UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2017

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

For the transition period from _____ to _____

Commission file number 000-28440

ENDOLOGIX, INC.

(Exact name of registrant as specified in its charter)

Delaware	**68-0328265**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

2 Musick, Irvine, California 92618
(Address of principal executive offices)
(949) 595-7200
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

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

On November 6, 2017, there were 83,453,710 shares outstanding of the registrant's only class of common stock.

ENDOLOGIX, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

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Part I. Financial Information

ENDOLOGIX, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and par value amounts)
(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 74,619	$ 26,120
Restricted cash	2,369	2,001
Marketable securities	—	20,988
Accounts receivable, net allowance for doubtful accounts of $1,015 and $1,037, respectively.	33,979	34,430
Other receivables	439	1,787
Inventories	42,686	41,160
Prepaid expenses and other current assets	3,784	3,359
Total current assets	$ 157,876	$ 129,845
Property and equipment, net	20,207	23,265
Goodwill	120,903	120,711
Intangibles, net	81,502	84,511
Deposits and other assets	1,486	1,352
Total assets	$ 381,974	$ 359,684
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,878	$ 13,237
Accrued payroll	16,998	19,997
Accrued expenses and other current liabilities	11,157	11,668
Revolving line of credit	15,441	—
Total current liabilities	$ 54,474	$ 44,902
Deferred income taxes	879	879
Deferred rent	7,786	7,949
Other liabilities	1,719	3,783
Contingently issuable common stock	8,800	12,200
Debt	222,957	177,178
Total liabilities	$ 296,615	$ 246,891
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, $0.001 par value; 5,000,000 shares authorized. No shares issued and outstanding.	—	—
Common stock, $0.001 par value; 135,000,000 shares authorized. 83,646,895 and 82,986,244 shares issued, respectively. 83,434,656 and 82,774,005 shares outstanding, respectively.	84	83
Treasury stock, at cost, 212,239 shares.	(2,942)	(2,942)
Additional paid-in capital	590,840	567,765
Accumulated deficit	(505,480)	(453,601)
Accumulated other comprehensive income	2,857	1,488
Total stockholders' equity	$ 85,359	$ 112,793
Total liabilities and stockholders' equity	$ 381,974	$ 359,684

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

ENDOLOGIX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue	$ 45,986	$ 52,122	$ 137,154	$ 145,462
Cost of goods sold	16,879	15,191	47,181	51,131
Gross profit	29,107	36,931	89,973	94,331
Operating expenses:				
Research and development	5,277	8,236	16,541	23,796
Clinical and regulatory affairs	3,211	3,759	9,786	11,664
Marketing and sales	21,536	26,007	71,217	82,749
General and administrative	8,332	9,714	25,109	29,869
Restructuring costs	98	498	235	8,612
Settlement costs	—	—	—	4,650
Contract termination and business acquisition expenses	—	(49)	—	5,856
Total operating expenses	38,454	48,165	122,888	167,196
Loss from operations	(9,347)	(11,234)	(32,915)	(72,865)
Other income (expense):				
Interest income	8	58	80	168
Interest expense	(6,021)	(4,084)	(16,119)	(11,681)
Other income (expense), net	349	189	525	(723)
Change in fair value of contingent consideration related to acquisition	800	—	3,400	(100)
Loss on debt extinguishment	—	—	(6,512)	—
Change in fair value of derivative liabilities	—	—	—	(43,831)
Total other income (expense)	(4,864)	(3,837)	(18,626)	(56,167)
Net loss before income tax expense	(14,211)	(15,071)	(51,541)	(129,032)
Income tax expense	(62)	(174)	(338)	(720)
Net loss	$ (14,273)	$ (15,245)	$ (51,879)	$ (129,752)
Other comprehensive income (loss) foreign currency translation	232	153	1,369	1,067
Comprehensive loss	$ (14,041)	$ (15,092)	$ (50,510)	$ (128,685)
Basic and diluted net loss per share	$ (0.17)	$ (0.18)	$ (0.62)	$ (1.61)
Shares used in computing basic and diluted net loss per share	83,496	82,446	83,225	80,402

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

ENDOLOGIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	$ (51,879)	$ (129,752)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	(97)	383
Depreciation and amortization	6,933	6,566
Stock-based compensation	8,800	9,641
Change in fair value of derivative liabilities	—	43,831
Change in fair value of contingent consideration related to acquisition	(3,400)	100
Accretion of interest & amortization of deferred financing costs on debt	7,558	7,037
Non-cash foreign exchange (gain) loss	(560)	838
Non-cash loss on debt extinguishment	3,997	—
Changes in operating assets and liabilities:		
Restricted cash	(368)	(2,001)
Accounts receivable and other receivables	2,859	(3,883)
Inventories	(1,048)	2,083
Prepaid expenses and other current assets	(237)	535
Accounts payable	(3,447)	(6,607)
Accrued payroll	(3,225)	7,660
Accrued expenses and other liabilities	(2,509)	3,498
Net cash used in operating activities	$ (36,623)	$ (60,071)
Cash flows from investing activities:		
Purchases of marketable securities	—	(20,976)
Maturities of marketable securities	21,000	37,850
Purchases of property and equipment	(876)	(2,051)
Acquisition of business, net of cash acquired of $0 and $24,012, respectively	—	(60,622)
Net cash provided by (used in) investing activities	$ 20,124	$ (45,799)
Cash flows from financing activities:		
Net proceeds from revolving line of credit	15,441	—
Deferred financing costs	(6,755)	(917)
Proceeds from sale of common stock under employee stock purchase plan	1,681	2,520
Proceeds from exercise of stock options	482	1,777
Proceeds from issuance of debt	120,000	—
Repayment of debt	(66,613)	—
Minimum tax withholding paid on behalf of employees for restricted stock units	—	(134)
Net cash provided by financing activities	$ 64,236	$ 3,246
Effect of exchange rate changes on cash and cash equivalents	762	93
Net increase (decrease) in cash and cash equivalents	$ 48,499	$ (102,531)
Cash and cash equivalents, beginning of period	26,120	124,553
Cash and cash equivalents, end of period	$ 74,619	$ 22,022
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 7,447	$ 3,088
Cash paid for income taxes	$ 672	$ 214
Non-cash investing and financing activities:		
Acquisition of property and equipment included in accounts payable	$ 176	$ 64
Fair value of common stock issued for business acquisition	$ —	$ 100,812
Fair value of warrants issued for business acquisition	$ —	$ 44
Fair value of warrants issued in connection with the Facility Agreement	$ 14,704	$ —

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

ENDOLOGIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts presented in thousands, except per share, per unit, and number of years)
(Unaudited)

1. Description of Business, Basis of Presentation, and Operating Segment

(a) Description of Business

Endologix, Inc. (the "Company") is a Delaware corporation with corporate headquarters in Irvine, California and production facilities located in Irvine, California and Santa Rosa, California. The Company develops, manufactures, markets, and sells innovative medical devices for the treatment of aortic disorders. The Company's products are intended for the minimally invasive endovascular treatment of abdominal aortic aneurysms ("AAA"). The Company's AAA products include innovations for minimally-invasive endovascular aneurysm repair ("EVAR") or endovascular aneurysm sealing ("EVAS"), the Company's innovative solution for sealing the aneurysm sac while maintaining blood flow through two blood flow lumens. The Company's current EVAR products include the Ovation® Abdominal Stent Graft System (the "Ovation System"), and the AFX® Endovascular AAA System (the "AFX System") which features the VELA™ Proximal Endograft System, and the AFX2 Bifurcated Endograft System (the "AFX2 System"). The Company's current EVAS product is the Nellix® EndoVascular Aneurysm Sealing System (the "Nellix EVAS System"). Sales of the Company's EVAR and EVAS platforms (including extensions and accessories) to hospitals in the U.S. and Europe, and to third-party international distributors worldwide, provide the sole source of the Company's reported revenue.

On February 3, 2016, the Company completed its previously announced merger with TriVascular Technologies, Inc. ("TriVascular"). The merger with TriVascular expanded the Company's product offering and intellectual property, increased the Company's sales force, and enhanced the Company's product development capabilities.

The Company's Ovation System consist of a radiopaque nitinol stent for suprarenal fixation and a low-permeability polytetrafluoroethylene ("PTFE") graft. The stent is designed with integral anchors to enable fixation to the aortic wall. To seal the graft and to provide support for the aortic body legs into which the iliac limbs are deployed, the graft contains a network of inflatable rings that are filled with a liquid polymer that solidifies during the deployment procedure.

The Company's AFX System consists of (i) a cobalt chromium alloy stent covered by expanded polytetrafluoroethylene (commonly referred to as "ePTFE") graft material and (ii) accompanying delivery systems. Once fixed in its proper position within the abdominal aortic bifurcation, the Company's AFX System provides a conduit for blood flow, thereby relieving pressure within the weakened or "aneurysmal" section of the vessel wall, which greatly reduces the potential for the AAA to rupture.

The Company's Nellix EVAS System consists of (i) bilateral covered stents with endobags, (ii) a biocompatible polymer injected into the endobags to seal the aneurysm and (iii) a delivery system and polymer dispenser. The Company's Nellix EVAS System is intended to seal the entire aneurysm sac effectively excluding the aneurysm reducing the likelihood of future aneurysm rupture. Additionally, the Nellix EVAS System has the potential to reduce post procedural re-interventions.

(b) Basis of Presentation

The accompanying Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). These financial statements include the financial position, results of operations, and cash flows of the Company, including its subsidiaries, all of which are wholly-owned. All inter-company accounts and transactions have been eliminated in consolidation. For the three and nine months ended September 30, 2017 and 2016, there were no related party transactions.

The interim financial data as of September 30, 2017 is unaudited and is not necessarily indicative of the results for a full year. In the opinion of the Company's management, the interim data includes normal and recurring adjustments necessary for a fair presentation of the Company's financial results for the three and nine months ended September 30, 2017. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to SEC rules and regulations relating to interim financial statements. The interim financial data includes the results of TriVascular, beginning on February 3, 2016, the effective date of the merger.

The accompanying Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on March 1, 2017.

(c) Operating Segment

The Company has one operating and reporting segment that is focused exclusively on the development, manufacture, marketing, and sale of EVAR and EVAS product for the treatment of aortic disorders. For the three and nine months ended

(all tabular amounts presented in thousands, except per share, per unit, and number of years)

September 30, 2017, all of the Company's revenue and related expenses were solely attributable to these activities. Substantially all of the Company's long-lived assets are located in the U.S.

2. Use of Estimates and Summary of Significant Accounting Policies

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent liabilities. On an on-going basis, the Company's management evaluates its estimates, including those related to (i) collectibility of customer accounts; (ii) whether the cost of inventories can be recovered; (iii) the value of goodwill and intangible assets; (iv) realization of tax assets and estimates of tax liabilities; (v) likelihood of payment and value of contingent liabilities; and (vi) potential outcome of litigation. Such estimates are based on management's judgment which takes into account historical experience and various assumptions. Nonetheless, actual results may differ from management's estimates.

For a complete summary of the Company's significant accounting policies, please refer to Note 2, "Use of Estimates and Summary of Significant Accounting Policies", in Part II, Item 8, of the Company's 2016 Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 1, 2017. There have been no material changes to the Company's significant accounting policies during the three and nine months ended September 30, 2017.

3. Balance Sheet Account Detail

(a) Property and Equipment

Property and equipment consisted of the following:

	September 30, 2017	December 31, 2016
Production equipment, molds, and office furniture	$ 12,177	$ 11,714
Computer hardware and software	8,726	8,162
Leasehold improvements	15,495	15,495
Construction in progress (software and related implementation, production equipment, and leasehold improvements)	687	839
Property and equipment, at cost	$ 37,085	$ 36,210
Accumulated depreciation	(16,878)	(12,945)
Property and equipment, net	$ 20,207	$ 23,265

Depreciation expense for property and equipment for the three months ended September 30, 2017 and 2016 was $1.2 million and $1.3 million, respectively. For the nine months ended September 30, 2017 and 2016 depreciation expense for property and equipment was $3.9 million and $3.9 million, respectively.

(b) Inventories

Inventories consisted of the following:

	September 30, 2017	December 31, 2016
Raw materials	$ 11,358	$ 13,133
Work-in-process	7,713	10,139
Finished goods	23,615	17,888
Total Inventories	$ 42,686	$ 41,160

(c) Goodwill and Intangible Assets

The following table presents goodwill, indefinite lived intangible assets, finite lived intangible assets and related accumulated amortization:

ENDOLOGIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(all tabular amounts presented in thousands, except per share, per unit, and number of years)
(Unaudited)

	September 30, 2017	December 31, 2016
Goodwill	$ 120,903	$ 120,711
Intangible assets:		
Indefinite lived intangibles		
Trademarks and trade names	$ 2,708	$ 2,708
In-process research and development	11,200	11,200
Finite lived intangibles		
Developed technology	$ 67,600	$ 67,600
Accumulated amortization	(6,256)	(3,810)
Developed technology, net	$ 61,344	$ 63,790
Customer relationships	$ 7,500	$ 7,500
Accumulated amortization	(1,250)	(687)
Customer relationships, net	$ 6,250	$ 6,813
Intangible assets (excluding goodwill), net	$ 81,502	$ 84,511

The change in the carrying amount of goodwill for the nine months ended September 30, 2017 is as follows (in thousands):

Balance at January 1, 2017	120,711
Foreign currency translation adjustment	191
Balance at September 30, 2017	$ 120,903

Amortization expense for intangible assets for the three months ended September 30, 2017 and 2016 was $1.1 million and $1.0 million, respectively. For the nine months ended September 30, 2017 and 2016 amortization expense for intangible assets was $3.0 million and $2.6 million, respectively.

Estimated amortization expense for the five succeeding years and thereafter is as follows:

Remainder of 2017	$ 959
2018	4,342
2019	4,639
2020	5,311
2021	7,181
2022 & Thereafter	45,162
Total	$ 67,594

ENDOLOGIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(all tabular amounts presented in thousands, except per share, per unit, and number of years)
(Unaudited)

(d) Marketable securities

Investments in held-to-maturity marketable securities consist of the following at December 31, 2016:

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Agency bonds	$ 6,488	$ 2	$ —	$ 6,490
Corporate bonds	10,513	—	(21)	10,492
Commercial paper	3,987	—	—	3,987
Total	$ 20,988	$ 2	$ (21)	$ 20,969

At September 30, 2017, the Company had no marketable securities. There were no realized gains or losses on the investments for the three and nine months ended September 30, 2017.

(e) Fair Value Measurements

The following fair value hierarchy table presents information about each major category of the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016:

	Fair value measurement at reporting date using:			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
At September 30, 2017				
Cash and cash equivalents	$ 74,619	$ —	$ —	$ 74,619
Restricted cash	$ 2,369	$ —	$ —	$ 2,369
Contingently issuable common stock	$ —	$ —	$ 8,800	$ 8,800
At December 31, 2016				
Cash and cash equivalents	$ 26,120	$ —	$ —	$ 26,120
Restricted cash	$ 2,001	$ —	$ —	$ 2,001
Contingently issuable common stock	$ —	$ —	$ 12,200	$ 12,200

There were no re-measurements to fair value during the nine months ended September 30, 2017 of financial assets and liabilities that are not measured at fair value on a recurring basis. There were no transfers between Level 1, Level 2 or Level 3 securities during the nine months ended September 30, 2017.

(all tabular amounts presented in thousands, except per share, per unit, and number of years)

(f) Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company measures the fair value of its 2.25% Convertible Senior Notes due 2018 and 3.25% Convertible Senior Notes due 2020 (collectively, the "Senior Notes") carried at amortized cost quarterly for disclosure purposes. The estimated fair value of the Senior Notes is determined by Level 2 inputs and is based primarily on quoted market prices for the same or similar securities. Based on the market prices, the fair value of the Company's long-term debt was $126.0 million as of September 30, 2017 and $187.6 million as of December 31, 2016.

The Company measures the fair value of its Term Loan carried at amortized cost quarterly for disclosure purposes. The estimated fair value of the Term Loan is determined by Level 3 inputs and is based primarily on unobservable inputs that are not corroborated by market data. The fair value of the Company's Term Loan was $101.7 million as of September 30, 2017.

Due to short-term nature, the Company believes that the carrying value of its revolving line of credit approximated its fair value at September 30, 2017.

The Company measures the fair value of its held-to-maturity marketable securities carried at amortized cost quarterly for disclosure purposes. The fair value of marketable securities is determined by Level 2 inputs and is based primarily on quoted market prices for the same or similar instruments.

4. Stock-Based Compensation

The Company classifies stock-based compensation expense in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Loss, based on the department to which the recipient belongs. Stock-based compensation expense included in cost of goods sold and operating expenses during the three and nine months ended September 30, 2017 and 2016, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cost of goods sold	$ 169	$ 200	$ 642	$ 730
Operating expenses:				
Research and development	328	389	911	1,187
Clinical and regulatory affairs	107	290	527	782
Marketing and sales	874	1,004	3,215	3,395
General and administrative	1,135	992	3,506	3,547
Total operating expenses	$ 2,444	$ 2,675	$ 8,159	$ 8,911
Total	$ 2,613	$ 2,875	$ 8,801	$ 9,641

5. Net Loss Per Share

Net loss per share was calculated by dividing net loss by the weighted average number of common shares outstanding for the three and nine months ended September 30, 2017 and 2016.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net loss	$ (14,273)	$ (15,245)	$ (51,879)	$ (129,752)
Shares used in computing basic and diluted net loss per share	83,496	82,446	83,225	80,402
Basic and diluted net loss per share	$ (0.17)	$ (0.18)	$ (0.62)	$ (1.61)

(all tabular amounts presented in thousands, except per share, per unit, and number of years)

The following outstanding Company securities, using the treasury stock method, were excluded from the above calculations of net loss per share because their impact would have been anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Common stock options	338	2,006	543	1,384
Restricted stock awards	117	138	119	133
Restricted stock units	98	465	205	358
Total	553	2,609	867	1,875

Conversion of Senior Notes

As discussed in Note 6, in December 2013, the Company issued $86.3 million in aggregate principal amount of 2.25% Convertible Senior Notes due 2018 (the “2.25% Senior Notes”) in an underwritten public offering. In November 2015, the Company also issued $125.0 million aggregate principal amount of 3.25% Convertible Senior Notes due 2020 (the “3.25% Senior Notes”) in an underwritten public offering. Upon any conversion, the 2.25% Senior Notes and/or 3.25% Senior Notes, (collectively the "Senior Notes") may be settled, at the Company’s election, in cash, shares of the Company’s common stock or a combination of cash and shares of the Company’s common stock. For purposes of calculating the maximum dilutive impact, the Company presumed that the Senior Notes will be settled in common stock with the resulting potential common shares included in diluted earnings per share if the effect is more dilutive. The effect of the conversion of the Senior Notes is excluded from the calculation of diluted loss per share because the impact of these securities would be anti-dilutive.

