or as is necessary in connection with any adversarial proceeding against the Company (in which case Employee shall use his/her reasonable best efforts in cooperating with the Company in obtaining a protective order against disclosure by a court of competent jurisdiction), communicate or divulge any such Confidential Information to anyone other than the Company and those designated by the Company or on behalf of the Company. Notwithstanding the foregoing, Employee may retain, upon termination of employment, information and documents of a purely personal nature relating to compensation and benefits accrued during the Employment Period.

9. Early Termination. Notwithstanding the Employment Period established in Section 2 or any renewal or extension thereof, Employee's employment hereunder and this Agreement may be terminated as follows:

- (a) Death. Employee's employment hereunder shall terminate upon Employee's death.
- (b) Disability. If, as a result of Employee's incapacity due to physical or mental illness, Employee shall have been absent from the full-time performance of his/her duties hereunder for a period of ninety (90) days in the aggregate during any period of twelve (12) consecutive months, or where Employee shall have been absent from the full-time performance of his/her duties hereunder for a period of ninety (90) consecutive days and it is reasonably expected that Employee will be eligible for long-term disability benefits under a Company-sponsored disability plan, and no later than thirty (30) days after written notice is given, if Employee shall not have returned to the performance of his/her duties hereunder on a full-time basis, the Company may terminate Employee's employment for disability.

(c) Termination by the Company For Cause. The Company may terminate Employee's employment for Cause. "Cause" shall mean (i) any action or inaction that constitutes a material breach of this Agreement by the Employee; (ii) Employee's willful conduct which is materially injurious to the Company's reputation, financial condition, or business relationships, (iii) Employee's willful failure to comply with a lawful directive of the Company's Chief Executive Officer ("CEO") or another officer to whom Employee reports, directly or indirectly, (iv) Employee's failure to comply with any of the Company's written policies and procedures, including, but not limited to, the Company's Corporate Code of Business Conduct and Ethics and its Financial Code of Ethics, (v) Employee's fraud, dishonesty, or misappropriation involving the Company's assets, business, customers, suppliers, or employees, (vi) Employee's conviction of, or plea of guilty or nolo contendere to, a felony; or, (vii) Employee's continued failure or refusal to perform satisfactorily, or gross neglect of, Employee's duties (other than any such failure or neglect resulting from Employee's incapacity due to physical or mental illness).

(d) Termination by Employee for Good Reason. Employee may terminate his/her employment and this Agreement for Good Reason. "Good Reason" shall mean the occurrence, without Employee's prior written consent, of any one the following: (i) a material diminution in Employee's Base Salary or Target Bonus Amount; or (ii) any action or inaction that constitutes a material breach by the Company of this Agreement. Within two years following a Change of Control (as defined in Section 12), "Good Reason" shall further mean and include the occurrence, without the Employee's prior written consent, of any one of the following: (i) a material diminution in Employee's authority, duties, or responsibilities from those applicable to Employee as of the Change of Control; or (ii) the Company requiring Employee to be based at any office or location more than 35 miles from the Company's office to which Employee was assigned as of the Change of Control.

(e) Termination by Employee other than for Good Reason. Employee may terminate his employment other than for Good Reason by giving the Company no less than thirty (30) days prior written notice of Employee's intent to terminate this Agreement. As used in this Section, "other than Good Reason" shall mean for any reason not constituting Good Reason.

(f) Termination by the Company without Cause. The Company may terminate the employment relationship and this Agreement at any time by giving Employee no less than thirty (30) days prior written notice of the Company's intent to terminate this Agreement or, in addition to any other amounts payable under this Agreement, one month of Base Salary in lieu of notice. As used in this Section, "without Cause" shall mean for any reason not constituting Cause.

(g) In the event of Employee's termination, Employee and the Company, including its directors, officers, employees, representatives, attorneys, and agents shall refrain from making any public or private statement (including, as to Employee, any statement with respect to the directors, officers, employees, representatives, attorneys, and agents of the Company) that is derogatory or may tend to injure such person in its or their business, public or private affairs. The foregoing obligations shall not apply to information required to be disclosed or requested by any governmental agency, court, or stock exchange, or any law, rule, or regulation.

(h) If, in connection with Employee's termination of employment with the Company, the Company determines to issue a press release, the Company agrees to provide a copy of the press release to Employee by e-mail or facsimile to review and comment on in advance of its publication; however, the Company retains sole discretion as to the content of the press release.

10. Compensation Upon Termination. In the event Employee's employment terminates upon expiration of the Employment Period or as provided under Section 9 hereof, the Company shall pay to Employee or his estate: (i) Employee's Base Salary through the date of termination, and (ii) any other amounts due Employee as of the date of termination, in each case to the extent not previously paid. The Company shall also provide additional compensation (the "Severance Benefits") as provided below.

(a) Death or Disability. Upon termination of Employee's employment pursuant to Sections 9(a) or 9(b) hereof, (i) the restrictions on all of Employee's time-based vesting equity awards, including restricted stock and stock options, shall lapse, the unvested portion of each such award vesting immediately and being immediately tradable or exercisable, as the case may be. Thereafter, the Company shall have no further obligations to Employee or his/her estate other than as may be required by law.

(b) By the Company for Cause. If during the Employment Period the Company terminates Employee for Cause pursuant to Section 9(c), the Company shall have no further obligations to Employee other than as may be required by law.

(c) By Employee other than for Good Reason. If during the Employment Period Employee terminates his employment other than for Good Reason pursuant to Section 9(e), the Company shall have no further obligations to Employee other than as may be required by law.

(d) By the Company without Cause or by Employee for Good Reason. Except as otherwise provided in Section 11, if either the Company terminates Employee's employment without Cause, or Employee terminates his employment for Good Reason, then the Company shall pay and provide to Employee the following benefits:

(i) a payment equal to 1.5 times the sum of (A) Base Salary and (B) the average annual bonus amount paid Employee for the past two fiscal years (or, if the termination occurs prior to the second anniversary of the date Employee commences employment at the Company, seventy-five percent (75%) of the Employee's Base Salary). Subject to the holdback and interest provisions of Section 23, such payment shall be made on the sixtieth (60th) day following Employee's Separation from Service provided that the Release required under Section 10(e) has become effective during such sixty (60)-day period following any applicable revocation period;

(ii) the restrictions on that number of shares of time-based vesting equity awards, including restricted stock and stock options, shall immediately lapse as would otherwise have lapsed if Employee had remained employed with the Company for a period through the date that is twelve (12) months from the date of termination;

(iii) provided that Employee and/or his eligible dependents timely elects to continue their healthcare coverage under the Company's group health plan pursuant to the Consolidated Omnibus Reconciliation Act ("COBRA"), the Company shall reimburse Employee for the costs incurred to obtain such continued coverage for himself and his eligible dependents for a period of twelve (12) months measured from the termination date. In order to obtain reimbursement for such healthcare coverage costs, Employee shall submit appropriate evidence to the Company of each periodic payment within thirty (30) days after the payment date, and the Company shall within thirty (30) days after such submission reimburse Employee for that payment. During the period such healthcare coverage remains in effect hereunder, the following provisions shall govern the arrangement: (a) the amount of coverage costs eligible for reimbursement in any one calendar year of such coverage shall not affect the amount of coverage costs eligible for reimbursement in any other calendar year for which such reimbursement is to be provided hereunder; (ii) no coverage costs shall be reimbursed after the close of the calendar year following the calendar year in which those coverage costs were incurred; and (iii) Employee's right to the reimbursement of such coverage costs cannot be liquidated or exchanged for any other benefit. To the extent the reimbursed coverage costs constitute taxable income to Employee, the Company shall report the reimbursement as taxable W-2 wages and collect the applicable withholding taxes, and any remaining tax liability shall be Employee's sole responsibility, provided that

the reimbursed coverage costs shall not be considered as taxable income to Employee if such treatment is permissible under applicable law; and

(iv) waiver of the requirement, if any, to repay relocation benefits as otherwise required by the Company's Relocation Policy with such waiver to occur on the sixtieth (60th) day following Employee's Separation from Service provided that the Release required under Section 10(e) has become effective during such sixty (60)-day period following any applicable revocation period.

