

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2025**

OR

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

For the transition period from _____ to _____

Commission File Number: **001-42756**

CARLSMED, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

83-1081863

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

1800 Aston Ave, Suite 100

Carlsbad, California

(Address of principal executive offices)

92008

(Zip Code)

Registrant's telephone number, including area code: (760) 766-1923

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|----------------------|---|
| Common Stock, \$0.00001 par value per share | CARL | The Nasdaq Stock Market LLC |

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

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

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

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

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

As of August 25, 2025, the registrant had 26,581,134 shares of common stock, \$0.00001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains express or implied forward-looking statements that are based on our management’s belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future operational or financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our ability to advance the aprevo Technology Platform and any potential future products through applicable regulatory approval processes;
- existing regulations and regulatory developments in the United States and other jurisdictions;
- our ability to maintain or improve our third-party payor reimbursement strategy;
- our ability to attract and retain hospitals and surgeons;
- our expectations concerning orders for our products and utilization by existing hospitals and surgeons;
- our expectations regarding the potential market size for the aprevo Technology Platform;
- our ability to maintain our competitive technological advantages;
- our intentions to pursue adjacent and international markets;
- our ability to continue improving our products and technology;
- our commercialization and marketing capabilities and strategies;
- our ability to maintain or reduce our manufacturing times of our CMOs;
- our reliance on a limited number of CMOs;
- the implementation of our business model and strategic plans for our business and products and technology;
- our relationships with, and the capabilities of, our suppliers;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our products;
- our ability to effectively manage our growth;
- the increased expenses associated with being a public company;
- our expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012, as amended;
- estimates of our expenses, future revenue, capital requirements, our needs for additional financing, and our ability to obtain additional capital;
- our future financial performance; and
- those other factors described in the section titled “Risk Factors” in our prospectus dated July 22, 2025 (File No. 333-288339) (the “IPO Prospectus”), as filed with the Securities and Exchange Commission (the “SEC”) on July 24, 2025 pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended (the “Securities Act”) and in periodic reports that we file with the SEC, and our reports to stockholders. These filings are available at www.sec.gov and on our website at <https://www.carlsmed.com>.

In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue,” or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties, and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under the section titled “*Risk Factors*” and elsewhere in this Quarterly Report on Form 10-Q. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance.

The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date on which the statements are made. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should therefore not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

We own certain trademarks and trademark applications used in this Quarterly Report on Form 10-Q that are important to our business, including, among others, Carlsmed®, aprevo®, and myaprevo®. We also intend to apply for various trademarks that we use in connection with the operation of our business. This Quarterly Report on Form 10-Q may also contain trademarks, service marks, and

trade names of third parties, which are the property of their respective owners. Our use or display of third parties' trademarks, service marks, trade names, or products in this prospectus is not intended to, and does not, imply a relationship with, or endorsement or sponsorship by, us. Solely for convenience, the trademarks, service marks, and trade names referred to in this prospectus may appear without the "™," "®," or "SM" symbol, but the omission of such references is not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable owner of these trademarks, service marks, and trade names.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CARLSMED, INC.
CONDENSED BALANCE SHEETS
(in thousands, except for share and par value amounts)
(unaudited)

| | June 30, 2025 | December 31, 2024 |
|---|------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 33,472 | \$ 40,125 |
| Restricted cash | 100 | 100 |
| Accounts receivable, net of allowances of \$1,576 and \$1,239, as of June 30, 2025 and December 31, 2024, respectively | 9,711 | 6,766 |
| Inventory | 1,068 | 995 |
| Prepaid expenses and other current assets | 1,841 | 1,365 |
| Total current assets | 46,192 | 49,351 |
| Property and equipment, net | 972 | 260 |
| Operating lease right-of-use assets | 2,144 | 1,644 |
| Other assets | 3,962 | 569 |
| Total assets | <u>\$ 53,270</u> | <u>\$ 51,824</u> |
| Liabilities, Convertible Preferred Stock, and Stockholders' Deficit | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,581 | \$ 2,412 |
| Accrued liabilities | 3,219 | 2,687 |
| Accrued compensation | 3,113 | 3,270 |
| Short-term operating lease liabilities | 571 | 449 |
| Total current liabilities | 9,484 | 8,818 |
| Long-term portion of term loan, net | 15,431 | 15,414 |
| Long-term operating lease liabilities | 1,705 | 1,317 |
| Warrant liabilities | 727 | 457 |
| Other long-term liabilities | 267 | 222 |
| Total liabilities | 27,614 | 26,228 |
| Commitments and contingencies (<i>Note 9</i>) | | |
| Series A convertible preferred stock, \$0.00001 par value; 4,902,814 shares authorized, issued, and outstanding, and \$13,767 liquidation preference as of June 30, 2025 and December 31, 2024 | 13,578 | 13,578 |
| Series B convertible preferred stock, \$0.00001 par value; 4,393,481 shares authorized, 4,335,051 shares issued and outstanding, and \$30,000 liquidation preference as of June 30, 2025 and December 31, 2024 | 29,801 | 29,801 |
| Series C convertible preferred stock, \$0.00001 par value; 6,028,243 and 4,910,500 shares authorized, 6,007,866 and 4,890,123 shares issued and outstanding, and \$64,500 and \$52,500 liquidation preference as of June 30, 2025 and December 31, 2024, respectively | 65,350 | 52,847 |
| Stockholders' deficit: | | |
| Common stock, \$0.00001 par value; 23,679,694 and 21,835,801 shares authorized, 4,681,414 and 4,234,798 shares issued, and 4,603,756 and 4,139,219 shares outstanding as of June 30, 2025 and December 31, 2024, respectively | — | — |
| Additional paid-in capital | 593 | 541 |
| Accumulated deficit | (83,666) | (71,171) |
| Total stockholders' deficit | (83,073) | (70,630) |
| Total liabilities, convertible preferred stock, and stockholders' deficit | <u>\$ 53,270</u> | <u>\$ 51,824</u> |

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

CARLSMED, INC.

CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in thousands, except share and per share amounts)
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-------------------|---------------------------|--------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue | \$ 12,083 | \$ 6,081 | \$ 22,272 | \$ 11,167 |
| Cost of sales | 3,214 | 1,519 | 5,767 | 2,941 |
| Gross profit | 8,869 | 4,562 | 16,505 | 8,226 |
| Operating expenses: | | | | |
| Research and development | 4,160 | 3,998 | 7,310 | 7,254 |
| Sales and marketing | 7,869 | 4,873 | 14,608 | 8,470 |
| General and administrative | 3,342 | 2,010 | 6,808 | 4,150 |
| Total operating expenses | 15,371 | 10,881 | 28,726 | 19,874 |
| Loss from operations | (6,502) | (6,319) | (12,221) | (11,648) |
| Other income (expense): | | | | |
| Interest expense | (363) | (325) | (720) | (541) |
| Interest income | 336 | 428 | 716 | 526 |
| Change in fair value of warrant liabilities | (237) | (61) | (270) | (61) |
| Total other income (expense), net | (264) | 42 | (274) | (76) |
| Net loss and comprehensive loss | (6,766) | (6,277) | (12,495) | (11,724) |
| Deemed dividend to preferred stockholders | — | — | (584) | — |
| Net loss attributable to common stockholders | <u>\$ (6,766)</u> | <u>\$ (6,277)</u> | <u>\$ (13,079)</u> | <u>\$ (11,724)</u> |
| Net loss per share attributable to common stockholders, basic and diluted | \$ (1.47) | \$ (1.55) | \$ (2.94) | \$ (2.91) |
| Weighted-average number of common shares used to compute basic and diluted net loss per share | 4,589,717 | 4,053,063 | 4,445,384 | 4,024,815 |

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

CARLSMED, INC.

CONDENSED STATEMENT OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

(in thousands, except for share amounts)
(unaudited)

| | Series A Convertible Preferred Stock | | Series B Convertible Preferred Stock | | Series C Convertible Preferred Stock | | Common Stock | | Additional Paid-In | Accumulated | Total Stockholders' |
|--|--------------------------------------|------------------|--------------------------------------|------------------|--------------------------------------|---------------|------------------|-------------|--------------------|--------------------|---------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Capital | Deficit | Deficit |
| Balance as of December 31, 2023 | 4,902,814 | \$ 13,578 | 4,335,051 | \$ 29,801 | — | \$ — | 3,970,811 | \$ — | \$ 784 | \$ (46,914) | \$ (46,130) |
| Issuance of Series C convertible preferred stock, net of issuance costs of \$172 | — | — | — | — | 3,586,091 | 38,328 | — | — | — | — | — |
| Issuance of common stock | — | — | — | — | — | — | 29,121 | — | 6 | — | 6 |
| Exercise of vested stock options | — | — | — | — | — | — | 43,506 | — | 12 | — | 12 |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | 35 | — | 35 |
| Net loss | — | — | — | — | — | — | — | — | — | (5,447) | (5,447) |
| Balance as of March 31, 2024 | 4,902,814 | \$ 13,578 | 4,335,051 | \$ 29,801 | 3,586,091 | 38,328 | 4,043,438 | \$ — | \$ 837 | \$ (52,361) | \$ (51,524) |
| Exercise of vested stock options | — | — | — | — | — | — | 19,957 | — | 11 | — | 11 |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | 52 | — | 52 |
| Net loss | — | — | — | — | — | — | — | — | — | (6,277) | (6,277) |
| Balance as of June 30, 2024 | 4,902,814 | \$ 13,578 | 4,335,051 | \$ 29,801 | 3,586,091 | 38,328 | 4,063,395 | \$ — | \$ 900 | \$ (58,638) | \$ (57,738) |
| Balance as of December 31, 2024 | 4,902,814 | \$ 13,578 | 4,335,051 | \$ 29,801 | 4,890,123 | 52,847 | 4,139,219 | \$ — | \$ 541 | \$ (71,171) | \$ (70,630) |
| Issuance of Series C convertible preferred stock, net of issuance costs of \$80 | — | — | — | — | 1,117,743 | 12,503 | — | — | — | — | — |
| Deemed dividend related to issuance of Series C convertible preferred stock | — | — | — | — | — | — | — | — | (584) | — | (584) |
| Vesting of early exercised stock options | — | — | — | — | — | — | 8,960 | — | 10 | — | 10 |
| Exercise of vested stock options | — | — | — | — | — | — | 422,364 | — | 149 | — | 149 |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | 175 | — | 175 |
| Net loss | — | — | — | — | — | — | — | — | — | (5,729) | (5,729) |
| Balance as of March 31, 2025 | 4,902,814 | \$ 13,578 | 4,335,051 | \$ 29,801 | 6,007,866 | 65,350 | 4,570,543 | \$ — | \$ 291 | \$ (76,900) | \$ (76,609) |
| Vesting of early exercised stock options | — | — | — | — | — | — | 8,960 | — | 10 | — | 10 |
| Exercise of vested stock options | — | — | — | — | — | — | 24,253 | — | 34 | — | 34 |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | 258 | — | 258 |
| Net loss | — | — | — | — | — | — | — | — | — | (6,766) | (6,766) |
| Balance as of June 30, 2025 | 4,902,814 | \$ 13,578 | 4,335,051 | \$ 29,801 | 6,007,866 | 65,350 | 4,603,756 | \$ — | \$ 593 | \$ (83,666) | \$ (83,073) |

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

CARLSMED, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | Six Months Ended June 30, | |
|---|---------------------------|------------------|
| | 2025 | 2024 |
| Cash flows from operating activities | | |
| Net loss | \$ (12,495) | \$ (11,724) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 101 | 75 |
| Stock-based compensation | 433 | 87 |
| Non-cash interest | 108 | 96 |
| Loss on remeasurement of warrant liabilities | 270 | 61 |
| Non-cash lease expense | 219 | 183 |
| Provision for credit losses | 338 | 200 |
| Provision for excess and obsolete inventory | 872 | 493 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (3,282) | (2,281) |
| Inventory | (945) | (890) |
| Prepaid expenses and other assets | (500) | (741) |
| Accounts payable | 1 | 943 |
| Accrued liabilities | (78) | 441 |
| Accrued compensation | (157) | (519) |
| Lease liabilities | (82) | (107) |
| Net cash used in operating activities | (15,197) | (13,683) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (410) | (67) |
| Capitalized internal use software costs | (374) | — |
| Payment of initial direct costs related to operating leases | (126) | — |
| Net cash used in investing activities | (910) | (67) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of Series C convertible preferred stock, net of issuance costs | 11,919 | 38,368 |
| Proceeds from Customers Bank term loan, net of issuance costs | — | 6,235 |
| Proceeds from exercises of stock options | 183 | 23 |
| Payments for deferred offering costs | (2,648) | — |
| Net cash provided by financing activities | 9,454 | 44,626 |
| Increase (decrease) in cash, cash equivalents, and restricted cash | (6,653) | 30,876 |
| Cash, cash equivalents, and restricted cash at beginning of the period | 40,225 | 7,372 |
| Cash, cash equivalents, and restricted cash at end of the period | \$ 33,572 | \$ 38,248 |

CARLSMED, INC.
CONDENSED STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)
(unaudited)

| | <u>Six Months Ended June 30,</u> | |
|---|----------------------------------|------------------|
| | <u>2025</u> | <u>2024</u> |
| Supplemental Disclosure of Noncash Investing and Financing Activities: | | |
| Right-of-use asset obtained in exchange for lease liability | \$ 593 | \$ — |
| Vesting of early exercised common stock options | \$ 20 | \$ — |
| Preferred stock warrants issued in connection with term loan modifications | \$ — | \$ 203 |
| Unpaid deferred offering and issuance costs | \$ 1,190 | \$ 40 |
| Cash, Cash Equivalents, and Restricted Cash Information: | | |
| Cash and cash equivalents, beginning of period | \$ 40,125 | \$ 7,222 |
| Restricted cash, beginning of period | 100 | 150 |
| Cash, cash equivalents, and restricted cash, beginning of period | <u>40,225</u> | <u>7,372</u> |
| Cash and cash equivalents, end of period | 33,472 | 38,148 |
| Restricted cash, end of period | 100 | 100 |
| Cash, cash equivalents, and restricted cash, end of period | <u>\$ 33,572</u> | <u>\$ 38,248</u> |

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

CARLSMED, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. Organization

Description of Business

Carlsmed, Inc. (the “Company”) is a commercial-stage company within the surgical device with enabling technology sector. The Company was incorporated in Delaware in June 2018 and is headquartered in Carlsbad, California. The Company designs, manufactures, and markets *aprevo*®, a comprehensive technology platform for spine fusion surgery procedures.

The aprevo platform includes proprietary surgical planning software, using outcomes-based algorithms that are aided with artificial intelligence, and resulting custom-built, anatomically designed vertebral interbody implants. These implants provide each patient with a personalized vertebral fit to address their pathology and anatomy.

The U.S. Food and Drug Administration (“FDA”) cleared the aprevo interbody implants for the correction of adult lumbar spinal deformity through its 510(k) regulatory clearance pathway in December 2020. After FDA clearance, the Company commenced its limited clinical release, with its first U.S. patient implant in February 2021. In October 2021, the Company commenced its U.S. commercial launch of aprevo.

Reverse Stock Split

On July 10, 2025, the Company effectuated a 1-for-5.58 reverse stock split of the Company’s issued and outstanding shares of common stock, Series A, Series B, and Series C convertible preferred stock, as well as stock option awards to purchase shares of common stock, restricted stock units (“RSUs”), and warrants to purchase shares of common stock, Series B convertible preferred stock, and Series C convertible preferred stock. Consequently, all issued and outstanding shares of stock, stock option awards, RSUs, warrants, and per share data have been retroactively adjusted in these financial statements to reflect the reverse stock split for all periods presented. The par value of the common stock and convertible preferred stock remain unchanged. As the number and issuance price of all outstanding convertible preferred stock were adjusted, the conversion ratios for each series of the Company’s convertible preferred stock were unchanged. Stockholders entitled to fractional shares as a result of the reverse stock split are entitled to receive cash payment in lieu of receiving fractional shares.

Initial Public Offering

Immediately prior to the closing of the Company’s initial public offering on July 24, 2025, all shares of the Company’s convertible preferred stock converted into shares of the Company’s common stock. In connection with this conversion, all warrants to purchase convertible preferred stock are now exercisable into common stock.

On July 24, 2025, the Company completed its initial public offering of 6,700,000 shares of its common stock, at a price to the public of \$15.00 per share (the “IPO”). The net proceeds received by the Company from the IPO were \$93.5 million, after deducting underwriting discounts and commissions and before additional offering expenses payable by the Company. The shares and proceeds from the IPO are not reflected in the condensed financial statements as of and for the three and six months ended June 30, 2025. The underwriters had the option for a period of 30 days from the IPO date to purchase an additional 1,005,000 shares of common stock at the IPO price, less underwriting discounts and commissions, which was not exercised.

Liquidity and Capital Resources

The Company has raised aggregate gross equity proceeds of \$105.1 million through June 30, 2025, from the issuance of common stock and convertible preferred stock. As of June 30, 2025, the Company had \$33.5 million of cash and cash equivalents, \$15.6 million debt outstanding under its loan and security agreement with Customers Bank (the “Customers Loan Agreement”), and an accumulated deficit of \$83.7 million.

On July 24, 2025, the Company completed the IPO and received net proceeds of \$93.5 million, after deducting underwriting discounts and commissions and before additional offering expenses payable by the Company.

The Company expects to continue to generate operating losses for the foreseeable future as it continues to expand commercial operations and develop its product portfolio. The Company believes that its existing cash on hand will be sufficient to meet anticipated capital requirements for its operations for at least 12 months from the date of the issuance of the accompanying condensed financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting and as required by S-X, Rule 10-1. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for a complete set of financial statements. In the opinion of the Company’s management, the accompanying unaudited condensed financial statements and notes have been prepared on the same basis as the audited financial statements for the year ended December 31, 2024, and include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the interim periods presented.

The accompanying condensed financial statements should be read in conjunction with the Company’s audited annual financial statements and notes thereto included in the Company’s final prospectus, dated July 22, 2025, filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended (the “Securities Act”) on July 24, 2025. The Company’s results of operations for the three and six months ended June 30, 2025 are not necessarily indicative of the results to be expected for the year ending December 31, 2025 or for any other interim period.

Use of Estimates

The preparation of the condensed financial statements in conformity with GAAP requires management to make informed estimates that require assumptions that affect the reported amounts in the accompanying condensed financial statements. Management bases its estimates on historical experience and on various other market-specific and relevant assumptions that it believes to be reasonable under the circumstances. Actual results could differ materially under different assumptions and conditions.

Cash and Cash Equivalents

“Cash and cash equivalents” in the accompanying condensed Balance Sheets consist of bank deposits and highly liquid investments, including money market fund accounts, that are readily convertible into cash without penalty, with original maturities of three months or less from the purchase date. The carrying amounts reported in the accompanying condensed Balance Sheets for cash and cash equivalents are valued at cost, which approximate their fair value.

Restricted Cash

“Restricted cash” in the accompanying condensed Balance Sheets as of June 30, 2025 and December 31, 2024 represents cash held as collateral for the Company’s facility leases.

Accounts Receivable and Allowance for Credit Losses

“Accounts receivable, net of allowances” in the accompanying condensed Balance Sheets are presented net of allowances for credit losses. The Company maintains an allowance for expected credit losses for accounts receivable, which is recorded as an offset to accounts receivable. Changes in this allowance are recorded as “general and administrative” expense in the condensed Statements of Operations and Comprehensive Loss. Expected credit losses include losses expected based on known credit issues with certain customers as well as a general expected credit loss allowance based on relevant information, including historical loss rates, current conditions, and reasonable economic forecasts that affect collectability. The Company maintained an allowance for credit losses accounts of \$1.6 million and \$1.2 million as of June 30, 2025 and December 31, 2024, respectively. The Company recorded a provision for credit losses of \$0.3 million and \$0.1 million for the three months ended June 30, 2025 and 2024, respectively, and \$0.3 million and \$0.2 million for the six months ended June 30, 2025 and 2024, respectively.

Concentrations of Financial Instrument Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents in deposits at financial institutions that may exceed federally insured limits and certain accounts receivable balances. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions with platforms that administer deposits across multiple banks within federally insured limits. The Company mitigates potential losses from uncollectible accounts receivable through its credit approval and ongoing collection and customer monitoring activities. To date, the Company has not experienced any losses on its financial instruments and believes that it has adequately recorded allowances for uncollectible accounts receivable in each reported period.

As of June 30, 2025, the Company had one customer that accounted for 10% of the Company's total accounts receivable balance. As of December 31, 2024, the Company did not have accounts receivable balances from any one customer exceeding 10% of total accounts receivable. The Company did not have revenue from any one customer exceeding 10% of total revenue for the three and six months ended June 30, 2025. There was one customer that accounted for 11% of the Company's revenue for the three and six months ended June 30, 2024.

Fair Value of Financial Instruments

Assets and liabilities are recorded at fair value on a recurring basis in the accompanying condensed Balance Sheets. These accounts are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative accounting guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

- *Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that are publicly accessible at the measurement date.
- *Level 2:* Observable prices that are based on inputs not quoted on active markets, but that are corroborated by market data. These inputs may include quoted prices for similar assets or liabilities or quoted market prices in markets that are not active to the general public.
- *Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts of the Company's condensed financial instruments consisting of cash, cash equivalents, accounts receivables, prepaid expenses, accounts payable, and accrued liabilities approximate fair value due to the short maturities for each.

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

| <i>(in thousands)</i> | Total Fair Value | Quoted Market Prices for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-----------------------------------|---------------------|--|---|--|
| As of June 30, 2025 | | | | |
| Money market funds ⁽¹⁾ | \$ 31,130 | \$ 31,130 | \$ — | \$ — |
| Total financial assets | \$ 31,130 | \$ 31,130 | \$ — | \$ — |
| Warrant liabilities | \$ 727 | \$ — | \$ — | \$ 727 |
| Total financial liabilities | \$ 727 | \$ — | \$ — | \$ 727 |
| As of December 31, 2024 | | | | |
| Money market funds ⁽¹⁾ | \$ 37,744 | \$ 37,744 | \$ — | \$ — |
| Total financial assets | \$ 37,744 | \$ 37,744 | \$ — | \$ — |
| Warrant liabilities | \$ 457 | \$ — | \$ — | \$ 457 |
| Total financial liabilities | \$ 457 | \$ — | \$ — | \$ 457 |

(1) Included as a component of “cash and cash equivalents” on the accompanying condensed Balance Sheets.