Deerfield Warrants

On April 3, 2017, the Company entered into a Facility Agreement (the “Facility Agreement”) with affiliates of Deerfield Management Company, L.P. (collectively, “Deerfield”), pursuant to which Deerfield agreed to loan to the Company up to $120.0 million, subject to the terms and conditions set forth in the Facility Agreement (the “Term Loan”). Pursuant to the terms of the Facility Agreement, the Company issued warrants to Deerfield to purchase an aggregate of 6,470,000 shares of common stock of the Company at an exercise price of $9.23 per share (the “Deerfield Warrants”). The number of shares of common stock of the Company into which the Warrants are exercisable and the exercise price of the Warrants will be adjusted to reflect any stock splits, recapitalizations or similar adjustments in the number of outstanding shares of common stock of the Company. Refer to Note 6 of the Notes to the Condensed Consolidated Financial Statements for further discussion.

The potential dilutive effect of these securities is shown in the chart below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Conversion of the Notes	11,939	14,767	11,939	14,767
Deerfield Warrants	6,470	—	6,470	—

The effect of the contingently issuable common stock is excluded from the calculation of basic net loss per share until all necessary conditions for issuance have been satisfied. Refer to Note 9 of the Notes to the Condensed Consolidated Financial Statements for further discussion.

6. Credit Facilities

2.25% Convertible Senior Notes

On December 10, 2013, the Company issued $86.3 million in aggregate principal amount of 2.25% Convertible Senior Notes (the “2.25% Senior Notes”). The 2.25% Senior Notes mature on December 15, 2018 unless earlier repurchased by the Company or

converted. The Company received net proceeds of approximately $82.6 million from the sale of the 2.25% Senior Notes, after deducting underwriting discounts and commissions and offering expenses payable by the Company. Interest is payable on the 2.25% Senior Notes on June 15 and December 15 of each year, beginning June 15, 2016.

The 2.25% Senior Notes are governed by the terms of a base indenture (the "Base Indenture"), as supplemented by the first supplemental indenture relating to the 2.25% Senior Notes (the "First Supplemental Indenture," and together with the Base Indenture, the "Indenture"), between the Company and Wells Fargo Bank, National Association (the "Trustee"), each of which were entered into on December 10, 2013.

The 2.25% Senior Notes are senior unsecured obligations and are: (a) senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the 2.25% Senior Notes; (b) equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; (c) effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and (d) and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries.

The Company could not redeem the 2.25% Senior Notes prior to December 15, 2016. On or after December 15, 2016, the Company may redeem for cash all or any portion of the 2.25% Senior Notes, at its option, but only if the closing sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the second trading day immediately preceding the date on which the Company provides notice of redemption, exceeds 130% of the conversion price on each applicable trading day. The redemption price will equal 100% of the principal amount of the 2.25% Senior Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2.25% Senior Notes.

Holders may convert their 2.25% Senior Notes at any time prior to the close of business on the business day immediately preceding September 15, 2018 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2014, if the closing sale price of the Company's common stock, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the 2.25% Senior Notes in effect on each applicable trading day; (2) during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for the 2.25% Senior Notes for each such trading day was less than 98% of the closing sale price of the Company's common stock on such date multiplied by the then-current conversion rate; (3) if the Company calls all or any portion of the notes for redemption, at any time prior to the close of business on the second scheduled trading day prior to the redemption date; or (4) upon the occurrence of specified corporate events. On or after September 15, 2018 until the close of business on the second scheduled trading day immediately preceding the stated maturity date, holders may surrender their 2.25% Senior Notes for conversion at any time, regardless of the foregoing circumstances.

Upon conversion, the Company will, at its election, pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock.

The initial conversion rate of the 2.25% Senior Notes will be 41.6051 shares of the Company's common stock for each $1,000 principal amount of 2.25% Senior Notes, which represents an initial conversion price of approximately $24.04 per share. Following certain corporate transactions that occur on or prior to the stated maturity date or the Company's delivery of a notice of redemption, the Company will increase the conversion rate for a holder that elects to convert its 2.25% Senior Notes in connection with such a corporate transaction.

If a fundamental change (as defined in the Indenture) occurs prior to the stated maturity date, holders may require the Company to purchase for cash all or any portion of their 2.25% Senior Notes at a fundamental change purchase price equal to 100% of the principal amount of the 2.25% Senior Notes to be purchased, plus accrued and unpaid interest to, but excluding, the fundamental change purchase date.

The 2.25% Senior Notes Indenture contains customary terms and covenants and events of default with respect to the 2.25% Senior Notes. If an event of default (as defined in the Indenture) occurs and is continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding 2.25% Senior Notes may declare the principal amount of the 2.25% Senior Notes to be due and payable immediately by notice to the Company (with a copy to the Trustee). If an event of default arising out of certain events of bankruptcy, insolvency or reorganization involving the Company or a significant subsidiary (as set forth in the Indenture) occurs with respect to us, the principal amount of the 2.25% Senior Notes and accrued and unpaid interest, if any, will automatically become immediately due and payable.

The Company was not required to separate the conversion option in the 2.25% Senior Notes under ASC 815, "Derivatives and Hedging", and has the ability to settle the 2.25% Senior Notes in cash, common stock or a combination of cash and common stock, at its option. In accordance with cash conversion guidance contained in ASC 470-20, "Debt with Conversion and Other

Options", the Company accounted for the 2.25% Senior Notes by allocating the issuance proceeds between the liability and the equity component. The equity component is classified in stockholders' equity and the resulting discount on the liability component is accreted such that interest expense equals the Company's nonconvertible debt borrowing rate. The separation was performed by first determining the fair value of a similar debt that does not have an associated equity component. That amount was then deducted from the initial proceeds of the 2.25% Senior Notes as a whole to arrive at a residual amount, which was allocated to the conversion feature that is classified as equity. The initial fair value of the indebtedness was $66.9 million resulting in a $19.3 million allocation to the embedded conversion option. The embedded conversion option was recorded in stockholders' equity and as debt discount, to be subsequently accreted to interest expense over the term of the 2.25% Senior Notes. Underwriting discounts and commissions and offering expenses totaled $3.7 million and were allocated between the liability and the equity component in proportion to the allocation of proceeds and accounted for as debt issuance costs and equity issuance costs, respectively. As a result, $2.9 million attributable to the indebtedness was recorded as deferred financing costs in other assets, to be subsequently amortized as interest expense over the term of the 2.25% Senior Notes, and $0.8 million attributable to the equity component was recorded as a reduction to additional paid-in-capital in stockholders' equity. During the three months ended March 31, 2016, the Company adopted ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" utilizing retrospective application as permitted. As a result, the Company reclassified $1.9 million of debt issuance costs from current and non-current other assets to reduce the 2.25% Senior Notes as of December 31, 2015.

On April 3, 2017, the Company entered into the Facility Agreement with Deerfield, pursuant to which Deerfield agreed to loan to the Company up to $120 million, subject to the terms and conditions set forth in the Facility Agreement. The Company used a portion of the proceeds from the Term Loan to repurchase $68 million aggregate principal amount of outstanding 2.25% Senior Notes, plus the accrued but unpaid interest thereon, from the holders thereof in privately negotiated transactions. Refer to the section entitled Deerfield Facility Agreement below for further discussion. The embedded conversion option of the 2.25% Senior Notes, which was originally recorded in additional paid-in capital, was reduced by $2.2 million. Additionally, $3.2 million related to the reduction of outstanding principal related to the 2.25% Senior Notes was charged to loss on debt extinguishment on the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss.

As of September 30, 2017, the Company had outstanding borrowings of $17.1 million, and deferred financing costs of $0.2 million, related to the 2.25% Senior Notes. There are no principal payments due during the term. Annual interest expense on these notes will range from $1.1 million to $1.5 million through maturity.

Capped Call Transactions

On December 10, 2013, in connection with the pricing of the 2.25% Senior Notes and the exercise in full of their overallotment option by the underwriters, the Company entered into privately-negotiated capped call transactions (the "Capped Call Transactions") with Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Capped Call Transactions initial conversion rate and number of options substantially corresponds to each $1,000 principal amount of 2.25% Senior Notes. The Company used approximately $7.4 million of the net proceeds from the 2.25% Senior Notes offering to pay for the cost of the Capped Call Transactions.

The Capped Call Transactions are separate transactions entered into by the Company with Bank of America, N.A., are not part of the terms of the 2.25% Senior Notes and will not change the holders' rights under the 2.25% Senior Notes. The Capped Call Transactions have anti-dilution adjustments substantially similar to those applicable to the 2.25% Senior Notes. The Capped Call Transactions are derivative instruments that are recorded within stockholders' equity because they meet an exemption from mark-to-market derivative accounting.

The Capped Call Transactions are expected generally to reduce the potential dilution and/or offset potential cash payments that the Company is required to make in excess of the principal amount upon conversion of the 2.25% Senior Notes in the event that the market price per share of the Company's common stock, as measured under the terms of the Capped Call Transactions, is greater than the strike price of the Capped Call Transactions, which initially corresponds to the $24.04 conversion price of the 2.25% Senior Notes. If, however, the market price per share of the Company's common stock, as measured under the terms of the Capped Call Transactions, exceeds the initial cap price of $29.02, there would nevertheless be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that such market price exceeds the cap price of the Capped Call Transactions.

The Company will not be required to make any cash payments to Bank of America, N.A. or any of its affiliates upon the exercise of the options that are a part of the Capped Call Transactions, but will be entitled to receive from Bank of America, N.A. (or an affiliate thereof) a number of shares of the Company's common stock and/or an amount of cash generally based on the amount by which the market price per share of the Company's common stock, as measured under the terms of the Capped Call Transactions, is greater than the strike price of the Capped Call Transactions during the relevant valuation period under the Capped

Call Transactions. However, if the market price of the Company's common stock, as measured under the terms of the Capped Call Transactions, exceeds the cap price of the Capped Call Transactions during such valuation period under the Capped Call Transactions, the number of shares of common stock and/or the amount of cash the Company expects to receive upon exercise of the Capped Call Transactions will be capped based on the amount by which the cap price exceeds the strike price of the Capped Call Transactions.

For any conversions of 2.25% Senior Notes prior to the close of business on the 55th scheduled trading day immediately preceding the stated maturity date of the 2.25% Senior Notes, including without limitation upon an acquisition of the Company or similar business combination, a corresponding portion of the Capped Call Transactions will be terminated. Upon such termination, the portion of the Capped Call Transactions being terminated will be settled at fair value (subject to certain limitations), as determined by Bank of America, N.A., in its capacity as calculation agent under the Capped Call Transactions, which the Company expects to receive from Bank of America, N.A., and no payments will be due Bank of America, N.A. The capped call expires on December 13, 2018.

In connection with the Company's repurchase of approximately $68 million aggregate principal amount of outstanding 2.25% Senior Notes in April 2017, the Company and Bank of America, N.A. unwound the portion of the Capped Call Transactions relating to the repurchased 2.25% Senior Notes. These Capped Call Transactions were originally classified in stockholders' equity and continued to meet the criteria for classification thereof while outstanding, and therefore were not subsequently measured at fair value. The Company did not pay or receive any compensation related to the unwind of the Capped Call Transactions. Therefore, the Company accounted for the unwind of the Capped Call Transactions by removing these options at their carrying value in additional paid-in capital and recording an offsetting entry to additional paid-in capital. As a result, the Company did not recognize any gain or loss, and the unwind had no net impact on additional paid-in capital.

3.25% Convertible Senior Notes due 2020

On November 2, 2015, the Company issued $125.0 million aggregate principal amount of 3.25% Senior Convertible Notes due 2020 (the "3.25% Senior Notes"). The 3.25% Senior Notes are governed by the Base Indenture, as amended and supplemented by the second supplemental indenture relating to the 3.25% Senior Notes (the "Second Supplemental Indenture," and together with the Base Indenture, the "3.25% Senior Notes Indenture"), dated as of November 2, 2015, by and between the Company and the Trustee.

The 3.25% Senior Notes are senior unsecured obligations and are: senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the 3.25% Senior Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated, including the 2.25% Senior Notes; effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries.

The 3.25% Senior Notes accrue interest at a rate of 3.25% per year, payable semi-annually in arrears on May 1 and November 1 of each year, commencing May 1, 2016. The 3.25% Senior Notes mature on November 1, 2020, unless earlier purchased, redeemed or converted into shares of common stock in accordance with the terms of the 3.25% Senior Notes Indenture.

The Company may not redeem the 3.25% Senior Notes prior to November 1, 2018. On or after November 1, 2018, the Company may redeem for cash all or any portion of the 3.25% Senior Notes, at its option, but only if the closing sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the second trading day immediately preceding the date on which the Company provides notice of redemption, exceeds 130% of the conversion price on each applicable trading day. The redemption date can be no sooner than 30 trading days from the date on which notice of redemption is provided to the holders, during which time, up until two trading days prior to the redemption, the holders may elect to convert all or a portion of the 3.25% Senior Notes into shares of the Company's common stock. The redemption price will equal 100% of the principal amount of the 3.25% Senior Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 3.25% Senior Notes.

The 3.25% Senior Notes are convertible at the option of the holders: (1) in the calendar quarter following any quarter in which, for at least 20 out of the 30 consecutive trading days (whether or not consecutive) ending on the last day of the quarter, the closing price of the Company's common stock is more than 130% of the then-current conversion price of the 3.25% Senior Notes; (2) in the five business days following any five day period in which the trading price per $1,000 note was less than 98% of the product of the closing sale price of the Company's common stock and the current conversion rate; (3) in the event that the Company has provided notice of redemption, but no later than two trading days prior to Company's proposed redemption date; or (4) upon the occurrence of specified corporate events. On or after August 1, 2020 until the close of business on the second scheduled trading day

immediately preceding the stated maturity date, holders may surrender their 3.25% Senior Notes for conversion at any time, regardless of the foregoing circumstances.

The initial conversion rate of the 3.25% Senior Notes is 89.4314 shares of the Company's common stock per 1,000 principal amount of the 3.25% Senior Notes, which is equivalent to an initial conversion price of approximately $11.18 per share. The conversion rate is subject to adjustment upon the occurrence of certain specified events. Upon conversion, the Company will at its election pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock.

If a fundamental change (as defined in the 3.25% Senior Notes Indenture) occurs prior to the stated maturity date, holders may require the Company to purchase for cash all or any portion of their 3.25% Senior Notes at a fundamental change purchase price equal to 100% of the principal amount of the 3.25% Senior Notes to be purchased, plus accrued and unpaid interest.

The 3.25% Senior Notes Indenture contains customary terms and covenants and events of default with respect to the 3.25% Senior Notes. If an event of default (as defined in the 3.25% Senior Notes Indenture) occurs and is continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding 3.25% Senior Notes may declare the principal amount of the 3.25% Senior Notes to be due and payable immediately by notice to the Company (with a copy to the Trustee). If an event of default arising out of certain events of bankruptcy, insolvency or reorganization involving the Company or a significant subsidiary (as set forth in the 3.25% Senior Notes Indenture) occurs with respect to us, the principal amount of the 3.25% Senior Notes and accrued and unpaid interest, if any, will automatically become immediately due and payable.

Upon issuance and through December 31, 2015, the Company was not required to separate the conversion option from the 3.25% Senior Notes under ASC 815, "Derivatives and Hedging". However, because the Company has the ability to settle the 3.25% Senior Notes in cash, common stock or a combination of cash and common stock, the Company applied the cash conversion guidance contained in ASC 470-20, "Debt With Conversion and other Options", and accounted for the 3.25% Senior Notes by allocating the issuance proceeds between the liability-classified debt component and a separate equity component attributable to the conversion option. The equity component is classified in stockholders' equity and the resulting discount on the liability component is accreted such that interest expense equals the Company's borrowing rate for nonconvertible loan products of similar duration. The separation was performed by first determining the fair value of a similar debt that does not have an associated equity component. That amount was then deducted from the initial proceeds of the 3.25% Senior Notes as a whole to arrive at a residual amount, which was allocated to the conversion feature that is classified as equity. The initial fair value of the indebtedness was $97.8 million resulting in a $27.2 million allocation to the embedded conversion option. The embedded conversion option was recorded in stockholders' equity and as a debt discount, to be subsequently accreted to interest expense over the term of the 3.25% Senior Notes. Underwriting discounts and commissions and offering expenses totaled $3.7 million and were allocated between the liability and the equity component in proportion to the allocation of proceeds and accounted for as debt issuance costs and equity issuance costs, respectively. As a result, $2.9 million attributable to the indebtedness was recorded as deferred financing costs in other assets, to be subsequently amortized as interest expense over the term of the 3.25% Senior Notes, and $0.8 million attributable to the equity component was recorded as a reduction to additional paid-in-capital in stockholders' equity. The company adopted ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" during the first quarter of 2016, utilizing retrospective application as permitted. As a result, the Company reclassified $2.9 million of debt issuance costs from other assets to reduce the convertible notes as of December 31, 2015.