For purposes of this Agreement, "Separation from Service" shall mean Employee's separation from service as determined in accordance with Section 409A of the Internal Revenue Code ("Code") and the applicable standards of the Treasury Regulations issued thereunder.

(e) The Severance Benefits payable to Employee under subsection (d) shall be in lieu of any other severance benefits to which Employee may otherwise be entitled upon his termination of employment under any severance plan, program, policy, practice, or arrangement of the Company. Payment of the Severance Benefits herein is contingent upon Employee's execution of a full and complete release substantially in the form set forth in Exhibit A hereto within twenty-one (21) days (or forty-five (45) days if such longer period is required under applicable law) after the date of termination and such Release becoming effective and enforceable in accordance with applicable law after the expiration of any applicable revocation period.

11. Conduct Detrimental to the Company. Employee acknowledges and agrees that the Company and its shareholders need to protect themselves from Conduct Detrimental to the Company and the provisions of this Section are designed to protect the Company and its shareholders from Conduct Detrimental to the Company.

(a) Employee agrees that if Employee engages in Conduct Detrimental to the Company (as defined in subsection (c)) during the Employment Period, Employee shall disgorge and return to the Company, upon a demand made prior to a Change of Control, that number of shares of restricted stock or options to purchase shares of Company stock on which restrictions lapsed after the date on which the Company establishes, by a preponderance of the evidence, Employee first engaged in Conduct Detrimental to the Company, less the net effect of any taxes paid by Employee (taking into account the initial taxes paid and the tax effect of the disgorgement), or if Employee does not then own that number of shares, the amount of the cash proceeds received by Employee from his most recent sale of a like number of the shares, less the net tax effect as stated above. Employee understands and agrees that this Section does not prohibit Employee from competing with the Company or soliciting the Company's employees, but requires only a return of equity in the event of such competition or solicitation. Employee understands and agrees that the return of shares is in addition to and separate from any other relief available to the Company under the terms of this Agreement.

(b) The Company shall have no obligation to pay Employee the Severance Benefits pursuant to Section 10(d), and Employee agrees to repay such Severance Benefits previously paid, if the Company establishes, by a preponderance of the evidence in an action initiated prior to a Change of Control, that Employee engaged in Conduct Detrimental to the Company. Employee understands and agrees that this Section does not prohibit Employee from competing with the Company or soliciting the Company's employees, but requires only the return of the Severance Benefit in the event of such competition or solicitation.

(c) "Conduct Detrimental to the Company," as used in this Section, means:

- (i) conduct that results in Employee's termination for Cause as defined in Section 9(c) (or that would have resulted in termination for Cause if known by the Company prior to the termination of Employee's employment);
- (ii) Employee engages in conduct in violation of Section 8 of this Agreement; or
- (iii) Employee engages in conduct in violation of Section 13 of this Agreement.

12. Change of Control.

(a) In the event a Change of Control of the Company occurs during the Employment Period, the forfeiture restrictions on all shares of restricted stock as to which such restrictions remain in place shall lapse immediately, and all unvested stock options shall vest immediately.

(b) If, within two years following a Change of Control, either the Company terminates Employee's employment without Cause, or Employee terminates his employment for Good Reason, then the Company shall pay and provide to Employee the benefits and rights provided in Section 10(d), except that in lieu of the amount set forth in Section 10(d)(i), the amount shall equal two times the sum of (A) Base Salary and (B) an amount that is 50% of Base Salary.

(c) For purposes of this Agreement, a "Change of Control" of the Company shall mean:

- (i) the acquisition by any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than the Company, a subsidiary of the Company or a Company employee benefit plan, of "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company which, together with any securities held by the person, represents 50% or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; or
- (ii) the consummation of a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger or consolidation or other transaction do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities in substantially the same proportions as their ownership immediately prior to such event; or
- (iii) the closing of a sale or disposition by the Company of all or substantially all the Company's assets; or
- (iv) a change in the composition of the Board, as a result of which less than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the Effective Date, or (B) are elected, or nominated for election, thereafter to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination, but "Incumbent Director" shall not include an individual whose election or nomination is in connection with (i) an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or an actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board or (ii) a plan or agreement to replace a majority of the then Incumbent Directors; or
- (v) the approval by the Board or the stockholders of the Company of a complete or substantially complete liquidation or dissolution of the Company.

13. Post-Termination Restrictions. Employee acknowledges and agrees that the Company has a substantial and legitimate interest in protecting the Company's Confidential Information and goodwill. Employee and the Company further acknowledge and agree that the provisions of this Section are reasonably necessary to protect the Company's legitimate business interests and are designed to protect the Company's Confidential Information and goodwill during the Employment Period and for a period following the Employment Period (such period following the Employment Period, the "Restricted Period"). The Restricted Period

for the Non-Competition Covenant shall be one (1) year from the date of termination of the Agreement, and the Restricted Period for the Non-Solicitation Covenant shall be two (2) years from the date of termination of the Agreement.

(a) Non-Competition Covenant. Employee shall not engage in, or otherwise directly or indirectly be employed by or act as a consultant or lender to, or be a director, officer, employee, principal, agent, member, owner, or partner of, or permit his name to be used in connection with the activities of any other business, organization, or entity that engages, directly or indirectly, with any “Competitive Business” as defined in subsection (c) during the Employment Period or the Restricted Period; provided, that it shall not be a violation of this Section for Employee to become the registered or beneficial owner of up to one percent (1%) of any class of the capital stock of a corporation registered under the Securities Exchange Act of 1934, as amended, provided that Employee does not actively participate in the business of such corporation until such time as the Restricted Period expires.

(b) Non-Solicitation Covenant. Employee shall not, directly or indirectly, for his benefit or for the benefit of any other person, firm, entity, or business solicit, recruit, advise, attempt to influence, or otherwise induce or persuade, directly or indirectly (including encouraging another person to influence, induce, or persuade), any person, employed by the Company to leave the employ of the Company during the Employment Period and the Restricted Period (except for those actions that are within the scope of Employee’s employment and taken on behalf of the Company). Nothing herein shall prohibit Employee from general advertising for personnel not specifically targeting any employee of the Company.

(c) For purposes of this Section, the term “Competitive Business” means any business enterprise (whether a corporation, partnership, sole proprietorship, or other business entity) that competes in any material way with the products of the Company marketed and sold or under substantial development by the Company during the Employment Period.

Employee agrees that the scope of the restrictions as to time, geographic area, and scope of activity in this Section are reasonably necessary for the protection of the Company’s legitimate business interests and are not oppressive or injurious to the public interest. Employee further agrees that any breach or threatened breach of any of the provisions of this Section 13 would cause irreparable injury to the Company for which it would have no adequate remedy at law. Employee agrees that in the event of a breach or threatened breach of any of the provisions of this Section the Company shall, notwithstanding Section 17 hereof, be entitled to injunctive relief against Employee’s activities to the extent allowed by law. Finally, Employee further agrees that the relief available under this Section 13 is in addition to and separate from any other relief available to the Company under this Agreement, including without limitation under Section 11.

14. Mandatory Employee Compensation Clawback.

(a) Clawback. In the event that the Company is required to prepare an accounting restatement due to the Company’s material non-compliance with any financial reporting requirement under the securities laws, Employee agrees to disgorge and pay back to the Company all incentive-based compensation (including stock options awarded as compensation) that Employee received during the three-year period preceding the date on which the Company is required to prepare the accounting restatement, to the

extent that such compensation was based on erroneous data, in excess of what would have been paid to Employee under the accounting restatement.

(b) Survival of Termination. This Section 14 shall survive termination of this Agreement.

(c) Construction of Section 14. This Section 14 is intended to implement the requirements of Section 10D of the Securities Exchange Act of 1934, as amended, and shall be construed and interpreted consistent with such regulations as may be adopted thereunder by the Securities and Exchange Commission from time to time.