Inventory

The Company maintains minimal inventories because aprevo is made specific to each patient’s anatomy to address their pathology and is not otherwise made-to-stock. Work-in-process inventory consists of titanium alloy implants for spine fusion surgical procedures, pending sterilization and packaging. Finished goods inventory is ready for shipment to the customer for use in a spine fusion surgical procedure.

Inventories are valued at the lower of cost or net realizable value, determined by the specific identification method. At each balance sheet date, the Company evaluates its inventories for obsolescence, based on notification of permanently canceled surgeries and ongoing estimates of permanent cancellations. The Company records the corresponding charge for obsolete inventory through “cost of sales.”

The components of reported “inventory” are as follows:

| <i>(in thousands)</i> | As of June 30, 2025 | As of December 31, 2024 |
|-----------------------|------------------------|----------------------------|
| Finished goods | \$ 1,027 | \$ 595 |
| Work in process | 41 | 400 |
| Total | \$ 1,068 | \$ 995 |

Warrant Liabilities

The Company has issued warrants to purchase convertible preferred stock in conjunction with the Customers Loan Agreement (see *Note 4*). The Company accounts for its issued convertible preferred stock warrants as liabilities in accordance with *ASC 480*. The liability-classified warrants are initially measured at fair value, resulting in an implied discount on the related financing arrangement that is deferred as an asset as it relates to tranches of the Customers Loan Agreement that have not yet been drawn as of the date of the issuance of the respective warrants. The deferred asset is recorded within “other assets” on the accompanying condensed Balance Sheets and is amortized into interest expense using the straight-line method over the period in which the Company can draw on the remaining tranches of the credit facility. Changes in fair value of the warrant liabilities are recognized in the condensed Statements of Operations and Comprehensive Loss.

The fair value of the warrant liabilities was determined based on significant inputs not observable in the market, which represents a “Level 3” measurement within the fair value hierarchy. The fair values of the warrant liabilities are measured using the “hybrid method.” The hybrid method is often used when a company is expecting a liquidity event in the near future and is a combination of the option-pricing and probability-weighted expected return methods. Estimates and assumptions impacting the fair value measurement include the fair value per share of the underlying shares of convertible preferred stock, the remaining contractual term of the warrants, and probability of number of shares the warrants will become exercisable into. The most significant assumption in the model impacting the fair value of the warrants is the fair value of the Company’s convertible preferred stock as of each remeasurement date.

A summary of the changes in the total fair value of the warrant liabilities for the six months ended June 30, 2025 and 2024, is as follows:

| <i>(in thousands)</i> | Warrant Liabilities |
|---|--------------------------------|
| Fair value as of December 31, 2024 | \$ 457 |
| Change in fair value of warrant liabilities | 270 |
| Fair value as of June 30, 2025 | \$ 727 |
| Fair value as of December 31, 2023 | \$ — |
| Issuance of Series B preferred stock warrants | 203 |
| Change in fair value of warrant liabilities | 61 |
| Fair value as of June 30, 2024 | \$ 264 |

In connection with the close of the IPO on July 24, 2025, all of the outstanding shares of convertible preferred stock were converted into common stock. As a result, the warrants to purchase convertible preferred stock are now exercisable into common stock.

Deferred Offering Costs

The Company capitalizes certain legal, professional, accounting, and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of the equity financing, these costs are recorded in “stockholders’ equity (deficit)” or the applicable series of convertible preferred stock as a reduction of proceeds generated as a result of the offering. Should the in-process equity financing be abandoned, the deferred offering costs will be expensed immediately as a charge to operating expenses in the condensed Statements of Operations and Comprehensive Loss. As of June 30, 2025 and December 31, 2024, there were \$3.8 million and \$0.4 million deferred offering costs, respectively, which are included in “other assets” in the accompanying condensed Balance Sheets.

The Company closed its IPO on July 24, 2025. As a result, the deferred offering costs were offset against the proceeds of the IPO (see *Note 1*).

Comprehensive Loss

Comprehensive loss encompasses all changes in equity other than those arising from transactions with stockholders. For the three and six months ended June 30, 2025 and 2024, the Company had no other comprehensive loss items and accordingly, net loss equaled comprehensive loss.

Recent Accounting Pronouncements

Recently Issued Accounting Standards Not Yet Effective

Expense Disaggregation Disclosures - In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* (“ASU 2024-03”). This ASU requires new financial statement disclosures disaggregating prescribed expense categories within relevant income statement expense captions. ASU 2024-03 will be effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of adopting the standard.

Income Taxes - In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Tax Disclosures* (“ASU 2023-09”). This ASU expands disclosures in an entity’s income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of adopting the standard.

3. Balance Sheet Account Detail

The composition of selected captions within the accompanying condensed Balance Sheets are summarized below:

Property and Equipment, Net

The components of “property and equipment, net” as of June 30, 2025 and December 31, 2024 are as follows:

| <i>(in thousands)</i> | As of June 30, 2025 | As of December 31, 2024 |
|------------------------------------|------------------------|-------------------------|
| Office equipment | \$ 559 | \$ 488 |
| Furniture and fixtures | 165 | 91 |
| Leasehold improvements | 238 | 80 |
| Construction in progress | 270 | — |
| Software | 120 | — |
| Total | 1,352 | 659 |
| Less: accumulated depreciation | (380) | (399) |
| Property and equipment, net | \$ 972 | \$ 260 |

Depreciation expense for the three months ended June 30, 2025 and 2024 was \$0.1 million and less than \$0.1 million, respectively. Depreciation expense for the six months ended June 30, 2025 and 2024 was \$0.1 million. The Company has not recognized any impairment loss for any long-lived assets for the three and six months ended June 30, 2025 and 2024.

Accrued Liabilities

The components of “accrued liabilities” as of June 30, 2025 and December 31, 2024 are as follows:

| <i>(in thousands)</i> | As of June 30, 2025 | As of December 31, 2024 |
|---|------------------------|-------------------------|
| Accrued sales agent commissions | \$ 1,620 | \$ 1,420 |
| Accrued clinical studies | 319 | 529 |
| Liability associated with stock option exercises prior to vesting | 102 | 112 |
| Accrued legal and patent fees | 821 | 90 |
| Other accrued expenses | 357 | 536 |
| Total accrued liabilities | \$ 3,219 | \$ 2,687 |

4. Debt

Customers Bank Credit Facility

In December 2022, the Company and Signature Bank, subsequently succeeded by Customers Bank, entered into a loan and security agreement (the “Customers Loan Agreement”) with an initial maturity to December 2026 that provided \$12.5 million of available principal. The Customers Loan Agreement required the Company to pay a tiered cash-based “Success Fee” upon a defined Liquidity Event that was eliminated in March 2024 in connection with the Third Amendment, as discussed below.

The Customers Loan Agreement bore interest at the *greater of* (a) 1.0% below Prime Rate or (b) 5.25%. The Customers Loan Agreement also included an end of term charge of 4.21% of the aggregate principal amount funded, and such end of term charge remains in effect through the Third Amendment and Fourth Amendment. The end of term charge is recorded within “other long-term liabilities” within the condensed Balance Sheets and is accrued over the term of the loan through interest expense within the Condensed Statements of Operations and Comprehensive Loss using the “effective interest method.” Debt issuance costs are accounted for as a debt discount and amortized as “interest expense” within the condensed Statements of Operations and Comprehensive Loss over the term of the loan using the “effective interest method.”

On March 7, 2024, the Company amended the Customers Loan Agreement (the “Third Amendment”) to increase the total principal available under the credit facility from \$12.5 million to \$18.8 million, subject to the achievement of certain revenue and other milestones, with extended maturity up to December 20, 2027, if certain conditions are met. The applicable per annum interest rate was adjusted to the greater of (a) WSJ Prime Rate + 0.25% or (b) 5.25%. The applicable coupon interest rate was 7.75% as of June 30, 2025.

As part of the Third Amendment, the Success Fee was contractually eliminated and replaced with the issuance of a warrant exercisable for up to 58,420 shares of Series B convertible preferred stock at an exercise price of \$6.93 per share (the “Series B Warrant”). Upon issuance, the Series B Warrant was immediately exercisable for 26,881 shares with the remaining 31,539 additional shares becoming exercisable upon the required achievement of certain revenue milestones and/or draws of this expanded credit facility. The Series B Warrant was scheduled to expire 10 years from the issuance date of March 6, 2024, but was amended and restated in connection with the subsequent Fourth Amendment (see below). The fair value of the Series B Warrant at issuance in conjunction with the Third Amendment was \$0.2 million.

In May 2024, the Company drew \$6.3 million under the Customers Loan Agreement upon the achievement of requisite revenue milestones.

On December 30, 2024, the Company further amended the Customers Loan Agreement (the “Fourth Amendment”) to expand the credit facility from \$18.8 million to \$27.5 million, with the addition of two new debt draw tranches. Upon the Fourth Amendment, the Company had the ability to draw \$7.5 million immediately and the remaining \$4.4 million is contingent upon the achievement of a requisite revenue milestone which as of June 30, 2025, was not yet met. The maturity date was extended to October 31, 2029, with an interest-only period through July 31, 2026, followed by principal repayment over 39 months thereafter. Upon achievement of certain revenue milestones, the interest-only period and repayment terms may be extended to an interest-only period through July 31, 2027, followed by principal repayment over 27 months thereafter. As of June 30, 2025, the requisite revenue milestones were not yet met.

As part of the Fourth Amendment, the Company partially modified the aggregate 58,420 Series B Warrant issued with the Third Amendment, reducing the number of shares exercisable subject to remaining future draws of the credit facility as of the date of the Fourth Amendment from 11,289 shares to 5,644, with the remaining 5,644 shares becoming exercisable ratably with debt draws that had not occurred as of June 30, 2025. Additionally, the expiration date for the Series B Warrant was extended to December 30, 2034. The modification of the Series B Warrant upon the Fourth Amendment resulted in an immaterial increase in the warrant liability. As of June 30, 2025, the Series B Warrant is exercisable for 52,776 shares of the Series B convertible preferred stock.

Additionally, as part of the Fourth Amendment, the Company issued a new warrant that is exercisable into the Company’s Series C convertible preferred stock (“Series C Warrant”), subject to certain revenue and debt draw milestones. The Series C Warrant is exercisable for up to 20,375 shares at an exercise price of \$10.74 per share and expires on December 30, 2034. Upon issuance, the Series C Warrant was immediately exercisable into 5,093 shares with the remaining 15,282 additional shares becoming exercisable upon the required achievement of certain revenue milestones and/or draws of this expanded credit facility. As of June 30, 2025, the Series C Warrant is exercisable for 5,093 shares of Series C convertible preferred stock.

Each of the Third Amendment and Fourth Amendment were accounted for as debt modifications with no gain or loss recognized. The carrying value of amounts outstanding under the Customers Loan Agreement approximates its fair value as of June 30, 2025. The fair value of the term loan is classified as a Level 2 measurement because interest rates charged are similar to other financial instruments with similar terms and maturities.

As of June 30, 2025, \$15.6 million of principal remains outstanding under the Customers Loan Agreement that matures on October 31, 2029. As of June 30, 2025, an aggregate \$7.5 million is available to draw, with an additional \$4.4 million available to borrow upon the achievement of a requisite revenue milestone.

As of June 30, 2025, the Company was in compliance with all applicable Customers Loan Agreement covenants.

Interest expense on the Customers Loan Agreement was \$0.4 million and \$0.3 million for the three months ended June 30, 2025 and 2024, respectively. Of these amounts, \$0.1 million was related to amortization of the debt discount and issuance costs for both the three months ended June 30, 2025 and 2024. Interest expense on the Customers Loan Agreement was \$0.7 million and \$0.5 million for the six months ended June 30, 2025 and 2024, respectively. Of these amounts, \$0.1 million was related to amortization of the debt discount and issuance costs for both the six months ended June 30, 2025 and 2024, respectively. The effective interest rate was 8.08% as of June 30, 2025.

The following table summarizes contractual principal payments as of June 30, 2025:

| Year ending December 31, | <i>(in thousands)</i> |
|---------------------------------|-----------------------|
| Remainder of 2025 | \$ — |
| 2026 | 2,003 |
| 2027 | 4,808 |
| 2028 | 4,808 |
| 2029 | 4,006 |
| Total future principal payments | 15,625 |
| Unamortized issuance costs | (194) |
| Total term loan, net | \$ 15,431 |

5. Common Stock

In accordance with the Company's Amended and Restated Certificate of Incorporation dated January 30, 2025, and subsequently amended on July 10, 2025 to reflect the reverse stock split (see *Note 1*), the Company is authorized to issue two classes of stock—common stock and convertible preferred stock. The Company shall have authority to issue 23,679,694 shares of common stock with par value of \$0.00001 per share and 15,324,538 shares of convertible preferred stock with par value of \$0.00001 per share.

Holders of common stock are entitled to one vote for each share held on applicable corporate matters. Holders of preferred stock vote together with the holders of common stock as one single class, other than as provided in the Company's Amended and Restated Certificate of Incorporation. Common stock does not carry redemption rights and upon liquidation, its holders are entitled to receive a pro rata share of the Company's remaining assets available for distribution (pro rata with holders of preferred stock on an as-converted basis), after amounts are first paid to creditors and applicable liquidation preference proceeds are then distributed to holders of preferred stock.

Common stock reserved for future issuance as of June 30, 2025, consisted of the following:

| | As of June 30, 2025 |
|--|----------------------------|
| Preferred stock, convertible into common stock | 15,245,731 |
| Common stock options outstanding | 2,211,144 |
| Restricted stock units outstanding | 112,478 |
| Shares available for future issuance under the 2019 Plan | 138,988 |
| Series B Warrant | 58,420 |
| Series C Warrant | 20,375 |
| Common Stock Warrant | 25,863 |
| Total common stock reserved for future issuance | 17,812,999 |

Common Stock Warrant

In April 2021, in connection with its entry into a loan and security agreement (the “SVB Loan”) with Silicon Valley Bank (“SVB”), the Company issued a warrant to purchase up to an aggregate of 10,338 shares of common stock at an exercise price of \$0.34 per share (the “Common Stock Warrant”). In July 2021, pursuant to the terms of the Common Stock Warrant, the Common Stock Warrant became exercisable for an additional 10,349 shares of common stock at an exercise price of \$0.34 per share in connection with a principal draw. In February 2022, the Company amended the SVB Loan Agreement to draw additional principal and the Common Stock Warrant became exercisable for an additional 5,176 shares of common stock at an exercise price of \$0.40 per share. In December 2022, the Company terminated and repaid in full all amounts outstanding under the SVB Loan Agreement. The Common Stock Warrant will expire 10 years from the date of issuance, and as of June 30, 2025, the collective 25,863 shares of common stock underlying the Common Stock Warrant remained unexercised.

On August 14, 2025, the Company issued 25,184 shares of common stock in conjunction with a net cashless exercise of the Common Stock Warrant. As a result of the exercise, the Common Stock Warrant is no longer outstanding.

6. Stock-Based Compensation

In September 2019, the Company adopted the Carlsmed, Inc. Stock Incentive Plan, which was subsequently amended, most recently in January 2025 (the “2019 Plan”). The 2019 Plan is administered by the Company’s board of directors (the “Board of Directors”). As of June 30, 2025, the Board of Directors may grant awards under the 2019 Plan for up to an aggregate of 4,055,427 shares of common stock in the form of non-qualified stock options, incentive stock options, stock appreciation rights, dividend equivalent rights, restricted stock awards, and restricted unit awards.

The exercise price of a share subject to a stock option may not be less than the fair market value of a share of the Company’s common stock at the grant date. Stock options granted to employees typically have four-year monthly vesting schedules (with 25% of the award cliff vesting on the first anniversary of the date of grant) and a contractual term of 10 years; related expense is recognized in the accompanying Statements of Operations and Comprehensive Loss on a straight-line basis over each award’s vesting period.

The Company also grants stock option awards to non-employees, including members of the Board of Directors. Options granted under the 2019 Plan may be subject to vesting acceleration in connection with a “Corporate Transaction,” as defined in the 2019 Plan.

The 2019 Plan allows for the exercise of certain stock option grants prior to vesting (“early exercise”), with such grants approved by the Board of Directors. For these awards, in the event of employee termination, the Company has the right, but not the obligation, to repurchase the portion of unvested stock at the *lower of* the exercise price or the then-current fair value. A liability is recorded within “accrued liabilities” on the accompanying condensed Balance Sheets that is equal to the cash received for these early exercises, and this liability is reduced as vesting occurs. Unvested shares that have been early exercised are reflected in “common shares issued” but excluded from “common shares outstanding” on the accompanying condensed financial statements. As of June 30, 2025, 77,658 shares of early exercised stock options were outstanding, representing an early exercise liability of \$0.1 million. As of December 31, 2024, 95,579 shares of early exercised stock options were outstanding, representing an early exercise liability of \$0.1 million.

On July 10, 2025, the Board of Directors adopted, and the Company’s stockholders approved, the 2025 Equity Incentive Plan (the “2025 Plan”), which became effective on July 21, 2025. The 2025 Plan replaced the 2019 Plan, as the Board of Directors determined to not make additional grants under the 2019 Plan following the closing of the IPO. However, the 2019 Plan will continue to govern outstanding equity awards granted under the 2019 Plan. The 2025 Plan allowed the Company to grant incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance awards and other awards. The number of shares initially available for issuance under awards granted pursuant to the 2025 Plan is 3,595,177.

Stock Options

The following summarizes stock option activity for the Company for the six months ended June 30, 2025:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in Years) | Aggregate Intrinsic Value (in thousands) |
|---|----------------------|--|---|---|
| Outstanding at December 31, 2024 | 1,785,633 | \$ 1.01 | 7.5 | \$ 5,938 |
| Granted | 879,271 | 4.51 | | |
| Exercised | (446,617) | 0.41 | | |
| Forfeited | (7,143) | 1.94 | | |
| Outstanding at June 30, 2025 | 2,211,144 | \$ 2.54 | 8.3 | \$ 8,829 |
| Vested and Exercisable at June 30, 2025 | 727,014 | \$ 0.63 | 6.3 | \$ 4,286 |

The weighted average grant date fair value of options granted during the three months ended June 30, 2025 and 2024 was \$2.90 and \$2.08 per share, respectively. The weighted average grant date fair value of options granted during the six months ended June 30, 2025 and 2024 was \$2.19 and \$2.08 per share, respectively. The total fair value of options that vested during the three months ended June 30, 2025 and 2024 was \$0.1 million and less than \$0.1 million, respectively, based on the grant date fair value. For both the six months ended June 30, 2025 and 2024, the total fair value of options that vested was \$0.1 million, based on the grant date fair value.

The aggregate intrinsic value in the above table is calculated as the difference between the fair value of the Company's common stock price and the exercise price of the stock options. The aggregate intrinsic value of stock options exercised during both the three months ended June 30, 2025 and 2024 was \$0.1 million. For the six months ended June 30, 2025 and 2024, the aggregate intrinsic value of stock options exercised was \$1.8 million and \$0.1 million, respectively.

The grant date fair value of the options is determined using an option pricing model. The assumptions that were used in estimating the grant date fair value of stock options under the option pricing method for the three and six months ended June 30, 2025 and 2024 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------|---------------------------|-------|
| | 2025 | 2024 | 2025 | 2024 |
| Expected stock price volatility ⁽¹⁾ | 43.9% | 45.2% | 43.7% | 45.2% |
| Risk-free interest rate ⁽²⁾ | 4.15% | 4.47% | 4.39% | 4.47% |
| Expected annual dividend yield ⁽³⁾ | 0.0% | 0.0% | 0.0% | 0.0% |
| Expected term (years) ⁽⁴⁾ | 6.02 | 5.90 | 5.99 | 5.90 |

(1) Based on the median stock price volatility for peer public companies over a historic timeframe similar to the expected term, with adjustments for differences in size and capital structure.

(2) Based on the U.S. Treasury yield curve in effect as of the valuation date.

(3) The Company has not paid and does not currently anticipate paying a cash dividend on its common stock.

(4) The expected term of stock options granted to employees represents the weighted average period the stock options are expected to be outstanding. The Company uses the simplified method for estimating the expected term, which calculates the expected term as the average time-to-vesting and the contractual life of the options for stock options issued to employees and non-employees.

Restricted Stock Units

During the six months ended June 30, 2025, the Company issued 112,478 RSUs that have a contractual term of four years and vest upon the satisfaction of performance, market, and service conditions. The performance conditions require either (1) the completion of an initial public offering where the Company's stock is listed on an established stock exchange or (2) the occurrence of a corporate transaction, such as a merger, acquisition, or similar liquidity event. The market condition is based on the achievement of share price targets following the completion of an initial public offering or on the date of a corporate transaction. The service condition requires the employee to provide continued service through the achievement of both the performance and market conditions. The grant date fair value of the RSUs is determined using a Monte Carlo simulation methodology, which takes into consideration the probability of achievement of the market conditions.

Expense for the RSUs begins on the grant date and is recognized over the derived requisite service period of the award. However, no compensation expense will be recognized until the performance-based vesting condition is probable of being achieved. If the performance condition is met through an initial public offering, compensation expense will be recognized on the IPO date proportionally for the completed portion of the requisite service period up to the initial public offering date. The remaining unrecognized expense will be amortized over the remaining derived requisite service period associated with the market condition, regardless of whether the market condition is ultimately satisfied. If the performance condition is met through a corporate transaction, compensation expense for the fair value of the award will be recognized in full on the corporate transaction date, as the market condition must also be achieved at the time of the corporate transaction for vesting to occur and therefore there is no remaining derived service period.

As of June 30, 2025, the performance-based vesting conditions were not probable of being achieved and therefore none of the RSUs were vested and no stock-based compensation expense has been recognized. On July 24, 2025, the Company completed its IPO, satisfying the performance condition of the RSUs. As a result, recognition of related stock-based compensation expense will begin in the third quarter of 2025.

