
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 **September 30, 2019**

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: **0-19961**



ORTHOFIX MEDICAL INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3451 Plano Parkway,
Lewisville, Texas
(Address of principal executive offices)

98-1340767
(I.R.S. Employer
Identification No.)

75056
(Zip Code)

(214) 937-2000

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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
Non-Accelerated filer

Accelerated filer
Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 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 October 25, 2019, 19,055,154 shares of common stock were issued and outstanding.

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

Title of each class
Common stock, \$0.10 par value per share

Trading Symbol(s)
OFIX

Name of each exchange on which registered
Nasdaq Global Select Market

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Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (“the Exchange Act”), and Section 27A of the Securities Act of 1933, as amended, relating to our business and financial outlook, which are based on our current beliefs, assumptions, expectations, estimates, forecasts and projections. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “intends,” “predicts,” “potential,” or “continue” or other comparable terminology. These forward-looking statements are not guarantees of our future performance and involve risks, uncertainties, estimates and assumptions that are difficult to predict, including the risks described Part I, Item 1A under the heading *Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2018 (the “2018 Form 10-K”) and other Securities and Exchange Commission (“SEC”) filings. Therefore, our actual outcomes and results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date hereof, unless it is specifically otherwise stated to be made as of a different date. We undertake no obligation to further update any such statement, or the risk factors described in the 2018 Form 10-K and other SEC filings, to reflect new information, the occurrence of future events or circumstances or otherwise.

Trademarks

Solely for convenience, our trademarks and trade names in this report are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that we will not assert, to the fullest extent under applicable law, our rights thereto.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**ORTHOFIX MEDICAL INC.
Condensed Consolidated Balance Sheets**

(U.S. Dollars, in thousands, except share data)	September 30, 2019 (Unaudited)	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 56,849	\$ 69,623
Restricted cash	654	2,566
Trade accounts receivable, net of allowances of \$4,073 and \$7,463, respectively	79,690	77,747
Inventories	80,993	76,847
Prepaid expenses and other current assets	19,617	17,856
Total current assets	237,803	244,639
Property, plant and equipment, net	62,964	42,835
Intangible assets, net	53,613	51,897
Goodwill	71,177	72,401
Deferred income taxes	39,626	33,228
Other long-term assets	10,420	21,641
Total assets	\$ 475,603	\$ 466,641
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 17,892	\$ 17,989
Current portion of finance lease liability	293	—
Other current liabilities	70,323	67,919
Total current liabilities	88,508	85,908
Long-term portion of finance lease liability	20,767	—
Other long-term liabilities	59,894	45,336
Total liabilities	169,169	131,244
Contingencies (Note 8)		
Shareholders' equity		
Common shares \$0.10 par value; 50,000,000 shares authorized; 18,875,184 and 18,579,688 issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	1,888	1,858
Additional paid-in capital	263,064	243,165
Retained earnings	46,063	87,078
Accumulated other comprehensive income (loss)	(4,581)	3,296
Total shareholders' equity	306,434	335,397
Total liabilities and shareholders' equity	\$ 475,603	\$ 466,641

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

ORTHOFIX MEDICAL INC.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(Unaudited, U.S. Dollars, in thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net sales	\$ 113,499	\$ 111,708	\$ 338,461	\$ 331,964
Cost of sales	24,896	24,020	74,416	71,002
Gross profit	88,603	87,688	264,045	260,962
Sales and marketing	54,805	49,898	165,363	151,695
General and administrative	21,090	22,276	63,497	63,658
Research and development	7,982	9,598	26,191	24,426
Acquisition-related amortization and remeasurement (Note 12)	23,608	2,009	31,873	3,491
Operating income (loss)	(18,882)	3,907	(22,879)	17,692
Interest income (expense), net	186	(181)	386	(615)
Other expense, net	(8,146)	(5,054)	(8,786)	(5,785)
Income (loss) before income taxes	(26,842)	(1,328)	(31,279)	11,292
Income tax benefit (expense)	(13,656)	117	(8,869)	(6,352)
Net income (loss)	\$ (40,498)	\$ (1,211)	\$ (40,148)	\$ 4,940
Net income (loss) per common share:				
Basic	\$ (2.14)	\$ (0.07)	\$ (2.13)	\$ 0.26
Diluted	(2.14)	(0.07)	(2.13)	0.26
Weighted average number of common shares:				
Basic	18,957,876	18,562,204	18,847,728	18,460,848
Diluted	18,957,876	18,562,204	18,847,728	18,864,169
Other comprehensive income (loss), before tax				
Unrealized gain (loss) on debt security	—	1,240	(2,593)	3,200
Reclassification adjustment for amortization of historical unrealized gains on debt security	(345)	—	(1,034)	—
Reclassification adjustment for other-than-temporary impairment on debt security	(5,193)	—	(5,193)	—
Currency translation adjustment	(1,893)	(844)	(2,195)	(1,322)
Other comprehensive income (loss) before tax	(7,431)	396	(11,015)	1,878
Income tax related to other comprehensive income (loss)	1,388	(366)	2,200	(798)
Other comprehensive income (loss), net of tax	(6,043)	30	(8,815)	1,080
Comprehensive income (loss)	\$ (46,541)	\$ (1,181)	\$ (48,963)	\$ 6,020

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

ORTHOFIX MEDICAL INC.
Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited, U.S. Dollars, in thousands, except share data)	Number of Common Shares Outstanding	Common Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
At December 31, 2018	18,579,688	\$ 1,858	\$ 243,165	\$ 87,078	\$ 3,296	\$ 335,397
Cumulative effect adjustment from adoption of ASU 2016-02	—	—	—	71	—	71
Cumulative effect adjustment from adoption of ASU 2018-02	—	—	—	(938)	938	—
Net income	—	—	—	897	—	897
Other comprehensive loss, net of tax	—	—	—	—	(2,401)	(2,401)
Share-based compensation	—	—	5,685	—	—	5,685
Common shares issued, net	211,081	21	4,012	—	—	4,033
At March 31, 2019	18,790,769	\$ 1,879	\$ 252,862	\$ 87,108	\$ 1,833	\$ 343,682
Net loss	—	—	—	(547)	—	(547)
Other comprehensive loss, net of tax	—	—	—	—	(371)	(371)
Share-based compensation	—	—	5,849	—	—	5,849
Common shares issued, net	40,812	4	(823)	—	—	(819)
At June 30, 2019	18,831,581	\$ 1,883	\$ 257,888	\$ 86,561	\$ 1,462	\$ 347,794
Net loss	—	—	—	(40,498)	—	(40,498)
Other comprehensive loss, net of tax	—	—	—	—	(6,043)	(6,043)
Share-based compensation	—	—	5,844	—	—	5,844
Common shares issued, net	43,603	5	(668)	—	—	(663)
At September 30, 2019	18,875,184	\$ 1,888	\$ 263,064	\$ 46,063	\$ (4,581)	\$ 306,434

(Unaudited, U.S. Dollars, in thousands, except share data)	Number of Common Shares Outstanding	Common Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
At December 31, 2017	18,278,833	\$ 1,828	\$ 220,591	\$ 70,402	\$ 3,787	\$ 296,608
Cumulative effect adjustment from adoption of ASU 2014-09	—	—	—	4,761	—	4,761
Cumulative effect adjustment from adoption of ASU 2016-16	—	—	—	(1,896)	—	(1,896)
Net income	—	—	—	5,226	—	5,226
Other comprehensive income, net of tax	—	—	—	—	697	697
Share-based compensation	—	—	3,916	—	—	3,916
Common shares issued, net	126,511	13	3,849	—	—	3,862
At March 31, 2018	18,405,344	\$ 1,841	\$ 228,356	\$ 78,493	\$ 4,484	\$ 313,174
Net income	—	—	—	925	—	925
Other comprehensive income, net of tax	—	—	—	—	353	353
Share-based compensation	—	—	5,215	—	—	5,215
Common shares issued, net	80,444	8	171	—	—	179
At June 30, 2018	18,485,788	\$ 1,849	\$ 233,742	\$ 79,418	\$ 4,837	\$ 319,846
Net loss	—	—	—	(1,211)	—	(1,211)
Other comprehensive income, net of tax	—	—	—	—	30	30
Share-based compensation	—	—	5,261	—	—	5,261
Common shares issued, net	50,928	5	(581)	—	—	(576)
At September 30, 2018	18,536,716	\$ 1,854	\$ 238,422	\$ 78,207	\$ 4,867	\$ 323,350

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

ORTHOFIX MEDICAL INC.
Condensed Consolidated Statements of Cash Flows

(Unaudited, U.S. Dollars, in thousands)	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities		
Net income (loss)	\$ (40,148)	\$ 4,940
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	18,180	13,661
Amortization of operating lease assets, debt costs and other assets	2,724	818
Provision for doubtful accounts	861	(571)
Deferred income taxes	(3,309)	(5,082)
Share-based compensation	17,378	14,392
Interest and loss on valuation of investment securities	5,000	3,050
Change in fair value of contingent consideration	28,140	2,689
Other	1,307	1,040
Changes in operating assets and liabilities, net of effects of acquisitions		
Accounts receivable	(3,298)	(225)
Inventories	(4,995)	6,880
Prepaid expenses and other current assets	1,637	1,498
Accounts payable	447	(2,788)
Other current liabilities	347	(13,130)
Payment of contingent consideration	(1,340)	—
Other long-term assets and liabilities	(2,841)	1,657
Net cash from operating activities	20,090	28,829
Cash flows from investing activities		
Acquisition of business, net of cash acquired	—	(43,749)
Capital expenditures for property, plant and equipment	(13,737)	(9,586)
Capital expenditures for intangible assets	(1,144)	(1,138)
Asset acquisitions and other investments	(6,400)	(1,448)
Net cash from investing activities	(21,281)	(55,921)
Cash flows from financing activities		
Proceeds from issuance of common shares	6,821	5,866
Payments related to withholdings for share-based compensation	(4,271)	(2,402)
Payment of contingent consideration	(13,660)	—
Payments related to finance lease obligation	(276)	—
Other financing activities	(1,224)	(476)
Net cash from financing activities	(12,610)	2,988
Effect of exchange rate changes on cash	(885)	(811)
Net change in cash, cash equivalents, and restricted cash	(14,686)	(24,915)
Cash, cash equivalents, and restricted cash at the beginning of period	72,189	81,157
Cash, cash equivalents, and restricted cash at the end of period	\$ 57,503	\$ 56,242
Components of cash, cash equivalents and restricted cash at the end of period		
Cash and cash equivalents	\$ 56,849	\$ 53,783
Restricted cash	654	2,459
Cash, cash equivalents, and restricted cash at the end of period	\$ 57,503	\$ 56,242
Supplemental Disclosure of Cash Flow Information:		
Noncash investing activities:		
Purchase of intangible assets	\$ —	\$ 1,581
Contingent consideration recognized at acquisition date	—	25,491

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

ORTHOFIX MEDICAL INC.
Notes to the Unaudited Condensed Consolidated Financial Statements

1. Business and basis of presentation

Orthofix Medical Inc., together with its subsidiaries (the “Company” or “Orthofix”) is a global medical device company focused on musculoskeletal products and therapies. Headquartered in Lewisville, Texas, the Company has two reporting segments: Global Spine and Global Extremities.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Pursuant to these rules and regulations, certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for a fair statement have been included. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company’s Form 10-K for the year ended December 31, 2018. Operating results for the three and nine months ended September 30, 2019 are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2019.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition; contractual allowances; allowance for doubtful accounts; inventories; valuation of intangible assets; goodwill; fair value measurements, including contingent consideration; litigation and contingent liabilities; tax matters; and share-based compensation. Actual results could differ from these estimates.

Prior period reclassifications

Certain amortization expense related to intangible assets previously reported in general and administrative expenses has been reclassified to acquisition-related amortization and remeasurement based on use of the underlying intangible asset. This reclassification resulted in decreases to general and administrative expenses of \$0.4 million and \$0.8 million for the three and nine months ended September 30, 2018, respectively, and increases in acquisition related amortization and remeasurement expense of \$0.4 million and \$0.8 million for the three and nine months ended September 30, 2018, respectively.

Change in Reporting Segments

The Company has changed its reportable business segments beginning with the first quarter of 2019, to align with changes in how the Company manages its business, reviews operating performance and allocates resources. The Company now reports results under two reportable segments: Global Spine and Global Extremities, and measures operating performance of these two reportable segments based on earnings before interest, tax, depreciation, and amortization (“EBITDA”). For additional discussion regarding segments, see Note 11.

2. Recently adopted accounting standards and recently issued accounting pronouncements

Adoption of Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842)

In February 2016 the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, which changes how lessees account for leases. For most leases, a liability will be recorded on the balance sheet based on the present value of future lease obligations with a corresponding right-of-use asset. For leases classified as operating leases, the Company will recognize lease costs on a straight-line basis based on the combined amortization of the lease obligation and the right-of-use asset. Other leases will be accounted for as finance leases similar to capital leases under the previous accounting standard. Effective January 1, 2019, the Company adopted ASU 2016-02 using a modified retrospective approach. Upon adoption, the Company elected a package of practical expedients permitted within the new standard. The practical expedients adopted allow the Company to carry forward its historical lease classification and to not separate and allocate the consideration paid between lease and non-lease components included within a contract. The Company also adopted an optional transition method that waives the requirement to apply the ASU to the comparative periods presented within the financial statements in the year of adoption. Therefore, results for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts are not adjusted and continue to be

reported in accordance with the Company's historic accounting policies under Topic 840. See Note 5 for additional discussion of the Company's adoption of Topic 842 and its lease accounting policies.

Adoption of ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, which allows entities to reclassify from accumulated other comprehensive income to retained earnings stranded tax effects resulting from the Tax Cuts and Jobs Act (the "Tax Act"). The Company adopted this guidance effective January 1, 2019, which resulted in an increase to accumulated other comprehensive income and a decrease in retained earnings of \$0.9 million.

Other recently adopted accounting guidance

In August 2018, the Securities and Exchange Commission (the "SEC" or the "Commission") issued SEC Final Rule Release No. 33-10532, *Disclosure Update and Simplification*, which amends certain of the Commission's disclosure requirements that have become redundant, duplicative, overlapping, outdated, or superseded, in light of other Commission disclosure requirements, U.S. GAAP, or changes in the information environment. However, in certain instances, the amendments expanded disclosure requirements, including those related to interim disclosures about changes in shareholders' equity. As amended in the final rule, registrants must now analyze changes in shareholders' equity, in the form of a reconciliation for the current year-to-date interim periods, with subtotals for each interim period. The Company adopted Release No. 33-10532 during the first quarter of 2019, which resulted in changes in shareholders' equity presented within the Condensed Consolidated Statements of Changes in Shareholders' Equity.

Recently issued accounting pronouncements

Topic	Description of Guidance	Effective Date	Status of Company's Evaluation
Financial Instruments - Credit Losses (ASU 2016-13), and subsequent amendments	Requires that credit losses for certain types of financial instruments be estimated based on expected losses and also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. Applied using a modified retrospective approach, with early adoption permitted.	January 1, 2020	The Company has formed an implementation team to evaluate the impact this ASU will have on its consolidated financial statements. Based on the Company's preliminary evaluation, the ASU is expected to primarily impact trade accounts receivable; however, the Company is continuing to evaluate the impact this ASU may have on its consolidated financial statements.
Goodwill (ASU 2017-04)	Eliminates Step 2 of the current goodwill impairment test, which requires a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment loss will instead be measured at the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the recorded amount of goodwill. Applied on a prospective basis, with early adoption permitted.	January 1, 2020	The Company is currently evaluating the impact this ASU may have on its consolidated financial statements. However, the Company does not expect this ASU to have a significant impact on its financial statements or disclosures.
Fair value measurement (ASU 2018-13)	Eliminates such disclosures as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and adds new disclosure requirements for Level 3 measurements. Certain of the provisions are to be applied retrospectively with other provisions applied prospectively.	January 1, 2020	The Company is currently evaluating the impact this ASU may have on its consolidated financial statements. However, the Company does not expect this ASU to have a significant impact on its financial statements but may have significant impact on disclosures for any level 3 assets or liabilities.

Topic	Description of Guidance	Effective Date	Status of Company's Evaluation
Implementation costs in a cloud computing arrangement that is a service contract (ASU 2018-15)	Aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this update. Applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption.	January 1, 2020	The Company plans to adopt this ASU prospectively to all implementation costs incurred after the date of adoption and is currently evaluating the impact this ASU may have on its consolidated financial statements. However, the Company does not expect this ASU to have a material impact to its consolidated financial statements.

3. Acquisitions

Acquisition of Spinal Kinetics Inc.

On April 30, 2018, the Company completed the acquisition of Spinal Kinetics Inc. ("Spinal Kinetics"), a privately held developer and manufacturer of artificial cervical and lumbar discs for \$45.0 million in net cash, subject to certain adjustments, plus potential milestone payments of up to \$ 60.0 million in cash. The acquisition date fair value of the consideration transferred was \$76.6 million. The results of operations for Spinal Kinetics have been included in the Company's financial results since the acquisition date, April 30, 2018. For additional discussion regarding the valuation of the contingent consideration, see Note 7.

The following table summarizes the fair values of assets acquired and liabilities assumed at the acquisition date:

(U.S. Dollars, in thousands)	Final Acquisition Date Fair Value	Assigned Useful Life
Assets acquired		
Cash and cash equivalents	\$ 6,785	
Restricted cash	30	
Accounts receivable	1,705	
Inventories	8,175	
Prepaid expenses and other current assets	315	
Property, plant and equipment	2,285	
Other long-term assets	320	
Developed technology	12,400	10 years
In-process research and development ("IPR&D")	26,800	10 years
Tradename	100	2 years
Deferred income taxes	3,594	
Total identifiable assets acquired	\$ 62,509	
Liabilities assumed		
Accounts payable	\$ 351	
Other current liabilities	2,869	
Other long-term liabilities	301	
Total liabilities assumed	\$ 3,521	
Goodwill	17,612	
Total fair value of consideration transferred	\$ 76,600	

On February 6, 2019, the Company obtained U.S. Food and Drug Administration ("FDA") approval of the M6-C artificial cervical disc for patients suffering from cervical disease degeneration and started amortizing IPR&D. The \$17.6 million of goodwill recognized was assigned to the Global Spine reporting segment.

The Company did not recognize any acquisition related costs during the three and nine months ended September 30, 2019 and recorded \$0.3 million and \$3.3 million of acquisition related costs during the three and nine months ended September 30, 2018. These costs are included in the condensed consolidated statements of operations and comprehensive income (loss) within general and administrative expenses. The Company's results of operations included net sales of \$4.2 million and \$2.9 million related to Spinal Kinetics for the three months ended September 30, 2019 and 2018, respectively, and net sales of \$ 10.5 million and \$5.2 million for the nine months ended September 30, 2019 and 2018, respectively. Additionally, the Company's results of operations included net losses of \$2.9 million and \$2.1 million related to Spinal Kinetics for the three months ended September 30, 2019 and 2018, respectively, and net losses of \$ 10.3 million and \$3.5 million for the nine months ended September 30, 2019 and 2018, respectively.