As of September 30, 2017, the Company had outstanding borrowings of $106.8 million, and deferred financing costs of $2.0 million, related to the 3.25% Senior Notes. There are no principal payments due during the term. Annual interest expense on these 3.25% Senior Notes will range from $9.1 million to $10.7 million through maturity.

In connection with its merger with TriVascular in February 2016, the Company issued 13.6 million shares of common stock as consideration to the former stockholders of TriVascular. As a result of the Company's issuance of such shares in the merger, the quantity of authorized common shares available for future issuance was reduced to a level insufficient to honor all of the potential common shares underlying instruments then outstanding. Such instruments include the conversion options related to the 3.25% Senior Notes and 2.25% Senior Notes, employee stock options, restricted stock units, contingently issuable common stock relating to the prior Nellix acquisition, and stock warrants. The creation of this authorized share deficiency in February 2016 required the Company, during the first quarter of 2016, to separate as a stand-alone derivative the 3.25% Senior Notes conversion option and a portion of the 2.25% Senior Notes conversion option for which no authorized shares are available to effect share settlement in the event of a conversion. Accordingly, in February 2016 the Company re-classed $24.8 million of the conversion features originally recorded in stockholder's equity of the Senior Notes to derivative liabilities which will be marked to market each period until the Company authorizes sufficient new common shares to alleviate the deficiency.

On June 2, 2016, the Company amended its Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 100,000,000 to 135,000,000, which is currently at a level sufficient to alleviate the share

deficiency. Accordingly, on June 2, 2016, the Company re-classed $68.6 million of the conversion features of the Senior Notes from derivative liabilities to additional paid-in capital.

For the three and nine months ended September 30, 2016, the Company recorded $0.0 million and $43.8 million, respectively, as a fair value adjustment of derivative liabilities. The primary factor causing the change in the fair value of the derivative liability was during the period February 3, 2016 through June 2, 2016 when the Company's stock price increased. Adjustments to the fair value of the derivative liabilities are recognized within other income (expense) in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

The value of the derivative liabilities were estimated using a “with” and “without” approach utilizing observable and unobservable inputs causing this to be a Level 3 measurement. In the “with” scenario, the value of the Senior Notes were estimated in a binomial lattice model that considers all terms of the Senior Notes, including the conversion features, with a range of probabilities and assumptions related to the timing and likelihood of the conversion features being exercised by either the Company or the holders of the Senior Notes. In the “without” scenario the value of the Senior Notes absent the conversion options were estimated. The difference between the values estimated in the “with” and “without” scenarios represents the value of the derivative liabilities. Changes in the value of the derivative liabilities were driven by changes in the Company’s stock price, expected volatility, credit spreads, and market yields.

Bank of America line of credit

On July 21, 2015, the Company entered into a revolving credit facility with Bank of America, N.A. (“BOA”), whereby the Company could borrow up to $20.0 million (the “BOA Credit Facility”). All amounts owing under the BOA Credit Facility would become due and payable upon its expiration on July 21, 2017. A sub-feature in the line of credit allowed for the issuance of up to $10.0 million in letters of credit. The BOA Credit Facility was collateralized by all of the Company's assets, except its intellectual property. The BOA Credit Facility could be terminated at any time during the two year term by the Company upon three business days’ notice. The BOA Credit Facility usage was priced at a spread over the one, two, three and six month LIBOR rates, and was subject to a covenant related to timely providing publicly reported information and a liquidity covenant tied to “Unencumbered Liquid Assets” ("ULA") of not less than $30.0 million. If not in default, the Company had the ability to reduce the ULA covenant requirement by reducing the BOA Credit Facility, with the ULA maintained at 1.5 times the BOA Credit Facility.

The Company terminated the BOA Credit Facility on July 29, 2016 concurrent with its entry into a credit and security agreement with MidCap.

MidCap Credit Facility

On July 29, 2016, the Company entered into a credit and security agreement with MidCap Financial Trust ("MidCap"), as agent for the lenders party thereto and as a lender, whereby the Company could borrow up to the lesser of $50.0 million or its applicable borrowing base of asset-based revolving loans (the “MidCap Credit Facility”). All amounts owing under the MidCap Credit Facility accrued interest at a rate equal to the LIBOR Rate plus four and one tenth percent (4.10%). For purposes of the MidCap Credit Facility, LIBOR Rate meant a per annum rate of interest equal to the greater of (a) one half of one percent (0.50%) and (b) the rate determined by MidCap by dividing (i) the Base LIBOR Rate, meaning the base London interbank offer rate for the applicable interest period, by (ii) the sum of one minus the daily average during such interest period of the aggregate maximum reserve requirement then imposed under Regulation D of the Board of Governors of the Federal Reserve System for “Eurocurrency Liabilities” (as defined therein).

The MidCap Credit Facility was secured by substantially all of the Company's assets, excluding its intellectual property (“Collateral”), and placed customary limitations on indebtedness, liens, distributions, acquisitions, investments, and other activities of the Company in a manner designed to protect the Collateral.

Deferred financing costs directly related to the MidCap Credit Facility such as legal, origination, and professional services fees totaled $0.9 million. In conjunction with the Company’s adoption of ASU 2015-03 “Simplifying the Presentation of Debt Issuance Costs” during the first quarter of 2016, the Company also adopted an update thereof or ASU 2015-15 “Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of Credit Arrangements.” As a result, $0.9 million attributable to the MidCap Credit Facility was recorded as deferred financing costs in other assets, to be subsequently amortized as interest expense over the term of the MidCap Credit Facility. The MidCap Credit Facility also contains a lockbox arrangement clause requiring the Company to maintain a lockbox bank account in favor of the MidCap Credit Facility; Company cash receipts remitted to the lockbox bank account are swept on a regular basis to reduce outstanding borrowings related to the MidCap Credit Facility.

In conjunction with the Company's termination of the BOA Credit Facility and concurrent entry into a credit and security agreement with MidCap in July 2016, the Company entered into a corporate credit card agreement whereby the Company is required to maintain a $2.0 million deposit in favor of the credit card issuer. The deposit account related to these credit cards will be presented as restricted cash on the Company's Condensed Consolidated Balance Sheet.

On April 3, 2017, the Company replaced the MidCap Credit Facility with a new revolving line of credit with Deerfield ELGX Revolver, LLC. As a result, the Company wrote off approximately $0.8 million in deferred financing costs and was required to pay a $2.5 million termination fee to Midcap; the foregoing were charged to loss on debt extinguishment on the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss.

Deerfield Facility Agreement

On April 3, 2017, the Company entered into a Facility Agreement (the "Facility Agreement") with affiliates of Deerfield Management Company, L.P. (collectively, "Deerfield"), pursuant to which Deerfield agreed to loan to the Company up to $120.0 million, subject to the terms and conditions set forth in the Facility Agreement (the "Term Loan"). The Company drew the entire principal amount of the Term Loan on the Agreement Date. The Company agreed to pay Deerfield a yield enhancement fee equal to 2.25% of the principal amount of the funds disbursed on the Agreement Date. The Company also agreed to reimburse Deerfield for all reasonable out-of-pocket expenses incurred by Deerfield in connection with the negotiation and documentation of the Facility Agreement up to a capped amount. Accordingly, deferred financing costs of $5.1 million was recorded on the Company's Condensed Consolidated Balance Sheet as a direct reduction of the Term Loan, to be subsequently amortized as interest expense over the effective period of the Term Loan. Concurrently with entering into the Facility Agreement, the Company entered into a Guaranty and Security Agreement with Deerfield (the "Security Agreement"), pursuant to which, as security for the repayment of the Company's obligations under the Facility Agreement, the Company granted to Deerfield a first priority security interest in substantially all of the Company's assets including intellectual property, with the priority of such security interest being pari passu with the security interest granted pursuant to the Facility Agreement.

Any amounts drawn under the Facility Agreement accrue interest at a rate of 6.87% per annum, payable quarterly in arrears beginning on July 1, 2017 and on the first business day of each calendar quarter thereafter and on the Maturity Date, unless repaid earlier. The Company will be required to pay Deerfield on each of April 2, 2021, April 2, 2022 and April 2, 2023 (the "Maturity Date"), an amortization payment equal to $40 million (or, if on the Maturity Date, the remaining outstanding principal amount of the Term Loan).

Upon a change of control of the Company, if the acquirer satisfies certain conditions set forth in the Facility Agreement, such acquirer may assume the outstanding principal amount under the Facility Agreement without penalty. If such acquirer does not satisfy the conditions set forth in the Facility Agreement, Deerfield may, at its option, require the Company to repay the outstanding principal balance under the Facility Agreement plus, depending on the timing of the change of control transaction, the Company may be required to pay a make-whole premium and will be required to pay a change of control fee.

At any time on or after the fourth anniversary of the Agreement Date, the Company has the right to prepay any amounts owed under the Facility Agreement without premium or penalty, unless such prepayment occurs in connection with a change of control of the Company, in which case the Company must pay Deerfield a change of control fee unless such change of control occurs beyond a certain period after the Maturity Date. At any time prior to the fourth anniversary of the Agreement Date, any prepayment made by the Company will be subject to a make-whole premium and, if such prepayment occurs in connection with a change of control of the Company, a change of control fee.

Any amounts drawn under the Facility Agreement may become immediately due and payable upon customary events of default, as defined in the Facility Agreement, or the consummation of certain change of control transactions, as described above.

The Facility Agreement contains various representations and warranties, events of default, and affirmative and negative covenants, customary for financings of this type, including reporting requirements, requirements that the Company maintain timely reporting with the SEC and restrictions on the ability of the Company and its subsidiaries to incur additional liens on their assets, incur additional indebtedness and acquire and dispose of assets outside the ordinary course of business.

As of September 30, 2017, the Company had outstanding borrowings of $105.9 million, and deferred financing costs of $4.7 million, related to the Term Loan. Annual interest expense on these notes will range from $1.5 million to $12.7 million through maturity.

Warrants

In connection with the execution of the Facility Agreement, the Company issued to Deerfield warrants to purchase an aggregate of 6,470,000 shares of common stock of the Company at an exercise price of $9.23 per share (the "Deerfield Warrants"). The number of shares of common stock of the Company into which the Warrants are exercisable and the exercise price of the Warrants will be adjusted to reflect any stock splits, recapitalizations or similar adjustments in the number of outstanding shares of common stock of the Company.

The Warrants expire on the seventh anniversary of the Agreement Date. Subject to certain exceptions, the Warrants contain limitations such that the Company may not issue shares of common stock of the Company to Deerfield upon the exercise of the Warrants if such issuance would result in Deerfield beneficially owning in excess of 4.985% of the total number of shares of common stock of the Company then issued and outstanding.

The holders of the Warrants may exercise the Warrants for cash, on a cashless basis or through a reduction of an amount of principal outstanding under the Term Loan. In connection with certain major transactions, the holders may have the option to convert the Warrants, in whole or in part, into the right to receive the transaction consideration payable upon consummation of such major transaction in respect of a number of shares of common stock of the Company equal to the Black-Scholes value of the Warrants, as defined therein, and in the case of other major transactions, the holders may have the right to exercise the Warrants, in whole or in part, for a number of shares of common stock of the Company equal to the Black-Scholes value of the Warrants.

The Company measured the initial fair value of the 6,470,000 shares underlying the Deerfield Warrants at $14.3 million, net of issuance costs of $0.4 million, and recorded the amount in additional paid-in-capital and as a direct reduction of the Term Loan, to be subsequently amortized as interest expense over the effective period of the Term Loan.

Registration Rights Agreement

In connection with the Term Loan and the issuance of the Warrants, the Company entered into a Registration Rights Agreement with Deerfield (the "Registration Rights Agreement"). Pursuant to the terms of the Registration Rights Agreement, the Company agreed to file a registration statement on Form S-3 (or if Form S-3 is not then available, such other form of registration statement as is then available) with the Commission on or prior to the 30th day following the Agreement Date, to register for resale the shares of common stock of the Company issuable upon the exercise of the Warrants. The aforementioned registration statement was filed on Form S-3 on May 2, 2017.

Credit and Security Agreement

On the Agreement Date, the Company entered into a Credit and Security Agreement (the "Credit Agreement") with Deerfield ELGX Revolver, LLC ("Deerfield Revolver"), pursuant to which the Company may borrow up to the lesser of $50 million or its applicable borrowing base from time to time prior to March 31, 2020 (the "Revolver"). Any outstanding principal under the Revolver will accrue interest at a rate equal to 3-month LIBOR (with a 1% floor) plus 4.60%, payable monthly in arrears on the first business day of the immediately succeeding calendar month and on the maturity date. The Company is subject to other fees in addition to interest on the outstanding principal amount under the Revolver, including in connection with an early termination of the Revolver.

As described above, the Revolver replaces the Company's $50.0 million asset-based revolving line of credit with MidCap Financial Trust. In conjunction with the Company's adoption of ASU 2015-03 "Simplifying the Presentation of Debt Issuance Costs" during the first quarter of 2016, the Company also adopted an update thereof or ASU 2015-15 "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of Credit Arrangements." As a result, the Company recorded $1.2 million in deferred financing costs related to the Revolver and presents these costs as a deferred asset, to be subsequently amortized as interest expense over the term of the Revolver, on the Company's Condensed Consolidated Balance Sheets. The Company's obligations under the Credit Agreement are secured by a first priority security interest in substantially all of the Company's assets including intellectual property, with the priority of such security interest being pari passu with the security interest granted pursuant to the Term Loan. As of September 30, 2017, the Company had outstanding borrowings of $15.4 million under, and deferred financing costs of $1.1 million related to, the Revolver.

In conjunction with the Company's entry into the Credit Agreement, the Company entered into a corporate credit card agreement whereby the Company is required to maintain a $2.0 million deposit in favor of the credit card issuer. The deposit account related to these credit cards will be presented as restricted cash on the Company's Condensed Consolidated Balance Sheet.

ENDOLOGIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(all tabular amounts presented in thousands, except per share, per unit, and number of years)
(Unaudited)

7. Revenue by Geographic Region

The Company's revenue by geographic region, was as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
United States	$ 30,877	67.1%	$ 36,305	69.7%	$ 93,672	68.3%	$ 102,457	70.4%
Total International	$ 15,109	32.9%	$ 15,817	30.3%	$ 43,482	31.7%	$ 43,005	29.6%
Revenue	$ 45,986	100.0%	$ 52,122	100.0%	$ 137,154	100.0%	$ 145,462	100.0%

8. Commitments and Contingencies

(a) Leases

The Company leases its administrative, research, and manufacturing facilities located in Irvine, California, and Santa Rosa, California and an administrative office located in Rosmalen, The Netherlands. These facility lease agreements require the Company to pay operating costs, including property taxes, insurance and maintenance. In addition, the Company has certain equipment under long-term agreements that are accounted for as operating leases.

In conjunction with the TriVascular merger, the Company assumed the lease for TriVascular's facility in Santa Rosa, California. The Company uses the Santa Rosa facility for manufacturing, research & development, and administrative purposes, and the facility consists of 110,000 square feet under an operating lease scheduled to expire in February 2023.

Future minimum payments by year under non-cancelable leases with initial terms in excess of one year were as follows as of September 30, 2017:

Remainder of 2017	$ 938
2018	3,370
2019	3,484
2020	3,694
2021	3,692
2022 and thereafter	21,821
Total	$ 36,999

Facilities rent expense for the three months ended September 30, 2017 and 2016 was $0.6 million and $0.9 million, respectively. For the nine months ended September 30, 2017 and 2016 facilities rent expense was $2.5 million and $2.5 million, respectively.

(b) Employment Agreements and Retention Plan

The Company has employment agreements with certain of its executive officers under which payment and benefits would become payable in the event of termination by the Company for any reason other than cause, death or disability or termination by the employee for good reason (collectively, an “Involuntary Termination”) prior to, upon or following a change in control of the Company. The severance payment will generally be in a range of six to eighteen months of the employee’s then current salary for an Involuntary Termination prior to a change in control of the Company, and will generally be in a range of eighteen to twenty-four months of the employee’s then current salary for an Involuntary Termination upon or following a change in control of the Company.

(c) Legal Matters

We are from time to time involved in various claims and legal proceedings of a nature we believe are normal and incidental to a medical device business. These matters may include product liability, intellectual property, employment, and other general claims. Such cases and claims may raise complex factual and legal issues and are subject to many uncertainties, including, but not limited to, the facts and circumstances of each particular case or claim, the jurisdiction in which each suit is brought, and differences in applicable law. We accrue for contingent liabilities when it is probable that a liability has been incurred and the amount can be reasonably estimated. The accruals are adjusted periodically as assessments change or as additional information becomes available.

LifePort Sciences LLC v. Endologix, Inc.

On December 28, 2012, LifePort Sciences, LLC ("LifePort") filed a complaint against the Company in the U.S. District Court, District of Delaware, alleging that certain of the Company's products infringe U.S. Patent Nos. 5,489,295, 5,676,696, 5,993,481, 6,117,167, 6,302,906, and 8,192,482, which were alleged to be owned by LifePort. On March 17, 2016, the Company entered into a Settlement and Patent License Agreement with LifePort (the "Settlement Agreement") whereby LifePort granted the Company license rights to patents in exchange for a settlement of $4.7 million. The Settlement Agreement resolves this litigation and fully and finally releases the Company and LifePort from any claims arising out of or in connection with the litigation or the subject patents. The Settlement Agreement also contained a covenant not to sue for other patents owned by LifePort. However, since the subject patents were all expired and the Company was not currently using and has no plans to use the other patents owned by LifePort in products that could reach technological feasibility during the covenant not to sue period, there is no alternative future use and the full amount was recorded as settlement costs in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Loss.