Stock-based Compensation Cost

The compensation cost that has been included in the Company's condensed Statements of Operations and Comprehensive Loss for all stock-based compensation arrangements is detailed as follows:

| <i>(in thousands)</i> | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------|-----------------------------|--------------|---------------------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| General and administrative | \$ 95 | \$ 26 | \$ 167 | \$ 46 |
| Research and development | 98 | 15 | 155 | 21 |
| Sales and marketing | 65 | 11 | 111 | 20 |
| Total | \$ 258 | \$ 52 | \$ 433 | \$ 87 |

As of June 30, 2025, there was \$2.9 million of unrecognized compensation for unvested stock options and the weighted-average period over which this remaining compensation cost will be recognized is 3.2 years.

7. Convertible Preferred Stock

In March 2024, the Company issued a total of 3,586,091 shares of Series C convertible preferred stock at a price of \$10.74 per share for gross cash proceeds of \$38.5 million.

In September 2024, the Company issued a total of 1,304,032 shares of Series C convertible preferred stock at a price of \$10.74 per share for gross cash proceeds of \$14.0 million. In January 2025, the Company issued a total of 1,117,743 shares of Series C convertible preferred stock at a price of \$10.74 per share for gross cash proceeds of \$12.0 million. The September 2024 and January 2025 issuances of Series C convertible preferred stock were completed below the fair value of the shares as of each respective issuance date. The Company recorded the excess of fair value over the issuance price as a "deemed dividend" within additional paid-in-capital ("APIC") in the amount of \$0.6 million as of both issuance dates. The deemed dividends reflect the distribution of value from common stockholders to preferred stockholders due to the implicit discount on these shares issued in September 2024 and January 2025. Since the Company remained in an accumulated deficit position at each respective issuance date, this deemed dividends were recorded directly to APIC rather than retained earnings.

The Company closed the IPO on July 24, 2025 and all of the outstanding shares of convertible preferred stock were converted into 15,245,731 shares of common stock.

8. Net Loss Per Share

Basic net loss per share is calculated by *dividing* net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding, net of the weighted-average unvested restricted stock subject to repurchase by the Company, if any, during the period. Diluted loss per share is calculated by *dividing* the net loss attributable to common stockholders by the weighted-average number of common shares outstanding, adjusted for the effects of potentially dilutive common stock, which are comprised of stock options and stock warrants, using the “treasury-stock method,” and convertible preferred stock, using the “if-converted method.”

Because the Company reported net losses for the period presented, all potentially dilutive common stock is antidilutive for this period and therefore basic and diluted net loss per common share are the same. The convertible preferred stock are considered participating securities; however, they were excluded from the computation of basic loss per share in the periods of net loss as there is no contractual obligation for the holders to share in the losses of the Company.

The following table presents the number of anti-dilutive shares excluded from the calculation of diluted net loss per share as of June 30, 2025 and 2024:

| | As of June 30, | |
|---|-------------------|-------------------|
| | 2025 | 2024 |
| Stock options outstanding ⁽¹⁾ | 2,211,144 | 1,460,634 |
| Preferred stock (common stock equivalent) ⁽²⁾ | 15,245,731 | 12,823,956 |
| Restricted stock units outstanding ⁽³⁾ | 112,478 | — |
| Series B Warrant (common stock equivalent) ⁽⁴⁾ | 58,420 | 58,420 |
| Series C Warrant (common stock equivalent) ⁽⁵⁾ | 20,375 | — |
| Common Stock Warrant ⁽⁶⁾ | 25,863 | 25,863 |
| Total | 17,674,011 | 14,368,873 |

(1) 727,014 stock options vested and exercisable as of June 30, 2025.

(2) Preferred stock converts to common stock on a 1:1 basis upon the holder’s election or upon a Deemed Liquidation Event.

(3) No restricted stock units are vested as of June 30, 2025.

(4) Series B Warrant exercisable into 52,776 shares of Series B preferred stock as of June 30, 2025.

(5) Series C Warrant exercisable into 5,093 shares of Series C preferred stock as of June 30, 2025.

(6) Common Stock Warrant exercisable into 25,863 shares of common stock as of June 30, 2025. On August 14, 2025, the Common Stock Warrant was exercised (see Note 5).

9. Commitment and Contingencies

Legal Matters

The Company from time to time is involved in legal matters incidental to the conduct of its business. In the opinion of management, there are no claims outstanding that would have a material adverse effect on the Company’s financial position, results of operations, or cash flows.

Operating Lease

In the ordinary course of business, the Company enters into lease agreements with unaffiliated third parties for its facilities and office equipment. As of June 30, 2025, the Company had two active operating leases for a combined 23,000 square feet of administrative, engineering, and research and development space located in Carlsbad, California.

The first lease encompasses 16,000 square feet and commenced on May 1, 2021, and was originally set to expire on April 30, 2024. On December 4, 2023, the Company entered into a first amendment to the original lease agreement which resulted in the lease term extending to July 1, 2028. The Company used its incremental borrowing rate at the lease modification date of 9.08% in determining the discount rate utilized to present value the future minimum lease payments since an implicit interest rate in the lease agreement was not determinable.

On May 15, 2025, the Company entered into a second amendment to its original lease agreement, which modified the lease terms to lease an additional suite comprising an additional 7,000 square feet of space. The lease modification was accounted for as a separate contract. This new lease is set to expire on July 1, 2028. The Company used its incremental borrowing rate at the lease modification date of 7.62% in determining the discount rate utilized to present value the future minimum lease payments since an implicit interest rate in the lease agreement was not determinable.

Total lease expenses for the three months ended June 30, 2025 and 2024 were \$0.2 million and \$0.1 million, respectively. Total lease expenses for the six months ended June 30, 2025 and 2024 were \$0.3 million and \$0.3 million, respectively.

The Company's real estate taxes, insurance costs, and common area maintenance, are included in monthly rent and not separately itemized. Rent expense is allocated to cost of sales, research and development, sales and marketing, and general and administrative expenses in the accompanying condensed Statements of Operations and Comprehensive Loss.

The weighted-average lease terms and discount rates are as follows:

| | As of June 30, 2025 | As of December 31, 2024 |
|---------------------------------------|------------------------|----------------------------|
| Weighted-average remaining lease term | 3.00 | 3.50 |
| Weighted-average discount rate | 8.68% | 9.08% |

The aggregate future minimum lease payments under this lease as of June 30, 2025, are as follows:

| <i>(in thousands)</i> Year ending December 31, | Payments |
|---|----------|
| Remainder of 2025 | \$ 301 |
| 2026 | 895 |
| 2027 | 926 |
| 2028 | 472 |
| Total undiscounted lease payments | \$ 2,594 |
| Less: imputed interest | (318) |
| Present value of future lease payments | \$ 2,276 |
| Short-term operating lease liabilities | 571 |
| Long-term operating lease liabilities | 1,705 |
| Total operating lease liabilities | \$ 2,276 |

The operating cash outflows included in the measurement of the operating lease liabilities was \$0.3 million for both the six months ended June 30, 2025 and 2024.

10. Segment Reporting

The following table provides the operating financial results of the Company's single reportable segment. It includes the significant expense categories regularly provided to the Company's Chief Operating Decision Maker, its Chief Executive Officer, computed under GAAP and reconciled to the Company's total "net loss" as presented in the condensed Statement of Operations and Comprehensive Loss:

| <i>(in thousands)</i> | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|-------------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue | \$ 12,083 | \$ 6,081 | \$ 22,272 | \$ 11,167 |
| Less: | | | | |
| Cost of sales | 3,214 | 1,519 | 5,767 | 2,941 |
| Selling expenses | 6,028 | 3,433 | 11,042 | 6,196 |
| Marketing expenses | 840 | 1,024 | 1,772 | 1,628 |
| Product and software development costs | 2,171 | 1,917 | 3,651 | 3,368 |
| Clinical, medical, and regulatory expenses | 1,167 | 1,101 | 2,188 | 2,259 |
| Other segment expenses* | 5,165 | 3,406 | 10,073 | 6,423 |
| Interest expense | 363 | 325 | 720 | 541 |
| Interest income | (336) | (428) | (716) | (526) |
| Change in fair value of warrant liabilities | 237 | 61 | 270 | 61 |
| Net loss | \$ (6,766) | \$ (6,277) | \$ (12,495) | \$ (11,724) |

* Other segment expenses primarily include corporate, compliance, and research and development support expenses.

11. Income Taxes

In determining quarterly provisions for income taxes, the Company uses the annual estimated effective tax rate applied to the actual year-to-date income (loss), adjusted for discrete items, if any, that are taken into account in the relevant period. The Company's annual estimated effective tax rate differs from the statutory rate primarily as a result of state taxes and changes in the Company's valuation allowance.

The Company did not record income tax expense for the three and six months ended June 30, 2025 and 2024. The Company maintains a full valuation allowance on its net deferred tax assets, as it is more likely-than-not that it will not be monetized through offsetting future taxable income.

There were no material changes to the Company's unrecognized tax benefits in the three and six months ended June 30, 2025 and 2024, and the Company does not expect to have significant changes to unrecognized tax benefits through the end of the fiscal year. The Company did not have any interest or penalties related to its uncertain tax positions for the three and six months ended June 30, 2025 and 2024.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was signed into law, which enacts significant changes to U.S. tax and related laws. Some of the provisions of the new tax law affecting corporations include, but are not limited to, expensing of domestic research expenses, increasing the limit of the deduction of interest expense deduction to thirty percent of EBITDA, and one hundred percent bonus depreciation on eligible property acquired after January 19, 2025. The Company is currently evaluating the impact the new tax law will have on its financial condition and results of operations. The impact of the tax law changes from the OBBBA are expected to be included in the Company's financial statements beginning in the three months ending September 30, 2025.

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

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our results of operations and financial condition. You should read this discussion and analysis in conjunction with our unaudited financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and our audited financial statements and the related notes and the discussion under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for the year ended December 31, 2024 included in the IPO Prospectus. Unless the context otherwise requires, references to “Carlsmed,” the “Company,” “we,” “us,” and “our” refer to Carlsmed, Inc., a Delaware corporation. This discussion and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements that involve risks and uncertainties, such as statements regarding our plans, objectives, expectations, intentions, and projections. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the “Risk Factors” section of the IPO Prospectus. See the section titled “Special Note Regarding Forward-Looking Statements.” Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

Company Summary

We are a commercial-stage medical technology company pioneering artificial intelligence (“AI”)-enabled personalized spine surgery solutions with a mission to improve outcomes and decrease the cost of healthcare for spine surgery and beyond. We are focused on becoming the standard of care for spine fusion surgery. The aprevo Technology Platform consists of AI-enabled software solutions, and interbody implants that we custom design for each patient’s unique pathology and vertebral bone topography, and single-use surgical instruments. The aprevo Technology Platform was designed to address the limitations of traditional spine fusion surgery and aims to optimize patient outcomes and reduce the need for revision surgeries. By providing personalized surgical plans and interbody implants for custom vertebral fit that are powered by AI-enabled, outcomes-based algorithms, the aprevo Technology Platform supports surgeons in achieving proper spinal alignment for patients with degenerative disc disease (“DDD”), which can improve clinical outcomes and reduce the likelihood of revision surgeries. We currently market the aprevo Technology Platform for lumbar spine fusion surgery, and we are further developing the aprevo Technology Platform for use in cervical spine fusion surgeries, which we expect to commercialize in 2026.

We market and sell the aprevo Technology Platform to hospitals in the United States through a combination of our direct sales team and independent sales agents. Our direct sales team consists of Area Business Directors, Regional Sales Directors, Account Managers, and Strategic and National Account leadership, who are primarily responsible for selling the aprevo Technology Platform to surgeons and working with hospitals to secure product approval. They are also responsible for recruiting indirect sales agents that cover each surgery, generating leads, and training clinics. Our direct sales team is supported by a team of independent sales agents, who are responsible for generating leads, providing surgical instruments, and covering cases. While our current commercial focus is on the United States, in the future, we plan to engage in market access initiatives to evaluate strategic international regions.

Since we began commercializing the aprevo Technology Platform in 2021, we have experienced sequential quarterly and annual revenue growth from the rapid commercial adoption of the aprevo Technology Platform. For the three months ended June 30, 2025 and 2024, we recognized revenue of \$12.1 million and \$6.1 million, respectively, representing period-over-period growth of 98.7%. For the six months ended June 30, 2025 and 2024, we recognized revenue of \$22.3 million and \$11.2 million, respectively, representing period-over-period growth of 99.4%.

Our business model depends on our ability to timely deliver aprevo interbody implants in order to allow surgeons to maintain their surgical schedule. In November 2024, we launched our digital production system (“DPS”), which we developed to enable us to deliver our aprevo interbody implants to hospitals within 10 business days of surgical plan approval. Our aprevo interbody implants are manufactured to our specifications by contract manufacturing organizations (“CMOs”) who meet our manufacturer qualification standards. Our streamlined DPS manages both the upstream and downstream processes involved in producing our aprevo interbody implants.

Regulatory and Reimbursement

In July 2020, the U.S. Food and Drug Administration (“FDA”) awarded us a Breakthrough Device Designation, indicating that aprevo interbody implants are likely to provide a more effective treatment than the current standard of care in lumbar fusion with the use of stock implants. In December 2020, the FDA cleared our aprevo interbody implants through its 510(k) regulatory clearance pathway for lumbar fusions performed for correction of adult spinal deformity (“ASD”). After FDA clearance, we commenced the limited clinical release of the aprevo Technology Platform, with the first U.S. patient implant in February 2021. In October 2021, the Centers for Medicare and Medicaid Services (“CMS”) awarded our aprevo interbody implants the New Technology Add-On Payments (“NTAP”). This provided supplemental reimbursement to hospitals for each qualifying aprevo lumbar procedure through October 2024. In that same month, we commenced our U.S. commercial launch of the aprevo Technology Platform for lumbar spine fusion surgery. In August 2022, the FDA cleared the aprevo Technology Platform through its 510(k) regulatory clearance pathway for the treatment of patients with DDD of the lumbar spine.

As of October 2024, CMS adopted new Medicare Severity-Diagnosis Related Groups (“MS-DRGs”) that cover most lumbar spine fusion procedures involving a “custom-made anatomically designed” (“CMAD”) interbody fusion device, such as our aprevo interbody implants. These new MS-DRGs provide premium reimbursement rates for our hospital customers, relative to lumbar fusion procedures using stock implants. We believe this classification will support our customers' continued access to our technology.

In September 2023, the FDA granted us our second Breakthrough Device Designation for aprevo in cervical spine fusion. In November 2024, we received FDA 510(k) clearance for our aprevo Technology Platform for cervical spine fusion surgery. In July 2025, CMS provided a NTAP for the aprevo interbody implant for this cervical indication that results in supplemental reimbursement to hospitals for each qualifying aprevo cervical procedure, effective October 1, 2025. In July 2025, the first aprevo cervical procedure was successfully completed at UC San Diego Health. Assuming we get the necessary remaining regulatory clearances, we expect to commercialize the aprevo Technology Platform for cervical fusion surgery in 2026.

Initial Public Offering

On July 24, 2025, we completed our initial public offering of 6,700,000 shares of our common stock, at a price to the public of \$15.00 per share (the “IPO”). We received net proceeds of \$93.5 million from the IPO, after deducting underwriting discounts and commissions and before additional offering expenses payable by us.

Key Factors Affecting Our Results of Operations and Performance

Our financial performance has been driven by the following key factors that we believe will persist for the foreseeable future. While each of these factors presents significant opportunities for our business, they also pose important challenges that we must successfully address in order to sustain our growth and improve our results of operations. Our ability to successfully address the factors below is subject to various risks and uncertainties.

Market Adoption

Since the full commercial launch of the aprevo Technology Platform for lumbar spine fusion surgery in October 2021, the aprevo Technology Platform has been used to treat more than 1,500 patients. We estimate there are approximately 4,000 surgeons across the United States whose patients could benefit from using the aprevo Technology Platform (Moore et al., 2021). As of June 30, 2025, 199 surgeon users have completed one or more procedures using the aprevo Technology Platform, compared to 116 surgeon users as of June 30, 2024. Over time, we expect to not only grow the base of surgeons using the aprevo Technology Platform but to also increase the number of procedures using the aprevo Technology Platform that are performed by existing surgeons. To achieve this, we plan to grow our commercial infrastructure and expand various market access initiatives, including utilizing medical education programs and surgeon training at top academic institutions.

We are also committed to building upon our strong foundation of clinical evidence demonstrating the efficacy of our aprevo Technology Platform. Clinical data publications are important tools for surgeon education and patient awareness of the benefits of the aprevo Technology Platform versus stock implants. For example, our COMPASS Registry is generating real-world evidence of patient outcomes from lumbar spine surgery with the aprevo Technology Platform. We anticipate that this registry will support a robust cadence of publications.

Expansion of Our Product Portfolio and Investments in Research and Development

Our research and development initiatives are focused on introducing enhancements and new capabilities aimed at increasing the value provided by our aprevo Technology Platform to patients, surgeons, and payors. We have introduced multiple iterations of our algorithm and software platform to drive further improvements of our predictive analytics and diagnostics. We believe that these improvements will strengthen our ability to leverage the post-operative data we collect to build a clinical decision model to further help physicians make better decisions earlier on in the treatment process.

Additionally, we are at an advanced stage of development of our aprevo Technology Platform for cervical spine fusion surgery. In November 2024, we received FDA 510(k) clearance for our aprevo Technology Platform for cervical spine fusion surgery. In 2025, we plan to continue to build out our aprevo Technology Platform for cervical fusion procedures by pursuing additional clearances for advancements to our cervical software platform and our personalized plating solutions. There is, however, no guarantee that our cervical software platform and our personalized plating solutions will obtain FDA clearance on the expected timeline, or at all.

Assuming we obtain the necessary additional 510(k) clearances, we anticipate that we will fully commercialize the aprevo Technology Platform for cervical spine fusion surgeries in early 2026 and intend to drive adoption of the Platform for cervical fusion surgery among our existing base of surgeons who are actively using aprevo interbody implants for lumbar spine fusion surgeries. We also believe that our aprevo Technology Platform can be utilized across various indications and disease states within the spine that are beyond those that we are currently cleared for, such as cervical corpectomy and cervical disc arthroplasty.

Reimbursement

Procedures using our aprevo Technology Platform are covered by Medicare, Medicare Advantage, and commercial payors. For the three and six months ended June 30, 2025, we estimate that our hospital customers' payor mix consisted of approximately 40% and 41% for commercial insurance, respectively, and 60% and 59% for Medicare and Medicare Advantage insurance, respectively. The MS-DRG codes to which procedures using the aprevo Technology Platform are assigned, provide premium reimbursement to hospitals for lumbar fusion procedures relative to those that use stock implants. This level of hospital reimbursement has a substantial impact on how widely our aprevo Technology Platform is accepted.

CMS has assigned new technology X-codes for use of our aprevo Technology Platform in cervical spine procedures. In July 2025, CMS announced X-codes for the use of CMAD interbody fusion devices for cervical spine fusion surgeries which will be critical to the commercial success of our cervical implants. Future changes in the level of reimbursement, however, could have a significant impact on our results of operations, either positively or negatively. The level at which reimbursement is set by payors for procedures using our aprevo Technology Platform, and any increase in reimbursement for procedures using our aprevo Technology Platform, depends substantially on our continued ability to generate clinical evidence, gain advocacy in the respective physician societies, and work with CMS and commercial payors.

Key Components of Our Results of Operations

Revenue

We sell our aprevo interbody implants and accompanying inserter instruments to hospitals in the United States under standard pricing schedules. We recognize revenue in the period of its use within a spine fusion surgical procedure.

Cost of Sales

Cost of sales includes the costs of creating patient-specific digital surgical plans and the manufacturing costs of our aprevo interbody implants and the accompanying inserter instruments. These costs of sales include allocations for personnel, software, contract manufacturing and other third-party services, packaging, shipping, and overhead cost allocations. We expect that our cost of sales will continue to increase in proportion to recognized revenue.

Gross Profit and Gross Margin

Gross profit (i.e., revenue *less* cost of sales) and gross margin (i.e., gross profit as a *percentage of* revenue) have been, and will continue to be, affected by various factors. These include potential changes to our average revenue per procedure, sales volumes, third-party manufacturing costs, direct labor costs, and software costs. We expect our gross margin to remain relatively constant over the short term and to modestly increase over the medium and long term with economies of production scale, increased leverage of our AI technologies, and other manufacturing efficiencies.

Operating Expenses

Research and Development Expenses

Research and development expenses include personnel costs (i.e., salaries, bonuses, stock-based compensation expense, and benefits), allocated facility costs, product prototype materials, clinical studies aimed at potential new products, allocated software license amortization expenses, and consulting and other service fees. We recognize research and development expenses in the periods in which they are incurred. We expect our research and development expenses to increase as we continue to accelerate product and software innovation, develop additional clinical data, and expand manufacturing capabilities.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of personnel costs (i.e., salaries, commissions, bonuses, stock-based compensation expense, benefits, and travel), independent sales agent commissions, costs associated with generic surgical instruments we may provide to our independent sales agents, various digital and print initiatives to increase market awareness of our product and technology, conference and trade show fees, consulting fees, and medical education expenses.

We expect our sales and marketing expenses to increase in the foreseeable future as we continue to increase the size of our sales organization and scope of our marketing efforts in the United States and into other geographies, expand the indications for our aprevo Technology Platform, and seek to establish international sales channels. While we expect sales and marketing expenses to continue to increase in absolute value, we expect that these costs will decrease as a percentage of revenue over time.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs (i.e., salaries, bonuses, stock-based compensation expense, and benefits) for executive, legal, finance, and human resources roles. Other significant costs include legal fees relating to intellectual property and corporate matters, consultant and professional fees, insurance, and facility-related costs. We recognize general and administrative expenses in the periods in which they are incurred. We anticipate that our general and administrative expenses will increase in the future to support our anticipated business growth as a publicly traded company. These increased costs include accounting, audit, legal, regulatory, tax, insurance, investor relations, and compliance with exchange listing and SEC requirements. While we expect general and administrative expenses to continue to increase in absolute value, we expect that these costs will decrease as a percentage of revenue over time.

Interest Expense

Interest expense consists of interest coupon payments and non-cash amortization of debt issuance costs as part of the Customers Loan Agreement.

Interest Income

Interest income is attributable to bank interest on our cash and cash equivalents.