The following table presents the unaudited pro forma results for the three and nine months ended September 30, 2019 and 2018, which combines the historical results of operations of Orthofix and Spinal Kinetics as though the companies had been combined as of January 1, 2018. The unaudited pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at such time.

(U.S. Dollars, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Net sales	\$ 113,499	\$ 111,708	\$ 338,461	\$ 336,882
Net income (loss)	(40,498)	(923)	(40,148)	5,276

Options Medical, LLC Asset Acquisition

On January 31, 2019, the Company acquired certain assets of Options Medical, LLC ("Options Medical"), a medical device distributor based in Florida. Under the terms of the acquisition, the parties agreed to terminate an existing exclusive sales representative agreement, employees of Options Medical became employees of the Company, and the Company acquired all customer lists and customer information related to the sale of the Company's products. As consideration for the assets acquired, the Company paid \$6.4 million. Additionally, as an inducement to enter into employment with the Company, the Company provided 25,478 restricted stock units ("RSUs"), with a fair value of \$1.4 million, to the Options Medical founder. These RSUs will vest in one-third annual increments beginning on the first anniversary of the grant date and are contingent upon continued employment. The following table summarizes the fair values of assets acquired and liabilities assumed at the acquisition date.

(U.S. Dollars, in thousands)	Fair Value	Balance Sheet Classification	Assigned Useful Life
Assets acquired			
Operating lease assets	\$ 175	Other long-term assets	
Customer relationships	5,832	Intangible assets, net	10 years
Assembled workforce	568	Intangible assets, net	5 years
Total identifiable assets acquired	\$ 6,575		
Liabilities assumed			
Operating lease liability - short-term	\$ 69	Other current liabilities	
Operating lease liability - long-term	106	Other long-term liabilities	
Total liabilities assumed	175		
Total fair value of consideration transferred	\$ 6,400		

4. Inventories

Inventories were as follows:

(U.S. Dollars, in thousands)	September 30, 2019	December 31, 2018
Raw materials	\$ 7,760	\$ 8,463
Work-in-process	10,532	13,478
Finished products	62,701	54,906
Inventories	\$ 80,993	\$ 76,847

5. Leases

As discussed in Note 2, the Company adopted ASU No. 2016-02— *Leases (Topic 842)*, as of January 1, 2019, using the modified retrospective approach. Adoption of the new standard resulted in the recognition of operating lease assets and lease liabilities of \$20.2 million and \$20.5 million, respectively, as of January 1, 2019. The difference between the lease assets and lease liabilities, net of the deferred tax impact, and the elimination of historical prepaid or deferred rent, was recorded as an adjustment to retained earnings. The net impact of adoption to the Company's balance sheet as of January 1, 2019 is presented in the table below. The standard did not have a material impact to the Company's condensed consolidated statements of operations and comprehensive income (loss) or cash flows.

(U.S. Dollars, in thousands)	December 31, 2018	Impact of Adoption of ASC 842	January 1, 2019
Assets			
Current assets			
Cash, cash equivalents, and restricted cash	\$ 72,189	\$ —	\$ 72,189
Accounts receivable, net	77,747	—	77,747
Inventories	76,847	—	76,847
Prepaid expenses and other current assets	17,856	(15)	17,841
Total current assets	244,639	(15)	244,624
Property, plant, and equipment, net	42,835	—	42,835
Intangible assets, net and goodwill	124,298	—	124,298
Deferred income taxes	33,228	71	33,299
Other long-term assets	21,641	20,209	41,850
Total assets	\$ 466,641	\$ 20,265	\$ 486,906
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable	\$ 17,989	\$ —	\$ 17,989
Other current liabilities	67,919	2,166	70,085
Total current liabilities	85,908	2,166	88,074
Other long-term liabilities	45,336	18,028	63,364
Total liabilities	\$ 131,244	\$ 20,194	\$ 151,438
Shareholders' equity			
Common shares	1,858	—	1,858
Additional paid-in capital	243,165	—	243,165
Retained earnings	87,078	71	87,149
Accumulated other comprehensive income	3,296	—	3,296
Total shareholders' equity	335,397	71	335,468
Total liabilities and shareholders' equity	\$ 466,641	\$ 20,265	\$ 486,906

The Company determines if an arrangement is a lease at inception. The Company's leases primarily relate to facilities, vehicles, and equipment. Lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company's incremental borrowing rate is used as a discount rate, based on the information available at the commencement date, in determining the present value of lease payments. Lease assets also include the impact of any prepayments made and are reduced by impact of any lease incentives.

The Company has made an accounting policy election for short-term leases, in that the Company will not recognize a lease liability or lease asset on the balance sheet for leases with a lease term of twelve months or less as of the commencement date. Rather, any short-term lease payments will be recognized as an expense on a straight-line basis over the lease term. The current period short-term lease expense reasonably reflects our short-term lease commitments.

The Company has made a policy election for all classifications of leases to combine lease and nonlease components and to account for them as a single lease component. Variable lease payments are excluded from the lease liability and recognized in the period in which the obligation is incurred. Additionally, lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option.

During the first quarter of 2019, the Company entered into an amendment for its corporate headquarters lease. As a result, the classification of this lease changed from an operating lease to a finance lease, resulting in an increase to both the lease liability and lease asset of approximately \$8.0 million.

A summary of the Company's lease portfolio as of September 30, 2019 is presented in the table below:

(U.S. Dollars, in thousands, except lease term and discount rate)	Classification	September 30, 2019
Assets		
Operating leases	Other long-term assets	\$ 5,894
Finance leases	Property, plant and equipment, net	20,451
Total lease assets		26,345
Liabilities		
Current		
Operating leases	Other current liabilities	1,798
Finance leases	Current portion of finance lease liability	293
Long-term		
Operating leases	Other long-term liabilities	4,205
Finance leases	Long-term portion of finance lease liability	20,767
Total lease liabilities		\$ 27,063
Weighted Average Remaining Lease Term		
Operating leases		4.3 years
Finance leases		20.9 years
Weighted Average Discount Rate		
Operating leases		2.45%
Finance leases		4.38%

The components of lease costs were as follows:

(U.S. Dollars, in thousands)	Three Months ended September 30, 2019	Nine Months Ended September 30, 2019
Finance lease costs:		
Amortization of right-of-use assets	\$ 244	\$ 728
Interest on finance lease liabilities	233	687
Operating lease costs	538	1,618
Short-term lease costs	61	195
Variable lease costs	173	501
Total lease costs	\$ 1,249	\$ 3,729

Supplemental cash flow information related to leases was as follows:

(U.S. Dollars, in thousands)	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 3,037
Operating cash flows from finance leases	687
Financing cash flows from finance leases	276
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	598
Finance leases	21,179

A summary of the Company's remaining lease liabilities as of September 30, 2019 is included below:

(U.S. Dollars, in thousands)	Operating Leases	Finance Leases
2019	\$ 505	\$ 321
2020	\$ 1,863	\$ 1,013
2021	\$ 1,654	\$ 1,414
2022	\$ 1,333	\$ 1,442
2023	\$ 250	\$ 1,471
Thereafter	\$ 782	\$ 27,207
Total undiscounted value of lease liabilities	\$ 6,387	\$ 32,868
Less: Interest	(384)	(11,808)
Present value of lease liabilities	\$ 6,003	\$ 21,060
Current portion of lease liabilities	1,798	293
Long-term portion of lease liabilities	4,205	20,767
Total lease liabilities	\$ 6,003	\$ 21,060

6. Long-term debt

As of September 30, 2019, the Company had no borrowings under its five year \$125 million secured revolving credit facility. In addition, the Company had no borrowings on its €5.5 million (\$6.0 million) available lines of credit in Italy as of September 30, 2019. The Company was in compliance with all required financial covenants as of September 30, 2019.

On October 25, 2019, the Company, and certain of its wholly-owned subsidiaries (collectively with the Company, the "Borrowers"), as borrowers, and certain material subsidiaries of the Company as guarantors, entered into a Second Amended and Restated Credit Agreement (the "Amended Credit Agreement"). The Amended Credit Agreement provides for a \$300 million secured revolving credit facility maturing on October 25, 2024 (the "Facility"), and amends and restates the previous \$125 million secured revolving credit facility. As of October 28, 2019, the Borrowers have not made any borrowings under the Amended Credit Agreement.

Borrowings under the Amended Credit Agreement may be used for, among other things, working capital and other general corporate purposes of the Company and its subsidiaries (including permitted acquisitions and permitted payments of dividends and other distributions). The Facility is available in US Dollars with up to \$150 million of the Facility available to be borrowed in Euros and Pounds Sterling (the “Agreed Currencies”). The Facility further permits up to \$ 50 million to be utilized for the issuance of letters of credit in the Agreed Currencies. The Borrowers have the ability to increase the amount of the Facility, which increases may take the form of increases to the revolving credit commitments or the issuance of new term A loans, by an aggregate amount of up to the greater of \$150 million or an incremental amount such that the total amount of the Facility does not exceed 350% of consolidated EBITDA of the Company (as determined for the four fiscal quarter period most recently ended for which financial statements are available), upon satisfaction of customary conditions precedent for such increases or incremental loans and receipt of additional commitments by one or more existing or new lenders.

Borrowings under the Facility bear interest at a floating rate, which will be, at the Borrowers’ option, either LIBOR plus an applicable margin ranging from 1.25% to 2.25%, or a base rate plus an applicable margin ranging from 0.25% to 1.25% (in each case subject to adjustment based on the Company’s total net leverage ratio). An unused fee ranging from 0.15% to 0.25% (subject to adjustment based on the Company’s total net leverage ratio) is payable quarterly in arrears based on the daily amount of the undrawn portion of each lender’s revolving credit commitments under the Facility. Fees are payable on outstanding letters of credit at a rate equal to the applicable margin for LIBOR loans, plus certain customary fees payable solely to the issuer of the letter of credit.

Certain of the Company’s existing and future material subsidiaries (collectively, the “Guarantors”) are required to guarantee the repayment of the Borrowers’ obligations under the Amended Credit Agreement. The obligations of the Borrowers and each of the Guarantors with respect to the Amended Credit Agreement are secured by a pledge of substantially all of the personal property assets of the Borrowers and each of the Guarantors, including accounts receivables, deposit accounts, intellectual property, investment property, inventory, equipment and equity interests in their respective subsidiaries.

The Amended Credit Agreement contains customary affirmative and negative covenants, including limitations on the Company’s and its subsidiaries ability to incur additional debt, grant or permit additional liens, make investments and acquisitions, merge or consolidate with others, dispose of assets, pay dividends and distributions, pay subordinated indebtedness and enter into affiliate transactions. In addition, the Amended Credit Agreement contains financial covenants requiring the Company on a consolidated basis to maintain, as of the last day of any fiscal quarter, a total net leverage ratio of not more than 3.5 to 1.0 (which ratio can be permitted to increase to 4.0 to 1.0 for no more than 4 fiscal quarters following a material acquisition) and an interest coverage ratio of at least 3.0 to 1.0. The Amended Credit Agreement also includes events of default customary for facilities of this type and upon the occurrence of such events of default, subject to customary cure rights, all outstanding loans under the Facility may be accelerated and/or the lenders’ commitments terminated.

7. Fair value measurements and investments

The fair value of the Company’s financial assets and liabilities measured on a recurring basis were as follows:

(U.S. Dollars, in thousands)	September 30, 2019				December 31, 2018
	Level 1	Level 2	Level 3	Total	Total
Assets					
Treasury securities	\$ 447	\$ —	\$ —	\$ 447	\$ 490
Bone Biologics equity warrants	—	—	—	—	—
Bone Biologics equity securities	—	219	—	219	219
eNeura debt security	—	—	—	—	17,820
eNeura warrant	—	—	—	—	—
Total	\$ 447	\$ 219	\$ —	\$ 666	\$ 18,529
Liabilities					
Contingent consideration	\$ —	\$ —	\$ (41,700)	\$ (41,700)	\$ (28,560)
Deferred compensation plan	—	(1,242)	—	(1,242)	(1,275)
Total	\$ —	\$ (1,242)	\$ (41,700)	\$ (42,942)	\$ (29,835)

Bone Biologics Equity Warrants and Securities

The Company holds investments in common stock and warrants to purchase shares of common stock of Bone Biologics, Inc. (“Bone Biologics”). The Company’s common stock investments are recorded within other long-term assets while the warrants are considered to have a fair value of zero. The equity securities are considered investments that do not have readily determinable fair values. As such, the Company measures these investments at cost, less any impairments, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

(U.S. Dollars, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Bone Biologics equity securities and warrants beginning balance	\$ 219	\$ 4,668	\$ 219	\$ 2,768
Impact of adoption of ASU 2016-01 recognized in other income (expense), net	—	—	—	1,629
Purchase of additional common stock	—	—	—	500
Fair value adjustments, expirations, and impairments recognized in other income (expense), net	—	(4,449)	—	(4,678)
Bone Biologics equity securities and warrants ending balance	\$ 219	\$ 219	\$ 219	\$ 219

eNeura Debt Security and Warrant

As of September 30, 2019, the Company held a debt security of eNeura, Inc. (“eNeura”), a privately held medical technology company that is developing devices for the treatment of migraines. The debt security was originally set to mature on March 4, 2019. On March 1, 2019, the Company entered into an Amended and Restated Senior Secured Promissory Note with eNeura (the “Restructured Debt Security”) to restructure the debt security, which extended the maturity date to the earlier of (i) March 4, 2022, (ii) the effective date of a change in control, or (iii) the effective date of an initial public offering by eNeura, and which also eliminated the conversion feature included within the original note. As consideration for the extension, eNeura issued to the Company a Warrant to Purchase Common Stock (the “Warrant”), exercisable at \$0.01 per share over a ten year contractual term, for a number of shares equal to 10% of the sum of the outstanding principal and accrued interest on the Amended and Restated Debt Security as of March 1, 2019, divided by \$1.00 (subject to certain anti-dilution provisions).

Prior to the restructuring on March 1, 2019, the debt security was accounted for as an available for sale debt security at fair value and included within other long-term assets. The fair value was based upon significant unobservable inputs, including the use of a discounted cash flow model and assumptions regarding the expected payback period for the debt security, requiring the Company to develop its own assumptions; therefore, the Company had categorized this asset as a Level 3 financial asset.

Subsequent to the restructuring, the debt security was no longer classified as an available for sale debt security, but rather as a held to maturity debt security. The debt security was reclassified from an available for sale debt security to a held to maturity debt security at its fair value on the date of the restructuring. As a result, the unrealized gains included in accumulated other comprehensive income related to the debt security were to be subsequently amortized to interest income over the remaining term of the Restructured Debt Security.

The Warrant was recorded at fair value and included in other long-term assets. The fair value of the Warrant was based on significant unobservable inputs, including the use of a discounted cash flow model and an option-pricing model, requiring the Company to develop its own assumptions; therefore, the Company categorized this asset as a Level 3 financial asset. The Warrant was considered an investment that does not have a readily determinable fair value. As such, the Company measured the Warrant at cost, less any impairments, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

During the quarter ended September 30, 2019, the Company engaged in negotiations with eNeura to settle the Restructured Debt Security and on October 25, 2019, the Company and eNeura settled the Restructured Debt Security for a \$4.0 million cash payment and agreed to transfer the Warrant to eNeura. As such, at September 30, 2019, the Company determined the Restructured Debt Security and Warrant were impaired and adjusted the carrying value of the Restructured Debt Security to \$4.0 million, its settlement value, by recording a net other-than-temporary impairment of \$ 6.5 million in other expense, net, which includes a reclassification of the related unrealized gains included in accumulated other comprehensive income of \$5.2 million. Further, the Company also reclassified the remaining balance of the Restructured Debt Security to other current assets as payment was received within the next twelve months.

During the three and nine months ended September 30, 2019, the Company recognized \$0.5 and \$1.5 million in interest income related to the eNeura debt security. The Company did not recognize any interest income during the three and nine months ended September 30, 2018.

The following table provides a reconciliation of the beginning and ending balances for the eNeura debt security and Warrant measured and reflected in the condensed consolidated balance sheets at fair value using significant unobservable inputs (Level 3) prior to the settlement discussed above:

(U.S. Dollars, in thousands)	2019	2018
eNeura debt security and Warrant at January 1	\$ 17,820	\$ 16,050
Gains or losses recorded for the period		
Recognized in other comprehensive income (loss)	(2,593)	3,200
Change in classification of debt security to held to maturity	(15,227)	—
Issuance of Warrant as consideration for extension	491	—
Impairment of Warrant	(491)	—
eNeura debt security and Warrant at September 30	\$ —	\$ 19,250

Contingent Consideration

The contingent consideration at the acquisition date of Spinal Kinetics consisted of potential future milestone payments of up to \$ 60.0 million in cash. The milestone payments included (i) up to \$15.0 million if the FDA grants approval of Spinal Kinetics' M6-C artificial cervical disc (the "FDA Milestone") and (ii) revenue-based milestone payments of up to \$45.0 million in connection with future sales of the M6-C artificial cervical disc and the M6-L artificial lumbar disc. Milestones must be achieved within five years of April 30, 2018 to trigger applicable payments.

On February 6, 2019, the Company obtained FDA approval of the M6-C artificial cervical disc. This approval triggered the Company's payment obligation of \$ 15.0 million for the achievement of the FDA Milestone and such obligation was paid on February 14, 2019. The estimated fair value of the remaining contingent consideration was \$41.7 million as of September 30, 2019; however, the actual amount ultimately paid could be higher or lower than the fair value of the remaining contingent consideration. This resulted in the recognition of expense of \$22.3 and \$28.1 million during the three and nine months ended September 30, 2019, respectively, which was primarily attributable to a change in management's forecast of future net sales of the artificial discs, including an acceleration of the expected timing of such future sales during the three months ended September 30, 2019, subsequent to the Company's launch of the product in the U.S. At September 30, 2019, the Company has classified \$14.5 million of the liability attributable to the revenue-based milestones within other current liabilities, as the Company expects to pay one of the revenue-based milestones in the next twelve months, and the remaining \$27.2 million within other long-term liabilities. Any changes in fair value are recorded as an operating expense and included within acquisition-related amortization and remeasurement.

The Company estimated the fair value of the remaining potential future revenue-based milestone payments using a Monte Carlo simulation. This fair value measurement is based on significant inputs that are unobservable in the market, and thus represents a Level 3 measurement. The key assumptions in applying the Monte Carlo valuation model include the Company's forecasted future revenues for Spinal Kinetics products, discount rate applied, and assumptions for potential volatility of the Company's forecasted revenue. Significant changes in these assumptions could result in a significantly higher or lower fair value.