15. Publicity. Employee agrees that the Company may use, and hereby grants the Company the nonexclusive and worldwide right to use, Employee's name, picture, likeness, photograph, or any other attribute of Employee's persona (all of such attributes are hereafter collectively referred to as "Persona") in any media for any advertising, publicity, or other purpose at any time, during the Employment Period. Employee agrees that such use of his Persona will not result in any invasion or violation of any privacy or property rights Employee may have; and Employee agrees that he will receive no additional compensation for the use of his Persona. Employee further agrees that any negatives, prints, or other material for printing or reproduction purposes prepared in connection with the use of his Persona by the Company shall be and are the sole property of the Company.

16. Indemnification. If Employee is made a party to or is threatened to be made a party to or is otherwise involved in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that Employee is or was an officer of the Company or is or was serving at the request of the Company as a director, officer, or trustee of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, or trustee or in any other capacity while serving as a director, officer, or trustee, then Employee shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware General Corporate Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent such amendment permits the corporation to provide broader indemnification rights than such law permitted the corporation to provide prior to such amendment), against all expense, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) reasonably incurred or suffered by Employee in connection therewith; provided, however, that, except with respect to proceedings to enforce his right to indemnification hereunder, the Company shall indemnify Employee in connection with a proceeding (or part thereof) initiated by Employee only if such proceeding (or part thereof) was authorized by the Company. Any amendment, modification, or repeal of any provision of the Company's Certificate of Incorporation, as amended, or the Bylaws of the Company, as such documents exist on the Effective Date, shall be deemed a material breach of this Agreement if such amendment, modification, or repeal would adversely affect Employee's right to indemnification by the Company.

17. Arbitration. Any dispute or controversy arising out of or relating to this Agreement, including without limitation, any and all disputes, claims (whether in tort, contract, statutory, or otherwise), or disagreements concerning the interpretation or application of the provisions of this Agreement shall be resolved by arbitration in accordance with the rules of the American

Arbitration Association (the “AAA”) then in effect for employment disputes. The arbitration shall be conducted before a single arbitrator, who shall be a Labor and Employment Law specialist certified by the Texas Board of Legal Specialization, selected by mutual agreement of the parties, or if not agreed within 30 days following commencement of the proceeding, appointed by the AAA. The arbitrator shall not have the authority to alter the terms of this Agreement or to award punitive damages. The decision of the arbitrator will be final and binding on both parties. The Company shall pay the expenses of the AAA and the arbitrator, and the Company and Employee shall pay their own legal fees. The arbitrator shall have the authority to award reasonable attorneys’ fees to the prevailing party. The Company and Employee agree that the arbitration and all matters related to the arbitration shall be treated as confidential. This arbitration provision is expressly made pursuant to and shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16 (or replacement or successor statute). Pursuant to Section 9 of the Federal Arbitration Act, the Company and Employee agree that a judgment of the United States District Court for the Southern District of Texas may be entered upon the award made pursuant to the arbitration.

18. Successors.

(a) This Agreement shall be binding upon the Company and any successor thereof (whether direct or indirect, by purchase, merger, consolidation, or otherwise). As used in this Agreement, “Company” shall mean the Company as hereinbefore defined and any successor to its business or assets or any entity that otherwise becomes bound by all the terms and provisions of this Agreement by operation of law or by contract. The failure by the Company to obtain a satisfactory agreement in writing from any successor of the Company that requires such successor to assume and agree to perform the Company’s obligations under this Agreement shall be deemed a material breach of this Agreement.

(b) This Agreement and all rights of Employee hereunder shall inure to the benefit of and be enforceable by Employee’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If Employee dies while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee’s devisee, legatee, or other designee or, if there is no such designee, to Employee’s estate.

19. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations, or warranties, whether oral or written, by any person in respect of such subject matter. Any prior agreements of the parties hereto in respect of the subject matter contained herein are hereby terminated and canceled.

20. Enforcement of Agreement. No waiver of any action with respect to any breach by the other party of any provision of this Agreement shall be construed to be a waiver of any succeeding breach of such provision, or as a waiver of the provision itself. Should any provisions hereof be held to be invalid or wholly or partially unenforceable, such holdings shall not invalidate or void the remainder of this Agreement. Portions held to be invalid or unenforceable shall be enforced to the greatest extent permitted by

law, and shall be revised and reduced in scope so as to be valid and enforceable, or, if such is not possible, then such portion shall be deemed to have been wholly excluded with the same force and effect as if the provision had never been included herein.

21. Governing Law. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Texas without regard to its conflicts of law principles.

22. Notice. All notices or other communications required or permitted hereunder shall be in writing and sufficient if delivered personally, or sent by nationally-recognized, overnight courier or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

If to Employee: David S. Wise
 100 Cyberonics Blvd.
 Houston, TX 77058

If to the Company: Cyberonics, Inc.
 100 Cyberonics Blvd.
 Houston, TX 77058
 Attn: General Counsel
 (281) 218-9332 (Facsimile)

or to such other address as any party may have furnished to the other in writing in accordance herewith. All such notices and other communications shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of a facsimile transmission, when the party receiving such transmission shall have confirmed receipt of the communication, (c) in the case of delivery by nationally-recognized, overnight courier, on the business day following dispatch and (d) in the case of registered or certified mailing, on date actually received.

23. Section 409A of the Internal Revenue Code.

(a) This Agreement is intended to comply with the requirements of Section 409A of the Code. Accordingly, all provisions herein shall be construed and interpreted to comply with Code Section 409A and if necessary, any such provision shall be deemed amended to comply with Code Section 409A and the regulations thereunder.

(b) Notwithstanding any provision to the contrary in this Agreement, no payments or benefits to which Employee becomes entitled under this Agreement in connection with the termination of Employee's employment with the Company shall be made or paid to Employee prior to the earlier of (i) the first day of the seventh (7th) month following the date of Employee's Separation from Service due to such termination of employment or (ii) the date of Employee's death, if Employee is deemed, pursuant to the procedures established by the Board in accordance with the applicable standards of Code Section 409A and the Treasury Regulations thereunder and applied on a consistent basis for all non-qualified deferred compensation plans subject to Code Section 409A, to be a "specified employee" at the time of such Separation from Service and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable Code Section 409A(a)(2) deferral period, all payments deferred pursuant to this Section 23(b) shall be paid in a lump sum to Employee, and any remaining payments due under this Agreement shall be paid in accordance with the normal payment dates specified for them herein. In addition, if Employee is deemed to be a specified employee at the time of Separation from Service and

there is an amount payable by Employee to the Company under the Company's Relocation Policy (the "Relocation Amount"), then notwithstanding Section 10(d)(v), the following provisions shall apply: (i) the Company shall waive the requirement to repay the portion of the Relocation Amount up to the applicable dollar amount under Code Section 402(g)(1)(B), (ii) Employee shall repay to the Company any Relocation Amounts in excess of such limit (the "Repaid Amount") and (iii) upon the expiration of the applicable Code Section 409A(a)(2) deferral period, the Company shall pay to Employee the Repaid Amount in a lump sum. The specified employees subject to a delayed commencement date shall be identified on December 31 of each calendar year. If Employee is so identified on any such December 31, he shall have specified employee status for the twelve (12)-month period beginning on April 1 of the following calendar year.

24. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument

25. Surviving Terms. The rights and obligations of the parties regarding the payment or provision of benefits set forth in this Agreement upon such termination and the rights and restrictions during the period after termination shall survive the termination of this Agreement.

26. Amendment or Modification. No provisions of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by Employee and an authorized officer of the Company.

27. Withholding. All payments, compensation, and benefits hereunder shall be subject to any required withholding of federal, state, and local taxes pursuant to any applicable law or regulation.

28. No Waiver. Employee's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right that Employee or the Company may have hereunder shall not constitute a waiver of such right to insist upon strict compliance in the future.

Cyberonics, Inc.