Change in Fair Value of Warrant Liabilities

We have issued warrants for the purchase of our convertible preferred stock in conjunction with the loan and security agreement with Customers Bank (the "Customers Loan Agreement"). We account for these liability-classified warrants, initially measured at fair value, in accordance with *ASC Topic 480*. Changes in fair value of warrant liabilities are recognized in the Statements of Operations and Comprehensive Loss.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2025 and 2024

The following tables set forth our results of operations, variances versus the prior period, and percentage of revenue for each presented caption. The period-to-period comparison is not necessarily indicative of financial results to be achieved in future periods.

| (in thousands, except percentages) | Three Months Ended June 30, | | \$ Change | % Change | Percentage of Revenue | |
|---|-----------------------------|------------|--------------|-------------|-----------------------|-----------|
| | 2025 | 2024 | | | 2025 | 2024 |
| Revenue | \$ 12,083 | \$ 6,081 | \$ 6,002 | 98.7 % | 100.0 % | 100.0 % |
| Cost of sales | 3,214 | 1,519 | 1,695 | 111.6 % | 26.6 | 25.0 |
| Gross profit | 8,869 | 4,562 | 4,307 | 94.4 % | 73.4 | 75.0 |
| Operating expenses: | | | | | | |
| Research and development | 4,160 | 3,998 | 162 | 4.1 % | 34.4 | 65.7 |
| Sales and marketing | 7,869 | 4,873 | 2,996 | 61.5 % | 65.1 | 80.1 |
| General and administrative | 3,342 | 2,010 | 1,332 | 66.3 % | 27.7 | 33.1 |
| Total operating expenses | 15,371 | 10,881 | 4,490 | 41.3 % | 127.2 | 178.9 |
| Loss from operations | (6,502) | (6,319) | (183) | 2.9 % | (53.8) | (103.9) |
| Other income (expense): | | | | | | |
| Interest expense | (363) | (325) | (38) | 11.7 % | (3.0) | (5.3) |
| Interest income | 336 | 428 | (92) | (21.5) % | 2.8 | 7.0 |
| Change in fair value of warrant liabilities | (237) | (61) | (176) | 288.5 % | (2.0) | (1.0) |
| Total other income (expense), net | (264) | 42 | (306) | (728.6) % | (2.2) | 0.7 |
| Net loss and comprehensive loss | \$ (6,766) | \$ (6,277) | \$ (489) | 7.8 % | (56.0) % | (103.2) % |

| (in thousands, except percentages) | Six Months Ended June 30, | | \$ Change | % Change | Percentage of Revenue | |
|---|---------------------------|-------------|--------------|-------------|-----------------------|-----------|
| | 2025 | 2024 | | | 2025 | 2024 |
| Revenue | \$ 22,272 | \$ 11,167 | \$ 11,105 | 99.4 % | 100.0 % | 100.0 % |
| Cost of sales | 5,767 | 2,941 | 2,826 | 96.1 % | 25.9 | 26.3 |
| Gross profit | 16,505 | 8,226 | 8,279 | 100.6 % | 74.1 | 73.7 |
| Operating expenses: | | | | | | |
| Research and development | 7,310 | 7,254 | 56 | 0.8 % | 32.8 | 65.0 |
| Sales and marketing | 14,608 | 8,470 | 6,138 | 72.5 % | 65.6 | 75.8 |
| General and administrative | 6,808 | 4,150 | 2,658 | 64.0 % | 30.6 | 37.2 |
| Total operating expenses | 28,726 | 19,874 | 8,852 | 44.5 % | 129.0 | 178.0 |
| Loss from operations | (12,221) | (11,648) | (573) | 4.9 % | (54.9) | (104.3) |
| Other income (expense): | | | | | | |
| Interest expense | (720) | (541) | (179) | 33.1 % | (3.2) | (4.8) |
| Interest income | 716 | 526 | 190 | 36.1 % | 3.2 | 4.7 |
| Change in fair value of warrant liabilities | (270) | (61) | (209) | 342.6 % | (1.2) | (0.5) |
| Total other expense, net | (274) | (76) | (198) | 260.5 % | (1.2) | (0.7) |
| Net loss and comprehensive loss | \$ (12,495) | \$ (11,724) | \$ (771) | 6.6 % | (56.1) % | (105.0) % |

Revenue

Revenue was \$12.1 million and \$6.1 million for the three months ended June 30, 2025 and 2024, respectively. The increase of \$6.0 million, or 98.7%, was primarily driven by increased volume of surgical procedures with the aprevo Technology Platform in the current quarter, with our average revenue per procedure substantially flat between these periods.

Revenue was \$22.3 million and \$11.2 million for the six months ended June 30, 2025 and 2024, respectively. The increase of \$11.1 million, or 99.4%, was primarily driven by increased volume of surgical procedures with the aprevo Technology Platform in the current six month period, with our average revenue per procedure substantially flat between these periods.

Cost of Sales and Gross Margin

Cost of sales was \$3.2 million and \$1.5 million for three months ended June 30, 2025 and 2024, respectively. The increase of \$1.7 million, or 111.6%, was primarily driven by increased sales of aprevo interbody implants in the current quarter and the associated increase in contract manufacturing materials and costs for the three months ended June 30, 2025 with this sales volume, as compared to the three months ended June 30, 2024. Gross margin was 73.4% for the three months ended June 30, 2025, as compared to 75.0% for the three months ended June 30, 2024. This modest decrease was primarily driven by expedite production fees charged by our contract manufacturer in the current quarter to meet customer timing requirements and other material costs.

Cost of sales was \$5.8 million and \$2.9 million for the six months ended June 30, 2025 and 2024, respectively. The increase of \$2.8 million, or 96.1%, was primarily driven by increased sales of aprevo interbody implants in the current six month period and the associated increase in contract manufacturing materials and costs for the six months ended June 30, 2025 with this sales volume, as compared to the six months ended June 30, 2024. Gross margin was 74.1% for the six months ended June 30, 2025, as compared to 73.7% for the six months ended June 30, 2024 with the slight improvement due to material costs.

Research and Development Expenses

Research and development expenses were \$4.2 million and \$4.0 million for the three months ended June 30, 2025 and 2024, respectively. The increase of \$0.2 million, or 4.1%, was primarily due to higher personnel costs to support product development and artificial intelligence initiatives, partially offset by decreased prototype and materials costs and reduced COMPASS registry costs following enrollment completion in the second half of 2024.

Research and development expenses remained consistent at \$7.3 million for both the six months ended June 30, 2025 and 2024. Personnel-related costs increased by \$1.1 million primarily due to headcount additions to support our product development initiatives and artificial intelligence initiatives, and were substantially offset by decreased costs for external services and prototype parts and materials and reduced COMPASS registry costs following enrollment completion in second half of 2024.

Sales and Marketing Expenses

Sales and marketing expenses were \$7.9 million and \$4.9 million for the three months ended June 30, 2025 and 2024, respectively. The increase of \$3.0 million, or 61.5%, was primarily driven by a \$1.5 million increase in personnel-related costs primarily due to increased headcount and sales compensation for employees, a \$1.3 million increase in commissions to independent sales agents, a \$0.5 million increase in various marketing costs, and a \$0.1 million increase in employee travel costs. These increases were partially offset by a decrease in professional service fees of \$0.6 million.

Sales and marketing expenses were \$14.6 million and \$8.5 million for the six months ended June 30, 2025 and 2024, respectively. The increase of \$6.1 million, or 72.5%, was primarily driven by a \$2.8 million increase in personnel-related costs primarily due to increased headcount and sales compensation for employees, a \$2.4 million increase in commissions to independent sales agents, a \$1.1 million increase in various marketing costs, and a \$0.3 million increase in employee travel costs. These increases were partially offset by a decrease in professional service fees of \$0.6 million.

General and Administrative Expenses

General and administrative expenses were \$3.3 million and \$2.0 million for the three months ended June 30, 2025 and 2024, respectively. The increase of \$1.3 million, or 66.3%, was primarily driven by a \$0.5 million increase in professional service and legal fees for corporate and intellectual property matters, a \$0.5 million increase in costs for personnel additions to support business growth and public company readiness, and a \$0.2 million increase in the provision for credit losses from accounts receivable.

General and administrative expenses were \$6.8 million and \$4.2 million for the six months ended June 30, 2025 and 2024, respectively. The increase of \$2.7 million, or 64.0%, was primarily driven by a \$1.4 million increase in professional service and legal fees for corporate and intellectual property matters, a \$0.7 million increase in costs for personnel additions to support business growth and public company readiness, and a \$0.6 million increase in other administrative expenses.

Interest Expense

Interest expense was \$0.4 million and \$0.3 million for the three months ended June 30, 2025 and 2024, respectively. The increase of less than \$0.1 million, or 11.7%, was primarily driven by an increased amount of borrowings outstanding under the Customers Loan Agreement.

Interest expense was \$0.7 million and \$0.5 million for the six months ended June 30, 2025 and 2024, respectively. The increase of \$0.2 million, or 33.1%, was primarily driven by an increased amount of borrowings outstanding under the Customers Loan Agreement.

Interest Income

Interest income was \$0.3 million and \$0.4 million for the three months ended June 30, 2025 and 2024, respectively. The decrease of \$0.1 million, or 21.5%, was due to a decrease in bank interest on our lower daily average cash and cash equivalent balances.

Interest income was \$0.7 million and \$0.5 million for the six months ended June 30, 2025 and 2024, respectively. The increase of \$0.2 million, or 36.1%, was due to an increase in bank interest on our higher daily average cash and cash equivalent balances.

Change in Fair Value of Warrant Liabilities

The fair value of warrant liabilities increased by \$0.2 million during both the three and six months ended June 30, 2025 compared to both the three and six months ended June 30, 2024.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we utilize and present financial measures that are not calculated and presented in accordance with GAAP. Our non-GAAP financial measures include EBITDA and Adjusted EBITDA, each of which is described below. We use our non-GAAP financial measures in evaluating our operating performance and for internal planning purposes. We believe that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our business, results of operations, or outlook. We believe that the presentation of our GAAP and non-GAAP financial measures, in combination, is helpful to investors in assessing our trending business performance in the currently reported period and versus prior periods. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate similarly titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-GAAP financial measures used by management as a supplemental measure in evaluating our operating performance. EBITDA and Adjusted EBITDA should not be considered as alternatives to, or more meaningful than, net loss or any other measure as determined in accordance with GAAP. Our computation of EBITDA and Adjusted EBITDA may not be comparable to EBITDA and Adjusted EBITDA of other companies.

We define “EBITDA” as net income (loss), adjusted to exclude: (i) net interest (income) expense, (ii) income tax expense (benefit), (iii) depreciation expense from property and equipment, and (iv) amortization expense from long-lived assets. We define “Adjusted EBITDA” as EBITDA adjusted to exclude stock-based compensation expense and change in fair value of warrant liabilities.

The following tables present a reconciliation of EBITDA and Adjusted EBITDA to the GAAP financial measure of net loss for each of the periods indicated:

| (in thousands, except percentages) | Three Months Ended June 30, | | \$ Change | % Change |
|---|-----------------------------|-------------------|--------------|-------------|
| | 2025 | 2024 | | |
| Net loss | \$ (6,766) | \$ (6,277) | \$ (489) | 7.8 % |
| Interest (income) expense | 27 | (103) | 130 | (126.2) % |
| Income taxes | — | — | — | — |
| Depreciation and amortization | 61 | 35 | 26 | 74.3 % |
| EBITDA | (6,678) | (6,345) | (333) | 5.2 % |
| Stock-based compensation | 258 | 52 | 206 | 396.2 % |
| Change in fair value of warrant liabilities | 237 | 61 | 176 | 288.5 % |
| Adjusted EBITDA | <u>\$ (6,183)</u> | <u>\$ (6,232)</u> | <u>\$ 49</u> | (0.8) % |

| (in thousands, except percentages) | Six Months Ended June 30, | | \$ Change | % Change |
|---|---------------------------|--------------------|-----------------|-------------|
| | 2025 | 2024 | | |
| Net loss | \$ (12,495) | \$ (11,724) | \$ (771) | 6.6 % |
| Interest (income) expense | 4 | 15 | (11) | (73.3) % |
| Income taxes | — | — | — | — |
| Depreciation and amortization | 101 | 75 | 26 | 34.7 % |
| EBITDA | (12,390) | (11,634) | (756) | 6.5 % |
| Stock-based compensation | 433 | 87 | 346 | 397.7 % |
| Change in fair value of warrant liabilities | 270 | 61 | 209 | 342.6 % |
| Adjusted EBITDA | <u>\$ (11,687)</u> | <u>\$ (11,486)</u> | <u>\$ (201)</u> | 1.7 % |

Liquidity and Capital Resources

We have incurred net losses and negative cash flows from operations since our inception. We have historically financed operations primarily through the net proceeds that we have received from the sale of shares of our convertible preferred stock, borrowings under our debt facilities, and cash generated from the sales of aprevo interbody implants. Since inception through June 30, 2025, we had raised aggregate gross equity proceeds of \$105.1 million primarily from the issuance of convertible preferred stock. As of June 30, 2025, we had \$33.5 million of cash and cash equivalents, \$15.6 million of principal outstanding under the Customers Loan Agreement, and an accumulated deficit of \$83.7 million. As of June 30, 2025, an aggregate principal amount of \$7.5 million was available for future borrowings under the Customers Loan Agreement with an additional \$4.4 million available upon future achievement of a requisite revenue milestone.

On July 24, 2025, we completed our IPO and received \$93.5 million in net proceeds, after deducting underwriting discounts and commissions and before additional offering expenses payable by us.

Our losses primarily resulted from the costs incurred in the development and sales and marketing of our products and providing general and administrative support for our operations. We may continue to incur losses and expend significant amounts of cash in the foreseeable future as we continue to scale our business, invest in research and development activities, increase sales and marketing expenses to support commercial expansion, and increase general and administrative expenses to support being a publicly traded company.

Customers Loan Agreement

In December 2022, we entered the Customers Loan Agreement. The Customers Loan Agreement had an initial maturity date of December 2026 and provided up to \$12.5 million in principal funding, and in October 2023, we drew \$3.1 million under the Customers Loan Agreement.

On March 7, 2024, we executed a Third Amendment to the Customers Loan Agreement (the “Third Amendment”), increasing the credit facility size from \$12.5 million to \$18.8 million and extending the maturity date to December 31, 2027, then subject to achievement of certain revenue and other milestones, and in May 2024, we drew \$6.3 million under the Customers Loan Agreement.

On December 30, 2024, we entered into a Fourth Amendment to the Customers Loan Agreement (the “Fourth Amendment”), expanding the facility to \$27.5 million through the addition of two tranches, one of which is a revenue milestone-based tranche. The Fourth Amendment also extended the maturity date to October 31, 2029. The Fourth Amendment provides for an interest-only period through July 31, 2026, followed by principal repayment over 39 months thereafter. Upon achievement of certain revenue milestones, the interest-only period may be extended through July 31, 2027, followed by principal repayment over 27 months thereafter. As of June 30, 2025, the requisite revenue milestones for this extension were not yet met.

The applicable interest rate on the Customers Loan Agreement, as of June 30, 2025, was 7.75%, reflecting the greater of (a) the WSJ Prime Rate + 0.25% or (b) 5.25%, and the Customers Loan Agreement contains an interest-only period, with repayment terms that may adjust based on meeting additional milestones as discussed above.

In connection with each of the Third Amendment and the Fourth Amendment, we issued the Series B Warrant to Customers Bank to purchase up to 58,420 shares of our Series B convertible preferred stock at an exercise price of \$6.93 and issued the Series C Warrant to Customers Bank to purchase up to 20,375 shares of our Series C convertible preferred stock with an exercise price of \$10.74 per share. See *Note 4—Debt* in the notes to our unaudited condensed financial for additional information regarding our Series B Warrant and Series C Warrant.

As of June 30, 2025, we were in compliance with all covenants contained in the Customers Loan Agreement. See *Note 4—Debt* in the notes to our unaudited condensed financial statements for additional information regarding the Customers Loan Agreement.

Future Funding Requirements

Based on our current operating plan, we believe the net proceeds from the IPO, together with our existing cash and cash equivalents, the expected cash generated from sales of our aprevo interbody implants, and amounts currently available for future borrowings under our Customers Loan Agreement will be sufficient to fund our planned operating expenses and capital expenditure requirements for at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could deplete our capital resources sooner than we expect. Our quarterly and annual financial results may fluctuate as a result of a variety of factors, many of which are outside of our control and, as a result, may not fully reflect the underlying performance of our business. Fluctuation in quarterly and annual results may decrease the value of our common stock.

Our future capital requirements will depend on many factors, including, but not limited to:

- market acceptance of the aprevo Technology Platform and other products and solutions we may develop in the future;
- our ability to obtain marketing approval for the aprevo Technology Platform in international markets that we enter in the future or for other products and solutions we may develop in the future, and the timing and scope of any such approvals we may receive;
- the availability of reimbursement for aprevo interbody implants at acceptable reimbursement rates;
- the cost of manufacturing of aprevo interbody implants, which may vary depending on the quantity of production and the terms of our agreements with manufacturers and other vendors;
- our ability to attract, hire, train, and retain qualified personnel;
- the amount and timing of costs and expenses related to the maintenance and expansion of our business and operations;
- changes in our future pricing policies or those of our competitors;
- the level of demand for aprevo interbody implants that receive necessary marketing and other regulatory approvals, which may vary significantly;
- general economic, industry, and market conditions or extraordinary external events, such as a recession;
- changes in our regulatory environment;
- expenses associated with unforeseen product quality issues;
- the timing and success or failure of clinical trials or post-approval studies for the aprevo Technology Platform or competing product candidates;
- any other change in the competitive landscape of our industry, including consolidation amongst our competitors or partners;
- litigation or other claims against us for intellectual property infringement or otherwise;
- expenses associated with indemnification obligations to third parties that are subject to litigation or claims, including in relation to intellectual property infringement, or incur other losses as a result of their use of our products;
- our ability to obtain additional financing as necessary; and
- advances and trends in new technologies and industry standard.

If these sources of cash are insufficient to satisfy our liquidity requirements, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity or convertible debt securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. In addition, the incurrence of indebtedness would increase our fixed obligations and include covenants or other restrictions that would impede our ability to manage our operations.

Our ability to raise additional funds may be adversely impacted by deteriorating global economic conditions and the disruptions to and volatility in the credit and financial markets in the United States and fluctuations in interest rates. If additional financing is needed, we may not be able to obtain additional financing on terms favorable to us, or at all. Our inability to obtain adequate financing or financing on terms satisfactory to us, when we require it, could significantly limit our ability to continue supporting our business growth and responding to business challenges and opportunities.

Cash Flows

The following table summarizes our cash flows for each of the periods presented:

| (in thousands) | Six Months Ended June 30, | |
|---|----------------------------------|-------------|
| | 2025 | 2024 |
| Net cash provided by (used in): | | |
| Net cash flows used in operating activities | \$ (15,197) | \$ (13,683) |
| Net cash used in investing activities | \$ (910) | \$ (67) |
| Net cash flows provided by financing activities | \$ 9,454 | \$ 44,626 |

Operating activities

For the six months ended June 30, 2025, net cash used in operating activities was \$15.2 million. Cash payments to vendors during the six months ended June 30, 2025 totaled \$21.2 million and payroll-related cash payments totaled \$13.0 million. We received \$19.0 million from our customers for sales of aprevo interbody implants in the six months ended June 30, 2025, though we recognized \$22.3 million of revenue based on the timing of aprevo interbody implants use in surgical procedures in this period.

For the six months ended June 30, 2024, net cash used in operating activities was \$13.7 million. Cash payments to vendors during the six months ended June 30, 2024 totaled \$14.3 million, and payroll-related cash payments totaled \$8.3 million. We received \$8.9 million from our customers for sales of aprevo interbody implants in the six months ended June 30, 2024, though we recognized \$11.2 million of revenue based on the timing of aprevo interbody implants use in surgical procedures in this period.

Investing activities

For the six months ended June 30, 2025, net cash used in investing activities was \$0.9 million and consisted primarily of purchases of property and equipment of \$0.4 million, capitalized internal use software costs of \$0.4 million, and payment of initial direct costs of \$0.1 million for the new operating lease entered into in May 2025.

For the six months ended June 30, 2024, net cash used in investing activities was \$0.1 million and consisted primarily of purchases of property and equipment.

Financing activities

For the six months ended June 30, 2025, net cash provided by financing activities was \$9.5 million, consisted primarily of net proceeds from the issuance of Series C convertible preferred stock of \$11.9 million and proceeds from the exercise of stock options of \$0.2 million. This was partially offset by payments for deferred offering costs of \$2.6 million in connection with the IPO.

For the six months ended June 30, 2024, net cash provided by financing activities was \$44.6 million, consisted primarily of net proceeds from the issuance of Series C convertible preferred stock of \$38.4 million and borrowings under the Customers Loan Agreement of \$6.2 million.

Contractual Obligations and Other Material Cash Commitments

Our contractual obligations as of June 30, 2025, include:

Debt

Total principal amount outstanding as of June 30, 2025, was \$15.6 million. The Customers Loan Agreement matures on October 31, 2029, with an interest-only period through July 31, 2026, followed by principal repayment over 39 months thereafter. Upon achievement of certain revenue milestones, the interest-only period may be extended through July 31, 2027, and principal repayment over 27 months thereafter. As of June 30, 2025, the requisite revenue milestones for this extension were not yet met.

Operating leases

As of June 30, 2025, contractual obligations for operating lease payments (substantially related to our Carlsbad, California office leases with lease terms to July 1, 2028), that totaled \$2.6 million and are due over 36 months after June 30, 2025.

Critical Accounting Policies and Significant Judgments and Estimates

In our “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” section within the IPO Prospectus, we identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our financial statements. There have been no material changes to our critical accounting policies from those previously disclosed in the IPO Prospectus.

Recently Issued and Adopted Accounting Pronouncements

See “Note 2 – Summary of Significant Accounting Policies” in the accompanying notes to our unaudited Condensed Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for information about recent accounting pronouncements, the timing of their adoption, and our assessment, if any, of their potential impact on our financial condition and results of operations.

Emerging Growth Company and Smaller Reporting Company Status

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, as amended (the “JOBS Act”). As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- being permitted to present only two years of audited financial statements with correspondingly reduced “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” disclosure;
- reduced disclosure about our executive compensation arrangements;
- not being required to hold advisory votes on executive compensation or to obtain stockholder approval of any golden parachute arrangements not previously approved;
- an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”); and
- an exemption from compliance with the requirements of the Public Company Accounting Oversight Board regarding the communication of critical audit matters in the auditor’s report on the financial statements.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.235 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of the IPO; (iii) the date on which we have issued more than \$1.0 billion in non-convertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC. We may choose to take advantage of some but not all of these exemptions. We have taken advantage of reduced reporting requirements in this Quarterly Report on Form 10-Q. Accordingly, the information contained herein may be different from the information you receive from other public companies in which you hold stock. In addition, the JOBS Act permits an emerging growth company to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have chosen to “opt out” of this provision, and, as a result, we will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period is irrevocable.