The following table provides a reconciliation of the beginning and ending balances for the contingent consideration measured at fair value using significant unobservable inputs (Level 3):

(U.S. Dollars, in thousands)	2019	2018
Contingent consideration at January 1	\$ 28,560	\$ —
Acquisition date fair value	—	25,491
Increase in fair value recognized in acquisition-related amortization and remeasurement	28,140	2,689
Payment made	(15,000)	—
Contingent consideration at September 30	\$ 41,700	\$ 28,180

8. Contingencies

In addition to the matters described below, in the normal course of its business, the Company is involved in various lawsuits from time to time and may be subject to certain other contingencies. The Company believes any losses related to these matters are individually and collectively immaterial as to a possible loss and range of loss.

Italian Medical Device Payback (“IMDP”)

In 2015, the Italian Parliament introduced rules for entities that supply goods and services to the Italian National Healthcare System. This healthcare law is expected to impact the business and financial reporting of companies operating in the medical technology sector that sell medical devices in Italy. A key provision of the law is a ‘payback’ measure, requiring companies selling medical devices in Italy to make payments to the Italian government if medical device expenditures exceed regional maximum ceilings. Companies are required to make payments equal to a percentage of expenditures exceeding maximum regional caps. There is considerable uncertainty about how the law will operate and what the exact timeline is for finalization. The Company’s current assessment of the IMDP involves significant judgment regarding the expected scope and actual implementation terms of the measure as the latter have not been clarified to date by Italian authorities. The Company accounts for the estimated cost of the IMDP as sales and marketing expense and recorded expense of \$0.3 million and \$0.2 million for the three months ended September 30, 2019 and 2018, respectively, and \$1.0 million and \$0.8 million for the nine months ended September 30, 2019 and 2018, respectively. As of September 30, 2019, the Company has accrued \$4.5 million related to the IMDP, which it has classified within other long-term liabilities; however, the actual liability could be higher or lower than the amount accrued once the law has been clarified by the Italian authorities.

Brazil

In July 2018, the Federal Prosecution Service in Rio de Janeiro and representatives from the Brazilian antitrust authority inspected the offices of more than 30 companies, including the Company’s office in São Paulo, as part of an investigation into tender irregularities in the medical device industry. Before doing so, the authorities obtained a court order affecting the Company’s (and other companies’) local bank accounts resulting in the freezing of approximately \$2.5 million of the Company’s cash, which the Company reclassified to restricted cash. On April 3, 2019, the Company’s appeal regarding the freezing of its local bank accounts was heard by the Brazil Federal Court of Appeals of Rio de Janeiro, in which the Court ordered the unfreezing of the Company’s cash. The cash was then returned without any restrictions in April 2019. As such, this balance was reclassified to cash and cash equivalents during the second quarter of 2019.

In September 2019, in relation to an ongoing legal dispute with a former Brazilian distributor, approximately \$0.7 million of the Company’s cash in Brazil was frozen upon request to satisfy a judgment. Although the Company is appealing the judgment, this cash has been reclassified to restricted cash. As of September 30, 2019, the Company has an accrual of \$1.6 million related to this matter.

9. Accumulated other comprehensive income (loss)

The components of and changes in accumulated other comprehensive income were as follows:

(U.S. Dollars, in thousands)	Currency Translation Adjustments	Debt Security	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2018	\$ (2,386)	\$ 5,682	\$ 3,296
Cumulative effect adjustment from adoption of ASU 2018-02	—	938	938
Other comprehensive loss	(2,195)	(2,593)	(4,788)
Income taxes	—	641	641
Reclassification adjustment to:			
Interest income (expense), net	—	(1,034)	(1,034)
Other expense, net	—	(5,193)	(5,193)
Income taxes	—	1,559	1,559
Balance at September 30, 2019	\$ (4,581)	\$ —	\$ (4,581)

10. Revenue recognition and accounts receivable

Revenue Recognition

The Company has two reporting segments, which consist of Global Spine and Global Extremities. Within the Global Spine reporting segment there are three product categories: Bone Growth Therapies, Spinal Implants and Biologics.

The tables below present net sales by major product category by reporting segment:

(U.S. Dollars, in thousands)	Three Months Ended September 30,		
	2019	2018	Change
Bone Growth Therapies	\$ 48,836	\$ 48,059	1.6%
Spinal Implants	22,947	22,102	3.8%
Biologics	16,308	14,636	11.4%
Global Spine	88,091	84,797	3.9%
Global Extremities	25,408	26,911	-5.6%
Net sales	\$ 113,499	\$ 111,708	1.6%

(U.S. Dollars, in thousands)	Nine Months Ended September 30,		
	2019	2018	Change
Bone Growth Therapies	\$ 146,228	\$ 142,433	2.7%
Spinal Implants	69,076	66,689	3.6%
Biologics	48,784	43,639	11.8%
Global Spine	264,088	252,761	4.5%
Global Extremities	74,373	79,203	-6.1%
Net sales	\$ 338,461	\$ 331,964	2.0%

Product Sales and Marketing Service Fees

The table below presents net sales, which includes product sales and marketing service fees, for the three and nine months ended September 30, 2019 and 2018.

(U.S. Dollars, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Product sales	\$ 97,833	\$ 97,604	\$ 291,632	\$ 289,946
Marketing service fees	15,666	14,104	46,829	42,018
Net sales	\$ 113,499	\$ 111,708	\$ 338,461	\$ 331,964

Product sales primarily consist of the sale of bone growth therapy devices and internal and external fixation products. Marketing service fees are received from MTF Biologics based on total sales of biologics tissues and relate solely to the Global Spine reporting segment. Revenues exclude any value added or other local taxes, intercompany sales and trade discounts. Shipping and handling costs for products shipped to customers are included in cost of sales.

Puerto Rico Settlement

In June 2019, the Company received a payment of \$1.4 million from the Administration of Medical Services of Puerto Rico, a government-owned corporation, in settlement of approximately \$2.5 million of outstanding accounts receivable. This \$2.5 million of outstanding accounts receivable had previously been fully reserved between the Company's allowances for doubtful accounts and contractual allowances. As a result of this settlement, and in accordance with the Company's policy, the Company recorded the resulting adjustment to contractual allowances of \$0.4 million within net sales and the recovery of the allowance for doubtful accounts as a credit to bad debt expense of \$1.0 million.

Other Contract Assets

The Company's contract assets, excluding trade accounts receivable ("Other Contract Assets"), largely consist of payments made to certain distributors to obtain contracts, gain access to customers in certain territories, and to provide the benefit of the exclusive distribution of Orthofix products. Other Contract Assets are included in other long-term assets or other current assets, dependent

upon the original term of the related agreement, and totaled \$3.5 million and \$1.9 million as of September 30, 2019, and December 31, 2018, respectively.

11. Business segment information

During the first quarter of 2019, the Company changed its reporting segments from four reporting segments, previously reported as Bone Growth Therapies, Spinal Implants, Biologics, and Orthofix Extremities, to two reporting segments: Global Spine and Global Extremities. Additionally, the Company changed the performance measure used to evaluate segment performance from Non-GAAP net margin to EBITDA. These changes were made to align how the chief operating decision maker manages the business, reviews operating performance and allocates resources. The Company has revised its segment reporting to represent how the business is now managed and restated prior periods to conform to the current segment presentation. Corporate activities are comprised of the operating expenses and activities of the Company not necessarily identifiable within the two reporting segments, such as human resources, finance, legal, and information technology functions.

As part of the change in reporting segments, the Company performed a quantitative assessment of goodwill immediately prior to and subsequently following the change in reporting segments. The analysis did not result in an impairment. In addition, the net carrying value of goodwill that was previously reported under the prior reporting segments (i) Bone Growth Therapies, (ii) Spinal Implants, and (iii) Biologics has been consolidated and is now included within the Global Spine reporting segment as of September 30, 2019.

As mentioned above, the primary metric used in managing the Company is EBITDA. The table below presents EBITDA by reporting segment:

(U.S. Dollars, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Global Spine	\$ (6,033)	\$ 15,637	\$ 21,065	\$ 53,492
Global Extremities	1,229	3,357	3,806	7,173
Corporate	(15,949)	(15,403)	(38,356)	(35,097)
Total EBITDA	\$ (20,753)	\$ 3,591	\$ (13,485)	\$ 25,568
Depreciation and amortization	(6,275)	(4,738)	(18,180)	(13,661)
Interest income (expense), net	186	(181)	386	(615)
Income (loss) before income taxes	\$ (26,842)	\$ (1,328)	\$ (31,279)	\$ 11,292

Geographical information

The table below presents net sales by geographic destination for each reporting unit and for the consolidated Company:

(U.S. Dollars, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>Global Spine</i>				
U.S.	\$ 82,816	\$ 79,502	\$ 246,943	\$ 239,262
International	5,275	5,295	17,145	13,499
Total Global Spine	88,091	84,797	264,088	252,761
<i>Global Extremities</i>				
U.S.	6,636	7,254	20,078	21,193
International	18,772	19,657	54,295	58,010
Total Global Extremities	25,408	26,911	74,373	79,203
<i>Consolidated</i>				
U.S.	89,452	86,756	267,021	260,455
International	24,047	24,952	71,440	71,509
Net sales	\$ 113,499	\$ 111,708	\$ 338,461	\$ 331,964

12. Acquisition-related amortization and remeasurement

Acquisition-related amortization and remeasurement consists of amortization related to intangible assets acquired through business combinations or asset acquisitions and the remeasurement of any related contingent consideration arrangement. Components of acquisition-related amortization and remeasurement for the three months and nine months ended September 30, 2019 and 2018, respectively, are as follows:

(U.S. Dollars, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Changes in fair value of contingent consideration	\$ 22,270	\$ 1,580	\$ 28,140	\$ 2,689
Amortization of acquired intangibles	1,338	429	3,733	802
Total	\$ 23,608	\$ 2,009	\$ 31,873	\$ 3,491

13. Share-based compensation

The following tables present the detail of share-based compensation by line item in the condensed consolidated statements of operations and comprehensive income (loss) as well as by award type:

(U.S. Dollars, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of sales	\$ 169	\$ 151	\$ 536	\$ 408
Sales and marketing	583	514	1,885	1,436
General and administrative	4,760	4,194	13,888	11,488
Research and development	332	402	1,069	1,060
Total	\$ 5,844	\$ 5,261	\$ 17,378	\$ 14,392

(U.S. Dollars, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Stock options	\$ 599	\$ 579	\$ 3,637	\$ 2,442
Time-based restricted stock awards and units	3,805	2,244	8,462	5,480
Performance-based restricted stock awards and units	—	734	—	1,493
Market-based restricted stock units	1,092	1,298	4,015	3,855
Stock purchase plan	348	406	1,264	1,122
Total	\$ 5,844	\$ 5,261	\$ 17,378	\$ 14,392

During the three months ended September 30, 2019 and 2018, the Company issued 43,603 and 50,928 shares, respectively, of common stock related to stock purchase plan issuances, stock option exercises and the vesting of restricted stock awards and units. During the nine months ended September 30, 2019 and 2018, the Company issued 295,496 and 257,833 shares, respectively, of common stock related to stock purchase plan issuances, stock option exercises and the vesting of restricted stock awards and units.

On August 5, 2019 the Company entered into an employment agreement with its new President of Global Spine and awarded restricted stock units and stock options valued at approximately \$1.5 million as inducement grants.

Share-Based Compensation Modifications

During the first quarter of 2019, the Company entered into a Transition and Retirement Agreement (the "Retirement Agreement") with the Company's President and Chief Executive Officer. As part of the Retirement Agreement, certain time-based stock options and restricted stock awards were modified to accelerate the vesting to the retirement date. In addition, stock options were modified to extend the post-termination exercise period from 18 months under a standard qualified retirement to up to four years, dependent upon the remaining contractual term of the options. The Company recognized approximately \$ 2.2 million and \$5.9

million in share-based compensation expense during the three and nine months ended September 30, 2019, related to the Retirement Agreement, which was charged to general and administrative expense in the condensed consolidated statements of operations and comprehensive income (loss).

14. Income taxes

Income tax provisions for interim periods are based on an estimated annual income tax rate, adjusted for discrete tax items. As a result, the Company's interim effective tax rates may vary significantly from the statutory tax rate and the annual effective tax rate.

For the three months ended September 30, 2019 and 2018, the effective tax rate was (50.9%) and 8.8%, respectively. For the nine months ended September 30, 2019 and 2018, the effective tax rate was (28.4%) and 56.3%, respectively. The primary factors affecting the Company's effective tax rate for the three and nine months ended September 30, 2019, were financial expenses not deductible for tax purposes, primarily related to acquisition-related items, which includes remeasurement of contingent consideration, increased limitation of the deductibility of executive compensation, and benefits related to effective settlement of the 2015 federal tax examination and statute expirations.

During the first quarter of 2019, the Internal Revenue Service concluded an examination of the Company's federal income tax return for 2015, which resulted in a benefit of \$1.8 million. The Company believes it is reasonably possible that, in the next 12 months, the amount of unrecognized tax benefits related to the resolution of federal, state and foreign matters could be reduced by \$13.0 million to \$13.4 million as audits close and statutes expire.

15. Earnings per share ("EPS")

The Company uses the two-class method of computing basic EPS due to the existence of non-vested restricted stock awards with nonforfeitable rights to dividends or dividend equivalents (referred to as participating securities). For the three and nine months ended September 30, 2019 and 2018, no significant adjustments were made to net income for purposes of calculating basic and diluted EPS. The following is a reconciliation of the weighted average shares used in diluted EPS computations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Weighted average common shares-basic	18,957,876	18,562,204	18,847,728	18,460,848
Effect of dilutive securities				
Unexercised stock options and stock purchase plan	—	—	—	312,320
Unvested restricted stock awards and units	—	—	—	91,001
Weighted average common shares-diluted	18,957,876	18,562,204	18,847,728	18,864,169

There were 1,814,544 and 2,088,843 weighted average outstanding stock options and restricted stock awards and units not included in the diluted EPS computation for the three months ended September 30, 2019 and 2018, respectively, and 1,880,423 and 359,172 weighted average outstanding stock options and restricted stock awards and units not included in the diluted EPS computation for the nine months ended September 30, 2019 and 2018, respectively, because inclusion of these awards was anti-dilutive or, for performance-based and market-based restricted stock awards and units, all necessary conditions had not been satisfied by the end of the respective period.

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

The following discussion and analysis of Orthofix Medical Inc.'s (sometimes referred to as "we," "us" or "our") financial condition and results of our operations should be read in conjunction with the "Forward-Looking Statements" and our condensed consolidated financial statements and related notes thereto appearing elsewhere in this Form 10-Q.

Executive Summary

We are a global medical device company focused on musculoskeletal products and therapies. Headquartered in Lewisville, Texas, we have two reporting segments: Global Spine and Global Extremities. Our products are widely distributed by our sales representatives and distributors.

Notable highlights and achievements in the third quarter of 2019 include the following:

- Net sales were \$113.5 million, an increase of 1.6% on a reported basis and 2.5% on a constant currency basis
- Biologics tissue service fees increased 11.4%, its second consecutive quarter of double-digit growth
- Net loss was \$40.5 million, a decrease of \$39.3 million compared to the prior year period
- Decrease in earnings before interest, income taxes, depreciation, and amortization ("EBITDA") of \$24.3 million, largely driven by expenses recognized during the third quarter of 2019 for acquisition-related remeasurement

Results of Operations

The following table provides certain items in our condensed consolidated statements of operations and comprehensive income (loss) as a percent of net sales:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019 (%)	2018 (%)	2019 (%)	2018 (%)
Net sales	100.0	100.0	100.0	100.0
Cost of sales	21.9	21.5	22.0	21.4
Gross profit	78.1	78.5	78.0	78.6
Sales and marketing	48.3	44.7	48.9	45.7
General and administrative	18.6	19.9	18.8	19.2
Research and development	7.0	8.6	7.7	7.4
Acquisition-related amortization and remeasurement	20.8	1.8	9.4	1.0
Operating income (loss)	(16.6)	3.5	(6.8)	5.3
Net income (loss)	(35.7)	(1.1)	(11.9)	1.5

Net Sales by Product Category and Reporting Segment

The following tables provide net sales by major product category by reporting segment:

(U.S. Dollars, in thousands)	Three Months Ended September 30,		Percentage Change	
	2019	2018	Reported	Constant Currency
Bone Growth Therapies	\$ 48,836	\$ 48,059	1.6%	1.6%
Spinal Implants	22,947	22,102	3.8%	4.4%
Biologics	16,308	14,636	11.4%	11.4%
Global Spine	88,091	84,797	3.9%	4.0%
Global Extremities	25,408	26,911	-5.6%	-2.4%
Net sales	\$ 113,499	\$ 111,708	1.6%	2.5%

(U.S. Dollars, in thousands)	Nine Months Ended September 30,		Percentage Change	
	2019	2018	Reported	Constant Currency
Bone Growth Therapies	\$ 146,228	\$ 142,433	2.7%	2.7%
Spinal Implants	69,076	66,689	3.6%	4.3%
Biologics	48,784	43,639	11.8%	11.8%
Global Spine	264,088	252,761	4.5%	4.7%
Global Extremities	74,373	79,203	-6.1%	-1.8%
Net sales	\$ 338,461	\$ 331,964	2.0%	3.1%

Global Spine

Global Spine offers the following products categories:

- Bone Growth Therapies, which manufactures, distributes, sells, and provides support services for market leading devices that enhance bone fusion. Bone Growth Therapies uses distributors and sales representatives to sell its devices and provide associated services to hospitals, healthcare providers, and patients.
- Spinal Implants, which designs, develops and markets a broad portfolio of motion preservation and implant products used in surgical procedures of the spine. Spinal Implants distributes its products globally through a network of distributors and sales representatives to sell spine products to hospitals and healthcare providers.
- Biologics, which provides a portfolio of regenerative products and tissue forms that allow physicians to successfully treat a variety of spinal and orthopedic conditions. Biologics markets its tissues to hospitals and healthcare providers, primarily in the U.S., through a network of employed and independent sales representatives.

Three months ended September 30, 2019 compared to 2018

Net sales increased \$3.3 million or 3.9%

- Bone Growth Therapies net sales increased \$0.8 million or 1.6%, primarily driven by an increase in order volume in the quarter, partially offset by customer sales mix and product mix changes
- Spinal Implants net sales increased \$0.8 million or 3.8%, primarily due to a \$1.4 million increase in Motion Preservation due to our launch of the M6 artificial cervical disc in the U.S. and partially offset by timing in international stocking orders for legacy Spine Fixation products
- Biologics net sales increased \$1.7 million or 11.4%, primarily due to distribution added during the last year and the return to solid results in each of the three U.S. sales regions, as volume increased related to Trinity tissues by 14.0%, partially offset by a low single-digit price decline

Nine months ended September 30, 2019 compared to 2018

Net sales increased \$11.3 million or 4.5%

- Bone Growth Therapies net sales increased \$3.8 million or 2.7%, primarily driven by an increase in order volume, partially offset by customer sales mix and product mix changes
- Spinal Implants net sales increased \$2.4 million or 3.6%, primarily driven by an increase of \$5.3 million in Motion Preservation sales as we acquired Spinal Kinetics during the second quarter of 2018, and partially offset by a decrease in legacy Spine Fixation sales of \$2.9 million, primarily resulting from disruptions in our U.S. distribution channel as we upgrade our legacy sales force with new, high-potential sales partners
- Biologics net sales increased \$5.1 million or 11.8%, primarily due to distribution added during the last year and the return to solid results in each of the three U.S. sales regions, as volume increased related to Trinity tissues by 16.9%, partially offset by a low single-digit price decline as well as a contractual reduction in the marketing services fee we receive from MTF Biologics, which became effective during the first quarter of 2018

Global Extremities

Global Extremities offers products and solutions that allow physicians to successfully treat a variety of orthopedic conditions unrelated to the spine. Global Extremities distributes its products globally through a network of distributors and sales representatives to sell orthopedic products to hospitals and health providers.