By _____
Daniel J. Moore
President & Chief Employee Officer

Employee

David S. Wise

EXHIBIT A

RELEASE

Employee hereby irrevocably and unconditionally releases, acquits, and forever discharges the Company and its affiliated companies and their directors, officers, employees, and representatives, (collectively "Releasees"), from any and all claims, liabilities, obligations, damages, causes of action, demands, costs, losses, and/or expenses (including attorneys' fees) of any nature whatsoever, whether known or unknown, including, but not limited to, rights arising out of alleged violations of any contracts,

express or implied, any covenant of good faith and fair dealing, express or implied, any tort, any legal restrictions on the Company's right to terminate employees, or any federal, state, or other governmental statute, regulation, or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, and the Federal Age Discrimination in Employment Act, which Employee claims to have against any of the Releasees. Employee acknowledges that the payments provided in the Agreement are in full and complete satisfaction of all contract or severance obligations that the Company may have. In addition, Employee waives all rights and benefits afforded by any state laws which provide in substance that a general release does not extend to claims which a person 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 Employee's settlement with the other person. Notwithstanding the foregoing, this Release shall not apply to: (i) Employee's continuing rights under any pension or welfare plans, including Employee's rights under COBRA, (ii) Employee's right to enforce the surviving terms of the Employment Agreement, (iii) Employee's right to indemnification, and (iv) claims and rights that may arise after the date of execution of this Release.

Employee represents and acknowledges that in executing this Release he does not rely and has not relied upon any representation or statement, oral or written, not set forth herein or in the Agreement made by any of the Releasees or by any of the Releasees' agents, representatives, or attorneys with regard to the subject matter, basis, or effect of this Release, the Agreement, or otherwise.

Employee represents and agrees that he fully understands his right to discuss all aspects of this Release with his personal attorney, that to the extent, if any, that he desires, he has availed himself of this right, that he has carefully read and fully understands all of the provisions of this Release, and that he is voluntarily entering into this Release for good and valuable consideration, the receipt of which is hereby acknowledged.

Employee further represents and acknowledges that Employee has twenty-one (21) days to consider this Release prior to signing. Employee further understands that Employee may revoke this Agreement within seven (7) days of its execution. This Release shall not become effective or enforceable until the seven-day revocation period has expired.

AGREED AND ACCEPTED, on this ____ day of _____, 20__.

EMPLOYMENT CONTRACT

BETWEEN THE UNDERSIGNED:

ELA MEDICAL, a French limited liability company (SAS) with a capital of €50,000,000, whose registered office is located at 98, rue Maurice Arnoux in Montrouge - 92120, registered with the Commercial and Companies Registry of Nanterre under the number B 309 786 481, represented by Mr. Stéphane BESSETTE, acting in his capacity as Vice President Human Resources,

hereinafter referred to as the "Company",

on the one hand ,

AND:

Mr. Stefano Di Lullo, born on 14th

h

June 1961 in *Montréal*, of Canadian

nationality , residing at 16, allée de la Clairière in Noisy-le-Roi - 78590,

hereinafter referred to as the "Employee" or "Mr. Di Lullo",

on the other hand.

THE PARTIES HAVE AGREED AS FOLLOWS:

Article 1 - Hiring

The Employee is hired by the Company as Senior Vice President, Vascular Therapy Business Unit.

In addition, the Employee shall be asked to hold a special assignment as Strategie Marketing Advisor for the Heart Valves Business.

The hiring will be effective November 1, 2005 at the latest, subject to the results of a medical examination and subject to obtainment of the necessary immigration documents and work permits, if necessary. The Employee will have an executive status, level IIIIC.

The Employee accepts this appointment and declares that he is not bound by any other company and has been released from his contractual obligations towards his former employer.

This employment contract (hereinafter referred to as the "Contract") is subject to the provisions of the National Collective Bargaining Agreement for Engineers and Executives for the Metal Industry (hereinafter referred to as the "Collective Bargaining Agreement") and in compliance with the Company's internal rules and regulations, a copy of which will be provided to the Employee.

For information, the Employee is reminded that the following collective agreements are in force within the Company: Convention Collective Nationale Ingénieurs et Cadres de la Métallurgie.

Article 2- Duration

The Contract is entered into for an indefinite term.

The Contract shall become definitive following the fulfillment of a trial period of twelve months, renewable once by an agreement between the Company and the Employee. During this trial period, the Contract may be terminated at any time by either of the Company or the Employee, without indemnity. However, after a 45-day trial period, the reciprocal notice will be fifteen days or one month if the trial period lasts six months, except in the event of dismissal for gross or serious misconduct ("*faute grave ou lourde*").

Following the trial period, the Contract may be terminated by either the Company or the Employee by registered letter with acknowledgment of receipt, subject to a reciprocal twelve month notice period. The notice period shall not apply in the event of dismissal for serious or gross misconduct.

Article 3 - Duties

In his capacity as Senior Vice President, Vascular Therapy Business Unit, the Employee shall in particular be responsible as stipulated in the job description in annex .

The duties as Senior Vice President, Vascular Therapy Business Unit shall be carried out by the Employee under the control of and according to the instructions given by the President, Cardiac Surgery and Vascular Therapy Business Units, or by any person designated to this end by the Company, to whom the Employee shall report on his activity and the assignments assigned to him.

In his special assignment as Strategic Marketing Advisor for the Heart Valves Business Unit, the Employee shall in particular be responsible as stipulated in the job description in annex.

Without prejudice to the legal and regulatory provisions in force, the Employee expressly agrees that his duties may be changed from time to time by the Company, to the extent that the duties assigned to the Employee are consistent with his status and responsibilities. These modifications shall not constitute an amendment to the Contract. In any event, for the first 12 months of employment the Employee will not be responsible for, nor involved in, any decision, activity and information concerning the endovascular business.

Article 4 - Place of work

The Employee is informed that he shall perform his duties at the Company's establishment located at La Boursidière in Plessis Robinson -92357- France.

At the Company's request, the Employee shall make trips or may be transferred, on a temporary or permanent basis, to any other place located in France or abroad. Any change of place of work as defined in this article shall not constitute an amendment to the Contract.

Article 5 - Obligations

The Employee shall devote all of his professional activities and attention to the business of the Company and shall use all of his abilities and capacities in the promotion of the interests of the Company. Throughout the duration of the Contract, the Employee undertakes not to carry out any professional activity of any nature whatsoever on his own behalf or on behalf of any other person or company other than a company of the Sorin Group. Throughout the duration of the Contract, the Employee undertakes not to take, for any reason whatsoever, a direct or indirect interest in a comparable or similar business without the Company's prior written approval.

The Employee undertakes to abide by all the internal rules and procedures applied by the Company .

Article 6 - Remuneration

In consideration for carrying out his duties, the Employee shall receive a gross annual salary of a fixed amount of two hundred and forty thousand euros (€240,000), payable in thirteen point one (13.1) monthly instalments.

The Employee shall be entitled to a sign-on bonus of sixty-five thousand euros gross (€65,000), payable as follows: twenty-five thousand euros gross (€25,000) at the same time as the payment of the January 2006 salary, fifteen thousand euros gross (€15,000) at the same time as the payment of the January 2007 salary, and twenty-five thousand euros gross (€25,000) at the same time as the payment of the January 2008 salary. The payment of this bonus shall depend on the Employee's effective presence within the Company at the date of each instalment and in the absence of a breach of the Contract, for any reason whatsoever. In this way, in the event where his Contract is terminated, the Employee shall not be entitled to claim the payment of an instalment, which might occur during the notice period, whether performed or not.

In addition to his base salary, the Employee shall be entitled, for 2005, to a maximum bonus of twenty-five thousand euros (€25,000) gross, subject to the achievement of quality objectives of induction in his role, defined in agreement with the Employee's direct line manager. Where applicable, this bonus shall be paid to the Employee at the same time as his January 2006 salary.

As of January 2006, and as a supplement to his base remuneration, the Employee shall be entitled to participate in an annual management bonus scheme which will provide for the payment of a bonus amounting to a target of 40% of the gross base salary, as mentioned above. The payment of this bonus shall be linked to the achievement of business and personal objectives (75 % of the target bonus will be related to the VT business objectives and 25 % will be related to the HV business objectives), which will be established on an annual basis with reference to the bonus plan for the key managers of the Sorin Group and the Employee's specific position. These objectives shall be determined by way of an amendment to the Contract.