We are also a “smaller reporting company,” because the market value of our shares held by non-affiliates plus the proposed aggregate amount of gross proceeds to us is less than \$700.0 million, and our annual revenue was less than \$100.0 million during the most recently completed fiscal year. We may continue to be a smaller reporting company if either (i) the market value of our shares held by non-affiliates is less than \$250.0 million or (ii) our annual revenue was less than \$100.0 million during the most recently completed fiscal year and the market value of our shares held by non-affiliates is less than \$700.0 million. If we are a smaller reporting company at the time that we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company, we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K, and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosures controls were effective at a reasonable assurance level as of June 30, 2025.

Changes in Internal Control

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our management team, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal controls over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, the effectiveness of any internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to completely eliminate all potential for misconduct. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in any cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

For discussion regarding legal proceedings, please refer to “Note 9 – Commitments and Contingencies” in the accompanying notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

Our business is subject to a variety of risks and uncertainties that are difficult to predict and many of which are outside of our control. For a detailed discussion of the risks that affect our business, refer to the section entitled “Risk Factors” included in the IPO Prospectus. As of the date of this Quarterly Report on Form 10-Q, there have been no material changes to the risk factors previously described in the IPO Prospectus. The matters specifically identified are not the only risks and uncertainties facing our company, and risks and uncertainties not known to us or not specifically identified also may impair our business operations. If any of these risks and uncertainties occur, our business, financial condition, results of operations and cash flows could be negatively affected, which could negatively impact the value of an investment in our company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**Unregistered Sales of Equity Securities**

During the quarter ended June 30, 2025, we issued an aggregate of 446,617 shares of our common stock upon the exercise of stock options under our 2019 Plan at a weighted average exercise price of \$0.41 per share, for aggregate proceeds of \$0.2 million.

Use of Proceeds

On July 24, 2025, we completed our IPO, in which we issued and sold 6,700,000 shares of our common stock, at a price to the public of \$15.00 per share. The net proceeds to the Company from the IPO were approximately \$88.3 million, after deducting underwriting discounts and commissions and estimated offering costs.

The net proceeds from our IPO have been used and will be used, together with our existing cash and cash equivalents: (i) to support the commercialization of the aprevo Technology Platform and expand and improve our product offerings, including approximately \$24.7 million to support our increased sales and marketing efforts, approximately \$45.9 million to fund our research and development activities to advance the aprevo Technology Platform, including the continued development of the aprevo Technology Platform for use in cervical spine fusion surgeries, and (ii) the remainder for working capital and general corporate purposes.

There has been no material change in the intended use of proceeds from our IPO as described in our IPO Prospectus.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.***Rule 10b5-1 Trading Arrangements***

During the fiscal quarter ended June 30, 2025, none of our directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (in each case, as defined in Item 408 of Regulation S-K).

Item 6. Exhibits.

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| 3.1 | <u>Amended and Restated Certificate of Incorporation of Carlsmed, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated July 24, 2025 (File No. 001-42756)).</u> |
| 3.2 | <u>Amended and Restated Bylaws of Carlsmed, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K dated July 24, 2025 (File No. 001-42756)).</u> |
| 4.1 | <u>Specimen common stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 4.2 | <u>Warrant to Purchase Common Stock by and between Silicon Valley Bank and the Registrant, dated as of April 30, 2021 (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 4.3 | <u>Second Warrant to Purchase Stock by and between Customers Bank and the Registrant, dated as of March 7, 2024 (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 4.4 | <u>Amended and Restated Warrant to Purchase Stock by and between Customers Bank and the Registrant, dated as of December 30, 2024 (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 4.5 | <u>Amended and Restated Investor Rights Agreement by and among the Registrant and certain of its stockholders, dated March 12, 2024 (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.1 | <u>Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.2 | <u>2019 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.3 | <u>Form of Stock Option Agreement and Exercise Notice under the 2019 Stock Incentive Plan (early exercise) (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.4 | <u>Form of Stock Option Agreement and Exercise Notice under the 2019 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.5 | <u>Restricted Stock Unit Agreement, by and between Michael Cordonnier and the Registrant, dated as of March 5, 2025, under the 2019 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.6* | <u>2025 Equity Incentive Plan.</u> |
| 10.7* | <u>2025 Employee Stock Purchase Plan.</u> |
| 10.8 | <u>Form of Option Award Agreement under the 2025 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1/A dated July 15, 2025 (File No. 333-288339)).</u> |
| 10.9 | <u>Form of RSU Award Agreement under the 2025 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1/A dated July 15, 2025 (File No. 333-288339)).</u> |
| 10.10 | <u>Employment Agreement, by and between the Registrant and Michael Cordonnier, dated as of June 24, 2025 (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.11 | <u>Employment Agreement, by and between the Registrant and Leonard Greenstein, dated as of June 24, 2025 (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.12 | <u>Employment Agreement, by and between the Registrant and William Durall, dated as of June 24, 2025 (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.13 | <u>Employment Agreement, by and between the Registrant and Niall Casey, dated as of June 24, 2025 (incorporated by reference to Exhibit 10.13 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.14 | <u>Non-Employee Director Compensation Policy (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.15 | <u>Loan and Security Agreement, dated as of December 20, 2022, by and between Signature Bank and the Registrant (incorporated by reference to Exhibit 10.15 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |
| 10.16 | <u>First Amendment to the Loan and Security Agreement, dated as of March 21, 2023, by and between Signature Bridge Bank, N.A. and the Registrant (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 dated June 26, 2025 (File No. 333-288339)).</u> |

- 10.17 [Second Amendment to the Loan and Security Agreement, dated as of October 2, 2023, by and between Customers Bank and the Registrant \(incorporated by reference to Exhibit 10.17 to the Registration Statement on Form S-1 dated June 26, 2025 \(File No. 333-288339\)\).](#)
- 10.18 [Third Amendment to the Loan and Security Agreement, dated as of March 7, 2024, by and between Customers Bank and the Registrant \(incorporated by reference to Exhibit 10.18 to the Registration Statement on Form S-1 dated June 26, 2025 \(File No. 333-288339\)\).](#)
- 10.19 [Fourth Amendment to the Loan and Security Agreement, dated as of December 30, 2024, by and between Customers Bank and the Registrant \(incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1 dated June 26, 2025 \(File No. 333-288339\)\).](#)
- 31.1* [Certification of Principal Executive Officer Pursuant to Rules 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2* [Certification of Principal Financial Officer Pursuant to Rules 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 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.](#)
- 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.](#)
- 101.INS* Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
- 101.SCH* Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
- 104* Cover page formatted as Inline XBRL and contained in Exhibit 101

* Filed herewith.

** Furnished herewith.

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.

CARLSMED, INC.

Date: August 28, 2025

By: /s/Michael Cordonnier
Michael Cordonnier
Chief Executive Officer and President
(Principal Executive Officer)

Date: August 28, 2025

By: /s/ Leonard Greenstein
Leonard Greenstein
Chief Financial Officer
(Principal Financial Officer)



Carlsmed, Inc.
2025 Equity Incentive Plan

Adopted by the Board of Directors: July 10, 2025

Approved by the Stockholders: July 10, 2025

IPO Date: July 22, 2025

1. General.

(a) **Successor to and Continuation of Prior Plan.** The Plan is the successor to, and continuation of, the Prior Plan. As of the Effective Date, (i) no additional awards may be granted under the Prior Plan; (ii) the Prior Plan's Available Reserve will become available for issuance pursuant to Awards granted under this Plan; (iii) any Prior Plan's Returning Shares will become available for issuance pursuant to Awards granted under this Plan as described in Section 2(a) below; and (iv) all outstanding awards granted under the Prior Plan will remain subject to the terms of the Prior Plan; *provided, however*, that any Prior Plan's Returning Shares will become available for issuance pursuant to Awards granted under this Plan. All Awards granted under this Plan will be subject to the terms of this Plan.

(b) **Plan Purpose.** The Company, by means of the Plan, seeks to secure and retain the services of Employees, Directors and Consultants, to provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and to provide a means by which such persons may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Awards.

(c) **Available Awards.** The Plan provides for the grant of the following Awards: (i) Incentive Stock Options; (ii) Nonstatutory Stock Options; (iii) SARs; (iv) Restricted Stock Awards; (v) RSU Awards; (vi) Performance Awards; and (vii) Other Awards.

(d) **Adoption Date; Effective Date.** The Plan will come into existence on the Adoption Date, but no Award may be granted prior to the Effective Date.

2. Shares Subject to the Plan.

(a) **Share Reserve.** Subject to adjustment in accordance with Section 2(c) and any adjustments as necessary to implement any Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Awards will not exceed (i) 3,595,177 shares, which number is the sum of: (x) 3,455,830 new shares, plus (y) the number of shares (139,347) subject to the Prior Plan's Available Reserve, plus (ii) a number of shares equal to the Prior Plan's Returning Shares, if any, as such shares become available from time to time. In addition, subject to any adjustments as necessary to implement any Capitalization Adjustments, such aggregate number of shares of Common Stock will automatically increase on January 1 of each year for a period of ten years commencing on January 1, 2026 and ending on (and including) January 1, 2035, in an amount equal to five percent (5%) of the total number of shares of Capital Stock outstanding on December 31 of the preceding year; provided, however, that the Board may act prior to January 1st of a given year to provide that the increase for such year will be a lesser number of shares of Common Stock.

(b) **Aggregate Incentive Stock Option Limit.** Notwithstanding anything to the contrary in Section 2(a) and subject to any adjustments as necessary to implement any Capitalization betAdjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options is 10,785,531 shares.

(c) **Share Reserve Operation.**

(i) **Limit Applies to Common Stock Issued Pursuant to Awards.** For clarity, the Share Reserve is a limit on the number of shares of Common Stock that may be issued pursuant to Awards and does not limit the granting of Awards, except that the Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy its obligations to issue shares pursuant to such Awards. Shares may be issued in connection with a merger or acquisition as permitted by, as applicable, Nasdaq Listing Rule 5635(c), NYSE Listed Company Manual Section 303A.08, or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

(ii) **Actions that Do Not Constitute Issuance of Common Stock and Do Not Reduce Share Reserve.** The following actions do not result in an issuance of shares under the Plan and accordingly do not reduce the number of shares subject to the Share Reserve and available for issuance under the Plan: (1) the expiration or termination of any portion of an Award without the shares covered by such portion of the Award having been issued; (2) the settlement of any portion of an Award in cash (*i.e.*, the Participant receives cash rather than Common Stock); (3) the withholding of shares that would otherwise be issued by the Company to satisfy the exercise, strike or purchase price of an Award; or (4) the withholding of shares that would otherwise be issued by the Company to satisfy a tax withholding obligation in connection with an Award.

(iii) **Reversion of Previously Issued Shares of Common Stock to Share Reserve.** The following shares of Common Stock previously issued pursuant to an Award and accordingly initially deducted from the Share Reserve will be added back to the Share Reserve and again become available for issuance under the Plan: (1) any shares that are forfeited back to or repurchased by the Company because of a failure to meet a contingency or condition required for the vesting of such shares; (2) any shares that are reacquired by the Company to satisfy the exercise, strike or purchase price of an Award; and (3) any shares that are reacquired by the Company to satisfy a tax withholding obligation in connection with an Award.

3. Eligibility and Limitations.

(a) **Eligible Award Recipients.** Subject to the terms of the Plan, Employees, Directors and Consultants are eligible to receive Awards.

(b) **Specific Award Limitations.**

(i) **Limitations on Incentive Stock Option Recipients.** Incentive Stock Options may be granted only to Employees of the Company or a “parent corporation” or “subsidiary corporation” thereof (as such terms are defined in Sections 424(e) and (f) of the Code).

(ii) **Incentive Stock Option \$100,000 Limitation.** To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year

(under all plans of the Company and any Affiliates) exceeds \$100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(iii) **Limitations on Incentive Stock Options Granted to Ten Percent Stockholders.** A Ten Percent Stockholder may not be granted an Incentive Stock Option unless (1) the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant of such Option and (2) the Option is not exercisable after the expiration of five years from the date of grant of such Option.

(iv) **Limitations on Nonstatutory Stock Options and SARs.** Nonstatutory Stock Options and SARs may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any “parent” of the Company (as such term is defined in Rule 405) unless the stock underlying such Awards is treated as “service recipient stock” under Section 409A because the Awards are granted pursuant to a corporate transaction (such as a spin off transaction) or unless such Awards otherwise comply with the distribution requirements of Section 409A.

(c) **Aggregate Incentive Stock Option Limit.** The aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options is the number of shares specified in Section 2(b).

(d) **Non-Employee Director Compensation Limit.** The aggregate value of all compensation granted or paid, as applicable, to any individual for service as a Non-Employee Director with respect to any period commencing on the date of the Company’s Annual Meeting of Stockholders for a particular year and ending on the day immediately prior to the date of the Company’s Annual Meeting of Stockholders for the next subsequent year (the “*Annual Period*”), including Awards granted and cash fees paid by the Company to such Non-Employee Director, will not exceed (i) \$750,000 in total value or (ii) in the event such Non-Employee Director is first appointed or elected to the Board during such Annual Period, \$1,000,000 in total value, in each case, calculating the value of any equity awards based on the grant date fair value of such equity awards for financial reporting purposes. The limitations in this Section 3(d) shall apply commencing with the Annual Period that begins on the Company’s first Annual Meeting of Stockholders following the Effective Date.

4. **Options and Stock Appreciation Rights.**

Each Option and SAR will have such terms and conditions as determined by the Board. Each Option will be designated in writing as an Incentive Stock Option or Nonstatutory Stock Option at the time of grant; provided, however, that if an Option is not so designated or if an Option designated as an Incentive Stock Option fails to qualify as an Incentive Stock Option, then such Option will be a Nonstatutory Stock Option, and the shares purchased upon exercise of each type of Option will be separately accounted for. Each SAR will be denominated in shares of Common Stock equivalents. The terms and conditions of separate Options and SARs need not be identical; provided, however, that each Option Agreement and SAR Agreement will conform (through incorporation of provisions hereof by reference in the Award Agreement or otherwise) to the substance of each of the following provisions:

(a) **Term.** Subject to Section 3(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of ten years from the date of grant of such Award or such shorter period specified in the Award Agreement.

(b) **Exercise or Strike Price.** Subject to Section 3(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will not be less than 100% of the Fair Market Value on the date of grant of such Award. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Fair Market Value on the date of grant of such Award if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Change in Control and in a manner consistent with the provisions of Sections 409A and, if applicable, 424(a) of the Code.

(c) **Exercise Procedure and Payment of Exercise Price for Options.** In order to exercise an Option, the Participant must provide notice of exercise to the Plan Administrator in accordance with the procedures specified in the Option Agreement or otherwise provided by the Company. The Board has the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to utilize a particular method of payment. The exercise price of an Option may be paid, to the extent permitted by Applicable Law and as determined by the Board, by one or more of the following methods of payment to the extent set forth in the Option Agreement:

(i) by cash or check, bank draft or money order payable to the Company;

(ii) pursuant to a “cashless exercise” program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the Common Stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock that are already owned by the Participant free and clear of any liens, claims, encumbrances or security interests, with a Fair Market Value on the date of exercise that does not exceed the exercise price, provided that (1) at the time of exercise the Common Stock is publicly traded, (2) any remaining balance of the exercise price not satisfied by such delivery is paid by the Participant in cash or other permitted form of payment, (3) such delivery would not violate any Applicable Law or agreement restricting the redemption of the Common Stock, (4) any certificated shares are endorsed or accompanied by an executed assignment separate from certificate, and (5) such shares have been held by the Participant for any minimum period necessary to avoid adverse accounting treatment as a result of such delivery;

(iv) if the Option is a Nonstatutory Stock Option, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value on the date of exercise that does not exceed the exercise price, provided that (1) such shares used to pay the exercise price will not be exercisable thereafter and (2) any remaining balance of the exercise price not satisfied by such net exercise is paid by the Participant in cash or other permitted form of payment; or

(v) in any other form of consideration that may be acceptable to the Board and permissible under Applicable Law.

(d) **Exercise Procedure and Payment of Appreciation Distribution for SARs.** In order to exercise any SAR, the Participant must provide notice of exercise to the Plan Administrator in accordance with the SAR Agreement. The appreciation distribution payable to a Participant upon the exercise of a SAR will not be greater than an amount equal to the excess of (i) the aggregate Fair Market Value on the date of exercise of a number of shares of Common Stock equal to the number of Common Stock equivalents that are vested and being exercised under such SAR, over (ii) the strike price of such SAR. Such appreciation distribution may be paid to the Participant in the form of Common Stock or cash (or any combination of Common Stock and cash) or in any other form of payment, as determined by the Board and specified in the SAR Agreement.

(e) **Transferability.** Options and SARs may not be transferred to third party financial institutions for value. The Board may impose such additional limitations on the transferability of an Option or SAR as it determines. In the absence of any such determination by the Board, the following restrictions on the transferability of Options and SARs will apply, provided that except as explicitly provided herein, neither an Option nor a SAR may be transferred for consideration and provided, further, that if an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer:

(i) **Restrictions on Transfer.** An Option or SAR will not be transferable, except by will or by the laws of descent and distribution, and will be exercisable during the lifetime of the Participant only by the Participant; provided, however, that the Board may permit transfer of an Option or SAR in a manner that is not prohibited by applicable tax and securities laws upon the Participant's request, including to a trust if the Participant is considered to be the sole beneficial owner of such trust (as determined under Section 671 of the Code and applicable U.S. state law) while such Option or SAR is held in such trust, provided that the Participant and the trustee enter into a transfer and other agreements required by the Company.

(ii) **Domestic Relations Orders.** Notwithstanding the foregoing, subject to the execution of transfer documentation in a format acceptable to the Company and subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to a domestic relations order.

(f) **Vesting.** The Board may impose such restrictions on or conditions to the vesting and/or exercisability of an Option or SAR as determined by the Board. Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, vesting of Options and SARs will cease upon termination of the Participant's Continuous Service.

(g) **Termination of Continuous Service for Cause.** Except as explicitly otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service is terminated for Cause, the Participant's Options and SARs will terminate and be forfeited immediately upon such termination of Continuous Service, and the Participant will be prohibited from exercising any portion (including any vested portion) of such Awards on and after the date of such termination of Continuous Service and the Participant will have no further right, title or interest in such forfeited Award, the shares of Common Stock subject to the forfeited Award, or any consideration in respect of the forfeited Award.

(h) **Post-Termination Exercise Period Following Termination of Continuous Service for Reasons Other than Cause.** Subject to Section 4(i), if a Participant's Continuous Service terminates for any reason other than for Cause, the Participant may exercise his or her Option or SAR to

the extent vested, but only within the following period of time or, if applicable, such other period of time provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate; provided, however, that in no event may such Award be exercised after the expiration of its maximum term (as set forth in Section 4(a)):

- (i) three months following the date of such termination if such termination is a termination without Cause (other than any termination due to the Participant's Disability or death);
- (ii) 12 months following the date of such termination if such termination is due to the Participant's Disability;
- (iii) 12 months following the date of such termination if such termination is due to the Participant's death; or
- (iv) 12 months following the date of the Participant's death if such death occurs following the date of such termination but during the period such Award is otherwise exercisable (as provided in (i) or (ii) above).

Following the date of such termination, to the extent the Participant does not exercise such Award within the applicable Post-Termination Exercise Period (or, if earlier, prior to the expiration of the maximum term of such Award), such unexercised portion of the Award will terminate, and the Participant will have no further right, title or interest in the terminated Award, the shares of Common Stock subject to the terminated Award, or any consideration in respect of the terminated Award.

(i) **Restrictions on Exercise; Extension of Exercisability.** A Participant may not exercise an Option or SAR at any time that the issuance of shares of Common Stock upon such exercise would violate Applicable Law. Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service terminates for any reason other than for Cause and, at any time during the last thirty days of the applicable Post-Termination Exercise Period: (i) the exercise of the Participant's Option or SAR would be prohibited solely because the issuance of shares of Common Stock upon such exercise would violate Applicable Law, or (ii) the immediate sale of any shares of Common Stock issued upon such exercise would violate the Company's Trading Policy, then the applicable Post-Termination Exercise Period will be extended to the last day of the calendar month that commences following the date the Award would otherwise expire, with an additional extension of the exercise period to the last day of the next calendar month to apply if any of the foregoing restrictions apply at any time during such extended exercise period, generally without limitation as to the maximum permitted number of extensions; provided, however, that in no event may such Award be exercised after the expiration of its maximum term (as set forth in Section 4(a)).

(j) **Whole Shares.** Options and SARs may be exercised only with respect to whole shares of Common Stock or their equivalents.

5. Awards Other Than Options and Stock Appreciation Rights.

(a) **Restricted Stock Awards and RSU Awards.** Each Restricted Stock Award and RSU Award will have such terms and conditions as determined by the Board; provided, however, that each Restricted Stock Award Agreement and RSU Award Agreement will conform (through incorporation of the provisions hereof by reference in the Award Agreement or otherwise) to the substance of each of the following provisions:

(i) Form of Award.

(1) **Restricted Stock Awards.** To the extent consistent with the Company's Bylaws, at the Board's election, shares of Common Stock subject to a Restricted Stock Award may be (A) held in book entry form subject to the Company's instructions until such shares become vested or any other restrictions lapse, or (B) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. Unless otherwise determined by the Board, a Participant will have voting and other rights as a stockholder of the Company with respect to any shares subject to a Restricted Stock Award.

(2) **RSU Awards.** An RSU Award represents a Participant's right to be issued on a future date the number of shares of Common Stock that is equal to the number of restricted stock units subject to the RSU Award. As a holder of an RSU Award, a Participant is an unsecured creditor of the Company with respect to the Company's unfunded obligation, if any, to issue shares of Common Stock in settlement of such Award and nothing contained in the Plan or any RSU Award Agreement, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between a Participant and the Company or an Affiliate or any other person. A Participant will not have voting or any other rights as a stockholder of the Company with respect to any RSU Award (unless and until shares are actually issued in settlement of a vested RSU Award).