Three months ended September 30, 2019 compared to 2018

Net sales decreased \$1.5 million or 5.6%

- Decrease of \$0.9 million due to the changes in foreign currency exchange rates, which had a negative impact on net sales
- Decrease of \$0.6 million largely attributed to variability in the timing of orders from our international stocking distributors and growth in our global direct-sales markets

Nine months ended September 30, 2019 compared to 2018

Net sales decreased \$4.8 million or 6.1%

- Decrease of \$3.4 million due to the changes in foreign currency exchange rates, which had a negative impact on net sales
- Decrease of \$1.4 million largely attributed to variability in the timing of orders from our international stocking distributors and growth in our global direct-sales markets

Gross Profit

(U.S. Dollars, in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Net sales	\$ 113,499	\$ 111,708	1.6%	\$ 338,461	\$ 331,964	2.0%
Cost of sales	24,896	24,020	3.6%	74,416	71,002	4.8%
Gross profit	\$ 88,603	\$ 87,688	1.0%	\$ 264,045	\$ 260,962	1.2%
Gross margin	78.1%	78.5%	-0.4%	78.0%	78.6%	-0.6%

Three months ended September 30, 2019 compared to 2018

Gross profit increased \$0.9 million

- Increase primarily due to the growth in net sales and partially offset by a decrease in gross margin, which decreased slightly to 78.1% compared to 78.5% in the prior year period

Nine months ended September 30, 2019 compared to 2018

Gross profit increased \$3.1 million

- Increase primarily due to the growth in net sales and partially offset by a decrease in gross margin, which decreased to 78.0% compared to 78.6% in the prior year period
- Decrease in gross margin largely due to higher than normal charges related to the buildup of Spinal Implants inventory to support sales growth from our new sales partners in key geographies

Sales and Marketing Expense

(U.S. Dollars, in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Sales and marketing	\$ 54,805	\$ 49,898	9.8%	\$ 165,363	\$ 151,695	9.0%
As a percentage of net sales	48.3%	44.7%	3.6%	48.9%	45.7%	3.2%

Three months ended September 30, 2019 compared to 2018

Sales and marketing expense increased \$4.9 million

- Increase largely attributable to increases in headcount, training and education costs, and increased marketing efforts to support growth and the launch of the M6-C artificial cervical disc in the U.S.
- Further increases relate to higher variable compensation rates in our Global Spine segment to support growth

Nine months ended September 30, 2019 compared to 2018

Sales and marketing expense increased \$13.7 million

- Increase largely attributable to increases in headcount, training and education costs, and increased marketing efforts to support growth and the launch of the M6-C artificial cervical disc in the U.S.
- Further increases relate to higher variable compensation rates in our Global Spine segment to support growth

General and Administrative Expense

(U.S. Dollars, in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
General and administrative	\$ 21,090	\$ 22,276	-5.3%	\$ 63,497	\$ 63,658	-0.3%
As a percentage of net sales	18.6%	19.9%	-1.3%	18.8%	19.2%	-0.4%

Three months ended September 30, 2019 compared to 2018

General and administrative expense decreased by \$1.2 million

- Decrease of \$1.6 million in expenses associated with strategic investments, largely due to diligence and integration costs related to the acquisition of Spinal Kinetics and expenses associated with our change in jurisdiction of organization from Curaçao to the State of Delaware (the "Domestication") in 2018
- Decrease of \$1.3 million in certain compensation expenses, excluding the impact of succession charges
- Partially offset by an increase of \$1.2 million attributable to transition and succession charges, including acceleration of certain share-based compensation expense, relating to retirement, transition, or termination of certain named executive officers
- Further offset by an increase of \$0.4 million in depreciation expense

Nine months ended September 30, 2019 compared to 2018

General and administrative expense decreased by \$0.2 million

- Decrease of \$3.3 million in expenses associated with strategic investments, largely due to diligence and integration costs related to the acquisition of Spinal Kinetics and expenses associated with the Domestication in 2018
- Decrease of \$3.3 million in certain compensation expenses, such as share-based compensation expense, excluding the impact of succession charges
- Partially offset by an increase of \$5.2 million attributable to transition and succession charges, including acceleration of certain share-based compensation expense, relating to retirement, transition, or termination of certain named executive officers
- Further offset by an increase of \$1.3 million in depreciation expense

Research and Development Expense

(U.S. Dollars, in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Research and development	\$ 7,982	\$ 9,598	-16.8%	\$ 26,191	\$ 24,426	7.2%
As a percentage of net sales	7.0%	8.6%	-1.6%	7.7%	7.4%	0.3%

Three months ended September 30, 2019 compared to 2018

Research and development expense decreased by \$1.6 million

- Decrease primarily due to higher regulatory spending in the third quarter of 2018 associated with the premarket approval process for the M6-C Cervical Disc, which was approved by the U.S. Food and Drug Administration ("FDA") in February of 2019

Nine months ended September 30, 2019 compared to 2018

Research and development expense increased \$1.8 million

- Increase largely attributable to the Spinal Kinetics acquisition, which was acquired during the second quarter of 2018, and the regulatory efforts associated with the FDA premarket approval of the M6-C Cervical Disc, which was obtained in February of 2019
- Increase also related to costs to comply with recent medical device reporting regulations in the European Union

Acquisition-related Amortization and Remeasurement

(U.S. Dollars, in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Acquisition-related amortization and remeasurement	\$ 23,608	\$ 2,009	1075.1%	\$ 31,873	\$ 3,491	813.0%
As a percentage of net sales	20.8%	1.8%	19.0%	9.4%	1.0%	8.4%

Acquisition-related amortization and remeasurement consists of amortization related to intangibles acquired through business combinations or asset acquisitions and the remeasurement of any related contingent consideration arrangement.

Three months ended September 30, 2019 compared to 2018

Acquisition-related amortization and remeasurement increased \$21.6 million

- Increase of \$20.7 million related to the remeasurement of potential future revenue-based milestone payments associated with the Spinal Kinetics acquisition that become due upon achievement of certain revenue targets
- Increase of \$0.9 million related to the amortization of intangible assets acquired through business combinations or asset acquisitions; of this amount, \$0.7 million is attributable to the Spinal Kinetics acquisition, which occurred during the second quarter of 2018 and includes amortization of acquired in-process research and development costs following achievement of the FDA approval milestone during the first quarter of 2019

Nine months ended September 30, 2019 compared to 2018

Acquisition-related amortization and remeasurement increased \$28.4 million

- Increase of \$24.0 million related to the remeasurement of potential future revenue-based milestone payments associated with the Spinal Kinetics acquisition that become due upon achievement of certain revenue targets
- Increase of \$1.5 million related to the remeasurement of the FDA milestone associated with the Spinal Kinetics acquisition, which was achieved and paid during the first quarter of 2019
- Increase of \$2.9 million related to the amortization of intangible assets acquired through business combinations or asset acquisitions; of this amount, \$2.2 million is attributable to the Spinal Kinetics acquisition, which occurred during the second quarter of 2018 and includes amortization of acquired in-process research and development costs following achievement of the FDA milestone during the first quarter of 2019

Non-operating Income and Expense

(U.S. Dollars, in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Interest income (expense), net	\$ 186	\$ (181)	-202.8%	\$ 386	\$ (615)	-162.8%
Other expense, net	(8,146)	(5,054)	61.2%	(8,786)	(5,785)	51.9%

Three months ended September 30, 2019 compared to 2018

Other income (expense), net, decreased \$3.1 million

- Decrease of \$6.5 million associated with an other-than-temporary impairment on the eNeura debt security during the third quarter of 2019
- Decrease of \$1.0 million associated with changes in foreign currency rates, as we recorded a non-cash remeasurement loss of \$1.6 million in the third quarter of 2019 compared to a loss of \$0.6 million in the third quarter of 2018
- Partially offset by an increase of \$4.4 million due to the impairment of our equity holdings and warrants in Bone Biologics, Inc. ("Bone Biologics") common stock during the third quarter of 2018

Nine months ended September 30, 2019 compared to 2018

Other income (expense), net, decreased \$3.0 million

- Decrease of \$6.5 million associated with an other-than-temporary impairment on the eNeura debt security during the third quarter of 2019
- Partially offset by a net increase of \$3.1 million relating to changes in fair value and impairments of our equity holdings and warrants in Bone Biologics common stock during 2018
- Further offset by an increase of \$0.6 million associated with changes in foreign currency rates, as we recorded a non-cash remeasurement loss of \$2.2 million in the nine months ended September 30, 2019 compared to a loss of \$2.8 million in the nine months ended September 30, 2018

Income Taxes

(U.S. Dollars, in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Income tax expense (benefit)	\$ 13,656	\$ (117)	-11771.8%	\$ 8,869	\$ 6,352	39.6%
Effective tax rate	-50.9%	8.8%	-59.7%	-28.4%	56.3%	-84.7%

Three months ended September 30, 2019 compared to 2018

The decrease in the effective tax compared to the prior year period rate was primarily a result of the following factors:

- Decrease in pre-tax earnings
- Increases in financial expenses not deductible for tax purposes, primarily related to acquisition-related remeasurement
- Increases in non-deductible executive compensation due to provisions of the Tax Cuts and Jobs Act (the "Tax Act")

The primary factors affecting our effective tax rate for the third quarter of 2019 are as follows:

- Financial expenses not deductible for tax purposes, primarily related to acquisition-related remeasurement
- Non-deductible executive compensation due to provisions of the Tax Act

Nine months ended September 30, 2019 compared to 2018

The decrease in the effective tax rate compared to the prior year period was primarily a result of the following factors:

- Decrease in pre-tax earnings
- Increases in financial expenses not deductible for tax purposes, primarily related to acquisition-related remeasurement
- Increases in non-deductible executive compensation due to provisions of the Tax Act
- Benefits related to effective settlement of the 2015 IRS exam and statute expirations

The primary factors affecting our effective tax rate for the nine months ended September 30, 2019 are as follows:

- Financial expenses not deductible for tax purposes, primarily related to acquisition-related remeasurement
- Non-deductible executive compensation due to provisions of the Tax Act
- Benefits related to effective settlement of the 2015 IRS exam and statute expirations

Segment Review

As discussed above, we changed the performance measure used to evaluate segment performance from Non-GAAP net margin to EBITDA during the first quarter of 2019. When compared to the prior year period, EBITDA decreased \$24.3 million for the three months ended September 30, 2019 and decreased \$39.1 million for the nine months ended September 30, 2019. These changes are largely driven by the fluctuations discussed above, but are primarily attributable to changes in acquisition-related amortization and remeasurement and sales and marketing expense. The following table reconciles EBITDA to income (loss) before income taxes:

(U.S. Dollars, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Global Spine	\$ (6,033)	\$ 15,637	\$ 21,065	\$ 53,492
Global Extremities	1,229	3,357	3,806	7,173
Corporate	(15,949)	(15,403)	(38,356)	(35,097)
Total EBITDA	\$ (20,753)	\$ 3,591	\$ (13,485)	\$ 25,568
Depreciation and amortization	(6,275)	(4,738)	(18,180)	(13,661)
Interest income (expense), net	186	(181)	386	(615)
Income (loss) before income taxes	\$ (26,842)	\$ (1,328)	\$ (31,279)	\$ 11,292

Liquidity and Capital Resources

Cash, cash equivalents, and restricted cash at September 30, 2019, totaled \$57.5 million compared to \$72.2 million at December 31, 2018, with the decrease largely a result of \$15.0 million in cash paid in connection with achievement of the Spinal Kinetics FDA Milestone in 2019.

(U.S. Dollars, in thousands)	Nine Months Ended September 30,		
	2019	2018	Change
Net cash from operating activities	\$ 20,090	\$ 28,829	\$ (8,739)
Net cash from investing activities	(21,281)	(55,921)	34,640
Net cash from financing activities	(12,610)	2,988	(15,598)
Effect of exchange rate changes on cash	(885)	(811)	(74)
Net change in cash, cash equivalents and restricted cash	\$ (14,686)	\$ (24,915)	\$ 10,229

The following table presents free cash flow, a non-GAAP financial measure, which is calculated by subtracting capital expenditures from net cash from operating activities.

(U.S. Dollars, in thousands)	Nine Months Ended September 30,		
	2019	2018	Change
Net cash from operating activities	\$ 20,090	\$ 28,829	\$ (8,739)
Capital expenditures	(14,881)	(10,724)	(4,157)
Free cash flow	\$ 5,209	\$ 18,105	\$ (12,896)

Operating Activities

Cash flows from operating activities decreased \$8.7 million

- Decrease in net income of \$45.1 million
- Net increase of \$40.3 million for non-cash gains and losses, largely related to changes in fair value of contingent consideration, depreciation and amortization, share-based compensation expense, and non-cash interest and losses on the valuation of investment securities
- Net decrease of \$3.9 million relating to changes in working capital accounts, primarily attributable to changes in inventories, other current liabilities, and other long-term assets and liabilities

Two of our primary working capital accounts are accounts receivable and inventory. Days sales in receivables were 65 days at September 30, 2019 compared to 61 days at September 30, 2018. Inventory turns remained consistent at 1.2 times as of September 30, 2019 and 2018.

Investing Activities

Cash flows from investing activities increased \$34.6 million

- Increase of \$43.7 million associated with cash paid in relation to the Spinal Kinetics acquisition in 2018, net of cash acquired
- Increase of \$0.9 million associated with the acquisition of certain intangible assets in a transaction with a former distributor and by our additional investment of \$0.5 million in Bone Biologics during the first quarter of 2018
- Partially offset by \$6.4 million associated with cash paid in relation to the acquisition of certain assets of Options Medical, one of our former distributors, during the first quarter of 2019
- Further offset by \$4.2 million attributable to increased capital expenditures compared to the prior year

Financing Activities

Cash flows from financing activities decreased \$15.6 million

- Decrease of \$13.7 million associated with our payment of the FDA Milestone associated with the Spinal Kinetics acquisition during the first quarter of 2019, which represents the acquisition-date fair value attributable to the FDA Milestone liability originally recognized
- Decrease in net proceeds of \$0.9 million from the issuance of common shares
- Decrease of \$0.3 million attributable to principal payments made during 2019 relating to our finance lease and \$0.7 million attributable to other financing cash flows, which primarily relate to deferred payments made associated with the acquisition of certain intangible assets in transactions with former distributors

Credit Facilities

On October 25, 2019, we entered into a Second Amended and Restated Credit Agreement (the "Amended Credit Agreement") with JPMorgan Chase Bank, N.A. ("JPMorgan"), as Administrative Agent, and certain lender parties thereto. The Amended Credit Agreement provides for a \$300 million secured revolving credit facility maturing on October 25, 2024 (the "Facility"), and amends and restates the existing \$125 million secured revolving credit facility. As of October 28, 2019, we have not made any borrowings under the Amended Credit Agreement.

Borrowings under the Amended Credit Agreement may be used for, among other things, working capital and other general corporate purposes (including permitted acquisitions and permitted payments of dividends and other distributions). For information regarding the Amended Credit Agreement, see Note 6 to the Notes to the Unaudited Condensed Consolidated Financial Statements contained herein.

Other

For information regarding Contingencies, see Note 8 to the Notes to the Unaudited Condensed Consolidated Financial Statements contained herein.

Spinal Kinetics Acquisition

As part of the consideration for the Spinal Kinetics acquisition, we agreed to milestone payments in the future of up to \$60.0 million in cash. One milestone payment was for \$15.0 million upon FDA approval of Spinal Kinetics' M6-C artificial cervical disc (the "FDA Milestone"). During the first quarter of 2019, we obtained FDA approval of the M6-C artificial cervical disc for patients suffering

from cervical disease degeneration and the FDA Milestone payment was triggered. We paid the \$15.0 million FDA Milestone payment on February 14, 2019 from cash on hand.

Two other milestone payments are comprised of revenue-based milestone payments of up to \$45.0 million in connection with future sales of the M6-C artificial cervical disc and the M6-L artificial lumbar disc. The fair value of the contingent consideration arrangement as of September 30, 2019 was \$41.7 million; however, the actual amount ultimately paid could be higher or lower than the fair value of the contingent consideration. At September 30, 2019, we classified \$14.5 million of the liability attributable to the revenue-based milestones within other current liabilities, as we expect to pay one of the revenue-based milestones in the next twelve months, and the remaining \$27.2 million within other long-term liabilities. For additional discussion of this matter, see Note 7 of the Notes to the Unaudited Condensed Consolidated Financial Statements.

eNeura debt security

As of September 30, 2019, we held a debt security of eNeura, Inc. ("eNeura"), a privately held medical technology company that is developing devices for the treatment of migraines. The debt security was originally set to mature on March 4, 2019. On March 1, 2019, we entered into an Amended and Restated Senior Secured Promissory Note with eNeura (the "Restructured Debt Security") to restructure the debt security, which extended the maturity date to the earlier of (i) March 4, 2022, (ii) the effective date of a change in control, or (iii) the effective date of an initial public offering by eNeura. As consideration for the extension, eNeura issued to us a Warrant to Purchase Common Stock (the "Warrant"), exercisable at \$0.01 per share over a ten year contractual term, for a number of shares equal to 10% of the sum of the outstanding principal and accrued interest on the Amended and Restated Debt Security as of March 1, 2019, divided by \$1.00 (subject to certain anti-dilution provisions).

We considered the restructuring of the eNeura debt security to be a Troubled Debt Restructuring ("TDR"). A TDR exists when a creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. In making this determination, we considered eNeura's current financial condition and whether the restructuring of the debt security resulted in the granting of a concession after taking into account all the facts and circumstances surrounding the restructuring. The restructuring was undertaken to improve the likelihood of our effort to recover the investment in the original debt security.

Subsequent to the restructuring, the Restructured Debt Security was no longer accounted for at fair value, but rather in accordance with the accounting required for TDRs. The fair value of the debt security immediately prior to the restructuring was reclassified to be the carrying amount of the debt security, as such amount approximated our estimate of future cash collections discounted using the debt security's effective interest rate of 8%. Our estimate of future cash flows involved significant judgment regarding the timing, expected events, and amount of future cash collections. Interest income on the restructured eNeura debt security was recorded using the interest income method; therefore, the amortized cost basis was accreted up to the amount of expected future cash flows over the term of the Restructured Debt Security.