Stockholder Securities Litigation

In January 2017, two stockholders purporting to represent a class of persons who purchased the Company's securities between August 2, 2016 and November 16, 2016, filed lawsuits against the Company and certain of its officers in the United States District Court for the Central District of California. The lawsuits allege that the Company made materially false and misleading statements and failed to disclose material adverse facts about its business, operational and financial performance, in violation of federal securities laws, relating to U.S. Food and Drug Administration Premarket Approval for the Company's Nellix EVAS System. On May 26, 2017, the plaintiffs filed an amended complaint extending the class period to include persons who purchased the Company's securities between May 5, 2016 and May 18, 2017 and adding certain factual assertions and allegations regarding the Nellix EVAS System. The Company believes the lawsuits are without merit and intends to defend itself vigorously.

Stockholder Derivative Litigation

On May 22, 2017, a purported stockholder of the Company filed a stockholder derivative complaint in the Superior Court for the State of California, County of Los Angeles, naming certain executive officers and the directors of the Company as defendants and alleging, among other things, breach of fiduciary duty by such executive officers and director. The Company believes this lawsuit is without merit and intends to defend itself vigorously.

SEC Investigation

In July 2017, the Company learned that the United States Securities and Exchange Commission (SEC) issued a Formal Order of Investigation to investigate, among other things, events surrounding the Nellix EVAS System and the prospect of its FDA pre-market approval. The Company is fully cooperating with the investigation, but cannot predict its outcome or the timing of the investigation's conclusion.

(d) Contract Termination

In the three and nine months ended September 30, 2016, the Company sent notices of termination to certain of its distributors providing for the termination of the respective distribution agreements. In accordance with ASC No. 420 "Exit or Disposal Cost Obligations", the Company expensed distributor termination costs in the period in which the written notification of termination occurred. As a result, the Company incurred termination costs of $0 and $2.6 million for the three and nine months ended September 30, 2016. Such termination costs are included in contract termination and business acquisition expenses for the three and nine months ended September 30, 2016.

(all tabular amounts presented in thousands, except per share, per unit, and number of years)

9. Contingently Issuable Common Stock

On October 27, 2010, the Company entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") with Nepal Acquisition Corporation, a wholly-owned subsidiary of the Company ("Merger Sub"), Nellix, Inc. ("Nellix"), certain of Nellix's stockholders named therein and Essex Woodlands Health Ventures, Inc., as representative of the former Nellix stockholders. On December 10, 2010 (the "Nellix Closing Date"), the Company completed the merger (the "Merger") of Merger Sub with and into Nellix pursuant to the terms of the Merger Agreement. The purchase price consisted of 3.2 million shares of the Company's common stock, issuable to the former Nellix stockholders as of the Nellix Closing Date, then representing a value of $19.4 million. Under the agreement, additional payments, solely in the form of shares of the Company's common stock (the "Contingent Payment"), could be made upon the achievement of a revenue milestone and a regulatory approval milestone (collectively, the "Nellix Milestones").

Under the merger agreement, the ultimate value of each Contingent Payment would be determined on the date that each Nellix Milestone is achieved. The number of issuable shares would be established using an applicable per share price, which is subject to a ceiling and/or floor, resulting at the closing of the merger in a potential maximum of 10.2 million shares issuable upon the achievement of the Nellix Milestones. As of the Closing Date, the aggregate fair value of the cash Contingent Payment was estimated to be $28.2 million.

The Merger Agreement provides that, in addition to the shares of common stock of the Company (the "Common Stock") issued to the former Nellix stockholders at the closing of the Merger, if the Company receives approval from the FDA to sell the Nellix Product in the United States (the "PMA Milestone"), the Company will issue additional shares of the Common Stock to the former stockholders of Nellix. The dollar value of the shares of the Common Stock to be issued upon achievement of the PMA Milestone will be equal to $15.0 million (less the dollar value of certain cash payments and other deductions). The price per share of the shares of the Common Stock to be issued upon achievement of the PMA Milestone is subject to a stock price floor of $4.50 per share, but not subject to a stock price ceiling.

As of September 30, 2017 the Company's stock price last closed at $4.46 per share. Thus, had the PMA Milestone been achieved on September 30, 2017 the Contingent Payment would have comprised 3.3 million shares (based on the 30-day average closing stock price ending 5 days prior to the announcement, subjected to the stock price floor of $4.50), representing a value of $14.9 million.

The value of the Contingent Payment is derived using a discounted income approach model, with a range of probabilities and assumptions related to the timing and likelihood of achievement of the PMA Milestone (which include Level 3 inputs - see Note 3(e) and the Company's stock price (Level 1 input) as of the balance sheet date). These varying probabilities and assumptions and changes in the Company's stock price have required fair value adjustments of the Contingent Payment in periods subsequent to the Nellix Closing Date.

The Contingent Payment fair value will continue to be evaluated on a quarterly basis until milestone achievement occurs, or until the expiration of the "earn-out period," as defined within the Nellix purchase agreement. Adjustments to the fair value of the Contingent Payment are recognized within other income (expense) in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

	Fair Value of Contingently Issuable Common Stock
December 31, 2016	$ 12,200
Fair Value Adjustment of Contingent Payment for the nine months ended September 30, 2017	(3,400)
September 30, 2017	$ 8,800

10. Income Tax Expense

The Company applied an estimated annual effective tax rate ("ETR") approach for calculating a tax provision for interim periods. The Company recorded a provision for income taxes of $0.1 million and $0.3 million for the three and nine months ended September 30, 2017, respectively. The Company's ETR was (0.4)% and (0.7)% for the three and nine months ended September 30, 2017, respectively. The Company's ETR for the three and nine months ended September 30, 2017 differs from the U.S. federal statutory tax rate of 34% primarily as a result of nondeductible expenses (including the Nellix Contingent Payment), state income taxes, foreign income taxes, and the impact of a full valuation allowance on its deferred tax assets.

The Company has evaluated the available evidence supporting the realization of its deferred tax assets, including the amount and timing of future taxable income, and has determined that it is more likely than not that its net deferred tax assets will not be

(all tabular amounts presented in thousands, except per share, per unit, and number of years)

realized in the U.S. and certain foreign jurisdictions. Due to uncertainties surrounding the realization of the deferred tax assets, the Company maintains a full valuation allowance against substantially all deferred tax assets. If/when the Company determines that it will be able to realize some portion or all of its deferred tax assets, an adjustment to its valuation allowance on its deferred tax assets would have the effect of increasing net income in the period(s) such determination is made.

11. Restructuring Charges

In the nine months ended September 30, 2017, the Company recorded $0.2 million in restructuring costs within operating expenses related to focused reductions of its workforce. The Company began substantially formulating plans around this workforce reduction during the first quarter of 2016 in conjunction with its merger of TriVascular. The targeted reductions and other restructuring activities were initiated to provide efficiencies and realign resources as well as to allow for continued investment in strategic areas and drive growth. The Company expects to incur a total of $11.3 million in restructuring charges upon the completion of the plan, which represents the Company's best estimate as of September 30, 2017. In the year ended December 31, 2016, the Company recorded $11.1 million in restructuring costs. The recognition of restructuring charges requires that the Company make certain judgments and estimates regarding the nature, timing and amount of costs associated with the planned reductions of workforce. At the end of each reporting period, the Company will evaluate the remaining accrued balance to ensure that no excess accruals are retained and the utilization of the provisions are for their intended purpose in accordance with developed plans. The following table reflects the movement of activity of the restructuring reserve for the nine months ended September 30, 2017:

	One-time Termination Benefits
Accrual balance as of December 31, 2016	$ 2,754
Restructuring charges	235
Utilization	(2,666)
Accrual balance as of September 30, 2017	$ 323

The accrual balance as of September 30, 2017 is classified within accrued expenses and other current liabilities in the Company's Condensed Consolidated Balance Sheet.

12. TriVascular Merger

On February 3, 2016, the Company completed its merger with TriVascular pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated October 26, 2015, by and among Endologix, TriVascular and Teton Merger Sub, Inc., a Delaware corporation and direct wholly-owned subsidiary of Endologix ("Merger Sub"). Pursuant to the terms of the Merger Agreement, Endologix acquired all of TriVascular's outstanding capital stock through the merger of Merger Sub with and into TriVascular (the "Merger"), with TriVascular surviving the Merger as a wholly-owned subsidiary of Endologix. The Company completed the merger in order to become the innovation leader with broad clinical indications for the treatment of AAA, leverage the combined company's commercial capabilities, and provide an accelerated path to profitability. The total purchase consideration given related to the acquisition follows:

Cash consideration	$ 84,634
Common stock consideration	100,812
Fair value of assumed TriVascular stock warrants	44
Total purchase consideration	$ 185,490

Common stock consideration consisted of 13,586,503 shares of Endologix common stock, worth $100.8 million based on the market value of $7.42 per share as of the effective date of the Merger on February 3, 2016.

In connection with the Merger, the Company assumed stock warrants, originally issued by TriVascular, and converted them to Endologix stock warrants. The fair value of the stock warrants represents a component of the total consideration for the Merger. Stock warrants assumed were valued using the Black-Scholes option pricing model as of the effective date of the Merger.

The acquisition was recorded by allocating the costs of the net assets acquired based on their estimated fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the net assets acquired is recorded as goodwill.

The fair values were based on management's analysis, including work performed by third-party valuation specialists. The following presents the allocation of the purchase consideration to the assets acquired and liabilities assumed on February 3, 2016 (in thousands):

Cash and cash equivalents	$	24,012
Short-term investments		3,008
Accounts receivable		5,780
Inventories		17,765
Prepaid expenses and other current assets		1,895
Property and equipment		3,152
Intangible assets		46,200
Other assets		317
Accounts payable		(2,214)
Accrued liabilities and other		(6,450)
Notes payable		(61)
Net assets acquired	$	93,404
Goodwill	$	92,086
Total purchase consideration	$	185,490

The goodwill is primarily attributable to strategic opportunities that arose from the acquisition of TriVascular, such as broadening the product portfolio for the treatment of AAA and leveraging the combined company's technology and commercial capabilities. The goodwill is not deductible for tax purposes.

Pro Forma Condensed Combined Financial Information (Unaudited)

The following unaudited pro forma combined financial information summarizes the results of operations for the period indicated as if the TriVascular merger had been completed as of January 1, 2015. Pro forma information reflects adjustments that are expected to have a continuing impact on our results of operations and are directly attributable to the merger. The unaudited pro forma results include adjustments to reflect, among other things, the amortization of the inventory step-up, direct transaction costs relating to the acquisition, the incremental intangible asset amortization to be incurred based on the preliminary values of each identifiable intangible asset, and to eliminate interest expense related to legacy TriVascular's former loans, which was repaid upon completion of the TriVascular merger. The pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the merger had occurred as of January 1, 2015 or that may be obtained in the future, and do not reflect future synergies, integration costs, or other such costs or savings.

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Combined net sales	$ 52,122	$ 148,133
Combined net loss from continuing operations	(14,129)	(124,859)
Combined basic and diluted net loss per share	$ (0.17)	$ (1.52)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Concerning Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward looking statements are intended to qualify for the safe harbor established by the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by the use of forward-looking terminology such as "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should" or "will" or the negative of these terms or other comparable terminology, or by discussions of strategies, opportunities, plans or intentions. In addition, any statements that refer to projections of our future financial performance, trends in our businesses, or other characterizations of future events or circumstances are forward-looking statements. We have based these forward-looking statements largely on our current expectations based on information currently available to us and projections about future events and trends affecting the financial condition of our business. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Actual results could differ materially from those projected in forward-looking statements as a result of the following factors, among others:

- risks associated with our merger with TriVascular Technologies, Inc. ("TriVascular");
- failure to realize the anticipated benefits from previous business combination transactions, including our acquisition of Nellix, Inc. ("Nellix");
- continued market acceptance, use and endorsement of our products;
- quality problems with our products;
- consolidation in the health care industry;
- the success of our clinical trials relating to products under development;
- our ability to maintain strong relationships with certain key physicians;
- continued growth in the number of patients qualifying for treatment of abdominal aortic aneurysms through our products;
- our ability to effectively compete with the products offered by our competitors;
- the level and availability of third party payor reimbursement for our products;
- our ability to effectively develop new or complementary products and technologies;
- our ability to manufacture our endovascular systems to meet demand;
- our ability to grow product revenues;
- changes to our international operations including currency exchange rate fluctuations;
- our ability to effectively manage our business and keep pace with our anticipated growth;
- our ability to develop and retain a direct sales force in the United States and select European countries;
- the nature of and any changes to domestic and foreign legislative, regulatory and other legal requirements that apply to us, our products, our suppliers and our competitors;
- the timing of and our ability to obtain and maintain any required regulatory clearances and approvals;
- our ability to protect our intellectual property rights and proprietary technologies;
- our ability to operate our business without infringing the intellectual property rights and proprietary technology of third parties;
- product liability claims;
- pending and future litigation;
- reputational damage to our products caused by the use, mis-use or off-label use of our products or government or voluntary recalls of our products;
- our utilization of single source supplier for specialized components of our product lines;
- our ability to attract, retain, and motivate qualified personnel;
- our ability to make future acquisitions and successfully integrate any such future-acquired businesses;
- our ability to maintain adequate liquidity to fund our operational needs and research and developments expenses;
- our ability to identify and manage risks; and
- general macroeconomic and world-wide business conditions.

Our actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied from such forward-looking statements. Important factors that could cause our actual results, performance or achievements to differ materially from our expectations are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 1, 2017, including but not limited to those factors discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations,"

"Risk Factors," "Consolidated Financial Statements" and "Notes to Consolidated Financial Statements." All subsequent written and oral forward-looking statements attributable to us or by persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

Our forward-looking statements speak only as of the date each such statement is made. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations, except as required by applicable law or the rules and regulations of the SEC and The NASDAQ Stock Market, LLC.

Overview

Our Business

Our corporate headquarters are located in Irvine, California and we have manufacturing facilities located in Irvine and Santa Rosa, California. We develop, manufacture, market, and sell innovative medical devices for the treatment of aortic disorders. Our principal products are intended for the treatment of abdominal aortic aneurysms ("AAA"). Our AAA products are built on one of two platforms: (a) traditional minimally-invasive endovascular aneurysm repair ("EVAR") or (b) endovascular aneurysm sealing ("EVAS"), our innovative solution for sealing the aneurysm sac while maintaining blood flow through two blood flow lumens. Our current EVAR products include the AFX® Endovascular AAA System, or the AFX System, the VELA® Proximal Endograft, and the Ovation® Abdominal Stent Graft System, or the Ovation System. Our current EVAS product is the Nellix ® Endovascular Aneurysm Sealing System, or the Nellix EVAS System. We sell our products through our direct U.S. and European sales forces and through third-party international distributors and agents in Europe and in other parts of the world.

See Item 1. of our Annual Report on Form 10-K for the year ended December 31, 2016, entitled "Business," for a discussion of:

- *Market Overview and Opportunity*
- *Our Products*
- *Manufacturing and Supply*
- *Marketing and Sales*
- *Competition*
- *Product Developments and Clinical Trials*

When used in this report, "we," "our," "us" or "Endologix," refer to Endologix, Inc. and our consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires. Endologix®, AFX®, Nellix®, IntuiTrak®, Ovation®, VELA®, Ovation Prime®, Duraply®, Ovation Alto®, and CustomSeal®, are registered trademarks of Endologix, Inc. and its subsidiaries. ActiveSeal™ and the respective product logos are trademarks of Endologix, Inc. and its subsidiaries.

The Nellix System has obtained CE Mark approval in the European Union and is only approved as an investigational device in the United States. The Ovation Alto System is only approved as an investigational device and currently not approved in any market.

Highlights of Our Product Development Initiatives, Clinical Trials and Regulatory Approvals

Nellix EVAS System

The Nellix EVAS System consists of (i) bilateral covered stents with endobags, (ii) a biocompatible polymer injected into the endobags to seal the aneurysm and (iii) a delivery system and associated accessories. The Nellix EVAS System is intended to seal the entire aneurysm sac effectively excluding the aneurysm and reducing the likelihood of future aneurysm rupture. We have the following trials in process to build independent and collective clinical and economic evidence of clinical safety and effectiveness:

- *EVAS2 IDE* - In October 2017, we announced that we have received Investigational Device Exemption ("IDE") approval from the United States Food and Drug Administration ("FDA") to commence a confirmatory clinical study to evaluate the safety and effectiveness of the Nellix EVAS System for the endovascular treatment of infrarenal AAA. The EVAS2 IDE Multicenter Safety and Effectiveness Confirmatory Study ("EVAS2") will prospectively evaluate the refined Indications for Use ("IFU") and the Nellix Gen2 EVAS System. The study is approved to enroll up to 90 primary patients, with one-year follow-up data required for the Premarket Approval ("PMA") application. We anticipate beginning patient enrollment in EVAS2 in the fourth quarter of 2017 or in early 2018, with PMA approval estimated to occur in 2020.

- In September 2017, we announced CE Mark approval for the Nellix EVAS System with the refined IFU. The Nellix EVAS System is being studied in the U.S. under an IDE. Following a thorough review of supporting clinical data, the Company's Notified Body in the European Union, together with an independent clinical reviewer, has determined that the Nellix

EVAS System, with the refined IFU, meets the applicable safety and clinical performance requirements. As a result of these evaluations, the Notified Body has granted a CE Mark for the Nellix EVAS System with the refined IFU.

- *EVAS FORWARD* Global Registry - The objective of this registry was to assess the clinical outcomes of the Nellix EVAS System for the endovascular repair of infrarenal AAA in an 'all-comers,' real world patient population. The first phase of the registry included 300 patients enrolled in 18 international centers. The first patient in the registry was treated in October 2013. In September 2014, we announced completion of patient enrollment in the EVAS FORWARD Global Registry. In November 2016, we announced updated data on 300 patients with a mean follow-up of 25 months. In November 2016, we also announced positive 2-year results from the Nellix EVAS FORWARD Global Registry. The following outcomes were presented at the annual VEITH meeting:

    - 37% of the patients had complex anatomies;
    - 98% freedom from any persistent endoleaks at latest follow-up;
    - No secondary interventions for Type II endoleaks;
    - 97% freedom from aneurysm-related mortality; and
    - 99% freedom from cardiovascular mortality

    In 2017, the EVAS FORWARD Global Registry 2 commenced a post market evaluation of the Nellix Gen2 EVAS System, our second generation device design.