(ii) Consideration.

(1) **Restricted Stock Awards.** A Restricted Stock Award may be granted in consideration for (A) cash or check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of consideration (including future services) as the Board may determine and permissible under Applicable Law.

(2) **RSU Awards.** Unless otherwise determined by the Board at the time of grant, an RSU Award will be granted in consideration for the Participant's services to the Company or an Affiliate, such that the Participant will not be required to make any payment to the Company (other than such services) with respect to the grant or vesting of the RSU Award, or the issuance of any shares of Common Stock pursuant to the RSU Award. If, at the time of grant, the Board determines that any consideration must be paid by the Participant (in a form other than the Participant's services to the Company or an Affiliate) upon the issuance of any shares of Common Stock in settlement of the RSU Award, such consideration may be paid in any form of consideration as the Board may determine and permissible under Applicable Law.

(iii) **Vesting.** The Board may impose such restrictions on or conditions to the vesting of a Restricted Stock Award or RSU Award as determined by the Board. Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, vesting of Restricted Stock Awards and RSU Awards will cease upon termination of the Participant's Continuous Service.

(iv) **Termination of Continuous Service.** Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service terminates for any reason, (1) the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant under his or her Restricted Stock Award that have not vested as of the date of such termination as set forth in the Restricted Stock Award Agreement, and (2) any portion of his or her RSU Award that has not vested will be forfeited upon such termination and the Participant will have no further right, title or interest in the RSU Award, the shares of Common Stock issuable pursuant to the RSU Award, or any consideration in respect of the RSU Award.

(v) **Dividends and Dividend Equivalents.** Dividends or dividend equivalents may be paid or credited, as applicable, with respect to any shares of Common Stock subject to a Restricted Stock Award or RSU Award, as determined by the Board and specified in the Award Agreement.

(vi) **Settlement of RSU Awards.** An RSU Award may be settled by the issuance of shares of Common Stock or cash (or any combination thereof) or in any other form of payment, as determined by the Board and specified in the RSU Award Agreement. At the time of grant, the Board may determine to impose such restrictions or conditions that delay such delivery to a date following the vesting of the RSU Award.

(b) **Performance Awards.** With respect to any Performance Award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, the other terms and conditions of such Award, and the measure of whether and to what degree such Performance Goals have been attained will be determined by the Board.

(c) **Other Awards.** Other forms of Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (*e.g.*, options or stock rights with an exercise price or strike price less than 100% of the Fair Market Value at the time of grant), may be granted either alone or in addition to Awards provided for under Section 4 and the preceding provisions of this Section 5. Subject to the provisions of the Plan, the Board will have sole and complete discretion to determine the persons to whom and the time or times at which such Other Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Awards and all other terms and conditions of such Other Awards.

6. Adjustments upon Changes in Common Stock; Other Corporate Events.

(a) **Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board shall appropriately and proportionately adjust: (i) the class(es) and maximum number of shares of Common Stock subject to the Plan and the maximum number of shares by which the Share Reserve may annually increase pursuant to Section 2(a); (ii) the class(es) and maximum number of shares that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 2(b); and (iii) the class(es) and number of securities and exercise price, strike price or purchase price of Common Stock subject to

outstanding Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. Notwithstanding the foregoing, no fractional shares or rights for fractional shares of Common Stock shall be created in order to implement any Capitalization Adjustment. The Board shall determine an appropriate equivalent benefit, if any, for any fractional shares or rights to fractional shares that might be created by the adjustments referred to in the preceding provisions of this Section.

(b) **Dissolution or Liquidation.** Except as otherwise provided in the Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Awards (other than Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Award is providing Continuous Service, provided, however, that the Board may determine to cause some or all Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) **Change in Control.** The following provisions will apply to Awards in the event of a Change in Control, unless otherwise provided in the instrument evidencing the Award or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of an Award.

(i) In the event of a Change in Control, any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue any or all Awards outstanding under the Plan or may substitute similar awards for Awards outstanding under the Plan (including but not limited to, awards to acquire the same consideration paid to the stockholders of the Company pursuant to the Change in Control), and any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to Awards may be assigned by the Company to the successor of the Company (or the successor's parent company, if any), in connection with such Change in Control. A surviving corporation or acquiring corporation (or its parent) may choose to assume or continue only a portion of an Award or substitute a similar award for only a portion of an Award, or may choose to assume, continue or substitute the Awards held by some, but not all Participants. The terms of any assumption, continuation or substitution will be set by the Board.

(ii) In the event of a Change in Control in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Awards or substitute similar awards for such outstanding Awards, then the vesting of such Awards (and, with respect to Options and Stock Appreciation Rights, the time when such Awards may be exercised) will be accelerated in full to a date prior to the effective time of such Change in Control (contingent upon the effectiveness of the Change in Control) as the Board determines (or, if the Board does not determine such a date, to the date that is five days prior to the effective time of the Change in Control), and such Awards will terminate if not exercised (if applicable) at or prior to the effective time of the Change in Control, and any reacquisition or repurchase rights held by the Company with respect to such Awards will lapse (contingent upon the effectiveness of the Change in Control). With respect to the vesting of Performance Awards that will accelerate upon the occurrence of a Change in Control pursuant to this subsection (ii) and that have multiple vesting levels depending on the level of performance, unless otherwise provided in the Award Agreement, the vesting of such Performance Awards will accelerate at 100% of the target level upon the occurrence of the Change in Control in which the Awards are not assumed, continued or substituted in accordance with Section 6(c)(i). With respect to the vesting of Awards that will accelerate

upon the occurrence of a Change in Control pursuant to this subsection (ii) and are settled in the form of a cash payment, such cash payment will be made no later than 30 days following the occurrence of the Change in Control or such later date as required to comply with Section 409A of the Code.

(iii) Notwithstanding the foregoing, in the event an Award will terminate if not exercised prior to the effective time of a Change in Control, the Board may provide, in its sole discretion, that the holder of such Award may not exercise such Award but will receive a payment, in such form as may be determined by the Board, equal in value, at the effective time, to the excess, if any, of (1) the value of the property the Participant would have received upon the exercise of the Award (including, at the discretion of the Board, any unvested portion of such Award), over (2) any exercise price payable by such holder in connection with such exercise.

(d) **Appointment of Stockholder Representative.** As a condition to the receipt of an Award under this Plan, a Participant will be deemed to have agreed that the Award will be subject to the terms of any agreement governing a Change in Control involving the Company, including, without limitation, a provision for the appointment of a stockholder representative that is authorized to act on the Participant's behalf with respect to any escrow, indemnities and any contingent consideration.

(e) **No Restriction on Right to Undertake Transactions.** The grant of any Award under the Plan and the issuance of shares pursuant to any Award does not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, rights or options to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

7. Administration.

(a) **Administration by Board.** The Board will administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in subsection (c) below.

(b) **Powers of Board.** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time (1) which of the persons eligible under the Plan will be granted Awards; (2) when and how each Award will be granted; (3) what type or combination of types of Award will be granted; (4) the provisions of each Award granted (which need not be identical), including the time or times when a person will be permitted to receive an issuance of Common Stock or other payment pursuant to an Award; (5) the number of shares of Common Stock or cash equivalent with respect to which an Award will be granted to each such person; (6) the Fair Market Value applicable to an Award; and (7) the terms of any Performance Award that is not valued in whole or in part by reference to, or otherwise based on, the Common Stock, including the amount of cash payment or other property that may be earned and the timing of payment.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement, in a manner and to the extent it deems necessary or expedient to make the Plan or Award fully effective.

(iii) To settle all controversies regarding the Plan and Awards granted under it.

(iv) To accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest, notwithstanding the provisions in the Award Agreement stating the time at which it may first be exercised or the time during which it will vest.

(v) To prohibit the exercise of any Option, SAR or other exercisable Award during a period of up to 30 days prior to the consummation of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of Common Stock or the share price of the Common Stock including any Change in Control, for reasons of administrative convenience.

(vi) To suspend or terminate the Plan at any time. Suspension or termination of the Plan will not Materially Impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant.

(vii) To amend the Plan in any respect the Board deems necessary or advisable; provided, however, that stockholder approval will be required for any amendment to the extent required by Applicable Law. Except as provided above, rights under any Award granted before amendment of the Plan will not be Materially Impaired by any amendment of the Plan unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(viii) To submit any amendment to the Plan for stockholder approval.

(ix) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; provided however, that, a Participant's rights under any Award will not be Materially Impaired by any such amendment unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(x) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.

(xi) To adopt such procedures and sub-plans as are necessary or appropriate to permit and facilitate participation in the Plan by, or take advantage of specific tax treatment for Awards granted to, Employees, Directors or Consultants who are non-U.S. nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement to ensure or facilitate compliance with the laws of the relevant non-U.S. jurisdiction).

(xii) To effect, at any time and from time to time, subject to the consent of any Participant whose Award is Materially Impaired by such action, (1) the reduction of the exercise price (or strike price) of any outstanding Option or SAR; (2) the cancellation of any outstanding Option or SAR and the grant in substitution therefor of (A) a new Option, SAR, Restricted Stock Award, RSU Award or Other Award, under the Plan or another equity plan of the Company, covering the same or a different number of shares of Common Stock, (B) cash and/or (C) other valuable consideration (as determined by the Board); or (3) any other action that is treated as a repricing under generally accepted accounting principles.

(c) **Delegation to Committee.**

(i) **General.** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to another Committee or a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. Each Committee may retain the authority to concurrently administer the Plan with the Committee or subcommittee to which it has delegated its authority hereunder and may, at any time, revest in such Committee some or all of the powers previously delegated. The Board may retain the authority to concurrently administer the Plan with any Committee and may, at any time, revest in the Board some or all of the powers previously delegated.

(ii) **Rule 16b-3 Compliance.** To the extent an Award is intended to qualify for the exemption from Section 16(b) of the Exchange Act that is available under Rule 16b-3 of the Exchange Act, the Award will be granted by the Board or a Committee that consists solely of two or more Non-Employee Directors, as determined under Rule 16b-3(b)(3) of the Exchange Act and thereafter any action establishing or modifying the terms of the Award will be approved by the Board or a Committee meeting such requirements to the extent necessary for such exemption to remain available.

(d) **Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board or any Committee in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

(e) **Delegation to Other Person or Body.** The Board or any Committee may delegate to one or more persons or bodies the authority to do one or more of the following to the extent permitted by Applicable Law: (i) designate recipients, other than Officers, of Options and SARs (and, to the extent permitted by Applicable Law, other Awards), provided that no person or body may be delegated authority to grant an Award to himself; (ii) determine the number of shares subject to such Awards; and (iii) determine the terms of such Awards; provided, however, that the Board or Committee action regarding such delegation will fix the terms of such delegation in accordance with Applicable Law, including without limitation Sections 152 and 157 of the Delaware General Corporation Law. Unless provided otherwise in the Board or Committee action regarding such delegation, each Award granted pursuant to this section will be granted on the applicable form of Award Agreement most recently approved for use by the Board or the Committee, with any modifications necessary to incorporate or reflect the terms of such Award. Notwithstanding anything to the contrary herein, neither the Board nor any Committee may delegate to any person or body (who is not a Director or that is not comprised solely of Directors, respectively) the authority to determine the Fair Market Value.

8. Tax Withholding

(a) **Withholding Authorization.** As a condition to acceptance of any Award under the Plan, a Participant authorizes withholding from payroll and any other amounts payable to such Participant, and otherwise agrees to make adequate provision for (including), any sums required to satisfy any U.S. federal, state, local and/or non-U.S. tax or social insurance contribution withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise, vesting or settlement of such Award, as applicable. Accordingly, a Participant may not be able to exercise an Award even though the Award is vested, and the Company shall have no obligation to issue shares of Common Stock subject to an Award, unless and until such obligations are satisfied.

(b) **Satisfaction of Withholding Obligation.** To the extent permitted by the terms of an Award Agreement, the Company may, in its sole discretion, satisfy any U.S. federal, state, local and/or non-U.S. tax or social insurance withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Award; (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; (v) by allowing a Participant to effectuate a “cashless exercise” pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board; or (vi) by such other method as may be set forth in the Award Agreement.

(c) **No Obligation to Notify or Minimize Taxes; No Liability to Claims.** Except as required by Applicable Law the Company has no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Award. Furthermore, the Company has no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award and will not be liable to any holder of an Award for any adverse tax consequences to such holder in connection with an Award. As a condition to accepting an Award under the Plan, each Participant (i) agrees to not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from such Award or other Company compensation, and (ii) acknowledges that such Participant was advised to consult with his or her own personal tax, financial and other legal advisors regarding the tax consequences of the Award and has either done so or knowingly and voluntarily declined to do so. Additionally, each Participant acknowledges any Option or SAR granted under the Plan is exempt from Section 409A only if the exercise or strike price is at least equal to the “fair market value” of the Common Stock on the date of grant as determined by the Internal Revenue Service and there is no other impermissible deferral of compensation associated with the Award. Additionally, as a condition to accepting an Option or SAR granted under the Plan, each Participant agrees to not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates in the event that the Internal Revenue Service asserts that such exercise price or strike price is less than the “fair market value” of the Common Stock on the date of grant as subsequently determined by the Internal Revenue Service.

(d) **Withholding Indemnification.** As a condition to accepting an Award under the Plan, in the event that the amount of the Company’s and/or its Affiliate’s withholding obligation in connection with such Award was greater than the amount actually withheld by the Company and/or its Affiliates, each Participant agrees to indemnify and hold the Company and/or its Affiliates harmless from any failure by the Company and/or its Affiliates to withhold the proper amount.

9. Miscellaneous.

- (a) **Source of Shares.** The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.
- (b) **Use of Proceeds from Sales of Common Stock.** Proceeds from the sale of shares of Common Stock pursuant to Awards will constitute general funds of the Company.
- (c) **Corporate Action Constituting Grant of Awards.** Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action approving the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.
- (d) **Stockholder Rights.** No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Award unless and until (i) such Participant has satisfied all requirements for exercise of the Award pursuant to its terms, if applicable, and (ii) the issuance of the Common Stock subject to such Award is reflected in the records of the Company.
- (e) **No Employment or Other Service Rights.** Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or affect the right of the Company or an Affiliate to terminate at will and without regard to any future vesting opportunity that a Participant may have with respect to any Award (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the U.S. state or non-U.S. jurisdiction in which the Company or the Affiliate is incorporated, as the case may be. Further, nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award will constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or service or confer any right or benefit under the Award or the Plan unless such right or benefit has specifically accrued under the terms of the Award Agreement and/or Plan.
- (f) **Change in Time Commitment.** In the event a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Award to the Participant, the Board may determine, to the extent permitted by Applicable Law, to (i) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in

time commitment, and (ii) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(g) **Execution of Additional Documents.** As a condition to accepting an Award under the Plan, the Participant agrees to execute any additional documents or instruments necessary or desirable, as determined in the Plan Administrator's sole discretion, to carry out the purposes or intent of the Award, or facilitate compliance with securities and/or other regulatory requirements, in each case at the Plan Administrator's request.

(h) **Electronic Delivery and Participation.** Any reference herein or in an Award Agreement to a "written" agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access). By accepting any Award the Participant consents to receive documents by electronic delivery and to participate in the Plan through any on-line electronic system established and maintained by the Plan Administrator or another third party selected by the Plan Administrator. The form of delivery of any Common Stock (e.g., a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

(i) **Clawback/Recovery.** All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other Applicable Law and any clawback policy that the Company otherwise adopts, to the extent applicable and permissible under Applicable Law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a Participant's right to voluntarily terminate employment upon a "resignation for good reason," or for a "constructive termination" or any similar term under any plan of or agreement with the Company.

(j) **Securities Law Compliance.** A Participant will not be issued any shares in respect of an Award unless either (i) the shares are registered under the Securities Act; or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Each Award also must comply with other Applicable Law governing the Award, and a Participant will not receive such shares if the Company determines that such receipt would not be in material compliance with Applicable Law.

(k) **Transfer or Assignment of Awards; Issued Shares.** Except as expressly provided in the Plan or the form of Award Agreement, Awards granted under the Plan may not be transferred or assigned by the Participant. After the vested shares subject to an Award have been issued, or in the case of a Restricted Stock Award and similar awards, after the issued shares have vested, the holder of such shares is free to assign, hypothecate, donate, encumber or otherwise dispose of any interest in such shares provided that any such actions are in compliance with the provisions herein, the terms of the Trading Policy and Applicable Law.

(l) **Effect on Other Employee Benefit Plans.** The value of any Award granted under the Plan, as determined upon grant, vesting or settlement, shall not be included as compensation, earnings, salaries, or other similar terms used when calculating any Participant's benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

(m) **Deferrals.** To the extent permitted by Applicable Law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may also establish programs and procedures for deferral elections to be made by Participants. Deferrals will be made in accordance with the requirements of Section 409A.

(n) **Section 409A.** Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A, and, to the extent not so exempt, in compliance with the requirements of Section 409A. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded, and if a Participant holding an Award that constitutes "deferred compensation" under Section 409A is a "specified employee" for purposes of Section 409A, no distribution or payment of any amount that is due because of a "separation from service" (as defined in Section 409A without regard to alternative definitions thereunder) will be issued or paid before the date that is six months and one day following the date of such Participant's "separation from service" or, if earlier, the date of the Participant's death, unless such distribution or payment can be made in a manner that complies with Section 409A, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.

(o) **Choice of Law.** This Plan and any controversy arising out of or relating to this Plan shall be governed by, and construed in accordance with, the internal laws of the State of Delaware, without regard to conflict of law principles that would result in any application of any law other than the law of the State of Delaware.

10. Covenants of the Company.

The Company will seek to obtain from each regulatory commission or agency, as may be deemed to be necessary, having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell shares of Common Stock upon exercise or vesting of the Awards; provided, however, that this undertaking will not require the Company to register under the Securities Act the Plan, any Award or any Common Stock issued or issuable pursuant to any such Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary or advisable for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise or vesting of such Awards unless and until such authority is obtained. A Participant is not eligible for the grant of an Award or the subsequent issuance of Common Stock pursuant to the Award if such grant or issuance would be in violation of any Applicable Law.

11. Severability.

If all or any part of the Plan or any Award Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of the Plan or such Award Agreement not declared to be unlawful or invalid. Any Section of the Plan or any Award Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

12. Termination of the Plan.

The Board may suspend or terminate the Plan at any time. No Incentive Stock Options may be granted after the tenth anniversary of the earlier of: (a) the Adoption Date, or (b) the date the Plan is approved by the Company's stockholders. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

13. Definitions.

As used in the Plan, the following definitions apply to the capitalized terms indicated below:

- (a) **"Acquiring Entity"** means the surviving or acquiring corporation (or its parent company) in connection with a Change in Control.
- (b) **"Adoption Date"** means the date the Plan is first approved by the Board or Compensation Committee, as applicable.
- (c) **"Affiliate"** means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405 promulgated under the Securities Act. The Board may determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.
- (d) **"Applicable Law"** means the Code and any applicable U.S. and non-U.S. securities, exchange control, tax, federal, state, material local or municipal or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, listing rule, regulation, judicial decision, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body (including under the authority of any applicable self-regulating organization such as the Nasdaq Stock Market, New York Stock Exchange, or the Financial Industry Regulatory Authority).
- (e) **"Award"** means any right to receive Common Stock, cash or other property granted under the Plan (including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, an RSU Award, a SAR, a Performance Award or any Other Award).
- (f) **"Award Agreement"** means a written or electronic agreement between the Company and a Participant evidencing the terms and conditions of an Award. The Award Agreement generally consists of the Grant Notice and the agreement containing the written summary of the general terms and conditions applicable to the Award and which is provided, including through electronic means, to a Participant along with the Grant Notice.

(g) “**Board**” means the Board of Directors of the Company (or its designee). Any decision or determination made by the Board shall be a decision or determination that is made in the sole discretion of the Board (or its designee), and such decision or determination shall be final and binding on all Participants.

(h) “**Capital Stock**” means each and every class of common stock of the Company, regardless of the number of votes per share.

(i) “**Capitalization Adjustment**” means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(j) “**Cause**” has the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) a material breach of any covenant or condition under any agreement between the Participant and the Company; (ii) any willful conduct which would be reasonably likely to bring the Company into substantial public disgrace or disrepute; (iii) the commission of a felony under applicable law or a crime of moral turpitude; (iv) material violation of any written Company policy applicable to the Participant; (v) material and repeated refusal to follow or implement a clear, lawful directive of the Board, the Participant’s supervisor or, if applicable the board of directors of any Affiliate; (vi) gross negligence or willful misconduct or incompetence in the performance of the Participant’s duties; or (vii) material breach of fiduciary duty. The determination that a termination of the Participant’s Continuous Service is either for Cause or without Cause will be made by the Board with respect to Participants who are executive officers of the Company and by the Company’s Chief Executive Officer with respect to Participants who are not executive officers of the Company. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

(k) “**Change in Control**” means any of the following:

(i) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of the Company’s securities possessing more than 50% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change in Control: (1) any acquisition by the Company or any of its Subsidiaries; (2) any acquisition by an employee benefit plan maintained by the Company or any of its Subsidiaries, (3) any acquisition which complies with Sections 13(k)(iii)(1), 13(k)(iii)(2) and 14(k)(iii)(3); or (4) in respect of an Award held by a particular Participant, any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant);

(ii) The Incumbent Directors cease for any reason to constitute a majority of the Board; or

(iii) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (A) a merger, consolidation, reorganization, or business combination, (B) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (C) the acquisition of assets or stock of another entity, in each case other than a transaction:

(1) 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 a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction;

(2) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 2.7(k)(iii)(2) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; and

(3) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were Board members at the time of the Board's approval of the execution of the initial agreement providing for such transaction.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (i), (ii) or (iii) of this Section 12(k) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

The Plan Administrator shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

(l) "**Code**" means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(m) "**Committee**" means the Compensation Committee and any other committee of one or more Directors to whom authority has been delegated by the Board or Compensation Committee in accordance with the Plan.

(n) "**Common Stock**" means, as of the IPO Date, the common stock of the Company.

(o) “**Company**” means Carlsmed, Inc., a Delaware corporation.

(p) “**Compensation Committee**” means the Compensation Committee of the Board.

(q) “**Consultant**” means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a “Consultant” for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company’s securities to such person.