During the quarter ended September 30, 2019, we engaged in negotiations with eNeura to settle the Restructured Debt Security and on October 25, 2019, we settled the Restructured Debt Security for a \$4.0 million cash payment and agreed to transfer the Warrant to eNeura. As such, at September 30, 2019, we determined the Restructured Debt Security and Warrant were impaired and adjusted the carrying value of the Restructured Debt Security to \$4.0 million, its settlement value, by recording a net other-than-temporary impairment of \$6.5 million in other expense, net, which includes a reclassification of the related unrealized gains included in accumulated other comprehensive income of \$5.2 million.

Brazil

On April 3, 2019, our appeal regarding the freezing of our local bank accounts in Brazil was heard by the Brazil Federal Court of Appeals of Rio de Janeiro, in which the Court ordered the unfreezing of the cash. Approximately \$2.5 million was then returned without any restrictions in April 2019. As such, this balance has been reclassified to cash and cash equivalents as of September 30, 2019.

In September 2019, in relation to an ongoing legal dispute with a former Brazilian distributor, approximately \$0.7 million of our cash in Brazil was frozen upon request to satisfy a judgment. Although we are appealing the judgment, this cash has been reclassified to restricted cash.

For additional discussion regarding these matters, see Note 8 of the Notes to the Unaudited Condensed Consolidated Financial Statements.

Off-balance Sheet Arrangements

As of September 30, 2019, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, cash flows, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations

There have been no material changes in any of our material contractual obligations as disclosed in our Form 10-K for the year ended December 31, 2018.

Critical Accounting Estimates

Our discussion of operating results is based upon the condensed consolidated financial statements and accompanying notes. The preparation of these statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our critical accounting estimates are detailed in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no significant changes to our critical accounting estimates except for the following:

Leases

On January 1, 2019, we adopted ASU 2016-02, Leases (Topic 842). We determine if an arrangement is a lease at inception. Lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit rate, our incremental borrowing rate is used as a discount rate, based on the information available at the commencement date, in determining the present value of lease payments. Lease assets also include the impact of any prepayments made and are reduced by impact of any lease incentives. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

We have made a policy election for all classifications of leases to combine lease and nonlease components and to account for them as a single lease component. Variable lease payments are excluded from the lease liability and recognized in the period in which the obligation is incurred.

Recently Issued Accounting Pronouncements

See Note 2 of the Notes to the Unaudited Condensed Consolidated Financial Statements for detailed information regarding the status of recently issued accounting pronouncements.

Non-GAAP Financial Measures

We believe that providing non-GAAP financial measures that exclude certain items provides investors with greater transparency to the information used by senior management in its financial and operational decision-making. We believe it is important to provide investors with the same non-GAAP metrics used to supplement information regarding the performance and underlying trends of our business operations in order to facilitate comparisons to historical operating results and internally evaluate the effectiveness of our operating strategies. Disclosure of these non-GAAP financial measures also facilitates comparisons of our underlying operating performance with other companies in the industry that also supplement their GAAP results with non-GAAP financial measures.

The non-GAAP financial measures used in this filing may have limitations as analytical tools, and should not be considered in isolation or as a replacement for GAAP financial measures. Some of the limitations associated with the use of these non-GAAP financial measures are that they exclude items that reflect an economic cost that can have a material effect on cash flows.

Constant Currency

Constant currency is calculated by using foreign currency rates from the comparable, prior-year period, to present net sales at comparable rates. Constant currency can be presented for numerous GAAP measures, but is most commonly used by management to analyze net sales without the impact of changes in foreign currency rates.

EBITDA

EBITDA is a non-GAAP metric defined as earnings before interest income (expense), income taxes, depreciation, and amortization. EBITDA is the primary metric used by our Chief Operating Decision Maker in managing the business.

Free Cash Flow

Free cash flow is calculated by subtracting capital expenditures from net cash from operating activities. Free cash flow is an important indicator of how much cash is generated or used by our normal business operations, including capital expenditures. Management uses free cash flow as a measure of progress on its capital efficiency and cash flow initiatives.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risks as disclosed in our Form 10-K for the year ended December 31, 2018.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) designed to provide reasonable assurance that the information required to be disclosed in reports filed or submitted under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2019. Based on this evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2019.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting, known to the President and Chief Executive Officer or the Chief Financial Officer that occurred for the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings, see Note 8 to the Notes to the Unaudited Condensed Consolidated Financial Statements contained herein, which is incorporated by reference into this Part II, Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the “Risk Factors” section of our Form 10-K for the year ended December 31, 2018.

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

We have not made any repurchases of our common stock during the third quarter of 2019.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

There are no matters to be reported under this heading.

Item 6. Exhibits

- 10.1 [Letter agreement, dated July 30, 2019, between the Company and Jon Serbousek \(filed as an exhibit to the Company's Current Report on Form 8-K filed on August 2, 2019 and incorporated herein by reference\).](#)
- 10.2* [Change in Control and Severance Agreement, dated August 5, 2019, between Jon Serbousek and Orthofix Medical Inc.](#)
- 10.3* [Indemnification Agreement, dated August 5, 2019, between Jon C. Serbousek and Orthofix Medical Inc.](#)
- 10.4 [Employee Inducement Non-Qualified Stock Option Agreement for Jon Serbousek \(filed as an exhibit to the Company's Form S-8 filed on August 5, 2019 and incorporated herein by reference\).](#)
- 10.5 [Employee Inducement Restricted Stock Unit Agreement for Jon Serbousek \(filed as an exhibit to the Company's Form S-8 filed on August 5, 2019 and incorporated herein by reference\).](#)
- 10.6 [Consulting Agreement, dated July 15, 2019, between Bradley V. Niemann and Orthofix Medical Inc. \(filed as an exhibit to the Company's Current Report on Form 8-K filed on July 15, 2019 and incorporated herein by reference\).](#)
- 31.1* [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer.](#)
- 31.2* [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer.](#)
- 32.1* [Section 1350 Certifications of each of the Chief Executive Officer and Chief Financial Officer.](#)
- 101.INS* Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
- 101.SCH* Inline XBRL Taxonomy Extension Schema Document.
- 101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document.
- 104* Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

SIGNATURES

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

ORTHOFIX MEDICAL INC.

Date: October 28, 2019

By: /s/ BRADLEY R. MASON
Name: Bradley R. Mason
Title: President and Chief Executive Officer

Date: October 28, 2019

By: /s/ DOUG RICE
Name: Doug Rice
Title: Chief Financial Officer

ORTHOFIX MEDICAL INC.

CHANGE IN CONTROL AND SEVERANCE AGREEMENT

This AGREEMENT (the “Agreement”) is made and entered into as of August 5, 2019, 2019 (the “Effective Date”), by and between Orthofix Medical Inc., a Delaware corporation (together with its direct and indirect subsidiaries, the “Company”), and Jon Serbousek (the “Executive”).

RECITALS

WHEREAS, the Executive is expected to make significant contributions to the profitability, growth and financial strength of the Company;

WHEREAS, the Company believes that it is important to provide the Executive with severance benefits upon certain terminations of employment to provide the Executive with enhanced financial security and incentive and encouragement to remain with the Company;

WHEREAS, the Company recognizes that the possibility of a Change in Control (as hereinafter defined) and the uncertainty that it would cause could result in the departure or distraction of the Executive, to the detriment of the Company and its stockholders; and

WHEREAS, the Company desires to encourage the continued employment of the Executive by the Company and wants assurance that it shall have the continued dedication, loyalty and service of, and the availability of objective advice and counsel from, the Executive notwithstanding the possibility, threat or occurrence of a Change in Control.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the following terms have the following meanings which are equally applicable to both the singular and plural forms of the terms defined:

(a) “2012 LTIP” shall mean the Company’s 2012 Long-Term Incentive Plan, as amended from time-to-time (including after the Effective Date).

(b) “Board” shall mean the Board of Directors of the Company.

(c) “Cause” shall mean (i) willful and intentional commission by the Executive of one or more material acts of (A) fraud, misappropriation or embezzlement related to the business or property of the Company or (B) moral turpitude; (ii) conviction for, or guilty plea to, or plea of nolo contendere to, a felony; or (iii) fraud or willful misconduct committed by the Executive that caused or otherwise materially contributed to the requirement for an accounting restatement of the Company’s financial statements due to noncompliance with any financial reporting requirement (other than a restatement due to a change in accounting rules). No act or omission shall be deemed

willful, intentional or material for purposes of this definition if taken or omitted to be taken by Executive in a good faith belief that such act or omission to act was in the best interests of the Company or if done at the express direction of the Board or the board of directors or principal executive officer of any acquirer of the Company.

(d) “Change in Control” shall mean the occurrence of any of the following events:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act), in any individual transaction or series of related transactions, of 50% or more of either (A) the then outstanding shares of common stock of Parent (the “Outstanding Common Stock”) or (B) the combined voting power of the then outstanding voting securities of Parent entitled to vote generally in the election of directors (the “Outstanding Voting Securities”); excluding, however, the following: (1) any acquisition directly from Parent, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from Parent; (2) any acquisition by Parent; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Parent or any entity controlled by Parent; or (4) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this definition of Change in Control;

(ii) a change in the composition of the Board such that the individuals who as of the Effective Date constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this paragraph, that any individual who becomes a member of the Board subsequent to the Effective Date, whose appointment, election, or nomination for election by Parent’s shareholders was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but provided further that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board;

(iii) consummation of a reorganization, merger, consolidation or other business combination or the sale or other disposition of all or substantially all of the assets of Parent (including assets that are shares held by Parent in its subsidiaries) (any such transaction, a “Business Combination”); expressly excluding, however, any such Business Combination pursuant to which all of the following conditions are met: (A) all or substantially all of the Person(s) who are the beneficial owners of the Outstanding Common Stock and Outstanding Voting Securities, respectively, immediately prior to such Business Combination will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business

Combination (including, without limitation, an entity which as a result of such transaction owns Parent or all or substantially all of Parent's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (B) no Person (other than Parent, any employee benefit plan (or related trust) of Parent or such entity resulting from such Business Combination) will beneficially own, directly or indirectly, 50% or more of, respectively, the outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the outstanding voting securities of such entity entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Business Combination, and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the entity resulting from such Business Combination;

(iv) the approval by the shareholders of Parent of a complete liquidation or dissolution of Parent;

(v) the Company shall sell or dispose of, in a single transaction or series of related transactions, business operations that generated two-thirds of the consolidated revenues of the Company (determined on the basis of Company's four most recently completed fiscal quarters for which reports have been filed under the Exchange Act) and such disposal shall not be exempted pursuant to clause (iii) of this definition of Change in Control;

(vi) Parent files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) that a change in control of Parent has or may have occurred or will or may occur in the future pursuant to any then-existing agreement or transaction; notwithstanding the foregoing, unless determined in a specific case by a majority vote of the Board, a "Change in Control" shall not be deemed to have occurred solely because: (A) an entity in which Parent directly or indirectly beneficially owns 50% or more of the voting securities, or any Parent-sponsored employee stock ownership plan, or any other employee plan of the Company, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by form or report or item therein, disclosing beneficial ownership by it of shares of stock of Parent, or because Parent reports that a change in control of Parent has or may have occurred or will or may occur in the future by reason of such beneficial ownership or (B) any Company-sponsored employee stock ownership plan, or any other employee plan of the Company, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by form or report or item therein, disclosing beneficial ownership by it of shares of stock of Parent, or because Parent reports that a change in control of Parent has or may have occurred or will or may occur in the future by reason of such beneficial ownership; or

(vii) any other transaction or series of related transactions occur that have

substantially the effect of the transactions specified in any of the preceding clauses in this definition.

Notwithstanding this definition of “Change in Control,” the Board, in its sole discretion, may determine that a Change in Control has occurred for purposes of this Agreement, even if the events giving rise to such Change in Control are not expressly described in the above definition.

(e) “CiC Date” shall mean the date on which a Change in Control occurs.

(f) “CiC Period” shall mean the twenty four (24)-month period commencing on the CiC Date; provided, however, if the Company terminates the Executive’s employment with the Company prior to the CiC Date but on or after a Potential CiC Date, and it is reasonably demonstrated that the Executive’s (i) employment was terminated at the request of an unaffiliated third party who has taken steps reasonably calculated to effect a Change in Control or (ii) termination of employment otherwise arose in connection with or in anticipation of the Change in Control, then the “CiC Period” shall mean the twenty four (24)-month period beginning on the date immediately prior to the date of the Executive’s termination of employment with the Company.

(g) “CiC Period Good Reason” shall mean the occurrence of any of the following without the written consent of the Executive: (i) a requirement that the Executive work principally from a location that is more than thirty (30) miles from his or her current principal place of employment, (ii) any reduction in the Executive’s Total Compensation, (iii) any material breach of this Agreement or any other material agreement with the Executive by the Company or any successor entity, or (iv) any diminution in the Executive’s employment position, authority, duties, responsibilities or line of reporting structure, or the assignment to the Executive of any duties materially inconsistent with either (A) the Executive’s position and title immediately prior to consummation of the Change in Control (including, for example, if the Executive was the Chief Financial Officer of the Company immediately prior to consummation of a Change in Control and is not the Chief Financial Officer of the Company immediately following consummation of the Change in Control, then a diminution in the Executive’s responsibilities will have occurred) or (B) with respect to a Change in Control that occurs within the twelve (12)-month period following the Effective Date, the Executive’s position following the Change in Control is not the surviving company’s chief executive officer or chief operating officer, in each case excluding for this purpose an isolated, insubstantial and inadvertent action taken in good faith and which is promptly remedied by employer. The Executive shall only have CiC Period Good Reason if (1) the Executive has provided notice of termination to the Company of any of the foregoing conditions within ninety (90) days of the initial existence of the condition, (2) the Company does not cure such condition within thirty (30) days following receipt of such notice of termination, and (3) if such condition is not cured within such thirty (30) day period, the Executive actually terminates employment within sixty (60) days after the notice of termination. The Executive’s mental or physical incapacity following the occurrence of an event described above in clauses (i), (ii), (iii) or (iv) shall not affect the Executive’s ability to terminate employment for CiC Period Good Reason, and the Executive’s death following delivery of a notice of termination for CiC Period

Good Reason shall not affect the Executive's estate's entitlement to the severance benefits provided hereunder upon a termination of employment for CiC Period Good Reason.

(h) "Compensation Committee" shall mean the Compensation Committee of the Board.

(i) "Disability" as used in this Agreement shall have the meaning given that term by any disability insurance the Company carries at the time of termination that would apply to the Executive. Otherwise, the term "Disability" shall mean the inability of the Executive to perform each of the essential duties of the Executive's position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than twelve (12) months. Any dispute as to whether or not the Executive has a "Disability" for purposes of this Agreement shall be resolved by a physician reasonably satisfactory to the Board and the Executive (or his legal representative, if applicable). If the Board and the Executive (or his legal representative, if applicable) are unable to agree on a physician, then each shall select one physician and those two physicians shall pick a third physician and the determination of such third physician shall be binding on the parties.

(j) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(k) "Good Reason" shall mean: (i) during a CiC Period, CiC Period Good Reason; and (ii) during a Non-CiC Period, Non-CiC Period Good Reason.

(l) "Non-CiC Period" shall mean any period of time that is not a CiC Period.

(m) "Non-CiC Period Good Reason" shall mean the occurrence of any of the following without the written consent of the Executive: (i) a requirement that the Executive work principally from a location that is more than fifty (50) miles from his or her current principal place of employment, (ii) any 10% or greater reduction in the sum of the Executive's base salary and target bonus opportunity, (iii) any 20% or greater reduction in the grant date fair value of equity-based compensation annually awarded to the Executive (other than reductions that are made substantially *pro rata* to other executives of the Company), (iv) the failure of the Board to appoint the Executive as the Company's Chief Executive Officer as of the first anniversary of the Effective Date, or (v) any material breach of this Agreement or any other material agreement with the Executive by the Company or any successor entity. The Executive shall only have Non-CiC Period Good Reason if (A) the Executive has provided notice of termination to the Company of any of the foregoing conditions within ninety (90) days of the initial existence of the condition, (B) the Company does not cure such condition within thirty (30) days following receipt of such notice of termination, and (C) if such condition is not cured within such thirty (30) day period, the Executive actually terminates employment within sixty (60) days after the notice of termination. The Executive's mental or physical incapacity following the occurrence of an event described above in clauses (i), (ii), (iii), (iv), or (v) shall not affect the Executive's ability to terminate employment for Non-CiC Period Good Reason, and the Executive's death following delivery of a notice of

termination for Non-CiC Period Good Reason shall not affect the Executive's estate's entitlement to the severance benefits provided hereunder upon a termination of employment for Non-CiC Period Good Reason.

(n) "Parent" shall mean Orthofix Medical Inc. and its successors.

(o) "Person" shall include individuals or entities such as corporations, partnerships, companies, firms, business organizations or enterprises, and governmental or quasi-governmental bodies.

(p) "Potential CiC Date" shall mean the earliest to occur of: (i) the date on which Parent executes an agreement or letter of intent, the consummation of the transactions described in which would result in the occurrence of a Change in Control or (ii) the date on which the Board approves a transaction or series of transactions, the consummation of which would result in a Change in Control; provided, however, that such date shall become null and void when, in the opinion of the Board, Parent or the respective third party has abandoned or terminated such transaction or series of transactions without consummation.

(q) "Qualified Retirement" shall mean a retirement from Service by the Executive in which, at the time of such retirement, the sum of the Executive's age and aggregate 12-month completed periods of Service (whether or not such completed 12-month periods are consecutive), in each case without giving credit for any partial years, equals or exceeds 75.

(r) "Service" shall have the meaning ascribed to such term in the 2012 LTIP.

(s) "Total Compensation" shall mean aggregate of base salary, target bonus opportunity, employee benefits (retirement plan, welfare plans, and fringe benefits), and grant date fair value of equity-based compensation, but excluding for the avoidance of doubt any reductions caused by the failure to achieve performance targets) taken as a whole.

2. Term of Agreement. The term of this Agreement (the "Term") shall commence on the Effective Date and shall continue in effect until the earlier of (i) the parties' satisfaction of their respective obligations under this Agreement or (ii) the execution of a written agreement between the Company and the Executive terminating this Agreement.