- *EVAS FORWARD IDE* - We developed this pivotal clinical trial to evaluate the safety and effectiveness of the Nellix EVAS System. This study is a prospective single arm study which enrolled 179 patients at 29 centers in the United States and Europe. In November 2014, we completed enrollment in the EVAS FORWARD IDE, and we submitted the one year results to the FDA in March 2016. In May 2016, we announced the results of the one year clinical data from the EVAS FORWARD IDE study that demonstrate that the Nellix EVAS System met the study primary endpoints for major adverse events at 30 days (safety) and treatment success at one year (effectiveness).

    Subsequently, the two-year results from the trial were announced with key highlights from the two-year clinical data from the Nellix US IDE trial are included below:

    - Freedom from all endoleaks (95%), all-cause mortality (92%), device-related reintervention (96%), AAA Sac growth (98%), migration (98%), and cardiovascular mortality (98%), among all patients.
    - Highest freedom of type II endoleaks, of 96%, ever reported at two years, among all patients.

- *ASCEND* Registry - In April 2016, we announced the first data presentation with one-year outcomes from the ASCEND Registry (Aneurysm Study for Complex AAA: Evaluation of Nellix Durability), a physician-initiated registry of the Nellix EVAS System used with aortic branch stent grafts for the treatment of patients with complex AAAs.

AFX

The AFX System consists of (i) a cobalt chromium alloy stent covered by expanded polytetrafluoroethylene (commonly referred to as "ePTFE") graft material and (ii) accompanying delivery systems. Once fixed in its proper position within the abdominal aortic bifurcation, the AFX System provides a conduit for blood flow, thereby relieving pressure within the weakened or "aneurysmal" section of the vessel wall, which greatly reduces the potential for the AAA to rupture. In February 2014, we launched a new proximal extension in the United States, VELA, designed to be used in conjunction with our AFX bifurcated device. VELA features a circumferential graft line marker and controlled delivery system that enable predictable deployment and final positional adjustments. We began a commercial introduction of VELA in Europe in January 2015.

In September 2014, we announced a new clinical study called LEOPARD (**L**ooking at **E**VAR **O**utcomes by **P**rimary **A**nalysis of **R**andomized **D**ata). This study will provide a real-world comparison of the AFX System versus other commercially available EVAR devices. We designed the LEOPARD study to randomize and enroll up to 800 patients at 80 leading centers throughout the United States and commenced enrollment in the first quarter of 2015. The centers are a mix of our current and new customers, with each investigator selecting one competitive device to randomize against the AFX System. The LEOPARD study is being led by an independent steering committee of leading physicians who are involved with the study and responsible for presenting the results over the five-year follow-up period.

Subsequently, positive interim results from LEOPARD were announced. Based upon the patients that have completed their one-year follow-up, freedom from Aneurysm Related Complications ("ARC") with AFX/AFX2 is 84.7%, compared to 82.0% with other devices. These preliminary results demonstrate similar outcomes between the endografts under investigation, but there is a trend towards better performance for AFX/AFX2, which is the only device that preserves the patient's aortic bifurcation. Based

upon the anticipated number of additional patients required to prove superiority, we plan to stop further randomization in the LEOPARD study and to continue to follow enrolled patients for the planned five years.

In December 2015, we announced that the AFX System received Shonin approval from the Japanese Ministry of Health, Labor and Welfare.

In February 2016, we announced the completion of the first United States commercial implant of our AFX2 Bifurcated Endograft System ("AFX2"). AFX2 reduces procedure steps for the delivery and deployment of the bifurcated endograft. AFX2 also facilitates percutaneous endovascular aneurysm repair ("PEVAR") by providing the lowest profile contralateral access through a 7F introducer. These improvements bring together our ActiveSeal™ technology, DuraPly® PTFE graft material and VELA Proximal Endograft, into an integrated new EVAR system.

In December 2016, we received notice from our Notified Body in the European Union that the CE Mark for the AFX System and AFX2 would be suspended due to reports of Type III endoleaks with a prior generation of the device. We had, for our current generation of AFX products, implemented device and graft material improvements and updated instructions for use resulting in a substantial reduction in reported Type III endoleaks. We provided documentation of the foregoing reduction in Type III endoleaks to our Notified Body. In January 2017, we received notice from our Notified Body that the CE Mark for the AFX System and AFX2 had been re-instated, effective immediately.

In addition, in December 2016, we placed a temporary hold on shipments of the AFX System and AFX2 to complete an investigation of a manufacturing issue with some sizes of these devices. In late December 2016, we removed the temporary hold on, and resumed shipments of, all sizes of the AFX System and some sizes of AFX2, and in January 2017 we removed the temporary hold on, and resumed shipments of, all sizes of AFX2.

Ovation

The Ovation System consists of (i) a radiopaque nitinol suprarenal stent with integral anchors, (ii) a low-permeability polytetrafluoroethylene ("PTFE"), aortic body graft that contains a network of inflatable rings filled with a liquid polymer that solidifies during the deployment procedure, (iii) nitinol iliac limb stents encapsulated with PTFE, and (iv) accompanying ultra-low profile delivery systems, auto injector and fill polymer kit. The Ovation System creates a custom seal that conforms to anatomical irregularities and the ultra-low profile system navigates tortuous anatomies.

In May 2011, TriVascular initiated a three-year European Post Market Registry to enroll 500 patients across 30 European Centers. Enrollment ended in December 2013. In January 2017, we announced positive three-year results from the Ovation EU Post Market Registry. The data was presented at the 2017 LINC meeting and showed that the Ovation platform has the broadest range of patient applicability on Instructions for Use of all commercially available infrarenal endovascular AAA devices. The resulting outcomes included:

- 99% freedom from aneurysm-related mortality;
- 99% freedom from migration, rupture, and conversion;
- 97% freedom from Type I/III endoleak; and
- Excellent freedom from secondary intervention for occlusion (97%), Type I endoleak (97%) and Type II endoleak 95%.

In October 2014, TriVascular initiated the LIFE Study to illustrate the potential advantages of a fast track protocol including PEVAR, no general anesthesia, no time in ICU and a one night stay in the hospital with the Ovation System. In May 2016, we announced the completion of enrollment of 250 patients at 34 sites participating in the LIFE Study. In September 2016, we announced the results of the one-month clinical data from the LIFE Study that demonstrate that the Ovation System met the study primary endpoint for major adverse events at 30 days and the following highlights of the presentation, with outcomes covering one-month follow-up, include:

- Low major adverse event (MAE) rate of 0.4%;
- No ruptures, conversion, or secondary interventions;
- 99% and 100% freedom from type I and type III endoleak;
- Fast-Track completed in 216 (87%) patients, with positive results compared to non-Fast-Track patients;
- Procedure time of 84 minutes vs. 110 minutes;
- General anesthesia use 0% vs. 18%;
- ICU stay 0% vs. 32%; and
- Mean hospital stay 1.2 vs. 1.9 days.

In early 2015, TriVascular initiated the LUCY Study, a multi-center post-market registry designed to explore the clinical benefits associated with EVAR using the Ovation Abdominal Stent Graft Platform in female patients with AAA, as compared to

males. It is the first prospective study evaluating EVAR in females, a population that has historically been underrepresented in EVAR clinical trials. We announced completion of enrollment of 225 patients in the LUCY study in February 2017.

The 30-day LUCY data showed that, in women, the ultra-low profile (14F) Ovation device resulted in:

- At least 28% greater EVAR eligibility for women with AAA
- 1.3% major adverse events, the lowest rate reported for EVAR, compared to other contemporary, prospective, post-market registries
- No deaths
- No proximal endoleaks
- No limb occlusion
- Low readmission rate of 3.9%
- 100% procedural success

In June 2015, the FDA approved the next generation Ovation iX Iliac Stent Graft for the Ovation System, and in July 2015, the FDA approved the Ovation iX Abdominal Stent Graft System. In September 2015, the first patients were treated with the Ovation iX Abdominal Stent Graft System in Europe, and in August 2015, TriVascular initiated the launch of the Ovation iX System in the United States.

In November 2016, we announced at VEITH that the five-year results from the Global Ovation Pivotal Trial were positive and showed the following outcomes:

- Broad patient applicability, with 40% of the patients treated outside the labeled indications of other EVAR devices;
- Stable aortic neck diameters with an average expansion of 0.1%, compared to 25% as reported with other EVAR devices;
- Lowest reported MAE rate across EVAR investigational device exemption ("IDE") trials;
- 97% Freedom from secondary interventions related to type I endoleak; and
- No migration, type III endoleaks or conversions.

In August 2016, we announced that the first two patients were treated with the Ovation Alto® Abdominal Stent Graft System ("Ovation Alto"), which is the newest device in the Ovation System. Ovation Alto is intended to expand EVAR to include the treatment of patients with complex AAAs, specifically patients with very short or otherwise challenging aortic neck anatomy. This is achieved by the conformable O-rings with CustomSeal® polymer that have been repositioned near the top of the endograft, providing seal just below the renal arteries. In November 2016, we received IDE approval from the FDA to conduct a clinical study with Ovation Alto in the United States.

In March 2017, we announced the enrollment of the first patients in the **E**xpanding Patient Applicability with Po**l**ymer S**e**aling O**vat**ion Alto St**e**nt Graft (ELEVATE) IDE clinical study, our pivotal clinical trial to evaluate the safety and effectiveness of Ovation Alto for the repair of infrarenal AAAs. The ELEVATE IDE clinical trial is approved to enroll 75 patients at up to 12 centers in the United States.

Characteristics of Our Revenue and Expenses

Revenue

We derive revenue from sales of our EVAR and EVAS products (including extensions and accessories) to hospitals upon completion of AAA repair procedures, or from sales to distributors upon title transfer (which is typically at shipment), provided our other revenue recognition criteria have been met.

Cost of Goods Sold

Cost of goods sold includes compensation (including stock-based compensation) and benefits of production personnel and production support personnel. Cost of goods sold also includes depreciation expense for production equipment, production materials and supplies expense, allocated facilities-related expenses and certain direct costs such as shipping.

Research and Development

Research and development expenses consist of compensation (including stock-based compensation) and benefits for research and development personnel, materials and supplies, research and development consultants, outsourced and licensed research and development costs and allocated facilities-related costs. Our research and development activities primarily relate to the development and testing of new devices and methods to treat aortic disorders.

Clinical and Regulatory

Clinical and regulatory expenses consist of compensation (including stock-based compensation) and benefits for clinical and regulatory personnel, regulatory and clinical payments related to studies, regulatory costs related to registration and approval activities and allocated facilities-related costs. Our clinical and regulatory activities primarily relate to gaining regulatory approval for the commercialization of our devices.

Marketing and Sales

Marketing and Sales expenses primarily consist of compensation (including stock-based compensation) and benefits for our sales force, clinical specialists, internal sales support functions and marketing personnel. It also includes costs attributable to marketing our products to our customers and prospective customers.

General and Administrative

General and administrative expenses primarily include compensation (including stock-based compensation) and benefits for personnel that support our general operations such as information technology, executive management, financial accounting, and human resources. General and administrative expenses also include bad debt expense, patent and legal fees, financial audit fees, insurance, recruiting fees, other professional services, the federal Medical Device Excise Tax and allocated facilities-related expenses.

Results of Operations

Operations Overview - Three Months Ended September 30, 2017 versus 2016

The following table presents our results of continuing operations and the related percentage of the period's revenue (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
Revenue	$ 45,986	100.0%	$ 52,122	100.0%	$ 137,154	100.0%	$ 145,462	100.0%
Cost of goods sold	16,879	36.7%	15,191	29.1%	47,181	34.4%	51,131	35.2%
Gross profit	29,107	63.3%	36,931	70.9%	89,973	65.6%	94,331	64.8%
Operating expenses:								
Research and development	5,277	11.5%	8,236	15.8%	16,541	12.1%	23,796	16.4%
Clinical and regulatory affairs	3,211	7.0%	3,759	7.2%	9,786	7.1%	11,664	8.0%
Marketing and sales	21,536	46.8%	26,007	49.9%	71,217	51.9%	82,749	56.9%
General and administrative	8,332	18.1%	9,714	18.6%	25,109	18.3%	29,869	20.5%
Restructuring costs	98	0.2%	498	1.0%	235	0.2%	8,612	5.9%
Settlement costs	—	—%	—	—%	—	—%	4,650	3.2%
Contract termination and business acquisition expenses	—	—%	(49)	(0.1)%	—	—%	5,856	4.0%
Total operating expenses	38,454	83.6%	48,165	92.4%	122,888	89.6%	167,196	114.9%
Loss from operations	(9,347)	(20.3)%	(11,234)	(21.6)%	(32,915)	(24.0)%	(72,865)	(50.1)%
Total other income (expense)	(4,864)	(10.6)%	(3,837)	(7.4)%	(18,626)	(13.6)%	(56,167)	(38.6)%
Net loss before income tax expense	(14,211)	(30.9)%	(15,071)	(28.9)%	(51,541)	(37.6)%	(129,032)	(88.7)%
Income tax expense	(62)	(0.1)%	(174)	(0.3)%	(338)	(0.2)%	(720)	(0.5)%
Net loss	$ (14,273)	(31.0)%	$ (15,245)	(29.2)%	$ (51,879)	(37.8)%	$ (129,752)	(89.2)%

Comparison of the Three Months Ended September 30, 2017 versus 2016

Revenue

	Three Months Ended September 30,			
	2017	2016	Variance	Percent Change
	(in thousands)			
Revenue	$ 45,986	$ 52,122	$ (6,136)	(11.8)%

US Sales. Net sales totaled $30.9 million in the three months ended September 30, 2017, a 15.0% decrease from $36.3 million in net sales in three months ended September 30, 2016, driven by a decline in sales of our AFX products due to slower than expected customer recapture and sales force attrition partially offset by strong sales growth for the Ovation System.

International Sales. Net sales of products in our international regions totaled $15.1 million in the three months ended September 30, 2017, a 4.5% decrease from $15.8 million in net sales of products in our international regions in the three months ended September 30, 2016. Both AFX and Ovation product lines posted strong growth which was offset by a decline in Nellix sales reflecting the narrowed IFU. Our international sales for the three months ended September 30, 2017 included a favorable foreign currency impact of approximately $0.4 million when compared to the net sales for the three months ended September 30, 2016, which had a 2.5 percentage point favorable impact on the growth rate representing constant currency decrease of 6.9%.

Cost of Goods Sold, Gross Profit, and Gross Margin

	Three Months Ended September 30,			
	2017	2016	Variance	Percent Change
	(in thousands)			
Cost of goods sold	$ 16,879	$ 15,191	$ 1,688	11.1 %
Gross profit	29,107	36,931	(7,824)	(21.2)%
Gross margin percentage (gross profit as a percent of revenue)	63.3%	70.9%		

Gross margin percentage for the three months ended September 30, 2017 decreased to 63.3% from 70.9% for the three months ended September 30, 2016. The three months ended September 30, 2016 included purchase price accounting impact for inventory acquired in the TriVascular merger of $1.4 million. Excluding this impact, cost of goods increased by $3.1 million in the three months ended September 30, 2017 versus 2016. This increase is driven by higher costs related to the AFX2 sampling methodology and the phase out of AFX1.

Operating Expenses

	Three Months Ended September 30,			
	2017	2016	Variance	Percent Change
	(in thousands)			
Research and development	$ 5,277	$ 8,236	$ (2,959)	(35.9)%
Clinical and regulatory affairs	3,211	3,759	(548)	(14.6)%
Marketing and sales	21,536	26,007	(4,471)	(17.2)%
General and administrative	8,332	9,714	(1,382)	(14.2)%
Restructuring costs	98	498	(400)	(80.3)%
Contract termination and business acquisition expenses	—	(49)	49	(100.0)%

Research and Development. The $3.0 million decrease in research and development expenses as compared to the prior year period was attributable to the timing of project spending and synergies related to the TriVascular merger.

Clinical and Regulatory Affairs. The decrease in clinical and regulatory affairs expenses as compared to the prior year period was due to synergies related to the TriVascular merger.

Marketing and Sales. The $4.5 million decrease in marketing and sales expenses for the three months ended September 30, 2017, as compared to the prior year period, was driven by synergies as a result of the integration of the TriVascular sales and marketing organization.

General and Administrative. The $1.4 million decrease in general and administrative expenses as compared to the prior year period was primarily attributable to a decrease in headcount related to synergies as a result of the TriVascular merger. The targeted reductions were initiated to provide efficiencies and realign resources as well as to allow for continued investment in strategic areas and drive growth.

Restructuring Costs. The $0.4 million decrease in restructuring costs for the three months ended September 30, 2017, as compared to the prior year period, was comprised of costs associated with TriVascular executive change in control agreements, and severance and retention bonuses resulting from the TriVascular merger.

Other income (expense), net

	Three Months Ended September 30,			
	2017	2016	Variance	Percent Change
	(in thousands)			
Other income (expense), net	$ (4,864)	$ (3,837)	$ (1,027)	26.8%

Other Income (Expense), Net. Other expense of $4.9 million for the three months ended September 30, 2017 consists primarily of interest expense of $6.0 million and a favorable change in fair value of contingent consideration related to the Nellix

acquisition of $0.8 million. Other expense of $3.8 million for the three months ended September 30, 2016 consists primarily of interest expense associated with our convertible notes.

Provision for Income Taxes

	Three Months Ended September 30,			
	2017	2016	Variance	Percent Change
	(in thousands)			
Income tax expense	$ (62)	$ (174)	$ 112	(64.4)%

Our income tax expense was $62 thousand and our effective tax rate was (0.4)% for the three months ended September 30, 2017 due to our tax positions in various jurisdictions. During the three months ended September 30, 2017 and 2016, we had operating legal entities in the U.S., Canada, Italy, New Zealand, Poland and the Netherlands (including registered sales branches in certain countries in Europe).