Any bonus or gratuity that the Company grants the Employee exceeding the remuneration agreed above shall constitute a discretionary payment from the Company. Any Company decision regarding such a bonus or gratuity shall only be valid for the period determined by the Company and shall be payable for this period in accordance with the terms and conditions decided by the Company.

Article 7- Du ration of work

In keeping with his appointed functions and duties, as well as the degree of autonomy to which he is entitled, the Employee's status shall be that of Key Manager ("*cadre dirigeant*"). Consequently, the provisions of the Labor Code regarding working hours shall not apply to the Employee.

Article 8 - Company car

The Company shall make available to the Employee a company car, which he may use both for professional and personal needs. The amount corresponding to the Employee's personal use of the vehicle will be considered as a benefit in kind and, as such, will be subject to social charges. The Employee confirms that he holds a valid driving license, and undertakes to immediately inform the Company of any change arising in this respect.

information regarding the accident. The Company shall pay all maintenance costs for said vehicle, and will reimburse the Employee for all gasoline or toll expenses incurred in the course of his professional activity, upon production of documentary proof. Any fines shall remain the responsibility of the Employee under all circumstances.

The vehicle made available to the Employee shall remain the property of the Company and shall immediately be returned to the Company at the end of the Contract for any reason whatsoever.

Article 9 - Professional expenses

Reasonable expenses relating to accommodation, travel and representation costs and any other expenses necessary for the performance of the Employee's duties shall be reimbursed to him on a monthly basis upon production of an expenses report and related receipts based on the rules and arrangements determined by the Company, in compliance with the provisions of the Collective Bargaining Agreement.

Article 10- Accrued paid vacation

The number of days of accrued paid vacation to which the Employee is entitled shall be determined in accordance with the applicable legislation and the provisions of the Collective Bargaining Agreement.

The Employee will take his accrued paid vacation at dates agreed with the Company .

The accrued paid vacation acquired during a reference year may not be taken or postponed after the end of the following reference year.

Article 11-Social security

Throughout the duration of the Contract, the Employee will be affiliated to the following retirement and welfare schemes currently subscribed to by the Company for employees of his category:

Caisse ARRCO: CGIS- 509, Rue Van Gogh- 75 591 Paris Cedex 12

Caisse AGIRC: IRRAPRI- Mail Charlot- 41930 BLOIS Cedex 9;

These abovementioned schemes may be modified from time to time by the Company in compliance with applicable laws, without such a modification being an amendment to the Contract.

The Company is affiliated to the URSSAF of Montreuil, under the internal number 920080196555002011.

Throughout the duration of the Contract, the Employee will also be granted private health insurance coverage and private pension plan, in line with the Company Benefits Policy.

Article 12 - Professional secrecy

The Employee acknowledges that the disclosure of confidential information may be detrimental to the Company's interests. Any and all information, to which the Employee has access, directly or indirectly, regarding the activities, administrative and financial management, technology, products and clients of the Company and/or any other company of the Sorin Group, shall be considered confidential.

Therefore, the Employee undertakes not to disclose any confidential information whatsoever, whether in his own interest or in the interest of any other person. This secrecy and confidentiality undertaking shall apply (i) during the term of the performance of the Contract, unless the disclosure of such information to third parties is necessary for the Employee's performance of his duties, and (ii) after the termination of the Contract, for any reason whatsoever, except with the Company's prior written approval.

The Employee also undertakes not to copy or distribute for his own use or for the use of any other physical or moral person, any software used or developed by the Company without

(i) obtaining his line manager's prior written approval and (ii) taking all reasonable precautions to ensure that his use of the software neither corrupts nor destroys any existing software or data.

The Company has provided the Employee upon joining the Company, with the documents and equipment necessary for the Employee's proper execution of his obligations under the Contract. Such documents and equipment, as well as all other property placed at the Employee's disposal during the Contract, are and will remain the sole property of the Company. Upon termination of the Contract, or at any other moment during the performance of the Contract, the Employee undertakes to return the property, documents and equipment to the Company, upon its first written request.

Moreover, upon the termination of the Contract or at any moment during the performance of the Contract, the Employee undertakes to return to the Company, upon its first written request, all files and other documents which may be in his possession or under his control (including any photocopies of documents), relating to the professional activities of the Company and/or any other company of the Sorin Group and/or their clients. This provision includes, without being limited to, all credit cards, keys, books, records, reports, manuals, client lists, printed matter, documents, sketches, drafts, databases, correspondence, and memoranda.

Article 13 - Inventions

Any invention made by the Employee in the performance of his duties, where they include an inventive assignment, or in the scope of studies or research, which are explicitly assigned to him, shall automatically belong to the Company. An invention is considered patentable when it is a new invention involving an innovative activity, which is liable to be used for industrial purposes, pursuant to Article L.611-10 of the Intellectual Property Code. In the event where the Company files an invention, the Employee shall be named in the patent application. The remuneration paid to the Employee pursuant to the Contract shall be deemed to include the additional remuneration provided for by Article L.611-7 of the Intellectual Property Code.

All other inventions shall belong to the Employee. However, where an invention was made by the Employee during the performance of his duties, either within the Company's line of business or using knowledge, techniques or assets that are specific to the Company, or data obtained by the Company, the Company may assign the ownership or enjoyment of all or part of the rights attached to the patent protecting the invention.

In such a case, the Company shall pay the Employee fair compensation taking into account the respective contributions of the Employee, the Company or one of the other companies of the Sorin Group and the industrial or commercial interest of the invention. Any dispute relating to the calculation of the fair compensation shall be submitted to the Conciliation Committee ("*Commission de Conciliation*") created by Article L.615-21 of the Intellectual Property Code or to the *Tribunal de Grande Instance*.

The Employee undertakes, pursuant to the provisions of Decree No. 79.797 of 4 September 1979 to immediately notify the Company by registered letter with acknowledgment of receipt of all inventions for which he is the author or the co-author, whether these inventions relate to his professional duties or not. This declaration must contain all the information in his possession to allow the Company to assess the classification of the invention. Where the classification implies the right to attribution provided for by the law for certain types of inventions, the Employee undertakes to give the Company a description of the relevant invention. The two parties undertake not to disclose the invention until a final ruling has been made regarding the classification.

At the Company's request, and at its expense, the Employee shall sign any request, transfer or other document which may be necessary so that the Company or any other company of the Sorin Group can file and obtain patents, copyrights, registration of designs or any other form of protection concerning the rights to the invention, and be officially recognized as the holder of all the rights and title deeds to the invention. More generally, the Employee agrees to provide the Company or any other company of the Sorin Group with any assistance necessary in connection with any action, procedure or steps concerning the application of the provisions of this article in France and abroad.

Article 14- Non-compete undertaking

Given the nature of his functions and duties, the Employee acknowledges that a non-compete obligation aims to protect the legitimate interests of the Company and undertakes, in the event of termination of the Contract for any reason whatsoever:

not to work in any capacity whatsoever, such as an employee, corporate officer, independent consultant, etc., for any competing business which has its activity in the vascular therapy and heart valves sectors;

not to take a direct or indirect interest, in any way whatsoever, in this type of businesses.

This non-compete undertaking shall be limited to a period of 12 (twelve) months with effect from the effective termination of the Contract and shall cover the entire world.

salary instalments, and shall be subject to social security contributions. The Company may reduce this non-competition undertaking or waive the benefit of this non-competition undertaking by informing the Employee within 8 weekdays following the notification of the termination of the Contract. In this case, the Company will not be liable for payment of the aforementioned indemnity.

Any breach of this non-competition clause shall automatically give rise to the reimbursement of the aforementioned indemnity, the payment by the Employee of a penalty which is fixed at a lump sum corresponding to his net basic salary received during the last [8] months of his activity; such penalty shall be payable for each offence observed, without requiring any injunction to cease the competing activity, and without prejudice to the Company's right to obtain full indemnification of the loss actually incurred.