(r) “**Continuous Service**” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Director or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, will not terminate a Participant’s Continuous Service; provided, however, that if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, such Participant’s Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence will be treated as Continuous Service for purposes of vesting in an Award only to such extent as may be provided in the Company’s leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law. In addition, to the extent required for exemption from or compliance with Section 409A, the determination of whether there has been a termination of Continuous Service will be made, and such term will be construed, in a manner that is consistent with the definition of “separation from service” as defined under Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder).

(s) “**determine**” or “**determined**” means as determined by the Board or the Committee (or its designee) in its sole discretion.

(t) “**Director**” means a member of the Board.

(u) “**Disability**” means, with respect to a Participant, such Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, as provided in Section 22(e)(3) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(v) “**Effective Date**” means the IPO Date, provided this Plan is approved by the Company’s stockholders prior to the IPO Date.

(w) “**Employee**” means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an “Employee” for purposes of the Plan.

(x) “**Employer**” means the Company or the Affiliate that employs the Participant.

(y) “**Entity**” means a corporation, partnership, limited liability company or other entity.

(z) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(aa) “**Exchange Act Person**” means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding securities.

(bb) “**Fair Market Value**” means, as of any date, unless otherwise determined by the Board, the value of the Common Stock (as determined on a per share or aggregate basis, as applicable) determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value will be the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) If there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, or if otherwise determined by the Board, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(cc) “**Governmental Body**” means any: (i) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (ii) U.S. or non-U.S. federal, state, local, municipal or other government; (iii) governmental or regulatory body, or quasi-governmental body of any nature (including any governmental division, department, administrative agency or bureau, commission, authority, instrumentality, official, ministry, fund, foundation, center, organization, unit, body or Entity and any court or other tribunal, and for the avoidance of doubt, any tax authority) or other body exercising similar powers or authority; or (iv) self-regulatory organization (including the Nasdaq Stock Market, New York Stock Exchange, and the Financial Industry Regulatory Authority).

(dd) “**Grant Notice**” means the notice provided to a Participant that he or she has been granted an Award under the Plan and which includes the name of the Participant, the type of Award, the date of grant of the Award, number of shares of Common Stock subject to the Award or potential cash payment right, (if any), the vesting schedule for the Award (if any) and other key terms applicable to the Award.

(ee) “**Incentive Stock Option**” means an option granted pursuant to Section 4 of the Plan that is intended to be, and qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.

(ff) “**Incumbent Directors**” means, for any period of 12 consecutive months, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clause (a) or (c) of the Change in Control definition) whose election or nomination for election to the Board was approved by a vote of at least a majority (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director without objection to such nomination) of the Directors then still in office who either were Directors at the beginning of the 12-month period or whose election or nomination for election was previously so approved. No individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Director.

(gg) “**IPO Date**” means the date of the underwriting agreement between the Company and the underwriter(s) managing the initial public offering of the Common Stock, pursuant to which the Common Stock is priced for the initial public offering.

(hh) “**Materially Impair**” means any amendment to the terms of the Award that materially adversely affects the Participant’s rights under the Award. A Participant’s rights under an Award will not be deemed to have been Materially Impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant’s rights. For example, the following types of amendments to the terms of an Award do not Materially Impair the Participant’s rights under the Award: (i) imposition of reasonable restrictions on the minimum number of shares subject to an Option or SAR that may be exercised; (ii) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (iii) to change the terms of an Incentive Stock Option in a manner that disqualifies, impairs or otherwise affects the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (iv) to clarify the manner of exemption from, or to bring the Award into compliance with or qualify it for an exemption from, Section 409A; or (v) to comply with other Applicable Laws.

(ii) “**Non-Employee Director**” means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (“Regulation S-K”)), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a “non-employee director” for purposes of Rule 16b-3.

(jj) “**Nonstatutory Stock Option**” means any option granted pursuant to Section 4 of the Plan that does not qualify as an Incentive Stock Option.

(kk) “**Officer**” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(ll) “**Option**” means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(mm) “**Option Agreement**” means a written or electronic agreement between the Company and the Optionholder evidencing the terms and conditions of the Option grant. The Option Agreement includes the Grant Notice for the Option and the agreement containing the written summary of the general terms and conditions applicable to the Option and which is provided, including through electronic means, to a Participant along with the Grant Notice. Each Option Agreement will be subject to the terms and conditions of the Plan.

(nn) “**Optionholder**” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(oo) “**Other Award**” means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 5(c).

(pp) “**Other Award Agreement**” means a written or electronic agreement between the Company and a holder of an Other Award evidencing the terms and conditions of an Other Award grant. Each Other Award Agreement will be subject to the terms and conditions of the Plan.

(qq) “**Own,**” “**Owned,**” “**Owner,**” “**Ownership**” means that a person or Entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(rr) “**Participant**” means an Employee, Director or Consultant to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

(ss) “**Performance Award**” means an Award that may vest or may be exercised or a cash award that may vest or become earned and paid contingent upon the attainment during a Performance Period of certain Performance Goals and which is granted under the terms and conditions of Section 5(b) pursuant to such terms as are approved by the Board. In addition, to the extent permitted by Applicable Law and set forth in the applicable Award Agreement, the Board may determine that cash or other property may be used in payment of Performance Awards. Performance Awards that are settled in cash or other property are not required to be valued in whole or in part by reference to, or otherwise based on, the Common Stock.

(tt) “**Performance Criteria**” means one or more criteria that the Board will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board: earnings (including earnings per share and net earnings); earnings before interest, taxes and depreciation; earnings before interest, taxes, depreciation and amortization; total

stockholder return; return on equity or average stockholder's equity; return on assets, investment, or capital employed; stock price; margin (including gross margin); income (before or after taxes); operating income; operating income after taxes; pre-tax profit; operating cash flow; sales or revenue targets; increases in revenue or product revenue; expenses and cost reduction goals; improvement in or attainment of working capital levels; economic value added (or an equivalent metric); market share; cash flow; cash flow per share; share price performance; debt reduction; customer satisfaction; stockholders' equity; capital expenditures; debt levels; operating profit or net operating profit; workforce diversity; growth of net income or operating income; billings; financing; regulatory milestones; stockholder liquidity; corporate governance and compliance; intellectual property; personnel matters; progress of internal research; progress of partnered programs; partner satisfaction; budget management; partner or collaborator achievements; internal controls, including those related to the Sarbanes-Oxley Act of 2002; investor relations, analysts and communication; implementation or completion of projects or processes; employee retention; number of users, including unique users; strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property); establishing relationships with respect to the marketing, distribution and sale of the Company's products; supply chain achievements; co-development, co-marketing, profit sharing, joint venture or other similar arrangements; individual performance goals; corporate development and planning goals; and other measures of performance selected by the Board or Committee whether or not listed herein.

(uu) ***“Performance Goals”*** means, for a Performance Period, the one or more goals established by the Board for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by the Board (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Board will appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of items that are “unusual” in nature or occur “infrequently” as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under the Company's bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; and (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles. In addition, the Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for such Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Award Agreement or the written terms of a Performance Award.

(vv) “**Performance Period**” means the period of time selected by the Board over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to vesting or exercise of an Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board.

(ww) “**Plan**” means this Carlsmed, Inc. 2025 Equity Incentive Plan, as amended from time to time.

(xx) “**Plan Administrator**” means the person, persons, and/or third-party administrator designated by the Company to administer the day-to-day operations of the Plan and the Company’s other equity incentive programs.

(yy) “**Post-Termination Exercise Period**” means the period following termination of a Participant’s Continuous Service within which an Option or SAR is exercisable, as specified in Section 4(h).

(zz) “**Prior Plan**” means the Carlsmed, Inc. 2019 Stock Incentive Plan, as amended from time to time.

(aaa) “**Prior Plan’s Available Reserve**” means the number of shares available for the grant of new awards under the Prior Plan as of immediately prior to the Effective Date.

(bbb) “**Prior Plan’s Returning Shares**” means shares subject to outstanding stock awards granted under the Prior Plan and that following the Effective Date: (i) are not issued because such stock award or any portion thereof expires or otherwise terminates without all of the shares covered by such stock award having been issued; (ii) are not issued because such stock award or any portion thereof is settled in cash; (iii) are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required for the vesting of such shares; (iv) are withheld or reacquired to satisfy the exercise, strike or purchase price; or (v) are withheld or reacquired to satisfy a tax withholding obligation.

(ccc) “**Prospectus**” means the document containing the Plan information specified in Section 10(a) of the Securities Act.

(ddd) “**Restricted Stock Award**” means an Award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 5(a).

(eee) “**Restricted Stock Award Agreement**” means a written or electronic agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. The Restricted Stock Award Agreement includes the Grant Notice for the Restricted Stock Award and the agreement containing the written summary of the general terms and conditions applicable to the Restricted Stock Award and which is provided, including by electronic means, to a Participant along with the Grant Notice. Each Restricted Stock Award Agreement will be subject to the terms and conditions of the Plan.

(fff) “**RSU Award**” or “**RSU**” means an Award of restricted stock units representing the right to receive an issuance of shares of Common Stock which is granted pursuant to the terms and conditions of Section 5(a).

(ggg) “**RSU Award Agreement**” means a written or electronic agreement between the Company and a holder of an RSU Award evidencing the terms and conditions of an RSU Award grant. The RSU Award Agreement includes the Grant Notice for the RSU Award and the agreement containing the written summary of the general terms and conditions applicable to the RSU Award and which is provided, including by electronic means, to a Participant along with the Grant Notice. Each RSU Award Agreement will be subject to the terms and conditions of the Plan.

(hhh) “**Rule 16b-3**” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(iii) “**Rule 405**” means Rule 405 promulgated under the Securities Act.

(jjj) “**SAR Agreement**” means a written or electronic agreement between the Company and a holder of a SAR evidencing the terms and conditions of a SAR grant. The SAR Agreement includes the Grant Notice for the SAR and the agreement containing the written summary of the general terms and conditions applicable to the SAR and which is provided, including by electronic means, to a Participant along with the Grant Notice. Each SAR Agreement will be subject to the terms and conditions of the Plan.

(kkk) “**Section 409A**” means Section 409A of the Code and the regulations and other guidance thereunder.

(lll) “**Securities Act**” means the Securities Act of 1933, as amended.

(mmm) “**Share Reserve**” means the number of shares available for issuance under the Plan as set forth in Section 2(a).

(nnn) “**Stock Appreciation Right**” or “**SAR**” means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 4.

(ooo) “**Subsidiary**” means, with respect to the Company, (i) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

(ppp) “**Ten Percent Stockholder**” means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate.

(qqq) “**Trading Policy**” means the Company’s policy permitting certain individuals to sell Company shares only during certain “window” periods and/or otherwise restricts the ability of certain individuals to transfer or encumber Company shares, as in effect from time to time.



Carlsmed, Inc.
2025 Employee Stock Purchase Plan

Adopted by the Board of Directors: July 10, 2025
Approved by the Stockholders: July 10, 2025
IPO Date: July 22, 2025

1. GENERAL; PURPOSE.

(a) The Plan provides a means by which Eligible Employees of the Company and certain Designated Companies may be given an opportunity to purchase shares of Common Stock. The Plan permits the Company to grant a series of Purchase Rights to Eligible Employees under an Employee Stock Purchase Plan. In addition, the Plan permits the Company to grant a series of Purchase Rights to Eligible Employees that do not meet the requirements of an Employee Stock Purchase Plan.

(b) The Plan includes two components: a 423 Component and a Non-423 Component. The Company intends (but makes no undertaking or representation to maintain) the 423 Component to qualify as an Employee Stock Purchase Plan. The provisions of the 423 Component, accordingly, will be construed in a manner that is consistent with the requirements of Section 423 of the Code. In addition, this Plan authorizes grants of Purchase Rights under the Non-423 Component that do not meet the requirements of an Employee Stock Purchase Plan. Except as otherwise provided in the Plan or determined by the Board, the Non-423 Component will operate and be administered in the same manner as the 423 Component. In addition, the Company may make separate Offerings which vary in terms (provided that such terms are not inconsistent with the provisions of the Plan or the requirements of an Employee Stock Purchase Plan to the extent the Offering is made under the 423 Component), and the Company will designate which Designated Company is participating in each separate Offering.

(c) The Company, by means of the Plan, seeks to retain the services of Eligible Employees, to secure and retain the services of new Employees and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Related Corporations.

2. ADMINISTRATION.

(a) The Board will administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in Section 2(c). References herein to the Board shall be deemed to refer to the Committee except where context dictates otherwise.

(b) The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine how and when Purchase Rights will be granted and the provisions of each Offering (which need not be identical).

(ii) To designate from time to time (A) which Related Corporations will be eligible to participate in the Plan as Designated 423 Companies, (B) which Related Corporations or Affiliates will be eligible to participate in the Plan as Designated Non-423 Companies, (C) which Affiliates or Related

Corporations may be excluded from participation in the Plan, and (D) which Designated Companies will participate in each separate Offering (to the extent that the Company makes separate Offerings).

(iii) To construe and interpret the Plan and Purchase Rights, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it deems necessary or expedient to make the Plan fully effective.

(iv) To settle all controversies regarding the Plan and Purchase Rights granted under the Plan.

(v) To suspend or terminate the Plan at any time as provided in Section 12.

(vi) To amend the Plan at any time as provided in Section 12.

(vii) Generally, to exercise such powers and to perform such acts as it deems necessary or expedient to promote the best interests of the Company and its Related Corporations and to carry out the intent that the Plan be treated as an Employee Stock Purchase Plan with respect to the 423 Component.

(viii) To adopt such rules, procedures and sub-plans as are necessary or appropriate to permit or facilitate participation in the Plan by Employees who are non-U.S. nationals or employed or located outside the United States. Without limiting the generality of, and consistent with, the foregoing, the Board specifically is authorized to adopt rules, procedures, and sub-plans regarding, without limitation, eligibility to participate in the Plan, the definition of eligible "earnings," handling and making of Contributions, establishment of bank or trust accounts to hold Contributions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of share issuances, any of which may vary according to applicable requirements, and which, if applicable to a Designated Non-423 Company, do not have to comply with the requirements of Section 423 of the Code.

(c) The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan and any applicable Offering Document to the Board will thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. Further, to the extent not prohibited by Applicable Law, the Board or Committee may, from time to time, delegate some or all of its authority under the Plan to one or more Officers or other persons or groups of persons as it deems necessary, appropriate or advisable under conditions or limitations that it may set at or after the time of the delegation. The Board may retain the authority to concurrently administer the Plan with the Committee (or its delegate) and may, at any time, revert in the Board some or all of the powers previously delegated. Whether or not the Board has delegated administration of the Plan to a Committee (or a delegate of the Committee), the Board will have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

(d) All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

3. SHARES OF COMMON STOCK SUBJECT TO THE PLAN.

(a) Subject to the provisions of Section 11(a) relating to Capitalization Adjustments, the maximum number of shares of Common Stock that may be issued under the Plan will not exceed 398,749 shares of Common Stock, plus the number of shares of Common Stock that are automatically added on January 1st of each year for a period of up to ten years, commencing on January 1, 2026 and ending on (and including) January 1, 2035 in an amount equal to one percent (1%) of the total number of shares of Capital Stock outstanding on December 31st of the preceding calendar year. Notwithstanding the foregoing, the Board may act prior to the first day of any calendar year to provide that there will be no January 1st increase in the share reserve for such calendar year or that the increase in the share reserve for such calendar year will be a lesser number of shares of Common Stock than would otherwise occur pursuant to the preceding sentence. For the avoidance of doubt, up to the maximum number of shares of Common Stock reserved under this Section 3(a) may be used to satisfy purchases of Common Stock under the 423 Component and any remaining portion of such maximum number of shares may be used to satisfy purchases of Common Stock under the Non-423 Component.

(b) If any Purchase Right granted under the Plan terminates without having been exercised in full, the shares of Common Stock not purchased under such Purchase Right will again become available for issuance under the Plan.

(c) The stock purchasable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market.

4. GRANT OF PURCHASE RIGHTS; OFFERING.

(a) The Board may from time to time grant or provide for the grant of Purchase Rights to Eligible Employees under an Offering (consisting of one or more Purchase Periods) on an Offering Date or Offering Dates selected by the Board. Each Offering will be in such form and will contain such terms and conditions as the Board will deem appropriate, and with respect to the 423 Component, will comply with the requirement of Section 423(b)(5) of the Code that all Employees granted Purchase Rights will have the same rights and privileges. The terms and conditions of an Offering shall be incorporated by reference into the Plan and treated as part of the Plan. The provisions of separate Offerings need not be identical, but each Offering will include (through incorporation of the provisions of this Plan by reference in the document comprising the Offering or otherwise) the period during which the Offering will be effective, which period will not exceed 27 months beginning with the Offering Date, and the substance of the provisions contained in Sections 5 through 8, inclusive.

(b) If a Participant has more than one Purchase Right outstanding under the Plan, unless such Participant otherwise indicates in forms delivered to the Company or a third party designated by the Company (each, a "*Company Designee*"): (i) each form will apply to all of such Participant's Purchase Rights under the Plan, and (ii) a Purchase Right with a lower exercise price (or an earlier-granted Purchase Right, if different Purchase Rights have identical exercise prices) will be exercised to the fullest possible extent before a Purchase Right with a higher exercise price (or a later-granted Purchase Right if different Purchase Rights have identical exercise prices) will be exercised.

(c) The Board will have the discretion to structure an Offering so that if the Fair Market Value of a share of Common Stock on the first Trading Day of a new Purchase Period within that Offering is less than or equal to the Fair Market Value of a share of Common Stock on the Offering Date for that Offering, then (i) that Offering will terminate immediately as of that first Trading Day, and (ii) the Participants in such terminated Offering will be automatically enrolled in a new Offering beginning on the first Trading Day of such new Purchase Period.

5. ELIGIBILITY.

(a) Purchase Rights may be granted only to Employees of the Company or, as the Board may designate in accordance with Section 2(b), to Employees of a Related Corporation or an Affiliate. Except as provided in Section 5(b) or as required by Applicable Law, an Employee will not be eligible to be granted Purchase Rights unless, on the Offering Date, the Employee has been in the employ of the Company, the Related Corporation or the Affiliate, as the case may be, for such continuous period preceding such Offering Date as the Board may (unless prohibited by Applicable Law) require, but in no event will the required period of continuous employment be equal to or greater than two years. In addition, the Board may provide (unless prohibited by Applicable Law) that no Employee will be eligible to be granted Purchase Rights under the Plan unless, on the Offering Date, such Employee's customary employment with the Company, the Related Corporation or the Affiliate is more than 20 hours per week and more than five months per calendar year or such other criteria as the Board may determine consistent with Section 423 of the Code with respect to the 423 Component. The Board may also exclude (unless prohibited by Applicable Law) from participation in the Plan or any Offering Employees who are "highly compensated employees" (within the meaning of Section 423(b)(4)(D) of the Code) of the Company, a Related Corporation or an Affiliate, or a subset of such highly compensated employees. The Board may also exclude from participation in the 423 Component (unless prohibited by Applicable Law) any Employee who is a citizen or resident of a non-U.S. jurisdiction (without regard to whether they are also a citizen of the United States or a resident alien (within the meaning of Section 7701(b)(1)(A) of the Code)) if either (i) the grant of the option under the Plan is prohibited under the laws of the jurisdiction governing such Employee, or (ii) compliance with the laws of the non-U.S. jurisdiction would cause the Section 423 Component, any Offering thereunder or an option granted thereunder to violate the requirements of Section 423 of the Code. Any exclusion in the immediately preceding sentence shall be applied in an identical manner under each Offering to all Employees of the Company and all Designated Companies, in accordance with Treas. Reg. § 1.423-2(e).

(b) The Board may provide that each person who, during the course of an Offering, first becomes an Eligible Employee will, on a date or dates specified in the Offering which coincides with the day on which such person becomes an Eligible Employee or which occurs thereafter, receive a Purchase Right under that Offering, which Purchase Right will thereafter be deemed to be a part of that Offering. Such Purchase Right will have the same characteristics as any Purchase Rights originally granted under that Offering, as described herein, except that:

(i) the date on which such Purchase Right is granted will be the "Offering Date" of such Purchase Right for all purposes, including determination of the exercise price of such Purchase Right;

(ii) the period of the Offering with respect to such Purchase Right will begin on its Offering Date and end coincident with the end of such Offering; and

(iii) the Board may provide that if such person first becomes an Eligible Employee within a specified period of time before the end of the Offering, such individual will not receive any Purchase Right under that Offering.

(c) No Employee will be eligible for the grant of any Purchase Rights under the 423 Component if, immediately after any such Purchase Rights are granted, such Employee owns stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or of any Related Corporation. For purposes of this Section 5(c), the rules of Section 424(d) of the Code will apply in determining the stock ownership of any Employee, and stock which such Employee may

purchase under all outstanding Purchase Rights and options will be treated as stock owned by such Employee.

(d) As specified by Section 423(b)(8) of the Code, an Eligible Employee may be granted Purchase Rights under the 423 Component only if such Purchase Rights, together with any other rights granted under all Employee Stock Purchase Plans of the Company and any Related Corporations, do not permit such Eligible Employee's rights to purchase stock of the Company or any Related Corporation to accrue at a rate which, when aggregated, exceeds \$25,000 of Fair Market Value of such stock (determined at the time such rights are granted, and which, with respect to the Plan, will be determined as of their respective Offering Dates) for each calendar year in which such rights are outstanding at any time.

(e) Officers of the Company and any Designated Company, if they are otherwise Eligible Employees, will be eligible to participate in Offerings under the Plan. Notwithstanding the foregoing, the Board may (unless prohibited by Applicable Law) provide in an Offering that Employees who are highly compensated Employees within the meaning of Section 423(b)(4)(D) of the Code will not be eligible to participate.

(f) Notwithstanding anything in this Section 5 to the contrary, in the case of an Offering under the Non-423 Component, an Eligible Employee (or group of Eligible Employees) may be excluded from participation in the Plan or an Offering if the Board has determined, in its sole discretion, that participation of such Eligible Employee(s) is not advisable or practical for any reason.