Comparison of the Nine Months Ended September 30, 2017 versus 2016

Revenue

	Nine Months Ended September 30,			
	2017	2016	Variance	Percent Change
	(in thousands)			
Revenue	$ 137,154	$ 145,462	$ (8,308)	(5.7)%

US Sales. Net sales totaled $93.7 million in the nine months ended September 30, 2017, an 8.6% decrease from $102.5 million in net sales in the nine months ended September 30, 2016, driven by a decline in sales of our AFX products due to lower than expected customer recapture and sales force attrition partially offset by strong sales growth for the Ovation System.

International Sales. Net sales of products in our international regions totaled $43.5 million in the nine months ended September 30, 2017, a 1.1% increase from $43.0 million in net sales of products in our international regions in the nine months ended September 30, 2016. Both AFX and Ovation product lines posted strong growth which was partially offset by a decline in Nellix sales reflecting the narrowed IFU. Our international sales for the nine months ended September 30, 2017 included an unfavorable foreign currency impact of approximately $0.1 million when compared to the net sales for the nine months ended September 30, 2016, which had a 0.3 percentage point unfavorable impact on the growth rate representing constant currency increase of 1.4%.

Cost of Goods Sold, Gross Profit, and Gross Margin

	Nine Months Ended September 30,			
	2017	2016	Variance	Percent Change
	(in thousands)			
Cost of goods sold	$ 47,181	$ 51,131	$ (3,950)	(7.7)%
Gross profit	89,973	94,331	(4,358)	(4.6)%
Gross margin percentage (gross profit as a percent of revenue)	65.6%	64.8%		

Gross margin percentage for the nine months ended September 30, 2017 increased to 65.6% from 64.8% for the nine months ended September 30, 2016. The nine months ended September 30, 2016 included an $8.2 million impact of purchase price accounting for inventory acquired in the TriVascular merger. Excluding this impact, cost of goods sold increased $4.3 million in the nine months ended September 30, 2017 versus 2016. This increase is driven by less favorable geographic mix, higher costs related to the AFX2 sampling methodology and the phase out of AFX1.

Operating Expenses

	Nine Months Ended September 30,			
	2017	2016	Variance	Percent Change
	(in thousands)			
Research and development	$ 16,541	$ 23,796	$ (7,255)	(30.5)%
Clinical and regulatory affairs	9,786	11,664	(1,878)	(16.1)%
Marketing and sales	71,217	82,749	(11,532)	(13.9)%
General and administrative	25,109	29,869	(4,760)	(15.9)%
Restructuring costs	235	8,612	(8,377)	(97.3)%
Settlement costs	—	4,650	(4,650)	(100.0)%
Contract termination and business acquisition expenses	—	5,856	(5,856)	(100.0)%

Research and Development. The $7.3 million decrease in research and development expenses over the prior year period was attributable to the timing of project spending and synergies related to the TriVascular merger.

Clinical and Regulatory Affairs. The $1.9 million decrease in clinical and regulatory affairs expenses over the prior year period was due to synergies related to the TriVascular merger.

Marketing and Sales. The $11.5 million decrease in marketing and sales expenses for the nine months ended September 30, 2017, as compared to the prior year period, was driven by synergies as a result of the integration of the TriVascular sales and marketing organization.

General and Administrative. The $4.8 million decrease in general and administrative expenses over the prior year period was primarily attributable to a decrease in headcount related to synergies as a result of the TriVascular merger. The targeted reductions were initiated to provide efficiencies and realign resources as well as to allow for continued investment in strategic areas and drive growth.

Restructuring Costs. The $8.4 million decrease in restructuring costs for the nine months ended September 30, 2017, as compared to the prior year period, was comprised of costs associated with TriVascular executive change in control agreements, and severance and retention bonuses resulting from the TriVascular merger.

Settlement Costs. The $4.7 million decrease in settlement costs for the nine months ended September 30, 2017, as compared to the prior year period, was a result of the LifePort settlement in 2016.

Contract Termination and Business Acquisition Expenses. The $5.9 million decrease in contract termination and business acquisition expenses for the nine months ended September 30, 2017, as compared to the prior year period, was primarily related to the termination of some of our international distributors as well as transaction-related expenses associated with the TriVascular merger.

Other income (expense), net

	Nine Months Ended September 30,			
	2017	2016	Variance	Percent Change
	(in thousands)			
Other income (expense), net	$ (18,626)	$ (56,167)	$ 37,541	(66.8)%

Other Income (Expense), Net. Other expense of $18.6 million for the nine months ended September 30, 2017 consists primarily of loss on debt extinguishment of $6.5 million, interest expense of $16.1 million and a favorable change in fair value of contingent consideration related to the Nellix acquisition of $3.4 million. Other expense for the nine months ended September 30, 2016 consists primarily of interest expense of 11.7 million, the change in fair value of derivative of $43.8 million, foreign currency loss of $0.8 million and a non-cash expense of $0.1 million which reflects an increase in the fair value of the Nellix Contingent consideration.

Provision for Income Taxes

	Nine Months Ended September 30,			
	2017	2016	Variance	Percent Change
	(in thousands)			
Income tax (expense) benefit	$ (338)	$ (720)	$ 382	(53.1)%

Our income tax expense was $338 thousand and our effective tax rate was (0.7)% for the nine months ended September 30, 2017 due to our tax positions in various jurisdictions. During the nine months ended September 30, 2017 and 2016, we had operating legal entities in the U.S., Canada, Italy, New Zealand, Poland and the Netherlands (including registered sales branches in certain countries in Europe).

Liquidity and Capital Resources

The chart provided below summarizes selected liquidity data and metrics as of September 30, 2017, December 31, 2016, and September 30, 2016:

	September 30, 2017	December 31, 2016	September 30, 2016
	(in thousands, except financial metrics data)		
Cash and cash equivalents	$ 74,619	$ 26,120	$ 22,022
Marketable securities	$ —	$ 20,988	$ 38,974
Accounts receivable, net	$ 33,979	$ 34,430	$ 37,356
Total current assets	$ 157,876	$ 129,845	$ 148,463
Total current liabilities	$ 54,474	$ 44,902	$ 60,087
Working capital surplus (a)	$ 103,402	$ 84,943	$ 88,376
Current ratio (b)	2.9	2.9	2.5
Days sales outstanding ("DSO") (c)	68	67	66
Inventory turnover (d)	1.6	2.0	1.4

(a) total current assets *minus* total current liabilities as of the corresponding balance sheet date.
(b) total current assets *divided by* total current liabilities as of the corresponding balance sheet date.
(c) net accounts receivable at period end *divided by* revenue for the current period *multiplied* by the number of days in the period.
(d) cost of goods sold *divided by* the average inventory balance for the corresponding period.

Operating Activities

In the nine months ended September 30, 2017, our operating activities used $36.6 million in cash. This was primarily the result of a net loss of $51.9 million, non-cash operating expenses of $23.2 million, and changes in operating assets and liabilities of $8.0 million. In the nine months ended September 30, 2016, our operating activities used $60.1 million in cash. This was primarily the result of a net loss of $129.8 million, non-cash operating expenses of $68.4 million, and changes in operating assets and liabilities of $1.3 million.

During the nine months ended September 30, 2017 and 2016, our cash collections from customers totaled $140.5 million and $144.3 million, respectively, representing 102.5% and 99.2% of reported revenue for the same periods.

Investing Activities

Cash provided by investing activities for the nine months ended September 30, 2017 was $20.1 million, as compared to cash used in investing activities of $45.8 million in the prior year period. For the nine months ended September 30, 2017, cash provided by investing activities consisted of $21.0 million in maturities of marketable securities; offset by $0.9 million used for machinery and equipment purchases. For the nine months ended September 30, 2016, cash used in investing activities consisted of $60.6 million used for the acquisition of TriVascular, $21.0 million used to purchase marketable securities and $2.1 million used for machinery and equipment purchases. This was offset by proceeds from the maturities of marketable securities of $37.9 million.

Financing Activities

Cash provided by financing activities was $64.2 million for the nine months ended September 30, 2017, as compared to cash provided by financing activities of $3.2 million in the prior year period. For the nine months ended September 30, 2017, cash provided by financing activities for nine months ended September 30, 2017 consisted of (i) net proceeds from issuance of debt of $113.2 million, (ii) net proceeds from revolving line of credit of $15.4 million; (iii) proceeds of $2.2 million from the exercise of stock options and proceeds from sales of common stock under our employee stock purchase plan; and (iv) offset by $66.6 million used for repayment of debt. For the nine months ended September 30, 2016, cash provided by financing activities consisted of $4.3 million from the exercise of stock options and proceeds from sales of common stock under our employee stock purchase plan, offset by $0.9 million used to pay deferred financing costs and $0.1 million used to pay minimum tax withholdings on behalf of employees for restricted stock units vested during the period.

Credit Arrangements

See Notes 6 and 13 of the Notes to the Condensed Consolidated Financial Statements for a discussion of our credit arrangements.

Future Capital Requirements

We believe that the future growth of our business will depend upon our ability to successfully develop new technologies for the treatment of aortic disorders and successfully bring these technologies to market. We expect to incur significant expenditures in completing product development and clinical trials.

The timing and amount of our future capital requirements will depend on many factors, including:

- the need for working capital to support our sales growth;
- the need for additional capital to fund future development programs;
- the need for additional capital to fund our sales force expansion;
- the need for additional capital to fund strategic acquisitions;
- our requirements for additional facility space or manufacturing capacity;
- our requirements for additional information technology infrastructure and systems; and
- adverse outcomes from potential litigation and the cost to defend such litigation.

We believe that our world-wide cash resources are adequate to operate our business. We presently have several operating subsidiaries and branches outside of the U.S. As of September 30, 2017, these subsidiaries and branches held an aggregate of $7.3 million in foreign bank accounts to fund their local operations. A portion of these balances relate to undistributed earnings, and are deemed by management to be permanently reinvested in the corresponding country in which our subsidiary operates. Management has no present or planned intention to repatriate foreign earnings into the U.S. However, in the event that we require additional funds in the U.S. and must repatriate any foreign earnings to meet those needs, we would then need to accrue, and ultimately pay, incremental income tax expenses on such “deemed dividend,” unless we then had sufficient net operating losses to offset this potential tax liability.

In the event we require additional financing in the future, it may not be available on commercially reasonable terms, if at all. Even if we are able to obtain financing, it may cause substantial dilution (in the case of an equity financing), or may contain burdensome restrictions on the operation of our business (in the case of debt financing). If we are not able to obtain required financing, we may need to curtail our operations and/or our planned product development.

Contractual Obligations

Contractual obligation payments by year with initial terms in excess of one year were as follows as of September 30, 2017 (in thousands):

	Payments due by period						
Contractual Obligations	**Total**	**Remainder of 2017**	**2018**	**2019**	**2020**	**2021**	**2022 and thereafter**
Long-term debt obligations	$ 263,278	$ —	$ 18,278	$ —	$ 125,000	$ 40,000	$ 80,000
Interest on Senior Notes and Term Loan	54,586	4,344	12,832	12,421	12,455	6,962	5,572
Operating lease obligations	36,999	938	3,370	3,484	3,694	3,692	21,821
Total	$ 354,863	$ 5,282	$ 34,480	$ 15,905	$ 141,149	$ 50,654	$ 107,393

Refer to Notes 6 and 13 of the Notes to the Condensed Consolidated Financial Statements for a discussion of long-term debt obligations and Note 8 of the Notes to the Condensed Consolidated Financial Statements for a discussion of operating lease obligations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements (except for operating leases) that provide financing, liquidity, market or credit risk support, or involve derivatives. In addition, we have no arrangements that may expose us to liability that are not expressly reflected in the accompanying Condensed Consolidated Financial Statements.

As of September 30, 2017, we did not have any relationships with unconsolidated entities or financial partnerships, often referred to as "structured finance" or "special purpose entities," established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not subject to any material financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Critical Accounting Policies and Estimates

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States. The preparation of the financial statements requires the use of judgments and estimates that affect the reported amounts of revenues, expenses, assets, liabilities and shareholders' equity. We have adopted accounting policies and practices that are generally accepted in the industry in which we operate. If these estimates differ significantly from actual results, the impact to the condensed consolidated financial statements may be material.

There have been no material changes in our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for our fiscal year ended December 31, 2016. Please refer to Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for a discussion of our critical accounting policies and estimates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU ") No. 2014-09, "Revenue from Contracts with Customers", which 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. ASU No. 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The FASB agreed to a one-year deferral of the revenue recognition standard's effective date for all entities. The new revenue standard is effective for us on January 1, 2018. Early application is permitted, but not before the original effective date, which would have been January 1, 2017 for us. The new revenue standard permits the use of either the full retrospective or modified retrospective transition method; these methods may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application.

Accordingly, in 2016, we established a cross-functional implementation team to analyze the impact of the new revenue standard. This preliminary analysis included the review of an initial sample of contracts, as well as reviewing current accounting policies and customary business practices to identify potential differences that would result from applying the requirements of the new standard to our revenue contracts. We currently expect revenue related to the completion of an EVAR or EVAS procedure in hospitals, when the EVAR or EVAS products are implanted in a patient, to remain substantially unchanged. As part of the foregoing review, we separated revenue streams into portfolios of contracts with similar characteristics and selected

samples thereof, as we do not expect the financial statement effects to differ materially when applying this approach to individual contracts. In addition, we identified, and are in the process of implementing, appropriate changes to our business processes, systems and controls to support recognition and disclosure under the new revenue standard. We currently expect to adopt the new revenue standard in our first quarter of 2018 utilizing the modified retrospective adoption method. We currently do not expect the new revenue standard to have a material impact on the amount and timing of revenue recognized in our consolidated financial statements. We are currently assessing the impact this guidance will have on our financial statement disclosure. The foregoing preliminary assessments or expectations are subject to change pending further analysis through the 2017 year.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory," which requires an entity to measure inventory within the scope of the amendment at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We adopted this new accounting standard prospectively in the first quarter of 2017. This new accounting standard did not have a significant impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, which amends the FASB Accounting Standards Codification and creates Topic 842, "Leases." The new topic supersedes Topic 840, "Leases," and increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requires disclosures of key information about leasing arrangements. The guidance is effective for reporting periods beginning after December 15, 2018. ASU 2016-02 mandates a modified retrospective transition method. We are currently assessing the impact this guidance will have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," which modifies certain aspects of the accounting for share-based payment transactions, including income taxes, classification of awards, and classification in the statement of cash flows. We adopted this standard effective January 1, 2017. As a result, excess tax benefits are no longer recorded in additional paid-in capital and instead are applied against taxes payable or recognized in the condensed consolidated statements of operations. In addition, our income tax expense and associated effective tax rate will be impacted by fluctuations in stock price between the grant dates and vesting dates of equity awards. We also determined that there were no significant changes to disclosure or financial statement presentation and changes in accounting for excess tax benefits and deficiencies were not material as a result of adoption.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance on the presentation and classification of specific cash flow items to improve consistency within the statement of cash flows. This guidance is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the effect that ASU 2016-15 will have on our consolidated financial statements and related disclosures.

In October 2016, the FASB issued ASU No. 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory," which requires an entity to immediately recognize the tax consequences of intercompany transfer other than inventory. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently assessing the impact this guidance will have on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". This accounting standards update changes the procedural steps in applying the goodwill impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance is effective prospectively for annual and interim periods beginning after December 15, 2019, with early adoption permitted. We are currently assessing the impact this guidance will have on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation: Scope of Modification Accounting," which clarifies and aims to reduce the cost and complexity when applying the stock compensation modification accounting guidance. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. ASU 2017-09 will be effective for public companies for fiscal years beginning after December 15, 2017, including interim periods. Early adoption is permitted. We are currently assessing the impact this guidance will have on our consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not believe that we currently have material exposure to interest rate or foreign currency transaction risks.

Interest Rate and Market Risk.

We do not use derivative financial instruments in our investment portfolio. We are averse to principal loss and try to ensure the safety and preservation of our invested funds by limiting default risk, market risk, and reinvestment risk. We attempt to mitigate default risk by investing in only high credit quality securities and by positioning our portfolio to appropriately respond to a significant reduction in the credit rating of any investment issuer or guarantor.

We were exposed to market risk for changes in interest rates on the MidCap Credit Facility. All outstanding amounts under the MidCap Credit Facility bore interest at a variable rate equal to LIBOR, plus 4.10%. On April 3, 2017, we replaced the MidCap Credit Facility with a new revolving line of credit with Deerfield ELGX Revolver, LLC and paid $2.5 million in termination fees to MidCap.

Our 3.25% Senior Notes and 2.25% Senior Notes bear fixed interest rates, and therefore, would not be subject to interest rate risk. The Capped Call Transactions are derivative instruments that qualify for classification within stockholders' equity because they meet an exemption from mark-to-market derivative accounting. The settlement amounts for the capped call transactions are each determined based upon the difference between a strike price and a traded price of our common stock.

Foreign Currency Transaction Risk. While a majority of our business is denominated in the U.S. dollar, a portion of our revenue and expenses are denominated in foreign currencies. Fluctuations in the rate of exchange between the U.S. dollar and the Euro or the British Pound Sterling may affect our results of operations and the period-to-period comparisons of our operating results. Foreign currency transaction gains and losses are caused by transactions denominated in a currency other than the functional currency and must be remeasured at each balance sheet date or upon settlement. Foreign currency transaction realized and unrealized gains and losses resulted in approximately $0.4 million and $0.6 million of losses during the three and nine months ended September 30, 2017, respectively, primarily related to intercompany payables and receivables associated with our European operations. We expect to reduce our exposure through future settlements.