3. Certain Terminations of Employment During a Non-CiC Period. If, during a Non-CiC Period, the Executive's employment with the Company terminates as a result of death, the Executive terminates his or her employment as a result of Disability or for Non-CiC Period Good Reason, or the Company terminates the Executive's employment without Cause, the Company shall pay or provide to the Executive (i) the Executive's annual base salary due through the Executive's date of termination, (ii) any amounts or benefits owing to the Executive as of the Executive's date of termination under the then applicable benefit plans of the Company, at the time such amounts or benefits are due (including any accrued vacation payable), (iii) any amounts owing to the Executive for reimbursement of expenses properly incurred by the Executive prior to the Executive's date of termination, which shall be subject to and paid in accordance with the Company's expense reimbursement policy, (iv) if, for the calendar year prior to the Executive's

termination, Executive has achieved performance goals such that Executive has earned a bonus under any annual cash incentive program of the Company (an “Annual Cash Incentive Program”) and such Annual Cash Incentive Program bonus with respect to such prior calendar year has not yet been determined and/or paid, the amount of such bonus, payable at the same time as payments are made to other participants under such Annual Cash Incentive Program, and (v) a *pro rata* amount of any Annual Cash Incentive Program bonus, if any, with respect to the year of termination (based on the number of days the Executive was employed by the Company during such year of termination) based on the achievement of applicable performance goals for such year, payable during the following year at the same time as payments are made to other participants under such Annual Cash Incentive Program (collectively, the “Accrued Amounts”). Subject to the Executive’s compliance with the restrictive covenants in Section 9 hereof and the Executive’s execution and non-revocation of the release described in Section 5 hereof, the Company shall also pay to the Executive, in a cash lump sum within ten (10) days following the Release Effective Date (as defined below), an amount equal to one (1) times the sum of (A) the Executive’s annual base salary in effect as of the Executive’s date of termination (without giving effect to any reduction of base salary that has occurred within the 12-month period preceding such date of termination), (B) the Executive’s current annual target cash bonus amount under the Annual Cash Incentive Program (without giving effect to any reduction of such annual target amount that has occurred within the 12-month period preceding such date of termination and (C) \$12,500 to be used by the Executive for outplacement services (such sum, the “Severance Amount”). Notwithstanding the foregoing, if the Severance Amount could be paid to the Executive during the subsequent taxable year of the Executive rather than the Executive’s taxable year in which the Executive’s date of termination occurs based on when the Executive executes and delivers the release described in Section 5 hereof to the Company, then, to the extent that the Severance Amount constitutes nonqualified deferred compensation subject to Section 409A of Internal Revenue Code of 1986, as amended (the “Code”), the Severance Amount shall not be paid earlier than the first business day of the later of such taxable years. In addition, subject to the Executive’s compliance with the restrictive covenants in Section 9 hereof and the Executive’s execution and non-revocation of the release described in Section 5 hereof, the Company shall reimburse the Executive on a monthly basis for the Executive’s monthly premium payments for health care coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) for the Executive and the Executive’s eligible dependents for a period of twelve (12) months, provided that the Executive and, if applicable, the Executive’s eligible dependents are currently enrolled in the applicable plan(s) of the Company at the time of the Executive’s termination and that the Executive timely elects to continue the Executive’s coverage under COBRA; provided, however, that the Company’s obligation to reimburse the Executive for such premiums shall cease on the date the Executive is no longer eligible to receive COBRA coverage. The Executive must advise the Company as soon as the Executive becomes eligible for health care coverage from a third party (e.g., spouse’s employer, the Executive’s subsequent employer, or any other party with a relationship with the Executive).

4. Termination of Employment During a CiC Period. If, during a CiC Period, the Executive’s employment with the Company terminates as a result of death, the Executive terminates his or her employment as a result of Disability or for CiC Period Good Reason, or the Company terminates the Executive’s employment without Cause, the Company shall: (A) pay or

provide to the Executive the Accrued Amounts, and (B) subject to the Executive's compliance with the restrictive covenants in Section 9 hereof and the Executive's execution and non-revocation of the release described in Section 5 hereof, (i) pay to the Executive, in a cash lump sum within ten (10) days following the Release Effective Date, an amount equal to one and one-half (1.5) times the sum of (A) the Executive's annual base salary in effect as of the Executive's date of termination (without giving effect to any reduction of base salary that has occurred within the 12-month period preceding such date of termination), (B) the Executive's current annual target cash bonus amount under the Annual Cash Incentive Program (without giving effect to any reduction of such annual target amount that has occurred within the 12-month period preceding such date of termination and (C) \$12,500 to be used by the Executive for outplacement services (such sum, the "CiC Severance Amount"); provided, however, that if the CiC Severance Amount could be paid to the Executive during the subsequent taxable year of the Executive rather than the Executive's taxable year in which the Executive's date of termination occurs based on when the Executive executes and delivers the release described in Section 5 hereof to the Company, then, to the extent that the CiC Severance Amount constitutes nonqualified deferred compensation subject to Section 409A of the Code, the CiC Severance Amount shall not be paid earlier than the first business day of the later of such taxable years; and (ii) reimburse the Executive on a monthly basis for the Executive's monthly premium payments for health care coverage under COBRA for the Executive and the Executive's eligible dependents for a period of twelve (12) months, provided that the Executive and, if applicable, the Executive's eligible dependents are currently enrolled in the applicable plan(s) of the Company at the time of the Executive's termination and that the Executive timely elects to continue the Executive's coverage under COBRA; provided, however, that the Company's obligation to reimburse the Executive for such premiums shall cease on the date the Executive is no longer eligible to receive COBRA coverage. The Executive must advise the Company as soon as the Executive becomes eligible for health care coverage from a third party (e.g., spouse's employer, the Executive's subsequent employer, or any other party with a relationship with the Executive).

5. Payments Contingent Upon Release Agreement. As a condition to receiving the Severance Amount or the CiC Severance Amount, as applicable, and the reimbursement of COBRA premiums pursuant to Sections 3 or 4 hereof, the Executive will execute a release of claims substantially in the form of the release attached hereto as Exhibit A (the "Release"). Within ten (10) business days of the Executive's date of termination, the Company shall deliver to the Executive the Release for the Executive to execute. The Executive will forfeit all rights to receive the Severance Amount or the CiC Severance Amount, as applicable, and the reimbursement of COBRA premiums pursuant to Sections 3 or 4 hereof unless, within forty-five (45) days of delivery of the Release by the Company to the Executive, the Executive executes and delivers the Release to the Company and such Release has become irrevocable by virtue of the expiration of the revocation period specified therein without the Release having been revoked (the first such date, the "Release Effective Date"). The Company's obligation to pay the Severance Amount or the CiC Severance Amount, as applicable, or to reimburse COBRA premiums pursuant to Sections 3 or 4 hereof, is subject to the occurrence of the Release Effective Date, and if the Release Effective Date does not occur, then the Company shall have no obligation to make such payments or reimbursements. Any reimbursements of COBRA premiums pursuant to Sections 3 or 4 hereof that would otherwise have become due prior to the Release Effective Date shall be paid in a cash

lump sum within ten (10) days following the Release Effective Date; provided, that if any reimbursements of COBRA premiums pursuant to Sections 3 or 4 hereof could be paid to the Executive during a different taxable year of the Executive than the Executive's taxable year in which the Executive's date of termination occurs based on when the Executive executes and delivers the Release to the Company, then, to the extent that the reimbursements constitute nonqualified deferred compensation subject to Section 409A of the Code, the reimbursement amounts shall not be paid earlier than the first business day of the later of such taxable years. In the event the Executive breaches one or more of the restrictive covenants set forth in Section 9 hereof, the Executive shall forfeit the Executive's right to receive the Severance Amount or the CiC Severance Amount, as applicable, and the reimbursement of COBRA premiums pursuant to Sections 3 or 4 hereof, and, to the extent such amounts have been paid to the Executive, shall repay to the Company the after-tax amount of any such previously paid amounts.

6. Time-Based Stock Options, Time-Based Restricted Stock, and Time-Based Restricted Stock Unit Vesting and Exercisability. The provisions set forth in Sections 6(a), (b), (c) and (e) below shall apply with respect to (a) all time-based vesting stock options of the Company ("Time-Based Stock Options" or "Options") granted to the Executive before or after the date of this Agreement, (b) all time-based vesting shares of restricted stock of the Company ("Time-Based Restricted Stock" or "TBRs") granted to the Executive before or after the date of this Agreement, and (c) all time-based vesting restricted stock units of the Company ("Time-Based RSU" or "TBRsU") granted to the Executive before or after the date of this Agreement. Such provisions shall supersede and override any conflicting provisions set forth in applicable award agreements of the Company governing applicable grants, and shall be incorporated by reference into the terms of such award agreements.

(a) Termination with or without Cause; Certain Voluntary Terminations. If, prior to vesting, the Executive's Service is terminated for any reason other than (i) death, (ii) Disability, (iii) a Qualified Retirement occurring no less than six months after the grant date of the Option (the "Grant Date") or (iv) a circumstance providing for accelerated vesting pursuant Section 6(d) hereof, the unvested portion of the applicable Option, TBRs, or TBRsU shall be cancelled and revert back to the Company as of the date of such termination of Service, and the Executive shall have no further right or interest therein unless the Compensation Committee in its sole discretion shall determine otherwise. In such event, the Executive shall have the right, subject to the other terms and conditions set forth in this Agreement and the applicable plan, to exercise such Option, to the extent it has vested as of the date of such termination of Service, at any time within three (3) months after the date of such termination of Service, subject to the earlier expiration of the Option on the ten (10)-year anniversary of grant or such other term as is provided in the applicable equity award agreement otherwise governing such grant (the "Expiration Date"). To the extent the vested portion of the Option is not exercised within such three (3)-month period, such Option shall be cancelled and revert back to the Company and the Executive shall have no further right or interest therein.

(b) Termination of Service for Death or Disability. If the Executive's Service terminates by reason of death or Disability, as of the date of such termination of Service (i) the unvested portion of any Option shall automatically vest and become immediately exercisable in

full and (ii) any TBRS and any TBRSU shall automatically vest in full. The full portion of any unexercised Option shall remain exercisable by the Executive (or any person entitled to do so) at any time within eighteen (18) months after the date of such termination of Service, subject to the earlier expiration of such Option on the Expiration Date. To the extent such Option is not exercised within such period, such Option shall be cancelled and revert back to the Company and the Executive or any permitted transferee pursuant to the terms of the applicable award agreement, as applicable, shall have no further right or interest therein.

(c) Termination of Service for Certain Qualified Retirements. If the Executive's Service terminates by reason of a Qualified Retirement occurring no less than six (6) months after the Grant Date but prior to the second anniversary of the Grant Date, any Option shall automatically vest and become immediately exercisable, and any TBRS and any TBRSU shall be considered vested, as of the date of such termination of Service with respect to the aggregate number of shares of common stock of Parent as to which such Option, TBRS, or TBRSU, as applicable, would have been vested as of such second anniversary of the Grant Date. If the Executive's Service terminates by reason of a Qualified Retirement after the second anniversary of the Grant Date but before the third anniversary of the Grant Date, any Option shall automatically vest and become immediately exercisable, and any TBRS and any TBRSU shall be considered vested, as of the date of such termination of Service with respect to the aggregate number of shares of common stock of Parent as to which such Option, TBRS, or TBRSU, as applicable, would have been vested as of such third anniversary of the Grant Date. If the Executive's Service is terminated by reason of a Qualified Retirement after the third anniversary of the Grant Date but before the fourth anniversary of the Grant Date, any Option shall automatically vest and become immediately exercisable, and any TBRS and any TBRSU shall be considered vested, in full as of the date of such termination of Service. In each of the circumstances described in the preceding three sentences, the applicable Option shall remain exercisable by the Executive (or any person entitled to do so) at any time within eighteen (18) months after the date of such termination of Service, subject to the earlier expiration of the Option on the Expiration Date. To the extent such Option is not exercised within such eighteen (18)-month period, the Option shall be cancelled and revert back to the Company and the Executive or any permitted transferee pursuant to the terms of the applicable award agreement, as applicable, shall have no further right or interest therein.

(d) Certain Additional Change in Control Circumstances. In the event that any Option is assumed or continued, or substituted for new common stock options or another equity-based award of a successor entity, or parent or subsidiary thereof (with appropriate adjustments as to the number of shares and option exercise prices), or any unvested portion of the TBRS or the TBRSU is assumed or continued, or substituted for new restricted common stock, new restricted stock unit, or another equity-based award of a successor entity, or parent or subsidiary thereof (with appropriate adjustments as to the number of shares), in each case upon the consummation of any Change in Control, and the employment of the Executive with the Company is terminated by the Company without Cause or by the Executive for CiC Period Good Reason, in each case during a CiC Period, (i) such Option shall be fully vested and may be exercised in full, to the extent applicable, beginning on the date of such termination and for the twenty four (24)-month period immediately following such termination (subject to the earlier expiration of the Option on the Expiration Date) or for such longer period as the Compensation Committee shall determine and

(ii) the unvested portion of such TBRS and such TBRSU shall be fully vested. (Nothing in the preceding sentence shall limit or alter the Executive's rights under Section 6(c) hereof in the event that the Executive instead terminates his or her Service by reason of a Qualified Termination.) In the event that a Change in Control occurs in which outstanding Options, shares of TBRS, and/or TBRSUs are not being assumed, continued or substituted (as contemplated by the preceding sentence), any Option and the unvested portion of any TBRS and any TBRSU shall be treated in accordance with the default rules applicable under Section 17.3 of the 2012 LTIP (or if made pursuant to a successor long-term incentive plan or inducement plan, the default rules contained in such plan).

(e) Definition of Qualified Retirement. The term Qualified Retirement as used in any award agreement with respect to Options, TBRS, or TBRSU shall, notwithstanding any definition of such phrase in an award agreement, be defined as set forth in this Agreement.

(f) Survival. All of the provisions in this Section 6 shall survive any expiration or termination of this Agreement for any reason (unless such termination is as a result of a future novation of such provisions entered into by each of the parties).

7. Section 280G. In the event that any of the severance payments and other benefits provided by this Agreement or otherwise payable to Executive (a) constitute "parachute payments" within the meaning of Section 280G of the Code, and (b) but for this Section 7, would be subject to the excise tax imposed by Section 4999 of the Code ("Excise Tax"), then Executive's severance payments and benefits under this Agreement or otherwise shall be payable either in full or in such lesser amount which would result in no portion of such severance payments or benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the Excise Tax, results in the receipt by Executive, on an after-tax basis, of the greatest amount of severance payments and benefits under this Agreement or otherwise, notwithstanding that all or some portion of such severance payments or benefits may be taxable under Section 4999 of the Code. Any reduction in the severance payments and benefits required by this Section 7 shall be made in the following order: (i) reduction of cash payments; (ii) reduction of accelerated vesting of equity awards other than stock options; (iii) reduction of accelerated vesting of stock options; and (iv) reduction of other benefits paid or provided to Executive. The calculations and establishment of assumptions in this Section 7 will be performed by a professional tax firm engaged by the Company as of the day prior to the CiC Date. If the tax firm so engaged by the Company is serving as accountant or auditor for the acquiring company, the Company shall appoint a nationally recognized tax firm to make the determinations required by this Section 7. The Company shall bear all expenses with respect to the determinations by such firm required to be made by this Section 7. The Company and Executive shall furnish such tax firm such information and documents as the tax firm may reasonably request in order to make its required determination. The tax firm will provide its calculations, together with detailed supporting documentation, to the Company and Executive as soon as practicable following its engagement. Any good faith determinations of the tax firm made hereunder shall be final, binding and conclusive upon the Company and Executive. However, the Executive shall have the final authority to make any good faith determination(s) associated with the assumptions used by the tax firm in providing its calculations, and such good faith

determination by the Executive shall be binding on the Company. As a result of the uncertainty in the application of Sections 409A, 280G or 4999 of the Code at the time of the initial determination by the professional tax firm described in this Section 7, it is possible that the Internal Revenue Service (the “IRS”) or other agency will claim that an Excise Tax greater than that amount, if any, determined by such professional firm for the purposes of this Section 7 is due (the “Additional Excise Tax”). Executive shall notify the Company in writing of any claim by the IRS or other agency that, if successful, would require payment of Additional Excise Tax. Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to payments made or due to Executive. The Company shall pay all reasonable fees, expenses and penalties of Executive relating to a claim by the IRS or other agency. In the event it is finally determined that a further reduction would have been required under this Section 7 to place Executive in a better after-tax position, Executive shall repay the Company such amount within 30 days thereof in order to effect such result.

8. Section 409A.

(a) For purposes of Section 409A of the Code (“Section 409A”) (i) each “payment” (as defined by Section 409A) made under this Agreement shall be considered a “separate payment,” and (ii) payments shall be deemed exempt from the definition of deferred compensation under Section 409A to the fullest extent possible under (x) the “short-term deferral” exemption of Treasury Regulation § 1.409A-1(b)(4), and (y) with respect to amounts paid as separation pay (as defined under Treasury Regulation § 1.409A-1(m)) no later than the second calendar year following the calendar year containing the Executive’s “separation from service” (as defined for purposes of Section 409A), the “two years/two-times” separation pay exemption of Treasury Regulation § 1.409A-1(b)(9)(iii), which exemptions are hereby incorporated by reference.

(b) Any payments otherwise payable under this Agreement shall not commence until the Executive has a “separation from service” (as defined in Section 409A).

(c) If the Executive is a “specified employee” as defined in Section 409A (and as applied according to procedures of the Company and its affiliates) as of the Executive’s separation from service, to the extent any payment under this Agreement constitutes deferred compensation (after taking into account any applicable exemptions from Section 409A) that is payable upon a separation from service, and to the extent required in order to avoid the imposition of an excise tax under Section 409A, no payments due under this Agreement may be made until the earlier of: (1) the date of the Executive’s death and (2) the first day of the seventh month following the Executive’s separation from service, provided, however, that any payments delayed during this six-month period shall be paid in the aggregate in a lump sum on the first day of the seventh month following the Executive’s separation from service (or upon the date of the Executive’s death, if earlier).

(d) Any expense reimbursements or in kind benefits under this Agreement that constitute deferred compensation within the meaning of Section 409A shall be made or provided

in accordance with the requirements of Section 409A, including, without limitation, that: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year; (ii) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(e) If this Agreement fails to meet the requirements of Section 409A, neither the Company nor any of its affiliates shall have any liability for any tax, penalty or interest imposed on the Executive by Section 409A, and the Executive shall have no recourse against the Company or any of its affiliates for payment of any such tax, penalty, or interest imposed by Section 409A.

9. Restrictive Covenants.

(a) Non-Disparagement. The Executive agrees that the Company's reputation and goodwill in the marketplace is of utmost importance and value to the Company. The Executive further agrees that during and after the term of the Executive's employment with the Company, the Executive will not make, publish or cause to be published any public or private statement or comments disparaging or defaming the Company, its subsidiaries or affiliates, or any of their respective stockholders, partners, members, directors, managers, officers and employees. The Executive acknowledges and agrees that this prohibition extends to statements, written or verbal, made to anyone, including but not limited to, the news media, competitors, vendors, and employees (past and present). The Executive further understands and agrees that this Section 9(a) is a material provision of this Agreement and that any breach of this Section 9(a) shall be a material breach of this Agreement, and that the Company would be irreparably harmed by violation of this provision. This prohibition does not preclude Executive from providing truthful testimony if compelled by law.

(b) Cooperation. The Executive agrees that after the Executive's date of termination, the Executive shall make the Executive available at reasonable times, intervals and places for interviews, consultations, internal investigations and/or testimony during which the Executive shall provide to the Company, or its designated attorneys or agents, any and all information known to the Executive regarding or relating to the Company or the Executive's activities on behalf of the Company pertaining to the subject matter on which the Executive's cooperation is sought. The Executive agrees to remain involved for so long as any such matters shall be pending.

(c) Non-Disclosure.