Article 15- Post-termination understandings

Following the termination of the Contract for any reason whatsoever, and without any time limit, the Employee undertakes not to represent himself as being in any way connected or interested in the business of the Company or any other company of the Sorin Group.

The Employee undertakes during 12 (twelve) months following the date of the termination of the Contract for any reason whatsoever, not to, directly or indirectly:

solicit, hire or attempt to hire any individual, who is an employee of the Company or any other company of the Sorin Group;

incite any individual, who is an employee of the Company or any other company of the Sorin Group, to leave his position with the Company or any other company of the Sorin Group;

solicit customers of the Company with which you have been dealing, directly or indirectly, in the last three years of your employment with the Company.

Article 16- Applicable law

The Contract as well as the rights and obligations of the parties which result therefrom will be governed by and interpreted in accordance with French law.

Every stipulation in the Contract or any part of each of these stipulations which may be declared null and void by a Court shall be considered as a separate part of the Contract, which shall remain valid and shall continue to be effective for the remainder of its provisions.

Article 17 - Miscellaneous

The Employee acknowledges that he has received an original copy of the Contract, duly signed by the parties.

The Employee shall inform the Company immediately of any change to the information

provided on the date hereof (address, marital status, etc.). Executed in Plessis Robinson, on October 21st, 2005, in duplicate.

(*handwritten words: "*lu et approuvé*" ("*read and approved*")

ANNEX TO EMPLOYMENT CONTRACT DATED November 7th 2005

BETWEEN THE UNDERSIGNED:

ELA MEDICAL, a French limited liability company (SAS) with a capital of €50,000,000, whose registered office is located at 98, rue Maurice Arnoux in Montrouge - 92120, registered with the Commercial and Companies Registry of Nanterre under the number B 309 786 481, represented by Mr. Stéphane BESSETTE, acting in his capacity as Vice President Human Resources,

hereinafter referred to as the "Company",

on the one hand,

AND:

Mr. Stefano Di Lullo, born on 14th June 1961 in Montréal, of *Canadian* nationality, residing at 16, allée de la Clairière in Noisy-le-Roi - 78590,

hereinafter referred to as the "Employee" or "Mr. Di Lullo",

on the other hand.

THE PARTIES HAVE AGREED AS FOLLOWS:

The Employee has entered into an indefinite-term employment contract with the Company on November 15th 2005 and accepts to be temporarily seconded to Sorin Biomedica Cardio S.r.l., an Italian company.

Article 1- Object

The Employee shall be sent on secondment, as Senior Vice President, Vascular Therapy Business Unit to Sorin Biomedica Cardio S.r.l., since the Company and the entire Sorin Group have an interest in that the above duties be performed, at least initially, at the Sorin Group subsidiary which is specifically dedicated to the Vascular business.

It must be expressly noted that, throughout the duration of the secondment, the Employee shall perform his functions under the control of and according to the instructions given by the President, Cardiac Surgery and Vascular Therapy Business Units, or by any person designated to this end by the Company, to whom the Employee shall report on his activity. The Employee must comply with internal rules in force within the host offices.

During the secondment, the Employee will remain on the Company's payroll. Moreover, in such period the Company, in its capacity as the Employee's sole employer, shall retain all supervision and disciplinary powers over the performance of the Employee's duties.

Article 2 - Duration

The secondment shall begin as of 7th November 2005, and for an initial period of three years, which may potentially be renewed. However, insofar as the mission should end before the term of the three-year period, the Employee will have sufficient time to organize his return.

Article 3 -Place of work

The Employee shall perform his duties at the SORIN Biomedica Cardio S.r.l. offices, located in Saluggia, Italy.

Article 4 -Professional expenses and benefits in kind

Travel expenses

Throughout the length of the secondment, the Company shall reimburse the Employee one economy class return-flight ticket per week (Paris/Milan or Paris/Turin).

Housing allowance

Relocation expenses

Should the Employee decide to have his family join him in Italy, the Company shall cover reasonable relocation expenses, as well as the fees of a relocation agency it will have chosen. The invoices must be written out to the Company.

Moreover, in such case the Company will discuss with the Employee the opportunity of providing other support benefits and/or services and to review the conditions regulating the car, house and flight tickets benefits.

Fees

The Company shall pay the reasonable fees of a personal tax consultant.

Company car

The Company shall make available to the Employee a company car in Italy, which he may use for professional local needs. The Employee confirms that he holds a valid driving license, including an international driving license, and undertakes to immediately inform the Company of any change arising in this respect.

Article 5 - Social benefits

The Employee will continue to benefit from French social security during his secondment.

Article 6- Post-secondment undertakings

At the end of the secondment, whether anticipated or not, the Company undertakes to redeploy the Employee in a position similar to the one he held within the Company, insofar as such positions are available.

Article 7 -Applicable law

The Contract as well as the rights and obligations of the parties which result therefrom will be governed by and interpreted in accordance with French law.

Every stipulation in this annex or any part of each of these stipulations which may be declared null and void by a Court shall be considered as a separate part of the present annex, which shall remain valid and shall continue to be effective for the remainder of its provisions.

Article 8 - Miscellaneous

The stipulations of this annex replace, during its implementation, the stipulations provided in the employment contract entered into between the parties dated 21st October 2005 and that are contradictory. Any amendment to the present annex shall be made in writing and signed by the parties.

The Employee acknowledges that he has received an original copy of the present annex, duly signed by the parties.

Executed in Plessis Robinson, on 7th November 2005, in duplicate.

u et approuvé ("read and approved"))

Mr. Stefano Di Lullo
16 allée de la Clairière
78590 NOISY LE ROI

Le Plessis Robinson, 23rd December 2008

Employment Agreement Amendment

Dear Sir,

We are pleased to hereby confirm your new contractual conditions concerning your evolution within the Company ELA MEDICAL SAS located Centre d'affaires La Boursidière 92357 LE PLESSIS ROBINSON.

1. Position

As of 1st January 2009, you will exercise the functions of **President of the Cardiac Rhythm Management Business Unit**. You will report directly to the **Chief Executive Officer, Sorin Group**.

2. Remuneration

In consideration for the undertaking of your functions, your global brut annual base remuneration shall remain at **260 000 Euros** and will be paid to you in 13.1 monthly installments, without any connection able to be made between the amount of this remuneration and an hourly rate of pay.

Your annual bonus currently fixed at 42% shall be revised from 1st April 2009.

You shall also receive a Foreign Service Premium as detailed in Article 81 A II of the General Tax Code (*Code Général des Impôts*) that provides for the payment of a non-taxable supplementary remuneration to compensate for the inconveniences incurred as a result of your business travel outside of France. The Foreign Service Premium shall be paid in addition to your gross base annual remuneration. This premium is directly linked to your business travel outside of France and is calculated in proportion to the number of days spent abroad.

Given your designation as President of the Cardiac Rhythm Management Business Unit, we estimate that you will spend significantly more than 60 days per year abroad. Consequently, your Foreign Service Premium shall be paid to you as a monthly advance, calculated as 5% of your base annual remuneration for the period from 1st January 2009 to 31st March 2009 and as 15.5% of your base annual remuneration as of 1st April 2009.

The balance of your Foreign Service Premium shall be calculated at the end of each year using a list of your foreign business trips as part of your professional activity. The balance will be paid to you along with your December salary.

It is your responsibility to keep all supporting documentation pertaining to these business trips (mission order, plane tickets, visas, programmes, copies of invoices etc...).

All the remaining clauses of your employment agreement remain unchanged.

If you find the aforementioned terms and conditions acceptable, please return a copy of the present contract to us, signed by yourself preceded by the phrase: "Read and confirmed – Agreed".

Yours faithfully,

André-Michel BALLESTER
Chief Executive Officer

Le Plessis Robinson, January 28th, 2008

Mr. Michel DARNAUD
51 avenue du Grand Veneur
78110 LE VESINET

Dear Mr. Darnaud,

Following our various discussions, we are pleased to confirm your permanent appointment from **February 4th 2008**, at the company Sorin Group France SAS, CA La Boursidière 92357 Le Plessis Robinson, under the following terms and conditions:

Appointment

You are appointed as “**President of the Cardiopulmonary Business Unit and President of ‘Intercontinental’**”, Executive Category, Position III C. For these two functions you shall report to the President of Sorin Group Spa.