Market Price Sensitive Instruments. In connection with our merger with TriVascular in February 2016, we issued 13.6 million shares of our common stock as consideration to the former stockholders of TriVascular. As a result of our issuance of such shares in the merger, the quantity of authorized common shares available for future issuance at that time was reduced to a level insufficient to honor all of the potential common shares underlying instruments then outstanding. Such instruments included the conversion options related to the 3.25% Senior Notes and 2.25% Senior Notes, employee stock options, restricted stock units, contingently issuable common stock relating to the Nellix acquisition, and stock warrants. The creation of this authorized share deficiency in February 2016 required us, during the first quarter of 2016, to separate as a stand-alone derivative the 3.25% Senior Notes conversion option and a portion of the 2.25% Senior Notes conversion option for which no authorized shares are available to effect share settlement in the event of a conversion. Accordingly, in February 2016 we re-classed $24.8 million of the equity component of the Senior Notes to derivative liabilities which will be marked to market each period. For the nine months ended September 30, 2016, we recorded $43.8 million as a fair value adjustment of derivative liabilities primarily based on our stock price increasing from $7.42 to $13.06 from the date of reclassification. The value of the derivative liability and our earnings was subject to market price risk until we increased the number of our authorized common shares to alleviate the deficiency. In June 2016, upon the approval of our stockholders, we amended our certificate of incorporation to increase the number of our authorized common shares eliminating the authorized share deficiency.

Item 4. CONTROLS AND PROCEDURES.

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures, as of the end of the period covered by this report, were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings.

Refer to Note 8 of the Notes to the Condensed Consolidated Financial Statements for a discussion of our legal proceedings.

We are from time to time involved in various other legal proceedings, most of which are routine litigation in the normal course of our business. We believe that the resolution of the legal proceedings in which we are involved will not have a material adverse effect on our financial position or results of operations.

Item 1A. Risk Factors.

In evaluating an investment in our common stock, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on March 1, 2017, as well as the information contained in this Quarterly Report on Form 10-Q and our other reports we file with the SEC. There have been no material changes in the risk factors as previously disclosed under “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Item 6. Exhibit Index.

The following exhibits are filed or furnished herewith:

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.1	Employment Agreement, dated as of October 30, 2017, by and between Endologix, Inc. and John Onopchenko.					X
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Link Base Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X

* The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, shall not be deemed "filed" by the registrant for purposes of Section 18 of the Exchange Act and are not to be incorporated by reference into any of the registrant's filings under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in any such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENDOLOGIX, INC.

Date: November 7, 2017

/s/ John McDermott

Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2017

/s/ Vaseem Mahboob

Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "***Agreement***"), dated as of October 30, 2017 (the "***Effective Date***"), is entered into by and between ENDOLOGIX, Inc., a Delaware corporation (the "***Company***"), and Mr. John Onopchenko (the "***Executive***").

RECITALS

WHEREAS, the Company desires to employ Executive.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements set forth herein, the Company and Executive, intending to be legally bound, hereby agree as follows:

1. Employment; Term. The Company agrees to continue to employ Executive, and Executive agrees to be employed by the Company, upon the terms and conditions set forth herein. This Agreement shall be for an initial term that continues in effect through the third anniversary of the Effective Date, which shall be extended automatically for one or more additional terms of one (1) year each, as of each anniversary of the Effective Date (such initial term or additional term referred to herein as the "***Term***"). The Agreement may be terminated by either party for any reason or no reason by providing the other party with at least thirty (30) days' prior written notice.

2. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

   2.1 "***Board***" shall mean the Board of Directors of the Company.

   2.2 "***Cause***" shall mean any of the following: (i) any act of fraud by Executive in connection with Executive's responsibilities to the Company that is materially injurious to the Company; (ii) Executive's conviction of a felony; (iii) a willful act by Executive that constitutes gross misconduct and is materially injurious to the Company; or (iv) Executive's willful and material breach of a material obligation or material duty under this Agreement or the Company's policies, which breach in the case of (iii) or (iv) is not cured within thirty (30) days after written notice thereof is received by Executive. Executive shall be afforded an opportunity to explain and defend such actions before the Board.

   2.3 "***Change in Control***" includes each of the following events with respect to the Company:

      (a) The acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d)(3) of the Exchange Act) of the beneficial ownership of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company;

      (b) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) the acquisition of assets or stock of another entity, in each case, other than a transaction which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting

securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least 50% of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction;

(c) The sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such transaction(s) receive as a distribution with respect to securities of the Company, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the acquiring entity immediately after such transaction(s); or

(d) The approval by the stockholders of a plan or proposal for the liquidation or dissolution of the Company;

provided, that for purposes of this definition, a transaction or event described in paragraph (a), (b), (c) or (d) shall constitute a "Change in Control" only if such transaction or event occurs after the Effective Date and constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5), with respect to the Executive.

2.4 "***Code***" means the Internal Revenue Code of 1986, as amended.

2.5 "***Disability***" means the inability of Executive to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six (6) months, as determined by a competent physician selected by the Board and reasonably agreed to by Executive following such six-month period.

2.6 "***Good Reason***" shall mean the occurrence of any of the following events or conditions without Executive's written consent:

(a) a material reduction in Executive's authority, duties or responsibilities;

(b) a material diminution in the authority, duties, or responsibilities of the supervisor to whom Executive is required to report;

(c) a material diminution in Executive's Base Salary (as defined herein);

(d) a material change in the geographic location at which Executive must perform Executive's duties, except for reasonably required travel by the Company; or

(e) any other action or inaction that constitutes a material breach by the Company of its obligations to Executive under this Agreement, including, without limitation, as specifically set forth herein.

Executive must provide written notice to the Company of the occurrence of any of the foregoing events or conditions without Executive's written consent within ninety (90) days

following the occurrence of such event. The Company shall have a period of thirty (30) days to cure such event or condition (if applicable) after receipt of written notice of such event from Executive. Any voluntary termination of Executive's employment for Good Reason following such cure period must occur no later than the date that is two (2) years following the initial occurrence of one of the foregoing events or conditions without Executive's written consent.

2.7 "***Involuntary Termination***" means Executive's Separation from Service by reason of a (i) termination of Executive's employment by the Company other than for Cause, death or Disability or (ii) Executive's resignation for Good Reason.

2.8 "***Separation from Service,***" with respect to Executive, means Executive's "separation from service," as defined in Treasury Regulation Section 1.409A-1(h).

2.9 "***Specified Employee***" means a "specified employee," as defined in Treasury Regulation Section 1.409A-1(i).

3. Duties.

3.1 Position. Executive shall be employed as Chief Operating Officer, initially reporting to the Chairman & CEO, and shall have the duties and responsibilities customarily associated with such position and as may be reasonably assigned from time to time. Executive shall perform faithfully and diligently all functions associated with Executive's position and all duties assigned to Executive.

3.2 Exclusive Services. Executive shall devote such time as is reasonably necessary for Executive to fulfill Executive's duties. This shall not preclude Executive from (a) devoting time to personal and family endeavors or investments, (b) serving on community and civic boards, (c) participating in industry or trade associations, or (d) serving on a board of a public or private company that does not directly compete with the Company; *provided*, that (x) such activities do not materially interfere with Executive's duties to the Company, and (y) the Chief Executive Officer shall approve Executive's service on any board of directors.

3.3 Policies and Procedures. Executive agrees to comply with the Company's policies and procedures as such may be modified from time to time.

4. Compensation and Benefits. The Company shall pay or provide, as the case may be, to Executive the compensation and other benefits and rights set forth in this Section 4.

4.1 Base Salary. The Company shall pay to Executive an annual base salary of $400,000 per year (the "***Base Salary***"), payable in accordance with the Company's usual payroll practices (and in any event no less frequently than monthly). Executive's Base Salary shall be subject to an annual review by the Board following the Effective Date. In the event of an adjustment to the Base Salary, the term "Base Salary" shall refer to the adjusted amount.

4.2 Bonus. Executive shall be eligible to participate in such cash incentive compensation plan or program as may be approved by the Board (or committee thereof) from time to time for senior executives of the Company. Executive's target bonus award under such plan(s) initially shall be fifty percent (50%) of Executive's Base Salary but shall be adjusted annually in the sole and absolute discretion of the Board (or Compensation Committee thereof) (the

"**Target Bonus**"). Any bonus amounts payable by the Company pursuant to this Section 4.2 shall be paid to Executive in accordance with the terms and conditions of the applicable cash incentive compensation plan or program. For 2017, you will receive a fully-vested common stock grant valued at $100,000. The grant will be issued after the Q4 2017 earnings call in February 2018.

4.3 Benefits. Executive shall be entitled to participate in all customary and usual benefits available to senior executive officers under the Company's benefit plans and arrangements, including, without limitation, health, dental, vision and life insurance, premiums for which shall be paid by the Company and Executive, and any other employee benefit plan or arrangement made available in the future by the Company to its senior executives, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements. The Company shall have the right to amend or delete any such benefit plan or arrangement made available by the Company to its senior executives and not otherwise specifically provided for herein.

4.4 Expenses; Travel. The Company shall reimburse Executive for all reasonable out-of-pocket business and travel expenses incurred in connection with the performance of Executive's duties or professional activities on behalf of the Company in accordance with the Company's reimbursement policies.

4.5 Vacation. Executive shall be entitled to such periods of paid vacation each calendar year as provided from time to time under the Company's vacation policy and consistent with vacation as afforded to the Company's senior officers and commensurate with Executive's position with the Company.

5. Acceleration of Equity Awards in the Event of a Change in Control. Upon a Change in Control, solely as a result of the Change in Control and without regard to Executive's termination of employment (if any), all outstanding unvested equity awards held by Executive shall become fully vested and, if applicable, exercisable as to all shares of the Company's common stock covered thereby, in each case as of the date of the Change in Control. In the event the Company's equity incentive plan(s), the award agreements evidencing Executive's outstanding equity awards, the definitive agreement effecting the Change in Control or any action by the Board or committee thereof provide for more favorable treatment to the Executive, Executive shall be entitled to the more favorable treatment. This provision shall apply notwithstanding anything to the contrary in any other written agreement between Executive and the Company (including any equity award agreement), which shall be deemed superseded to the extent necessary to give effect to this provision.

6. Termination of Employment and Severance. Executive shall be entitled to receive benefits upon termination of Executive's employment by the Company other than for Cause, death or disability or by Executive for Good Reason as set forth in this Section 6.

6.1 Involuntary Termination Prior to a Change in Control. In the event of Executive's Involuntary Termination prior to a Change in Control, Executive shall be entitled to receive the benefits provided in this Section 6.1, subject to Executive's compliance with Section 6.5:

(a) The Company shall pay to Executive any fully earned but unpaid Base Salary, earned and accrued but unpaid bonus amounts for any calendar year prior to the calendar year in which Executive's termination of employment occurs, unused and accrued vacation and unreimbursed business expenses through the date of termination at the rate then

in effect, plus all other earned or accrued amounts to which Executive is entitled under any compensation plan or practice of the Company at the time of termination (the "***Accrued Obligations***") as soon as practicable following the date of Executive's Involuntary Termination.

(b) Executive shall be entitled to receive a cash severance payment in an amount equal to six months of Executive's Base Salary, payable in a lump sum cash payment on the first business day of the calendar month occurring after the sixtieth (60^{th}) day following the date of Executive's Separation from Service; *provided, however*, that if Executive is a Specified Employee of the date of Executive's Separation from Service, such payment shall be made in accordance with Section 10.2 hereof.

(c) Executive shall be entitled to receive a cash payment equal to the annual bonus for the year in which Executive's Separation from Service occurs (as determined by the Company in its discretion based on estimated performance for such year as of the date of Executive's Separation from Service), prorated for the number of calendar days worked in such calendar year, which shall be paid in a lump sum on the first business day of the calendar month occurring after the sixtieth (60^{th}) day following the date of Executive's Separation from Service.

(d) Executive shall be entitled to receive continuation of group health insurance benefits for a period of six months, with the Company to continue to pay the same portion of the monthly premium for Executive and Executive's eligible dependents as the Company paid immediately prior to Executive's Involuntary Termination, *provided,* that Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***"), for Executive and Executive's eligible dependents who were covered under the Company's health plans as of the date of Executive's Involuntary Termination.

(e) Executive shall be entitled to receive reasonable outplacement services, on an in-kind basis, from a firm selected by the Company, suitable to Executive's position and directly related to Executive's Involuntary Termination, for a period of twelve (12) months following the date of the Involuntary Termination, in an aggregate amount of cost to the Company not to exceed $10,000. Notwithstanding the foregoing, Executive shall cease to receive outplacement services on the date Executive accepts employment with a subsequent employer.

(f) Outstanding equity awards granted to Executive under the Company's equity incentive plans on or prior to the Effective Date, to the extent unvested and unexercised (if applicable), shall receive no additional vesting following the date of the Executive's Involuntary Termination.

6.2 Involuntary Termination Upon or Following Change in Control. In the event of Executive's Involuntary Termination upon or within twenty-four (24) months following a Change in Control, Executive shall be entitled to receive, in lieu of any severance benefits to which Executive may otherwise be entitled under Section 6.1 hereof, the benefits provided in this Section 6.2, subject to Executive's compliance with Section 6.5:

(a) The Company shall pay to Executive the Accrued Obligations as soon as practicable following the date of Executive's Involuntary Termination;

(b) Executive shall be entitled to receive a cash severance payment in an amount equal to 1.5 times Executive's Base Salary (i.e., 18 months of salary) plus Target Bonus, payable in a lump sum cash payment on the first business day of the calendar month occurring after the sixtieth (60^{th}) day following the date of Executive's Separation from Service; *provided, however*, that if Executive is a Specified Employee of the date of Executive's Separation from Service, such payment shall be made in accordance with Section 10.2 hereof.

(c) Executive shall be entitled to receive a cash payment equal to the Target Bonus for the year in which Executive's Separation from Service occurs, which shall be paid in a lump sum on the first business day of the calendar month occurring after the sixtieth (60^{th}) day following the date of Executive's Separation from Service.

(d) Executive shall be entitled to receive continuation of group health insurance benefits for a period of eighteen (18) months, with the Company to continue to pay the same portion of the monthly premium for Executive and Executive's eligible dependents as the Company paid immediately prior to Executive's Involuntary Termination, *provided,* that Executive elects continuation coverage pursuant to COBRA for Executive and Executive's eligible dependents who were covered under the Company's health plans as of the date of Executive's Involuntary Termination.

(e) Executive shall be entitled to receive reasonable outplacement services, on an in-kind basis, from a firm selected by the Company, suitable to Executive's position and directly related to Executive's Involuntary Termination, for a period of twelve (12) months following the date of the Involuntary Termination, in an aggregate amount of cost to the Company not to exceed $10,000. Notwithstanding the foregoing, Executive shall cease to receive outplacement services on the date Executive accepts employment with a subsequent employer.

(f) All outstanding equity awards granted under the Company's equity incentive plans held by Executive, to the extent unvested and unexercised, shall become fully vested and, if applicable, exercisable, in each case as of the date of Executive's Involuntary Termination. This provision shall apply notwithstanding anything to the contrary in any other written agreement between Executive and the Company (including any equity award agreement), which shall be deemed superseded to the extent necessary to give effect to this provision.

6.3 Termination of Employment due to Executive's Death or Disability. If Executive's employment is terminated by the Company due to Executive's death or Disability, the Company shall pay to Executive (or Executive's estate or legal representative, if applicable) the Accrued Obligations as soon as practicable following the date of Executive's termination of employment.

6.4 Other Terminations. If Executive's employment is terminated at any time by the Company other than without Cause or due to Executive's death or Disability (including a non-renewal of this Agreement) or by Executive without Good Reason, the Company shall not have any other or further obligations to Executive under this Agreement (including any financial obligations) except that Executive shall be entitled to receive the Accrued Obligations and

any continuation of benefits required by COBRA or applicable law (for which Executive shall be solely responsible).

6.5 Release. As a condition to Executive's receipt of any post-termination benefits pursuant to Section 6.1 or Section 6.2 hereof, Executive shall execute and deliver within fifty (50) days following the date of Executive's Involuntary Termination, and not revoke within any revocation period required by law, a general release of all claims in favor of the Company (the "***Release***") in the form attached hereto as Exhibit A.

6.6 Exclusive Remedy. Except as otherwise expressly required by law (*e.g.*, COBRA) or as specifically provided herein, all of Executive's rights to salary, severance, benefits, bonuses and other amounts hereunder (if any) accruing at the termination of Executive's employment shall cease upon such termination.

6.7 No Mitigation. Except as otherwise set forth in Section 8, Executive shall not be required to mitigate the amount of any payment provided for in this Section 6 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 6 be reduced by any compensation earned by Executive as the result of employment by another employer or self-employment or by retirement benefits.

6.8 Payments in Lieu of COBRA Continuation. Notwithstanding Section 6.1(d) and Section 6.2(d), with regard to such COBRA continuation coverage, if the Company determines in its sole discretion that it cannot provide such coverage without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium (which amount shall be based on the premiums for the first month of COBRA coverage).

7. Limitation on Payments.

7.1 Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by Executive (including any payment or benefit received in connection with a Change in Control or the termination of Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the payments and benefits under Section 5 and Section 6 of this Agreement, being hereinafter referred to as the "***Total Payments***") would be subject (in whole or part), to the excise tax imposed under Section 4999 of the Code (the "***Excise Tax***"), 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 non-cash 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 Executive 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: (A) reduction of any cash severance payments otherwise payable to Executive that are exempt from Section 409A of the Code, (B) reduction of any other cash payments or benefits otherwise payable to Executive that are exempt from Section 409A of the Code, but excluding any payment attributable to the acceleration of vesting or payment with respect to any stock option or other equity award with respect to the Company's common stock that are exempt from Section 409A of the Code, (C) reduction of any other payments or benefits otherwise payable to Executive on a pro rata basis or such other manner that complies with Section 409A of the Code, but excluding any payment attributable to the acceleration of vesting and payment with respect to any stock option or other equity award with respect to the Company's common stock that are exempt from Section 409A of the Code, and (D) reduction of any payments attributable to the acceleration of vesting or payment with respect to any stock option or other equity award with respect to the Company's common stock that are exempt from Section 409A of the Code.