6. PURCHASE RIGHTS; PURCHASE PRICE.

(a) On each Offering Date, each Eligible Employee, pursuant to an Offering made under the Plan, will be granted a Purchase Right to purchase up to that number of shares of Common Stock purchasable either with a percentage of earnings (as defined by the Board in each Offering) or with a maximum dollar amount, as designated by the Board, but in either case not exceeding 15% of such Employee's earnings (as defined by the Board in each Offering), during the period that begins on the Offering Date (or such later date as the Board determines for a particular Offering) and ends on the date stated in the Offering, which date will be no later than the end of the Offering.

(b) The Board will establish one or more Purchase Dates during an Offering on which Purchase Rights granted for that Offering will be exercised and shares of Common Stock will be purchased in accordance with such Offering.

(c) In connection with each Offering made under the Plan, the Board may specify (i) a maximum number of shares of Common Stock that may be purchased by any Participant on any Purchase Date during such Offering, (ii) a maximum aggregate number of shares of Common Stock that may be purchased by all Participants pursuant to such Offering and/or (iii) a maximum aggregate number of shares of Common Stock that may be purchased by all Participants on any Purchase Date under the Offering. If the aggregate purchase of shares of Common Stock issuable upon exercise of Purchase Rights granted under the Offering would exceed any such maximum aggregate number, then, in the absence of any Board action otherwise, a pro rata (based on each Participant's accumulated Contributions) allocation of the shares of Common Stock (rounded down to the nearest whole share) available will be made in as nearly a uniform manner as will be practicable and equitable.

- (d) The purchase price of shares of Common Stock acquired pursuant to Purchase Rights will be no less than the lesser of:
- (i) an amount equal to 85% of the Fair Market Value of the shares of Common Stock on the Offering Date; or
 - (ii) an amount equal to 85% of the Fair Market Value of the shares of Common Stock on the applicable Purchase Date.

7. PARTICIPATION; WITHDRAWAL; TERMINATION.

(a) An Eligible Employee may elect to participate in an Offering and authorize payroll deductions as the means of making Contributions by completing and delivering to the Company or a Company Designee, within the time specified in the Offering, an enrollment form provided by the Company or a Company Designee. The enrollment form will specify the amount of Contributions not to exceed the maximum amount specified by the Board. Each Participant's Contributions will be credited to a bookkeeping account for such Participant under the Plan and will be deposited with the general funds of the Company except where Applicable Law requires that Contributions be deposited with a third party. If permitted in the Offering, a Participant may begin such Contributions with the first payroll occurring on or after the Offering Date (or, in the case of a payroll date that occurs after the end of the prior Offering but before the Offering Date of the next new Offering, Contributions from such payroll will be included in the new Offering). If permitted in the Offering, a Participant may thereafter reduce (including to zero) or increase such Participant's Contributions. If required under Applicable Law or if specifically provided in the Offering and to the extent permitted by Section 423 of the Code with respect to the 423 Component, in addition to or instead of making Contributions by payroll deductions, a Participant may make Contributions through the payment by cash, check or wire transfer prior to a Purchase Date.

(b) During an Offering, a Participant may cease making Contributions and withdraw from the Offering by delivering to the Company or a Company Designee a withdrawal form provided by the Company. The Company may impose a deadline before a Purchase Date for withdrawing. Upon such withdrawal, such Participant's Purchase Right in that Offering will immediately terminate and the Company will distribute as soon as practicable to such Participant all of such Participant's accumulated but unused Contributions and such Participant's Purchase Right in that Offering shall thereupon terminate. A Participant's withdrawal from that Offering will have no effect upon such Participant's eligibility to participate in any other Offerings under the Plan, but such Participant will be required to deliver a new enrollment form to participate in subsequent Offerings.

(c) Unless otherwise required by Applicable Law, Purchase Rights granted pursuant to any Offering under the Plan will terminate immediately if the Participant either (i) is no longer an Employee for any reason or for no reason (subject to any post-employment participation period required by Applicable Law) or (ii) is otherwise no longer eligible to participate. The Company will distribute as soon as practicable to such individual all of such individual's accumulated but unused Contributions.

(d) Unless otherwise determined by the Board, a Participant whose employment transfers or whose employment terminates with an immediate rehire (with no break in service) by or between the Company and a Designated Company or between Designated Companies will not be treated as having terminated employment for purposes of participating in the Plan or an Offering; however, if a Participant transfers from an Offering under the 423 Component to an Offering under the Non-423 Component, the exercise of the Participant's Purchase Right will be qualified under the 423 Component only to the extent such exercise complies with Section 423 of the Code. If a Participant transfers from an Offering under the Non-423 Component to an Offering under the 423 Component, the exercise of the Purchase Right will

remain non-qualified under the Non-423 Component. The Board may establish different and additional rules governing transfers between separate Offerings within the 423 Component and between Offerings under the 423 Component and Offerings under the Non-423 Component.

(e) During a Participant's lifetime, Purchase Rights will be exercisable only by such Participant. Purchase Rights are not transferable by a Participant, except by will, by the laws of descent and distribution, or, if permitted by the Company, by a beneficiary designation as described in Section 10.

(f) Unless otherwise specified in the Offering or required by Applicable Law, the Company will have no obligation to pay interest on Contributions.

8. EXERCISE OF PURCHASE RIGHTS.

(a) On each Purchase Date, each Participant's accumulated Contributions will be applied to the purchase of shares of Common Stock, up to the maximum number of shares of Common Stock permitted by the Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional shares will be issued unless specifically provided for in the Offering.

(b) Unless otherwise provided in the Offering, if any amount of accumulated Contributions remains in a Participant's account after the purchase of shares of Common Stock and such remaining amount is less than the amount required to purchase one share of Common Stock on the final Purchase Date of an Offering, then such remaining amount will be held in such Participant's account for the purchase of shares of Common Stock under the next Offering under the Plan, unless such Participant withdraws from or is not eligible to participate in such next Offering, in which case such amount will be distributed to such Participant after the final Purchase Date without interest (unless the payment of interest is otherwise required by Applicable Law). If the amount of Contributions remaining in a Participant's account after the purchase of shares of Common Stock is at least equal to the amount required to purchase one (1) whole share of Common Stock on the final Purchase Date of an Offering, then such remaining amount will be distributed in full to such Participant after the final Purchase Date of such Offering without interest (unless otherwise required by Applicable Law).

(c) No Purchase Rights may be exercised to any extent unless the shares of Common Stock to be issued upon such exercise under the Plan are covered by an effective registration statement pursuant to the Securities Act and the Plan is in material compliance with all applicable U.S. and non-U.S. federal, state and other securities, exchange control and other laws applicable to the Plan. If on a Purchase Date the shares of Common Stock are not so registered or the Plan is not in such compliance, no Purchase Rights will be exercised on such Purchase Date, and, subject to Section 423 of the Code with respect to the 423 Component, the Purchase Date will be delayed until the shares of Common Stock are subject to such an effective registration statement and the Plan is in material compliance, except that the Purchase Date will in no event be more than 27 months from the Offering Date. If, on the Purchase Date, as delayed to the maximum extent permissible, the shares of Common Stock are not registered and the Plan is not in material compliance with all Applicable Laws, as determined by the Company in its sole discretion, no Purchase Rights will be exercised and all accumulated but unused Contributions will be distributed to the Participants without interest (unless the payment of interest is otherwise required by Applicable Law).

9. COVENANTS OF THE COMPANY.

The Company will seek to obtain from each U.S. and non-U.S. federal, state or other regulatory commission, agency or other Governmental Body having jurisdiction over the Plan such authority as may be required to grant Purchase Rights and issue and sell shares of Common Stock thereunder unless the Company determines, in its sole discretion, that doing so is not practical or would cause the Company to

incur costs that are unreasonable. If, after commercially reasonable efforts, the Company is unable to obtain the authority that counsel for the Company deems necessary for the grant of Purchase Rights or the lawful issuance and sale of Common Stock under the Plan, and at a commercially reasonable cost, the Company will be relieved from any liability for failure to grant Purchase Rights and/or to issue and sell Common Stock upon exercise of such Purchase Rights.

10. DESIGNATION OF BENEFICIARY.

(a) The Company may, but is not obligated to, permit a Participant to submit a form designating a beneficiary who will receive any shares of Common Stock and/or Contributions from the Participant's account under the Plan if the Participant dies before such shares and/or Contributions are delivered to the Participant. The Company may, but is not obligated to, permit the Participant to change such designation of beneficiary. Any such designation and/or change must be on a form approved by the Company.

(b) If a Participant dies, and in the absence of a valid beneficiary designation, the Company will deliver any shares of Common Stock and/or Contributions to the executor or administrator of the estate of the Participant. If no executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such shares of Common Stock and/or Contributions, without interest (unless the payment of interest is otherwise required by Applicable Law), to the Participant's spouse, dependents or relatives, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

11. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; CORPORATE TRANSACTIONS.

(a) In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities by which the share reserve is to increase automatically each year pursuant to Section 3(a), (iii) the class(es) and number of securities subject to, and the purchase price applicable to outstanding Offerings and Purchase Rights, and (iv) the class(es) and number of securities that are the subject of the purchase limits under each ongoing Offering. The Board will make these adjustments, and its determination will be final, binding and conclusive.

(b) In the event of a Corporate Transaction, then: (i) any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue outstanding Purchase Rights or may substitute similar rights (including a right to acquire the same consideration paid to the stockholders in the Corporate Transaction) for outstanding Purchase Rights, or (ii) if any surviving or acquiring corporation (or its parent company) does not assume or continue such Purchase Rights or does not substitute similar rights for such Purchase Rights, then the Participants' accumulated Contributions will be used to purchase shares of Common Stock (rounded down to the nearest whole share) within ten business days (or such other period specified by the Board) prior to the Corporate Transaction under the outstanding Purchase Rights, and the Purchase Rights will terminate immediately after such purchase.

12. AMENDMENT, TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board may amend the Plan at any time in any respect the Board deems necessary or advisable. However, except as provided in Section 11(a) relating to Capitalization Adjustments, stockholder approval will be required for any amendment of the Plan for which stockholder approval is required by Applicable Law.

(b) The Board may suspend or terminate the Plan at any time. No Purchase Rights may be granted under the Plan while the Plan is suspended or after it is terminated.

(c) Any benefits, privileges, entitlements and obligations under any outstanding Purchase Rights granted before an amendment, suspension or termination of the Plan will not be materially impaired by any such amendment, suspension or termination except (i) with the consent of the person to whom such Purchase Rights were granted, (ii) as necessary to facilitate compliance with any laws, listing requirements, or governmental regulations (including, without limitation, the provisions of Section 423 of the Code and the regulations and other interpretive guidance issued thereunder relating to Employee Stock Purchase Plans) including without limitation any such regulations or other guidance that may be issued or amended after the date the Plan is adopted by the Board, or (iii) as necessary to obtain or maintain favorable tax, listing, or regulatory treatment. To be clear, the Board may amend outstanding Purchase Rights without a Participant's consent if such amendment is necessary to ensure that the Purchase Right and/or the Plan complies with the requirements of Section 423 of the Code with respect to the 423 Component or with respect to other Applicable Laws. Notwithstanding anything in the Plan or any Offering Document to the contrary, the Board will be entitled to: (i) establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars; (ii) permit Contributions in excess of the amount designated by a Participant in order to adjust for mistakes in the Company's processing of properly completed Contribution elections; (iii) establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the Participant's Contributions; (iv) amend any outstanding Purchase Rights or clarify any ambiguities regarding the terms of any Offering to enable the Purchase Rights to qualify under and/or comply with Section 423 of the Code with respect to the 423 Component; and (v) establish other limitations or procedures as the Board determines in its sole discretion advisable that are consistent with the Plan. The actions of the Board pursuant to this paragraph will not be considered to alter or impair any Purchase Rights granted under an Offering as they are part of the initial terms of each Offering and the Purchase Rights granted under each Offering.

13. TAX QUALIFICATION; TAX WITHHOLDING.

(a) Although the Company may endeavor to (i) qualify a Purchase Right for special tax treatment under the laws of the United States or jurisdictions outside of the United States or (ii) avoid adverse tax treatment, the Company makes no representation to that effect and expressly disavows any covenant to maintain special or to avoid unfavorable tax treatment, notwithstanding anything to the contrary in this Plan. The Company will be unconstrained in its corporate activities without regard to the potential negative tax impact on Participants.

(b) Each Participant will make arrangements, satisfactory to the Company and any applicable Related Corporation, to enable the Company or the Related Corporation to fulfill any withholding obligation for Tax-Related Items. Without limitation to the foregoing, in the Company's sole discretion and subject to Applicable Law, such withholding obligation may be satisfied in whole or in part by (i) withholding from the Participant's salary or any other cash payment due to the Participant from the Company or a Related Corporation; (ii) withholding from the proceeds of the sale of shares of Common Stock acquired under the Plan, either through a voluntary sale or a mandatory sale arranged by the Company; or (iii) any other method deemed acceptable by the Board. The Company shall not be required to issue any shares of Common Stock under the Plan until such obligations are satisfied.

(c) The 423 Component is exempt from the application of Section 409A of the Code, and any ambiguities herein shall be interpreted to so be exempt from Section 409A of the Code. The Non-423 Component is intended to be exempt from the application of Section 409A of the Code under the

short-term deferral exception and any ambiguities shall be construed and interpreted in accordance with such intent. In furtherance of the foregoing and notwithstanding any provision in the Plan to the contrary, if the Committee determines that an option granted under the Plan may be subject to Section 409A of the Code or that any provision in the Plan would cause an option under the Plan to be subject to Section 409A, the Committee may amend the terms of the Plan and/or of an outstanding option granted under the Plan, or take such other action the Committee determines is necessary or appropriate, in each case, without the Participant's consent, to exempt any outstanding option or future option that may be granted under the Plan from or to allow any such options to comply with Section 409A of the Code, but only to the extent any such amendments or action by the Committee would not violate Section 409A of the Code. Notwithstanding the foregoing, the Company shall have no liability to a Participant or any other party if the option under the Plan that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee with respect thereto.

14. EFFECTIVE DATE OF PLAN.

The Plan will become effective immediately prior to and contingent upon the IPO Date. No Purchase Rights will be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval must be within 12 months before or after the date the Plan is adopted (or if required under Section 12(a) above, materially amended) by the Board.

15. MISCELLANEOUS PROVISIONS.

(a) Proceeds from the sale of shares of Common Stock pursuant to Purchase Rights will constitute general funds of the Company.

(b) A Participant will not be deemed to be the holder of, or to have any of the rights of a holder with respect to, shares of Common Stock subject to Purchase Rights unless and until the Participant's shares of Common Stock acquired upon exercise of Purchase Rights are recorded in the books of the Company (or its transfer agent).

(c) The Plan and Offering do not constitute an employment contract. Nothing in the Plan or in the Offering will in any way alter the at will nature of a Participant's employment or amend a Participant's employment contract, if applicable, or be deemed to create in any way whatsoever any obligation on the part of any Participant to continue in the employ of the Company or a Related Corporation or an Affiliate, or on the part of the Company, a Related Corporation or an Affiliate to continue the employment of a Participant.

(d) The provisions of the Plan will be governed by the laws of the State of Delaware without resort to that state's conflict of laws rules.

(e) If any particular provision of the Plan is found to be invalid or otherwise unenforceable, such provision will not affect the other provisions of the Plan, but the Plan will be construed in all respects as if such invalid provision were omitted.

(f) If any provision of the Plan does not comply with Applicable Law, such provision shall be construed in such a manner as to comply with Applicable Law.

16. DEFINITIONS.

As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

(a) “**423 Component**” means the part of the Plan, which excludes the Non-423 Component, pursuant to which Purchase Rights that satisfy the requirements for an Employee Stock Purchase Plan may be granted to Eligible Employees.

(b) “**Affiliate**” means any entity, other than a Related Corporation, whether now or subsequently established, which is at the time of determination, a “parent” or “subsidiary” of the Company as such terms are defined in Rule 405 promulgated under the Securities Act. The Board may determine the time or times at which “parent” or “subsidiary” status is determined within the foregoing definition.

(c) “**Applicable Law**” means the Code and any applicable U.S. and non-U.S. securities, exchange control, tax, federal, state, material local or municipal or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, listing rule, regulation, judicial decision, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body (or under the authority of the New York Stock Exchange, Nasdaq Stock Market or the Financial Industry Regulatory Authority).

(d) “**Board**” means the Board of Directors of the Company.

(e) “**Capital Stock**” means each and every class of common stock of the Company, regardless of the number of votes per share.

(f) “**Capitalization Adjustment**” means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Purchase Right after the date the Plan is adopted by the Board without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other similar equity restructuring transaction, as that term is used in Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(g) “**Code**” means the U.S. Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(h) “**Committee**” means a committee of one or more members of the Board to whom authority has been delegated by the Board in accordance with Section 2(c).

(i) “**Common Stock**” means, as of the IPO Date the common stock of the Company.

(j) “**Company**” means Carlsmed, Inc., a Delaware corporation.

(k) “**Contributions**” means the payroll deductions and other additional payments specifically provided for in the Offering that a Participant contributes to fund the exercise of a Purchase Right. A Participant may make additional payments into his or her account if specifically provided for in the Offering, and then only if the Participant has not already had the maximum permitted amount withheld during the Offering through payroll deductions and, with respect to the 423 Component, to the extent permitted by Section 423.

(l) “**Corporate Transaction**” means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

- (i) a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its subsidiaries;
- (ii) a sale or other disposition of more than 50% of the outstanding securities of the Company;
- (iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or
- (iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(m) “**Designated 423 Company**” means any Related Corporation selected by the Board as participating in the 423 Component.

(n) “**Designated Company**” means any Designated Non-423 Company or Designated 423 Company, provided, however, that at any given time, a Related Corporation participating in the 423 Component shall not be a Related Corporation participating in the Non-423 Component.

(o) “**Designated Non-423 Company**” means any Related Corporation or Affiliate selected by the Board as participating in the Non-423 Component.

(p) “**Director**” means a member of the Board.

(q) “**Eligible Employee**” means an Employee who meets the requirements set forth in the document(s) governing the Offering for eligibility to participate in the Offering, provided that such Employee also meets the requirements for eligibility to participate set forth in the Plan.

(r) “**Employee**” means any person, including an Officer or Director, who is “employed” for purposes of Section 423(b)(4) of the Code by the Company or a Related Corporation or solely with respect to the Non-423 Component, an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an “Employee” for purposes of the Plan.

(s) “**Employee Stock Purchase Plan**” means a plan that grants Purchase Rights intended to be options issued under an “employee stock purchase plan,” as that term is defined in Section 423(b) of the Code.

(t) “**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

(u) “**Fair Market Value**” means, as of any date, the value of the Common Stock determined as follows:

- (i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock will be, unless otherwise

determined by the Board, the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in such source as the Board deems reliable. Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing sales price on the last preceding date for which such quotation exists.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith in compliance with Applicable Laws and regulations and, to the extent applicable as determined in the sole discretion of the Board, in a manner that complies with Sections 409A of the Code

(iii) Notwithstanding the foregoing, for any Offering that commences on the IPO Date, the Fair Market Value of the shares of Common Stock on the Offering Date will be the price per share at which shares are first sold to the public in the Company's initial public offering as specified in the final prospectus for that initial public offering.

(v) "**Governmental Body**" means any: (i) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (ii) U.S. or non-U.S. federal, state, local, municipal or other government; (iii) governmental or regulatory body, or quasi-governmental body of any nature (including any governmental division, department, administrative agency or bureau, commission, authority, instrumentality, official, ministry, fund, foundation, center, organization, unit, body or entity and any court or other tribunal, and for the avoidance of doubt, any tax authority) or other body exercising similar powers or authority; or (iv) self-regulatory organization (including the New York Stock Exchange, the Nasdaq Stock Market and the Financial Industry Regulatory Authority).

(w) "**IPO Date**" means the date of the underwriting agreement between the Company and the underwriter(s) managing the initial public offering of the Common Stock, pursuant to which the Common Stock is priced for the initial public offering.

(x) "**Non-423 Component**" means the part of the Plan, which excludes the 423 Component, pursuant to which Purchase Rights that are not intended to satisfy the requirements for an Employee Stock Purchase Plan may be granted to Eligible Employees.

(y) "**Offering**" means the grant to Eligible Employees of Purchase Rights, with the exercise of those Purchase Rights automatically occurring at the end of one or more Purchase Periods. The terms and conditions of an Offering will generally be set forth in the "**Offering Document**" approved by the Board for that Offering.

(z) "**Offering Date**" means a date selected by the Board for an Offering to commence.

(aa) "**Officer**" means a person who is an officer of the Company or a Related Corporation within the meaning of Section 16 of the Exchange Act.

(bb) "**Participant**" means an Eligible Employee who holds an outstanding Purchase Right.

(cc) "**Plan**" means this Carlsmed, Inc. 2025 Employee Stock Purchase Plan, as amended from time to time, including both the 423 Component and the Non-423 Component.

(dd) "**Purchase Date**" means one or more dates during an Offering selected by the Board on which Purchase Rights will be exercised and on which purchases of shares of Common Stock will be carried out in accordance with such Offering.

(ee) “**Purchase Period**” means a period of time specified within an Offering, generally beginning on the Offering Date or on the first Trading Day following a Purchase Date, and ending on a Purchase Date. An Offering may consist of one or more Purchase Periods.

(ff) “**Purchase Right**” means an option to purchase shares of Common Stock granted pursuant to the Plan.

(gg) “**Related Corporation**” means any “parent corporation” or “subsidiary corporation” of the Company whether now or subsequently established, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(hh) “**Securities Act**” means the U.S. Securities Act of 1933, as amended.

(ii) “**Tax-Related Items**” means any income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items arising out of or in relation to a Participant’s participation in the Plan, including, but not limited to, the exercise of a Purchase Right and the receipt of shares of Common Stock or the sale or other disposition of shares of Common Stock acquired under the Plan.

(jj) “**Trading Day**” means any day on which the exchange(s) or market(s) on which shares of Common Stock are listed, including but not limited to the New York Stock Exchange, Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market or any successors thereto, is open for trading.

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Cordonnier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Carlsmed, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Omitted];
 - (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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 28, 2025

By: _____ /s/ Michael Cordonnier
Michael Cordonnier
Chief Executive Officer and President
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Carlsmed, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 28, 2025

By: _____ /s/ Michael Cordonnier

Michael Cordonnier
Chief Executive Officer and President
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Carlsmed, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 28, 2025

By: _____ /s/ Leonard Greenstein
Leonard Greenstein
Chief Financial Officer
(Principal Financial Officer)