In addition, and as part of your responsibilities as President of the Cardiopulmonary BU, you shall also be in charge of training, organisation and the general management of the French commercial structure within the Cardiopulmonary BU.

You declare that, at the starting date of your employment agreement, you are free of any commitment whatsoever to your former employer including any non-compete clause that could potentially prevent your recruitment by the company.

You are exempt from any trial period.

During the first twenty-four months following your date of hire, in the event of termination of your contract for the account of the employer or at the request of the employer, for any reason except that of dismissal for serious or gross misconduct, the company agrees to pay you a fixed indemnity equivalent to 12 months’ salary, calculated using your gross base annual compensation at the date of notification of the termination of the contract. This fixed indemnity shall not replace any other legal indemnity in force.

Remuneration

In consideration for the undertaking of your functions, you shall receive a global brut annual base remuneration of **330 000 Euros** that shall be paid to you in 13.1 monthly installments. As you are not subject to the standard legal regime governing working hours, the amount of this remuneration cannot be formulated in terms of an hourly rate of pay.

The fixed portion of your compensation shall be supplemented by a variable portion (bonus), subject to the results of the Group, the CRM BU and your personal contribution.

Your **Bonus** is expressed as a percentage of your gross base annual compensation, and shall be **equal to 50%** for the 100% achievement of your quantitative and qualitative targets.

The terms and conditions for awarding the variable proportion (Bonus) and your quantitative and qualitative targets shall be set each year according to the terms and conditions defined by the Sorin Group.

Lastly, you shall also be entitled to a Foreign Service Premium as detailed in Article 81 A II of the General Tax Code (*Code Général des Impôts*) that provides for the payment of a non-taxable supplementary remuneration to compensate for the inconveniences incurred as a result of your business travel outside of France.

The Foreign Service Premium shall be paid in addition to your gross base annual remuneration. This premium is directly linked to your business travel outside of France and is calculated in proportion to the number of days spent abroad.

This Foreign Service Premium shall be paid to you as a monthly advance, corresponding to 1/12th of 20% of your base annual remuneration. The balance shall be calculated at the end of each period using the number of days actually spent outside of France as part of your professional activity and shall be paid with your December salary.

It is your responsibility to keep all supporting documentation pertaining to these business trips (mission order, tickets, visas, invoices, programmes, etc...).

Working Hours

The importance of the functions and responsibilities entrusted to you, which demand a high level of independence in the organisation and management of your time, and the degree of autonomy you have in your decision making mean that you belong to the category of senior executives provided for in Article L212-15-1 of the Labour Code and Article 15 of the National Agreement on Working Hours in the Metal Industry modified by amendments dated January 29th, 2000 and April 14th, 2003.

Company Car

In order to carry out your functions, you will receive a company car of which the attribution process is detailed by the procedure currently in place in the company.

Discretion and Confidentiality

Given the importance of your responsibilities within the Sorin Group, throughout the term of this contract and after its termination, you agree not to divulge, whether in France or abroad, to either natural or legal persons, any information written or otherwise, regarding the company's commercial operations, studies and projects as well as its manufacturing processes.

You agree to use the utmost discretion for everything that concerns the company's activity, in particular regarding the sector in which you are specialised and notably to not divulge nor allow anybody to benefit from any study, project, achievement and more generally any information that has not officially been made public of which you may be aware through your functions, even after the termination of the present contract.

You agree to make the same commitment as described in the preceding paragraph concerning information of any type that has not officially been made public relating to clients of whom you may be aware through the undertaking of your responsibilities. The provisions of this clause are considered an essential clause of the employment agreement that binds you to the company Sorin Group France SAS.

Non-compete Clause

Nature of the Assignment:

At the end of the present contract, regardless of the reason for leaving the company, you will be bound by a non-compete obligation, the purpose of which is to protect the company Sorin Group France and the Sorin Group's legitimate professional interests. This clause is necessary to protect the aforementioned interests due to the fact that your functions call for you to be informed of technical and strategic matters pertaining to the activity of Sorin Group. To this end, you formally accept not to carry out, directly or indirectly, in person or through an intermediary, by any means whatsoever, any similar activity to that which you perform within the company, and not to serve as a consultant to any company operating within the same field as SORIN CRM SAS, and in particular any company that produces cardiac surgery equipment, especially pertaining to heart valves, perfusions and blood management.

In order to ensure the protection of the company's interests, the present non-compete clause shall be valid worldwide.

Time Limit:

The present non-compete clause shall be valid for a period of twelve months from the date of definitive termination of the employment agreement in accordance with the terms and conditions set forth by the relevant collective bargaining agreement, regardless of the reason for such termination.

Financial consideration:

In consideration for this non-compete clause and subject to any subsequent and more favourable collective agreement, you shall receive a gross monthly indemnity equal to 50% of your monthly average salary as well as any contractual benefits and incentives that you received during your last twelve months of employment at the company, in accordance with the dispositions of the collective bargaining agreement currently in force.

During the same period, you agree to make known to Sorin Group France upon request the name and address of your new employer, who you must inform of the present dispositions prior to any engagement.

In the event of a breach of your obligations under this non-compete clause, the company Sorin Group France shall be entitled to suspend, as a precautionary measure, the payment of your monthly financial compensation, subject to taking proceedings before the competent jurisdiction within the month following such suspension in order to obtain a finding of breach of your non-compete obligations.

In the event of a breach of your obligations under this non-compete clause at any point within the aforementioned twelve month period, you shall be liable to reimburse the total amount received as financial consideration under the present clause. Moreover, the company shall be authorised not to enforce the present clause if it sees fit. In the event of a breach of the present clause, you shall be liable to pay the company Sorin Group France an amount equal to twelve times your monthly average salary without any notice other than a simple acknowledgement of any form of non-compliance. This is without prejudice to the right of the company to reclaim damages from both yourself and your new employer.

Option to waive the non-compete clause:

It is expressly agreed between the parties that the company may, at its discretion, waive the present non-compete clause by notifying you of its decision to waive the present non-compete clause by registered mail with receipt of delivery at the latest eight days following the date of termination of the employment agreement.

The parties agree that the date of termination of the employment agreement shall mean the date upon which the letter of notification is sent by the employer or the date upon which a letter of resignation sent by the employee is received by the employer.

In the event that the non-compete clause is waived, you will be freed from any agreement made to Sorin Group France, without being entitled to claim any indemnity whatsoever under the present clause.

Exclusivity

You agree to use your best efforts in order to accomplish the various missions for which you are responsible under the present agreement. Furthermore, you agree not to undertake any other professional activity, either for your own account or for that of another company, except given prior express authorization from the Directors of the company.

Mobility

Your place of work shall be based at our site at La Boursidière 92357 Le Plessis Robinson. Furthermore, and given the global nature of your functions, you will be called upon to make many business trips of varying lengths, both in France and abroad.

Given the nature of your functions, the needs of the company in terms of organisation and efficient operation or the potential for career advancement may, at any time, call for a change in your place of work, which will not constitute a modification of the present agreement.

Moreover, and due to the nature of your functions and the activities of the Group, you may be transferred to one of the other companies of the Group without constituting a modification of the present agreement.

Informational Provisions

We hereby inform you that your employment agreement is subject to the **National Collective Bargaining Agreement for Engineers and Executives in the Metal Industry** (*Convention Collective Nationale des Ingénieurs et Cadres de la Métallurgie*); any relevant internal collective agreements as well as any customs and policies defined by the employer and currently in force at the company are also applicable.

The application of these internal collective agreements and customs in force means that you will benefit from the supplementary retirement plans ARRCO and AGIRC as well as the provident scheme and the supplementary healthcare coverage. Please find below the reference numbers of these retirement funds and insurance providers.