7.2 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 Executive 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 an accounting firm or compensation consulting firm with nationally recognized standing and substantial expertise and experience on Section 280G matters ("***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.

8. Certain Restrictive Covenants.

8.1 Confidential Information. During the Term and thereafter, Executive shall continue to be bound by the restrictions in the Proprietary Information and Inventions Agreement with the Company (the "***Proprietary Rights Agreement***").

8.2 Cooperation. During the Term and thereafter, Executive agrees to cooperate with the Company and its agents, accountants and attorneys concerning any matter with which Executive was involved during Executive's employment. Such cooperation shall include, but not be limited to, providing information to, meeting with and reviewing documents provided by the Company and its agents, accountants and attorneys during normal business hours or other mutually agreeable hours upon reasonable notice and being available for depositions and hearings, if necessary and upon reasonable notice. If Executive's cooperation is required after the termination of Executive's employment, the Company shall reimburse Executive for any reasonable out of pocket expenses incurred in performing Executive's obligations hereunder.

8.3 Return of the Company's Property. Upon the termination of Executive's employment in any manner, as a condition to Executive's receipt of any post-termination benefits described in Section 6.1 or 6.2 of this Agreement, Executive shall immediately surrender to the Company all lists, books and records of, or in connection with, the Company's business, and all other property belonging to the Company.

8.4 Non-Disparage. As an additional inducement for the Company to enter into this Agreement, each party agrees that it shall refrain throughout the Term and for a period of one (1) year following the date of Executive's termination of employment from publishing any oral or written statements about the other party, any of the other party's affiliates or any of the other party's or such affiliates' directors, officers, employees, consultants, agents or representatives that (a) are slanderous, libelous or defamatory, (b) disclose private information about or confidential information of the other party, any of its affiliates or any of the other party's or any such affiliates' business affairs, directors, officers, employees, consultants, agents or representatives (provided that in no event shall the Company be prohibited from disclosing any such information as may be required under applicable law or as required by governmental authorities or pursuant to court order), or (c) place the other party, any of its affiliates, or any of the other party's or any such affiliates' directors, officers, employees, consultants, agents or representatives in a false light before the public. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded under this provision are in addition to any and all rights and remedies otherwise afforded by law.

8.5 Non-Solicitation. As an additional inducement for the Company to enter into this Agreement, Executive agrees that for a period of one (1) year following the date of Executive's termination of employment, Executive shall not, directly or indirectly knowingly induce any person in the employment of the Company to (A) terminate such employment, or (B) accept employment, or enter into any consulting arrangement, with anyone other than the Company.

8.6 Rights and Remedies Upon Breach. If Executive breaches or threatens to commit a breach of any of the provisions of this Section 8 (the "***Restrictive Covenants***"), the Company shall have any rights and remedies available to the Company under law or in equity.

8.7 Severability of Covenants/Blue Penciling. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court determines that any of the Restrictive Covenants, or any part thereof, are unenforceable because of the duration of such provision or the area covered thereby, such court shall have the power to reduce the duration or area of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced. Executive hereby waives any and all right to attack the validity of the Restrictive Covenants on the grounds of the breadth of their geographic scope or the length of their term.

8.8 Enforceability in Jurisdictions. The Company and Executive intend to and do hereby confer jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographical scope of such covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants wholly unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the Company and Executive that such

determination not bar or in any way affect the right of the Company to the relief provided above in the courts of any other jurisdiction within the geographical scope of such covenants, as to breaches of such covenants in such other respective jurisdictions, such covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

9. Indemnification. Executive shall be entitled to indemnification as an officer of the Company as provided in the Indemnification Agreement entered into with the Company dated January 23, 2017 (the "***Indemnification Agreement***"), along with the applicable provisions of the Company's director and officer liability insurance (if any), bylaws and Delaware law, without regard to any future changes in Executive's assignment or position.

10. Section 409A of the Code.

10.1 Compliance with Section 409A. To the maximum extent permissible by applicable law, the payments and benefits payable under this Agreement shall be interpreted to be exempt from Section 409A of the Code, including, without limitation, the exemptions pursuant to Treasury Regulation Sections 1.409A-1(b)(4) and 1.409A-1(b)(9). To the extent the payments and benefits under this Agreement are subject to Section 409A of the Code, this Agreement shall be interpreted, construed and administered in a manner that satisfies the requirements of Sections 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder. If the Company and Executive determine that any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Sections 409A(a)(2), (3) and (4) of the Code do not comply with Section 409A of the Code, the Company and Executive agree to amend this Agreement, or take such other actions as the Company and Executive deem reasonably necessary or appropriate, to comply with the requirements of Section 409A of the Code, while preserving the economic agreement of the parties. In the case of any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Sections 409A(a)(2), (3) and (4) of the Code, if any provision of the Agreement would cause such compensation, benefits or other payments to fail to so comply, such provision shall not be effective and shall be null and void with respect to such compensation, benefits or other payments, and such provision shall otherwise remain in full force and effect. The Executive's right to receive installment payments of any severance payments or benefits under this Agreement shall be treated as a right to receive a series of separate payments, and accordingly, each installment payment shall at all times be considered a separate and distinct payment. To the extent any reimbursement of expenses under this Agreement is subject to Section 409A of the Code, the reimbursements shall be paid in accordance with Treasury Regulation Section 1.409A-3(i)(1)(iv) and be paid on or before the last day of Executive's taxable year following the taxable year in which Executive incurred the expenses.

10.2 Delayed Distribution under Section 409A. If Executive is a Specified Employee on the date of Executive's Separation from Service, any payments made under Section 6.1 or Section 6.2 and any other payments or benefits (or portion thereof) under this Agreement that are subject to Section 409A of the Code and payable upon Executive's Separation from Service shall be delayed in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, and such payments or benefits shall be paid or distributed to Executive during the thirty (30) day period commencing on the earlier of (a) the expiration of the six-month period measured from the date of Executive's Separation from Service or (b) the date of

Executive's death. Upon the expiration of the applicable six-month period under Section 409A(a)(2)(B)(i) of the Code, all payments deferred pursuant to this Section 10.2 shall be paid in a lump sum payment to Executive (or Executive's estate, in the event of Executive's death). Any remaining payments due under the Agreement shall be paid as otherwise provided herein.

11. General Provisions.

11.1 Successors and Assigns. The rights of the Company under this Agreement may, without the consent of Executive, be assigned by the Company, in its sole and unfettered discretion, to any person, firm, corporation or other business entity that at any time, whether by purchase, merger or otherwise, directly or indirectly, acquires all or substantially all of the assets or business of the Company. The Company will require any successor (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; *provided, however*, that no such assumption shall relieve the Company of its obligations hereunder. As used in this Agreement, the "***Company***" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law or otherwise. Executive shall not be entitled to assign any of Executive's rights or obligations under this Agreement. This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amount is at such time payable to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

11.2 Waiver. Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Agreement.

11.3 Attorneys' Fees. Each side will bear its own attorneys' fees in any dispute unless a statutory section at issue, if any, authorizes the award of attorneys' fees to the prevailing party; *provided*, that in the event Executive's employment is terminated by the Company without Cause or due to Executive's death or Disability, or by Executive for Good Reason, in each case following a Change in Control, the Company shall pay the Executive's attorneys' fees, unless the arbitrator or court, as applicable, finds the claim to be frivolous, in bad faith or without merit.

11.4 Severability. In the event any provision of this Agreement is found to be unenforceable by an arbitrator or court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such arbitrator or court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

11.5 Interpretation; Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has participated in the negotiation of its terms. Furthermore, Executive acknowledges that Executive has had an opportunity to review and revise the Agreement and have it reviewed by legal counsel, if desired, and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

11.6 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the United States and the State of California applicable to contracts made and to be performed wholly within such State, and without regard to the conflicts of laws principles thereof.

11.7 Arbitration. In the event of any controversy, claim or dispute between the parties hereto arising out of or relating to this Agreement, the matter shall be determined by arbitration, which shall take place in Orange County, California, under the rules of the American Arbitration Association. The arbitrator shall be a retired Superior Court judge mutually agreeable to the parties and if the parties cannot agree such person shall be chosen in accordance with the rules of the American Arbitration Association. The arbitrator shall be bound by applicable legal precedent in reaching his or her decision. Any judgment upon such award may be entered in any court having jurisdiction thereof. Any decision or award of such arbitrator shall be final and binding upon the parties and shall not be appealable. The parties hereby consent to the jurisdiction of such arbitrator and of any court having jurisdiction to enter judgment upon and enforce any action taken by such arbitrator. The fees payable to the American Arbitration Association and the arbitrator shall be paid by the Company.

11.8 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (a) by personal delivery when delivered personally; (b) by overnight courier upon written verification of receipt; (c) by telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (d) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to Executive at the last available address in the Company's records and to the Company at its principal place of business, or such other address as either party may specify in writing.

11.9 Survival. Sections 2 ("Definitions"), 5 ("Termination and Severance"), 6 ("Acceleration of Equity Awards in the Event of a Change in Control"), 7 ("Limitation on Payment"), 8 ("Certain Restrictive Covenants"), 9 ("Indemnification"), and 11 ("General Provisions") of this Agreement shall survive termination of Executive's employment by the Company.

11.10 Entire Agreement. This Agreement, the Proprietary Rights Agreement, the Indemnification Agreement and any Company equity incentive plan and related award agreements evidencing outstanding equity awards held by Executive together constitute the entire agreement between the parties relating to this subject matter and supersede all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral, including the Prior Agreement; *provided*, that this Agreement shall supersede any other written agreement (including any equity award agreement) between Executive and the Company as expressly provided in Section 6.2(f). This Agreement may be amended or

modified only with the written consent of Executive and an authorized representative of the Company. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

11.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(Signature Page Follows)

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

EXECUTIVE

Dated: October 30, 2017 /s/ John Onopchenko

Print Name: John Onopchenko

ENDOLOGIX, INC.

Dated: October 30, 2017 By: /s/ David M. Jennings

Name: David M. Jennings

Title: VP, HR

EXHIBIT A

GENERAL RELEASE OF CLAIMS

THIS GENERAL RELEASE OF CLAIMS ("***Release***") is entered into as of this _____ day of _____, ____, between [˜] ("***Executive***"), and Endologix, Inc., a Delaware corporation (the "***Company***") (collectively referred to herein as the "***Parties***").

WHEREAS, Executive and the Company are parties to that certain Employment Agreement dated as of July 31, 2017 (the "***Agreement***");

WHEREAS, the Parties agree that Executive is entitled to certain severance benefits under the Agreement, subject to Executive's execution of this Release; and

WHEREAS, the Company and Executive now wish fully and finally to resolve all matters between them.

NOW, THEREFORE, in consideration of, and subject to, the severance benefits payable to Executive pursuant to the Agreement, the adequacy of which is hereby acknowledged by Executive, and that Executive acknowledges that Executive would not otherwise be entitled to receive, Executive and the Company hereby agree as follows:

1. General Release of Claims by Executive.

1.1 Executive, on behalf of himself or herself and his or her executors, heirs, administrators, representatives and assigns, hereby agrees to release and forever discharge the Company and all predecessors, successors and their respective parent corporations, affiliates, related, and/or subsidiary entities, and all of their past and present investors, directors, shareholders, officers, general or limited partners, employees, attorneys, agents and representatives, and the employee benefit plans in which Executive is or has been a participant by virtue of his or her employment with or service to the Company (collectively, the "***Company Releasees***"), from any and all claims, debts, demands, accounts, judgments, rights, causes of action, equitable relief, damages, costs, charges, complaints, obligations, promises, agreements, controversies, suits, expenses, compensation, responsibility and liability of every kind and character whatsoever (including attorneys' fees and costs), whether in law or equity, known or unknown, asserted or unasserted, suspected or unsuspected (collectively, "***Claims***"), that Executive has or may have had against such entities based on any events or circumstances arising or occurring on or prior to the date hereof or on or prior to the date hereof, arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever Executive's employment by or service to the Company or the termination thereof, including any and all claims arising under federal, state, or local laws relating to employment, including without limitation claims of wrongful discharge, breach of express or implied contract, fraud, misrepresentation, defamation, or liability in tort, and claims of any kind that may be brought in any court or administrative agency including, without limitation, claims under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000, et seq.; the Americans with Disabilities Act, as amended, 42 U.S.C. § 12101 et seq.; the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 et seq.; the Civil Rights Act of 1866, and the Civil Rights Act of 1991; 42 U.S.C. Section 1981, et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. Section 621, et seq. (the

"***ADEA***"); the Equal Pay Act, as amended, 29 U.S.C. Section 206(d); regulations of the Office of Federal Contract Compliance, 41 C.F.R. Section 60, et seq.; the Family and Medical Leave Act, as amended, 29 U.S.C. § 2601 et seq.; the Fair Labor Standards Act of 1938, as amended, 29 U.S.C. § 201 et seq.; the Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1001 et seq.; and the California Fair Employment and Housing Act, California Government Code Section 12940, et seq.

Notwithstanding the generality of the foregoing, Executive does not release the following claims:

(a) Claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;

(b) Claims for workers' compensation insurance benefits under the terms of any worker's compensation insurance policy or fund of the Company;

(c) Claims pursuant to the terms and conditions of the federal law known as COBRA;

(d) Claims for indemnity under the bylaws of the Company, as provided for by Delaware law or under any applicable insurance policy with respect to Executive's liability as an employee, director or officer of the Company;

(e) Claims based on any right Executive may have to enforce the Company's executory obligations under the Agreement; and

(f) Claims Executive may have to vested or earned compensation and benefits.

1.2 EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS BEEN ADVISED OF AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

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

BEING AWARE OF SAID CODE SECTION, EXECUTIVE HEREBY EXPRESSLY WAIVES ANY RIGHTS EXECUTIVE MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

1.3 Executive acknowledges that this Release was presented to him or her on the date indicated above and that Executive is entitled to have 21 days' time in which to consider it. Executive further acknowledges that the Company has advised Executive that Executive is waiving his or her rights under the ADEA, and that Executive may obtain advice concerning this Release from an attorney of his or her choice, and Executive has had sufficient time to consider the terms of this Release. Executive represents and acknowledges that if Executive executes this Release before 21 days have elapsed, Executive does so knowingly, voluntarily,

and upon the advice and with the approval of Executive's legal counsel (if any), and that Executive voluntarily waives any remaining consideration period.

1.4 Executive understands that after executing this Release, Executive has the right to revoke it within seven days after his or her execution of it. Executive understands that this Release will not become effective and enforceable unless the seven-day revocation period passes and Executive does not revoke the Release in writing. Executive understands that this Release may not be revoked after the seven-day revocation period has passed. Executive also understands that any revocation of this Release must be made in writing and delivered to the Company at its principal place of business within the seven-day period.

1.5 Executive understands that this Release shall become effective, irrevocable, and binding upon Executive on the eighth day after my execution of it, so long as Executive has not revoked it within the time period and in the manner specified in clause (d) above. Executive further understands that Executive will not be given any severance benefits under the Agreement until the effective date of this Release.

2. No Assignment. Executive represents and warrants to the Company Releasees that there has been no assignment or other transfer of any interest in any Claim that Executive may have against the Company Releasees, or any of them. Executive agrees to indemnify and hold harmless the Company Releasees from any liability, claims, demands, damages, costs, expenses and attorneys' fees incurred as a result of any such assignment or transfer from Executive.

3. Paragraph Headings. The headings of the several paragraphs in this Release are inserted solely for the convenience of the Parties and are not a part of and are not intended to govern, limit or aid in the construction of any term or provision hereof.

4. Severability. The invalidity or unenforceability of any provision of this Release shall not affect the validity or enforceability of any other provision of this Release, which shall remain in full force and effect.

5. Governing Law. This Release will be governed by and construed in accordance with the laws of the United States and the State of California applicable to contracts made and to be performed wholly within such State, and without regard to the conflicts of laws principles thereof.

6. Counterparts. This Release may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

7. Construction. The language in all parts of this Release shall in all cases be construed simply, according to its fair meaning, and not strictly for or against any of the parties hereto. Without limitation, there shall be no presumption against any party on the ground that such party was responsible for drafting this Release or any part thereof.

8. Entire Agreement. This Release and the Agreement set forth the entire agreement of the Parties in respect of the subject matter contained herein and therein and supersede all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto, and any prior agreement of the Parties in respect of the subject matter contained herein.

9. Amendment. No provision of this Release may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer of the Company as may be specifically designated by the Board.

10. Understanding and Authority. The Parties understand and agree that all terms of this Release are contractual and are not a mere recital, and represent and warrant that they are competent to covenant and agree as herein provided. The Parties have carefully read this Release in its entirety; fully understand and agree to its terms and provisions; and intend and agree that it is final and binding on all Parties.

IN WITNESS WHEREOF, and intending to be legally bound, the Parties have executed the foregoing Release as of the date first written above.

EXECUTIVE **ENDOLOGIX, INC.**

By: _____

Print Name: _____ Print Name: _____

Title: _____

Exhibit 31.1

Certification of Chief Executive Officer

I, John McDermott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Endologix, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 reporting purposes in accordance with generally accepted accounting principals;

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

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

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

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

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

Date: November 7, 2017

By: /s/ John McDermott

John McDermott

Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer

I, Vaseem Mahboob, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Endologix, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 reporting purposes in accordance with generally accepted accounting principals;

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

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

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

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

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

Date: November 7, 2017

By: /s/ Vaseem Mahboob

Vaseem Mahboob

Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 32.1

Certification of Chief Executive Officer

Pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, John McDermott, certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 that:

(1) The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 780(d)); and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2017

By: /s/ John McDermott

John McDermott

Chief Executive Officer

This certification accompanies the Quarterly Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section.

Exhibit 32.2

Certification of Chief Financial Officer

Pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Vaseem Mahboob, certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 that:

(1) The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 780(d)); and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2017 By: /s/ Vaseem Mahboob

Vaseem Mahboob

Chief Financial Officer (Principal Financial and Accounting Officer)

This certification accompanies the Quarterly Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section.