(i) During the course of the Executive's employment with the Company, before and after the execution of this Agreement, and as consideration for the restrictive covenants entered into by the Executive herein, the Executive has received and will continue to receive some or all of the Company's various Trade Secrets (as defined under applicable law) and confidential or proprietary information, which includes the following whether in physical or

electronic form: (1) data and compilations of data related to, Business Opportunities (as defined below), (2) computer software, hardware, network and internet technology utilized, modified or enhanced by the Company or by the Executive in furtherance of the Executive's duties with the Company; (3) compilations of data concerning Company products, services, customers, and end users including but not limited to compilations concerning projected sales, new project timelines, inventory reports, sales, and cost and expense reports; (4) compilations of information about the Company's employees and independent contracting consultants; (5) the Company's financial information, including, without limitation, amounts charged to customers and amounts charged to the Company by its vendors, suppliers, and service providers; (6) proposals submitted to the Company's customers, potential customers, wholesalers, distributors, vendors, suppliers and service providers; (7) the Company's marketing strategies and compilations of marketing data; (8) compilations of data or information concerning, and communications and agreements with, vendors, suppliers and licensors to the Company and other sources of technology, products, services or components used in the Company's business; (9) the Company's research and development records and data; and (10) any summary, extract or analysis of such information together with information that has been received or disclosed to the Company by any third party as to which the Company has an obligation to treat as confidential (collectively, "Confidential Information"). "Business Opportunities" shall mean all ideas, concepts or information received or developed (in whatever form) by the Executive concerning any business, transaction or potential transaction that constitutes or may constitute an opportunity for the Company to earn a fee or income, specifically including those relationships that were initiated, nourished or developed at the Company's expense. Confidential Information does not include data or information: (1) which has been voluntarily disclosed to the public by the Company, except where such public disclosure has been made by the Executive without authorization from the Company; (2) which has been independently developed and disclosed by others; or (3) which has otherwise entered the public domain through lawful means.

(ii) All Confidential Information, Trade Secrets, and all physical and electronic embodiments thereof are confidential and are and will remain the sole and exclusive property of the Company. During and after the term of the Executive's employment with the Company, the Executive agrees that the Executive shall protect any such Confidential Information and Trade Secrets and shall not, except in connection with the performance of the Executive's remaining duties for the Company, use, disclose or otherwise copy, reproduce, distribute or otherwise disseminate any such Confidential Information or Trade Secrets, or any physical or electronic embodiments thereof, to any third party; provided, however, that the Executive may make disclosures required by a valid order or subpoena issued by a court or administrative agency of competent jurisdiction, in which event the Executive will promptly notify the Company of such order or subpoena to provide the Company an opportunity to protect its interests. Without limiting the generality of the foregoing, the Executive agrees that after the Executive's termination of employment with the Company, the Executive shall not disclose to any third party any transaction or potential transaction that was under active consideration by the Company on or during the six (6) month period prior to the Executive's date of termination from the Company. The Executive further agrees that if the Executive is ever subpoenaed or otherwise required by law to provide any statement or other assistance to a party to a dispute or litigation with the Company, other than the Company, then the Executive shall provide written notice of the circumstances requiring such

statement or other assistance, including where applicable a copy of the subpoena or other legal writ, in such a manner and at such a time that allows the Company to timely respond. Nothing herein shall prevent the Executive from cooperating with co-defendants in litigation or with inquiry in a government investigation without a need to obtain prior consent or approval from the Company; provided, however, the Executive shall provide prompt notice of any voluntary giving of oral or written statements to such parties, and provide to the Company a copy of any written statement so given or a summary of any oral statement provided.

(iii) Upon request by the Company and, in any event, upon termination of the Executive's employment with the Company for any reason, the Executive will promptly deliver to the Company (within twenty-four (24) hours) all property belonging to the Company, including but without limitation, all Confidential Information, Trade Secrets and all electronic and physical embodiments thereof, all Company files, customer lists, management reports, memoranda, research, Company forms, financial data and reports and other documents (including but not limited to all such data and documents in electronic form) supplied to or created by the Executive in connection with the Executive's employment with the Company (including all copies of the foregoing) in the Executive's possession or control, and all of the Company's equipment and other materials in the Executive's possession or control. The Executive agrees to allow the Company, at its request, to verify return of Company property and documents and information and/or permanent deletion of the same, through inspection of personal computers, personal storage media, third party websites, third party e-mail systems, personal digital assistant devices, cell phones and/or social networking sites on which Company information was stored during the Executive's employment with the Company.

(iv) Nothing contained herein shall be in derogation or a limitation of the rights of the Company to enforce its rights or the Executive's duties under the applicable law relating to Trade Secrets.

(v) Notwithstanding anything to the contrary contain herein, the parties hereto acknowledge that pursuant to 18 USC § 1833(b), the Executive may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, the parties hereto acknowledge that if the Executive sues the Company for retaliation based on the reporting of a suspected violation of law, the Executive may disclose a trade secret to the Executive's attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the Executive does not disclose the trade secret except pursuant to court order.

(d) Innovations.

(i) The Executive hereby assigns, transfers and conveys to Orthofix Inc. and its successors and assigns any and all inventions, processes, procedures, systems, discoveries, designs, configurations, technology, works of authorship, trade secrets and

improvements (whether or not they are made, conceived or reduced to practice during working hours or using the Company's data or facilities) (collectively, "Innovations") which the Executive makes, conceives, reduces to practice or otherwise acquires during any period of his/her employment by the Company (either solely or jointly with others), and which are related to the Company's present or planned business, the Company's services or products, and any and all patents, copyrights, trademarks, trade names and applications therefor, in the United States and elsewhere, relating thereto. The Innovations shall be the sole property of Orthofix Inc. and shall at all times be held by the Executive in a fiduciary capacity for the sole benefit of Orthofix Inc.

(ii) All such Innovations that consist of works of authorship capable of protection under copyright laws shall be prepared by the Executive as works made for hire, with the understanding that Orthofix Inc. shall own all of the exclusive rights to such works of authorship under the United States copyright law and all international copyright conventions and foreign laws. The foregoing notwithstanding, to the extent that any such Innovation is not deemed a work made for hire, the Executive hereby assigns to Orthofix Inc. such Innovation and any and all patents, copyrights, trademarks, trade names and applications therefor, in the United States and elsewhere, relating thereto.

(iii) The Executive shall maintain adequate and current written records of all such Innovations, which shall be available to and remain the sole property of Orthofix Inc. at all times. The Executive shall promptly disclose to the Company all such Innovations and shall assist the Company in obtaining and enforcing for its own benefit patents and copyright registrations on and in respect of such Innovations in all countries in all ways that the Company may request, to secure and enjoy the full benefits and advantages of such Innovations. The Executive understands that his/her obligations under this section shall continue after the termination of the Executive's employment by the Company.

(e) Non-Solicitation. The Executive agrees that during the course of the Executive's employment with the Company and for a period of twelve (12) months following the termination of the Executive's employment with the Company for any reason, with or without Cause, whether upon the initiative of either the Executive or the Company, the Executive will not, on behalf of the Executive or any other individual, corporation, partnership, limited liability company, association, trust or any other entity or organization (including a government or political subdivision or an agency or instrumentality thereof), directly or by assisting others, solicit, induce, persuade or encourage, or attempt to solicit, induce, persuade or encourage, any individual employed by the Company, with whom the Executive has worked, to terminate such employee's position with the Company, whether or not such employee is a full-time or temporary employee of the Company and whether or not such employment is pursuant to a written agreement, for a determined period, or at will. The provisions of this Section 9(e) shall only apply to the Executive's solicitation or attempted solicitation of those individuals employed by the Company at the time of solicitation or attempted solicitation.

(f) Non-Competition. Without the prior written consent of the Board (which may be withheld in the Board's sole discretion), so long as the Executive is an employee of the Company and for a period of twelve (12) months thereafter, the Executive agrees that the Executive

shall not anywhere in the Prohibited Area, for the Executive's own account or the benefit of any other, engage or participate in or assist or otherwise be connected with a Competing Business. For the avoidance of doubt, the Executive understands that this Section 9(f) prohibits the Executive from acting for himself or as an officer, employee, manager, operator, principal, owner, partner, shareholder, advisor, consultant of, or lender to, any individual or other Person that is engaged or participates in or carries out a Competing Business or is actively planning or preparing to enter into a Competing Business. The parties agree that such prohibition shall not apply to the Executive's passive ownership of not more than 5% of a publicly-traded company. For purposes of the foregoing, (i) "Competing Business" shall mean any business or activity that (i) competes with the Company and involves (ii) (A) the same or substantially similar types of products or services (individually or collectively) manufactured, marketed or sold by the Company after the Effective Date or (B) products or services so similar in nature to that of the Company's (or that the Company will soon thereafter offer) that they would be reasonably likely to displace substantial business opportunities or customers of the Company, and (ii) "Prohibited Area" shall mean North America, South America and Europe, which Prohibited Area the parties have agreed to as a result of the fact that those are the geographic areas in which the Company conducts a preponderance of its business and in which the Executive provides substantive services to the benefit of the Company.

(g) Acknowledgements. The Executive acknowledges that the Company is in the business of providing reconstructive, regenerative and trauma-related products used in various orthopedic and spine procedures worldwide and that the Company makes substantial investments and has established substantial goodwill associated with its business, supplier relationships and marketing programs throughout the United States. The Executive therefore acknowledges and agrees that it is fair and reasonable for the Company to take steps to protect its Confidential Information, Trade Secrets, goodwill, business relationships, employees, economic advantages, and/or other legitimate business interests from the risk of misappropriation of or harm to its Confidential Information, Trade Secrets, goodwill, business relationships, employees, economic advantages, and/or other legitimate business interests. The Executive acknowledges that any limitations as to time and scope of activity to be restrained are reasonable and do not impose a greater restraint than is necessary to protect Company's Confidential Information, Trade Secrets, good will, business relationships, employees, economic advantages, and/or other legitimate business interests, and will not prevent the Executive from earning a livelihood.

(h) Survival of Covenants. The provisions and restrictive covenants in this Section 9 shall survive the expiration or termination of this Agreement for any reason. The Executive agrees not to challenge the enforceability or scope of the provisions and restrictive covenants in this Section 9. The Executive further agrees to notify all future persons or businesses, with which the Executive becomes affiliated or employed by, of the provisions and restrictions set forth in this Section 9, prior to the commencement of any such affiliation or employment. If any of the provisions in this Section 9 are construed to be invalid or unenforceable in any respect, the parties agree that the same may be modified as the court may direct to make such provisions and covenants reasonable, and such modification shall not affect the remainder of such provision, and such provisions shall be given the maximum possible effect and the modified agreement shall be fully enforceable.

(i) Injunctive Relief. The Executive acknowledges that if the Executive breaches or threatens to breach any of the provisions of this Agreement, the Executive's actions will cause irreparable harm and damage to the Company which cannot be compensated by damages alone. Accordingly, if the Executive breaches or threatens to breach any of the provisions of this Agreement, the Company shall be entitled to injunctive relief, in addition to any other rights or remedies the Company may have. The Executive hereby waives the requirement for a bond by the Company as a condition to seeking injunctive relief. The existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the Executive's agreements under this Agreement.

10. Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to severance payments and benefits, and contains all of the agreements between the parties with respect to severance payments and benefits.

11. Miscellaneous.

(a) Except for injunctive relief as set forth herein, the parties agree that any dispute or controversy arising under or in connection with this Agreement shall be resolved exclusively and finally by binding arbitration in Lewisville, Texas, before a single arbitrator, with such arbitration to be conducted in accordance with the rules of the American Arbitration Association's Commercial Arbitration Rules then in effect. Judgment on the arbitrator's award may be entered by any court having jurisdiction. The Company shall be responsible for its own attorneys' fees, costs and expenses and shall pay to the Executive an amount equal to all reasonable attorneys' and related fees, costs and expenses incurred by the Executive in connection with such arbitration and entry of judgment, but only if the arbitrator determines that the Executive prevailed on a material issue of the arbitration. If there is any dispute between the Company and the Executive as to the payment of such fees and expenses, the arbitrator shall resolve such dispute, which resolution shall also be final and binding on the parties, and as to such dispute only, the burden of proof shall be on the Company.

(b) This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of Texas (without regard to any provision of that State's rules on the conflicts of law that might make applicable the law of a jurisdiction other than that of the State of Texas). Subject to Section 11(a) hereof, all actions or proceedings for injunctive relief arising out of this Agreement shall exclusively be heard and determined in state or federal courts in the State of Texas having appropriate jurisdiction for Collin County, Texas. The parties expressly consent to the exclusive jurisdiction of such courts in any such action or proceeding and waive any objection to venue therein and any defense of forum non conveniens.

(c) This Agreement may be executed in any number of counterparts, each of which, when executed by both parties to this Agreement shall be deemed to be an original, and all of which counterparts together shall constitute one and the same instrument.

(d) The failure of either party hereto to enforce any right under this Agreement shall not be construed to be a waiver of that right, or of damages caused thereby, or of any other rights under this Agreement.

(e) This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(f) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. This Agreement shall bind any successor of or to the Company, its assets or its businesses (whether direct or indirect, by purchase, merger, consolidation or otherwise), in the same manner and to the same extent that the Company would be obligated under this Agreement if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Agreement, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Agreement, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. All rights under this Agreement are personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by shall or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable in the event of the Executive's death or disability by the Executive's legal representatives, heirs and legatees.

(g) The Executive and the Company acknowledge that the employment of the Executive by the Company is "at will" and may be terminated by either the Executive or the Company at any time. Nothing contained in the Agreement shall affect such rights to terminate, provided, however, that nothing in this Section 11(g) shall prevent the Executive from receiving any amounts payable pursuant to Sections 3 or 4 hereof in the event of a termination described in such Sections.

(h) Notwithstanding anything in this Agreement to the contrary, in no event shall anything in this Agreement (whether in Section 9 or otherwise) be interpreted to limit or restrict the Executive's right or ability to provide whistleblower information to the Securities and Exchange Commission regarding violations of the federal securities laws pursuant to Section 21F of the Exchange Act.

(i) Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(j) Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid or when

sent by express U.S. mail or overnight delivery through a national delivery service (or an international delivery service in the case of an address outside the U.S.) with signature required. Notice to the Company shall be directed to the attention of the General Counsel of the Company at the address of the Company's headquarters, and notice to the Executive shall be directed to the Executive at the Executive's most recent personal residence on file with the Company.

(k) The Company shall deduct from the amounts payable to the Executive pursuant to this Agreement all required withholding amounts and deductions, including but not limited to federal, state and local withholding amounts in accordance all applicable laws and regulations and deductions authorized by the Executive. The Executive shall be solely responsible for and shall pay all taxes associated with the amounts payable under this Agreement.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date first above written.

ORTHOFIX MEDICAL INC.

By: /s/ Kimberley Elting
Kimberley Elting
Chief Legal and Administrative Officer

EXECUTIVE

/s/ Jon Serbousek
Jon Serbousek

EXHIBIT A

Release

You, for yourself, your spouse and your agents, successors, heirs, executors, administrators and assigns, hereby irrevocably and unconditionally forever release and discharge Orthofix Medical Inc., a Delaware corporation, and its direct and indirect subsidiaries (all such entities, collectively, the “Company”), its parents, divisions and affiliates and its and their current and former owners, directors, officers, stockholders, insurers, benefit plans, representatives, agents and employees, and each of their predecessors, successors, and assigns (collectively, the “Releasees”), from any and all actual or potential claims or liabilities of any kind or nature, including, but not limited to, any claims arising out of or related to your employment and separation from employment with the Company and any services that you provided to the Company; any claims for salary, commissions, bonuses, other severance pay, vacation pay, allowances or other compensation, or for any benefits under the Employee Retirement Income Security Act of 1974 (“ERISA”) (except for vested ERISA benefits); any claims for discrimination, harassment or retaliation of any kind or based upon any legally protected classification or activity; any claims under Title VII of the Civil Rights Acts of 1964, the Civil Rights Act of 1866 and 1964, as amended, 42 U.S.C. § 1981, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, 42 U.S.C. § 1981, 42 U.S.C. § 1983, the Family Medical Leave Act and any similar state law, the Fair Credit Reporting Act and any similar state law, the Fair Credit Reporting Act, 15 U.S.C. § 1681, et seq., the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101, et seq., the Equal Pay Act and any similar state law, as well as any amendments to any such laws; any claims for any violation of any federal or state constitutions or executive orders; any claims for wrongful or constructive discharge, violation of public policy, breach of contract or promise (oral, written, express or implied), personal injury not covered by workers’ compensation benefits, misrepresentation, negligence, fraud, estoppel, defamation, infliction of emotional distress, contribution and any claims under any other federal, state or local law, including those not specifically listed in this Release, that you, your heirs, executors, administrators, successors, and assigns now have, ever had or may hereafter have, whether known or unknown, suspected or unsuspected, up to and including the date of your execution of this Release.

For the purpose of implementing a full and complete release and discharge of the Releasees as set forth above, you acknowledge that this Release is intended to include in its effect, without limitation, all claims known or unknown that you have or may have against the Releasees which arise out of or relate to your employment, including but not limited to compensation, performance or termination of employment with the Company, except for, and notwithstanding anything in this Release to the contrary, claims which cannot be released solely by private agreement. This Release also excludes any claims relating to any right you may have to payments pursuant to Sections 3 or 4 of the Change in Control and Severance Agreement, entered into as of August 5, 2019, by and between the Company and me, any claim for workers’ compensation benefits and any rights you may have to indemnification or directors’ and officers’ liability insurance under the Company’s articles of association, certificates of incorporation or bylaws, any indemnification agreement to which you are a party or beneficiary or applicable law, as a result of having served as an officer,

director or employee of the Company or any of its affiliates. You further acknowledge and agree that you have received all leave, compensation and reinstatement benefits to which you were entitled through the date of your execution of this Release, and that you were not subjected to any improper treatment, conduct or actions as a result of a request for leave, compensation or reinstatement.

You affirm, by signing this Release, that you have not suffered any unreported injury or illness arising from your employment, and that you have not filed, with any federal, state, or local court or agency, any actions or charges against the Releasees relating to or arising out of your employment with or separation from the Company. You further agree that while this Release does not preclude you from filing a charge with the National Labor Relations Board (“NLRB”), the Equal Employment Opportunity Commission (“EEOC”), or a similar federal, state or local agency, or from participating in any investigation or proceeding with them, you do waive your right to personally recover monies or reinstatement as a result of any complaint or charge filed against the Company with the NLRB, EEOC, or any federal, state or local court or agency.

You understand that the claims released in this Release do not include claims by you for: (1) unemployment insurance; (2) worker’s compensation benefits; (3) state disability compensation; (4) previously vested benefits under any Company-sponsored benefits plan; and (5) any other rights that cannot by law be released by private agreement.