Along with your employment agreement, you shall be provided with a copy of the company's Internal Regulations and the Group's ethics code.

In case of departure from the company, you must return to the company, upon its first request, the updated "contacts" file, all documents and equipment given to you by the company as well as all resources put at your disposal for the proper performance of your professional duties (in particular, company car and all related paperwork, telephone, PC). Similarly, in the case of illness or prolonged absence, you shall return the aforementioned items as indicated in the paragraph above in order for the company and the Group to continue operating normally.

If you find the aforementioned terms and conditions acceptable, please return to us a copy of the present contract, **signed by yourself preceded by the phrase: “Read and confirmed – Agreed”**.

Yours faithfully,

Gérard PIQUET
HR Manager France

References:

Company SORIN GROUP FRANCE SAS

SIRET: 47782841200023 – URSSAF de Montreuil: 920282341793001011

Providence scheme/healthcare coverage: Générali France

Contract managed by AON – Administration Centre – 28, allée de Bellevue 16918 ANGOULEME CEDEX 9

Supplementary Retirement Fund ARRCO : CIS-CGIS and Retirement Fund AGIRC : ACGME

Managed by the Mornay Group: 509, rue Van Gogh – 75 591 Paris Cedex 12

From: **SORIN**

To : **Mr. Piero Vecchi**

Milan, 20th of June 2008

Dear Piero,

1. We herewith confirm that effective date 1st of July 2008 Sorin Biomedica Cardio transfers your Dirigente (Executive) employment contract to Sorin Spa.
2. From this date you perform subordinated work for Sorin Spa under following terms
 - Status: Dirigente (Executive)
 - Job title: VP, Group Controller
 - Workplace: Milan
 - Annual gross salary: 104.679,00 € paid in 14 monthly payslip

You will be eligible to receive an annual bonus payment of 20% of your annual gross salary. The bonus plan is based upon achievement of your individual objectives.

We will separately communicate your Company ID number written down in Company Registration book.

Your working terms not mentioned in this letter are disciplined in Industrial Dirigenti (Executive) Collective Agreement: holidays, bank holidays, notice period etc.

3. You will keep your Dirigente (Executive) status starting date as 1st of June, 2008 related to Seniority benefits.
In particular we specify that Sorin Biomedica Cardio srl transferred your entire severance pay (TFR) accrued until 30th of June 2008 to Sorin Spa.
4. Your role as Dirigente (Executive) includes the possibility to cover - without any other further compensation – additional roles in other Companies directly or non directly controlled, in Italy or abroad.
Remuneration for these additional roles will be paid directly from other Companies to this Company. Compensation written above in this letter already includes other roles' compensation.

Please give back to this Company a copy signed of this agreement letter for acceptance

Kind regards,

LIST OF SUBSIDIARIES
EXHIBIT 21
LivaNova PLC and Subsidiaries
As of December 31, 2015

<u>Company</u>	<u>Jurisdiction of Formation</u>
LivaNova Plc	United Kingdom
LivaNova Plc (Italian Branch)	Italy
Alcard Indústria Mecânica Ltda	Brazil
Caisson Interventional LLC	USA
California Medical Laboratories (CalMed) Inc.	USA
Cardiosolutions Inc.	USA
Cellplex PTY LTD	Australia
Cyberonics Europe BV / BA	Belgium
Cyberonics France SARL	France
Cyberonics Holdings LLC	USA
Cyberonics Inc.	USA
Cyberonics Latam SRL	Costa Rica
Cyberonics Netherlands CV	Netherlands
Cyberonics Spain SL	Spain
Enopace Biomedical Ltd	Israel
Highlife SAS	France
Imthera Medical, Inc	USA
La Bouscare S.C.I.	France
LivaNova Canada Corp	Canada
Livn Irishco 2 UC	Ireland
Livn Irishco Unlimited Company	Ireland
Livn Luxco Sarl	Luxembourg
Livn Luxco 2 Sarl	Luxembourg
Livn UK Holdco Limited	United Kingdom
Livn UK Limited 2 Co	United Kingdom
Livn UK Limited 3 Co	United Kingdom
Livn US Holco, Inc.	USA
Livn US Lp	USA
Livn US 1, LLC	USA
Livn US 3Llc	USA
LMTB – Laser – und Medizin – Technologie Gmbh	Germany
MD Start I KG	Germany
MD Start SA	Swisse
MicroPort Sorin CRM (Shanghai) Co. Ltd	China
Reced Indústria Mecânica Ltda	Brazil
Respicardia, Inc	USA
Sobedia Energia	Italy
Sorin CP Holding S.r.l.	Italy

Sorin CRM Holding SAS	France
Sorin CRM SAS	France
Sorin CRM USA	USA
LivaNova Portugal Lda.	Portugal
Sorin Group Asia Pte Ltd	Asia
Sorin Group Australia PTY Limited	Australia
Sorin Group Austria GmbH	Austria
Sorin Group Belgium SA	Belgium
Sorin Group Colombia Sas	Colombia
Sorin Group Czech Republic	Czech Republic
Sorin Group Deutschland GmbH	Germany
Sorin Group DR, S.r.l.	Dominican Republic
Sorin Group Espana S.L.	Spain
LivaNova Finland OY	Finland
Sorin Group France SAS	France
Sorin Group India Private Limited	India
Sorin Group International SA	Swisse
Sorin Group Italia S.r.l.	Italy
Sorin Group Japan K.K	Japan
LivaNova Nederland NV	Netherlands
LivaNova Norway AS	Norway
Sorin Group Polska Sp. Z.o.o.	Poland
Sorin Group Rus LLC	Russia
LivaNova Scandinavia AB	Scandinavia
LivaNova UK Limited	United Kingdom
Sorin Group USA Inc.	USA
Sorin Medical Devices (Suzhou) Co. Ltd	China
Sorin Medical (Shanghai) Co. Ltd	China
Sorin Site Management S.r.l.	Italy

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-207478) of LivaNova PLC of our report dated March 4, 2016 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K/T.

/s/ PricewaterhouseCoopers S.p.A.

Milan, Italy

March 4, 2016

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statement (No. 333-207478) on Form S-8 of LivaNova PLC and subsidiaries (the “Company”) of our report dated June 15, 2015 with respect to the consolidated balance sheets of Cyberonics, Inc. and subsidiaries as of April 24, 2015 and April 25, 2014, and the related consolidated statements of income, comprehensive income, stockholders’ equity and cash flows for the 52 weeks ended April 24, 2015, April 25, 2014 and April 26, 2013, which report appears in the December 31, 2015 Form 10-K/T.

KPMG LLP
Houston, Texas
March 4, 2016

CERTIFICATION

I, André-Michel Ballester, certify that:

1. I have reviewed this Transition Report on Form 10-K for the transitional period April 25, 2015 to December 31, 2015, filed by LivaNova PLC and its consolidated subsidiaries;

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

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

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

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

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

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

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

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

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

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

Date: March 4, 2016

/s/ ANDRÉ-MICHEL BALLESTER

André-Michel Ballester

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Vivid Sehgal, certify that:

1. I have reviewed this Transition Report on Form 10-K for the transitional period April 25, 2015 to December 31, 2015, filed by LivaNova PLC and its consolidated subsidiaries;

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

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

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

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

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

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

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

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

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

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

Date: March 4, 2016

/s/ VIVID SEHGAL

Vivid Sehgal

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF THE
CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
OF LIVANOVA PLC
PURSUANT TO 18 U.S.C. SECTION 1350**

André-Michel Ballester, Chief Executive Officer of LivaNova PLC (the “Company”), and Vivid Sehgal, Chief Financial Officer of the Company, each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the Company’s Transition Report on Form 10-K for LivaNova PLC and its consolidated subsidiaries for the transitional period April 25, 2015 to December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 4, 2016

/s/ ANDRÉ-MICHEL BALLESTER

André-Michel Ballester
Chief Executive Officer
(Principal Executive Officer)

/s/ VIVID SEHGAL

Vivid Sehgal
Chief Financial Officer
(Principal Financial Officer)