You acknowledge:

- (a) That you were provided forty-five (45) full days during which to consider whether to sign this Release. If you have signed this Agreement prior to the expiration of the forty-five (45)-day period, you have voluntarily elected to forego the remainder of that period.
- (b) That you have carefully read and fully understand all of the terms of this Release.
- (c) That you understand that by signing this Release, you are waiving your rights under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, 29 U.S.C. § 621, et seq., and that you are not waiving any rights arising after the date that this Release is signed.
- (d) That you have been given an opportunity and have been advised to consult with anyone you choose, including an attorney, about this Release.
- (e) That you understand fully the terms and effect of this Release and know of no claim that has not been released by this Release. And, you further acknowledge that you are not aware of, or that you have fully disclosed to the Company, any matters for which you are responsible or which has come to your attention as an employee of the Company that might give rise to, evidence, or support any claim of illegal

conduct, regulatory violation, unlawful discrimination, or other cause of action against the Company.

- (f) That you have made full and truthful disclosures to the Company's compliance department regarding any misconduct (including any violations of federal securities laws) relating to the Company or its subsidiaries of which you are aware, and that you understand that notwithstanding anything herein or in any other agreement to the contrary, in no event shall you be prohibited or limited from my right to provide truthful information to or otherwise assist U.S. governmental authorities in any investigation regarding the Company (whether pursuant to Section 21F of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise), and in the event of such assistance, nothing herein or in any other agreement shall be deemed to conflict with my right to receive any award payable pursuant to Section 21F of the Exchange Act.
- (g) That these terms are final and binding on you.
- (h) That you have signed this Release voluntarily, and not in reliance on any representations or statements made to you by any employee or officer of the Company or any of its subsidiaries.
- (i) That you have seven (7) days following your execution of this Release to revoke it in writing, and that this Release is not effective or enforceable until after this seven (7) day period has expired without revocation. If you wish to revoke this Release after signing it, you must provide written notice of your decision to revoke this Release to the Company, to the attention of the General Counsel of the Company at the address of the Company's headquarters, by no later than 11:59 p.m. on the seventh calendar day after the date on which you have signed this Release.

PLEASE READ CAREFULLY. THIS RELEASE INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

ACKNOWLEDGED AND AGREED

Jon Serbousek Date

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this “Agreement”) is dated as of August 5, 2019, and effective as of immediately following the Effective Time (as defined below), by and between ORTHOFIX MEDICAL INC., a Delaware corporation, (the “Company”) and Jon C. Sebousek (the “Indemnitee”).

WHEREAS, the Board of Directors has determined that having the ability to attract and retain qualified persons to serve as directors and/or officers is in the best interests of the Company’s stockholders and that the Company should act to assure such persons that there will be adequate certainty of protection through insurance and indemnification against risks of claims and actions against them arising out of their service to and activities on behalf of the Company; and

WHEREAS, the Company completed the change of its jurisdiction of organization from Curaçao to the State of Delaware in accordance with the conversion procedures of Articles 304 and 305 of Book 2 of the Curaçao Civil Code and the domestication procedures of Section 388 of the Delaware General Corporation Law, effective as of the filing of certificate of corporate domestication and certificate of incorporation with the Secretary of State of the State of Delaware or at such later effective time as specified in such filings (the “Effective Time”); and

WHEREAS, Section 145 of the General Corporation Law of the State of Delaware (the “DGCL”), among other things, empowers the Company to indemnify and advance expenses to its officers and directors and to indemnify and advance expenses to persons who serve, at the request of the Company, as directors, officers, employees, or agents of other corporations or enterprises, and expressly provides that the indemnification provided by Section 145 of the DGCL is not exclusive; and

WHEREAS, the Company has adopted provisions in its Bylaws addressing indemnification and advancement of expenses to its officers and directors, and providing that the Company may enter into indemnification agreements that further specify the rights and obligations of the Company and such persons with respect to indemnification, advancement of expenses and related matters; and

WHEREAS, in order to induce and encourage highly experienced and capable persons such as the Indemnitee to serve or continue to serve as directors and officers of the Company and in other capacities with respect to the Company and its affiliates, and to otherwise promote the desirable end that such persons will resist what they consider unjustified lawsuits and claims made against them in connection with the good faith performance of their duties to the Company, with the knowledge that certain costs, judgments, liabilities and expenses incurred by them in their defense of such litigation are to be borne by the Company, the Board of Directors of the Company has determined that the following Agreement is reasonable and prudent to promote and ensure the best interests of the Company and its stockholders; and

NOW, THEREFORE, in consideration of the Indemnitee's service as a director or officer of the Company, or service at the Company's request as a director, officer, employee, or agent of other enterprises or entities, as of or after the date hereof, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Service by Indemnitee. The Indemnitee will serve and/or continue to serve as a director or officer of the Company faithfully and to the best of the Indemnitee's ability so long as the Indemnitee is duly elected or appointed and until such time as the Indemnitee is removed, terminated, or tenders a resignation.

Section 2. Indemnification.

(a) General. The Company shall indemnify the Indemnitee (i) as provided in this Agreement and (ii) subject to the provisions of this Agreement, to the full extent permitted by applicable law and in a manner permitted by such law.

(b) Proceedings Other Than Proceedings by or in the Right of the Company. Except as provided in Section 4 hereof, the Indemnitee shall be entitled to the rights of indemnification provided in this Section 2(b) if, by reason of the Indemnitee's Corporate Status (as hereinafter defined), the Indemnitee is or was, or is or was threatened to be made, a party to or is or was otherwise involved in a Proceeding (as hereinafter defined), other than a Proceeding by or in the right of the Company to procure a judgment in its favor. The Indemnitee shall be indemnified pursuant to and in accordance with this Section 2(b) against all Losses actually and reasonably incurred by the Indemnitee or on the Indemnitee's behalf in connection with such a Proceeding or any claim, issue, or matter therein, but only if the Indemnitee acted in good faith and in a manner that the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

(c) Proceedings by or in the Right of the Company. Except as provided in Section 4 hereof, the Indemnitee shall be entitled to the rights of indemnification provided in this Section 2(c) if, by reason of the Indemnitee's Corporate Status, the Indemnitee is or was, or is or was threatened to be made, a party to or is or was otherwise involved in a Proceeding brought by or in the right of the Company to procure a judgment in its favor. The Indemnitee shall be indemnified pursuant to and in accordance with this Section 2(c) against all Expenses actually and reasonably incurred by the Indemnitee or on the Indemnitee's behalf in connection with such a Proceeding or any claim, issue, or matter therein, but only if the Indemnitee acted in good faith and in a manner that the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; provided, however, that no indemnification for such Expenses shall be made in respect of any claim, issue, or matter in such Proceeding as to which the Indemnitee shall have been adjudged liable to the Company unless (and only to the extent that) the Court of Chancery of the State of Delaware or the court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such expenses that the Court of Chancery or such other court shall deem proper. Anything in this Agreement to the contrary notwithstanding, if the Indemnitee, by reason of the Indemnitee's Corporate Status, is or was, or

is or was threatened to be made, a party to any Proceeding by or in the right of the Company to procure a judgment in its favor, then the Company shall not indemnify the Indemnitee for any judgment, fines, or amounts paid in settlement to the Company in connection with such Proceeding.

(d) Indemnification for Expenses if Indemnitee is Wholly or Partly Successful. Anything in this Agreement to the contrary notwithstanding, to the extent that the Indemnitee, by reason of the Indemnitee's Corporate Status, is or was, or is or was threatened to be made, a party to any Proceeding and is successful, on the merits or otherwise, in defending such Proceeding (including dismissal without prejudice), the Indemnitee shall be indemnified to the maximum extent permitted by law against all Expenses actually and reasonably incurred by the Indemnitee or on the Indemnitee's behalf in connection with the defense of such Proceeding. If the Indemnitee is not wholly successful in defending any such Proceeding but is successful, on the merits or otherwise, in defending one or more but less than all claims, issues, or matters in such Proceeding (including dismissal without prejudice of certain claims), the Company shall indemnify the Indemnitee against all Expenses actually and reasonably incurred by the Indemnitee or on the Indemnitee's behalf in defending each such successfully resolved claim, issue, or matter. To the extent the Indemnitee has been successful, on the merits or otherwise, in defending any Proceeding, or in defending any claim, issue, or matter therein, the Indemnitee shall be entitled to indemnification as provided in this Section 2(d) regardless of whether the Indemnitee met the standards of conduct set forth in Sections 2(b) and 2(c) hereof.

(e) Indemnification for Expenses as a Witness. Anything in this Agreement to the contrary notwithstanding, to the fullest extent permitted by applicable law, to the extent that the Indemnitee, by reason of the Indemnitee's Corporate Status, is or was, or is or was threatened to be made, a witness in any Proceeding to which the Indemnitee is not a party, the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee or on the Indemnitee's behalf in connection therewith. To the extent permitted by applicable law, the Indemnitee shall be entitled to indemnification for Expenses incurred in connection with being or threatened to be made a witness, as provided in this Section 2(e), regardless of whether the Indemnitee met the standards of conduct set forth in Sections 2(b) and 2(c) hereof.

(f) Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Losses actually and reasonably incurred by the Indemnitee in a Proceeding, but not for the total amount thereof, the Company shall indemnify the Indemnitee for the portion of such Losses to which the Indemnitee is entitled.

Section 3. Advancement of Expenses. Anything in this Agreement to the contrary notwithstanding, but subject to Section 4 hereof, if, by reason of the Indemnitee's Corporate Status, the Indemnitee is or was, or is or was threatened to be made, a party to, or is or was otherwise involved in, or is or was, or is or was threatened to be made, a witness to any Proceeding (including, without limitation, a Proceeding brought by or in the right of the Company to procure a judgment in its favor), then the Company shall advance all Expenses actually and reasonably incurred by or on behalf of the Indemnitee in connection with any such Proceeding in advance of the final disposition of such Proceeding within ten (10) calendar days after the receipt

by the Company of a written request for such advance or advances from time to time. Such written request shall include or be accompanied by a statement or statements reasonably evidencing the Expenses incurred by or on behalf of the Indemnitee and for which advancement is requested, and shall include or be preceded or accompanied by an undertaking by or on behalf of the Indemnitee to repay any Expenses advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that the Indemnitee is not entitled to be indemnified against such Expenses under this Agreement or otherwise. Such undertaking shall be sufficient for purposes of this Section 3 if it is in substantially the form attached hereto as Exhibit A. Any advances and undertakings to repay pursuant to this Section 3 shall be unsecured and interest free. The Indemnitee shall be entitled to advancement of Expenses as provided in this Section 3 regardless of any determination by or on behalf of the Company that the Indemnitee has not met the standards of conduct set forth in Sections 2(b) and 2(c) hereof.

Section 4. Proceedings Against the Company: Certain Securities Laws Claims.

(a) Anything in Section 2 or Section 3 hereof to the contrary notwithstanding, except as provided in Section 7(d) hereof, with respect to a Proceeding initiated against the Company by the Indemnitee (whether initiated by the Indemnitee in or by reason of such person's capacity as an officer or director of the Company or in or by reason of any other capacity, including, without limitation, as a director, officer, employee, or agent of Another Enterprise), the Company shall not be required to indemnify or to advance Expenses to the Indemnitee in connection with prosecuting such Proceeding (or any part thereof) or in defending any counterclaim, cross-claim, affirmative defense, or like claim of the Company in such Proceeding (or part thereof) unless such Proceeding was authorized by the Board of Directors of the Company. For purposes of this Section 4, a compulsory counterclaim by the Indemnitee against the Company in connection with a Proceeding initiated against the Indemnitee by the Company shall not be considered a Proceeding (or part thereof) initiated against the Company by the Indemnitee, and the Indemnitee shall have all rights of indemnification and advancement with respect to any such compulsory counterclaim in accordance with and subject to the terms of this Agreement.

(b) Anything in Section 2 (other than Section 2(d)) or Section 3 hereof to the contrary notwithstanding, except as provided in Section 2(d) hereof with respect to indemnification of Expenses in connection with whole or partial success on the merits or otherwise in defending any Proceeding, the Company shall not be required to indemnify the Indemnitee in connection with any claim made against Indemnitee for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934 or similar provisions of state statutory law or common law, or (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Securities Exchange Act of 1934 (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act).

Section 5. Procedure for Determination of Entitlement to Indemnification; Independent Counsel.

(a) To obtain indemnification under this Agreement, the Indemnitee shall submit to the Company (following the final disposition of the applicable Proceeding) a written request for indemnification, including therein or therewith, except to the extent previously provided to the Company in connection with a request or requests for advancement pursuant to Section 3 hereof, a statement or statements reasonably evidencing all Losses incurred or paid by or on behalf of the Indemnitee and for which indemnification is requested. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that the Indemnitee has requested indemnification.

(b) Upon written request by the Indemnitee for indemnification pursuant to the first sentence of Section 5(a) hereof, if required by applicable law and to the extent not otherwise provided pursuant to the terms of this Agreement, a determination with respect to the Indemnitee's entitlement to indemnification shall be made in the specific case as follows: (i) if a Change in Control (as hereinafter defined) shall have occurred and if so requested in writing by the Indemnitee, by Independent Counsel (as hereinafter defined) in a written opinion to the Board of Directors; or (ii) if a Change in Control shall not have occurred (or if a Change in Control shall have occurred but the Indemnitee shall not have requested that indemnification be determined by Independent Counsel as provided in subpart (i) of this Section 5(b)), (A) by a majority vote of the Disinterested Directors (as hereinafter defined), even though less than a quorum of the Board of Directors, or (B) by a committee of Disinterested Directors designated by majority vote of the Disinterested Directors, even though less than a quorum of the Board of Directors, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board of Directors, or (D) by the Company's stockholders in accordance with applicable law. Notice in writing of any determination as to the Indemnitee's entitlement to indemnification shall be delivered to the Indemnitee promptly after such determination is made, and if such determination of entitlement to indemnification has been made by Independent Counsel in a written opinion to the Board of Directors, then such notice shall be accompanied by a copy of such written opinion. If it is determined that the Indemnitee is entitled to indemnification, then payment to the Indemnitee of all amounts to which the Indemnitee is determined to be entitled shall be made within ten (10) calendar days after such determination. If it is determined that the Indemnitee is not entitled to indemnification, then the written notice to the Indemnitee (or, if such determination has been made by Independent Counsel in a written opinion, the copy of such written opinion delivered to the Indemnitee) shall disclose the basis upon which such determination is based. The Indemnitee shall cooperate with the person, persons, or entity making the determination with respect to the Indemnitee's entitlement to indemnification, including providing to such person, persons, or entity upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 5(b) hereof, the Independent Counsel shall be selected as provided in this Section 5(c). If a Change in Control shall not have occurred (or if a Change in Control shall have occurred but the Indemnitee shall not have requested that indemnification be determined by Independent Counsel as provided in subpart (i) of Section 5(b)), then the Independent Counsel shall be selected by the Board of Directors, and the Company shall give written notice to the Indemnitee advising the Indemnitee of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred and the Indemnitee shall have requested that indemnification be determined by Independent Counsel, then the Independent Counsel shall be selected by the Indemnitee (unless the Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and the Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, the Indemnitee or the Company, as the case may be, may, within 10 calendar days after such written notice of selection has been given, deliver to the Company or to the Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the law firm or person so selected does not meet the requirements of "Independent Counsel" as defined in Section 23 of this Agreement, and the objection shall set forth the basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the law firm or person so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Court of Chancery of the State of Delaware or another court of competent jurisdiction in the State of Delaware has determined that such objection is without merit. If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 5(b) hereof and, following the expiration of twenty (20) calendar days after submission by the Indemnitee of a written request for indemnification pursuant to Section 5(a) hereof, Independent Counsel shall not have been selected, or an objection thereto has been made and not withdrawn, then either the Company or the Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction in the State of Delaware for resolution of any objection that shall have been made by the Company or the Indemnitee to the other's selection of Independent Counsel and/or for appointment as Independent Counsel of a law firm or person selected by such court (or selected by such person as the court shall designate), and the law firm or person with respect to whom all objections are so resolved or the law firm or person so appointed shall act as Independent Counsel under Section 5(b) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 7(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing). If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 5(b) hereof, then the Company agrees to pay the reasonable fees and expenses of such Independent Counsel and to fully indemnify and hold harmless such Independent Counsel against any and all Expenses, claims, liabilities, and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

Section 6. Burden of Proof; Defenses; and Presumptions.

(a) In any judicial proceeding or arbitration pursuant to Section 7 hereof brought by the Indemnitee to enforce rights to indemnification or to an advancement of expenses hereunder, or in any action, suit, or proceeding brought by the Company to recover an advancement of expenses (whether pursuant to the terms of an undertaking or otherwise), the burden shall be on the Company to prove that the Indemnitee is not entitled to be indemnified, or to such an advancement of expenses, as the case may be.

(b) It shall be a defense in any judicial proceeding or arbitration pursuant to Section 7 hereof to enforce rights to indemnification under Section 2(b) or Section 2(c) hereof (but not in any judicial proceeding or arbitration pursuant to Section 7 hereof to enforce a right to an advancement of expenses under Section 3 hereof) that the Indemnitee has not met the standards of conduct set forth in Section 2(b) or Section 2(c), as the case may be, but the burden of proving such defense shall be on the Company. With respect to any judicial proceeding or arbitration pursuant to Section 7 hereof brought by the Indemnitee to enforce a right to indemnification hereunder, or any action, suit, or proceeding brought by the Company to recover an advancement of expenses (whether pursuant to the terms of an undertaking or otherwise), neither (i) the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of such action, suit, proceeding, or arbitration that indemnification is proper in the circumstances because the Indemnitee has met the applicable standards of conduct, nor (ii) an actual determination by the Company (including by its directors or Independent Counsel) that the Indemnitee has not met such applicable standards of conduct, shall create a presumption that the Indemnitee has not met the applicable standards of conduct or, in the case of a judicial proceeding or arbitration pursuant to Section 7 hereof brought by the Indemnitee seeking to enforce a right to indemnification, be a defense to such proceeding or arbitration.

(c) The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification hereunder or create a presumption that the Indemnitee did not act in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Company or Other Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Company or Other Enterprise in the course of their duties, or on the advice of legal counsel for the Company or Other Enterprise or on information or records given or reports made to the Company or Other Enterprise by an independent certified public accountant or by an appraiser or other expert selected by the Company or Other Enterprise. The provisions of this Section 6(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) The knowledge and/or actions, or failure to act, of any other director, officer, agent, or employee of the Company or of Another Enterprise shall not be imputed to the Indemnitee for purposes of determining the Indemnitee's right to indemnification under this Agreement.

Section 7. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 5 of this Agreement that the Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 3 of this Agreement, (iii) except when the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 5(b) hereof, no determination of entitlement to indemnification shall have been made pursuant to Section 5(b) of this Agreement within sixty (60) calendar days after receipt by the Company of the Indemnitee's written request for indemnification, (iv) under circumstances in which the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 5(b) hereof, no determination of entitlement to indemnification shall have been made pursuant to Section 5(b) hereof within eighty (80) calendar days after receipt by the Company of the Indemnitee's written request for indemnification (unless an objection to the selection of such Independent Counsel has been made and substantiated and not withdrawn, in which case the applicable time period shall be seventy (70) calendar days after the Court of Chancery of the State of Delaware or another court of competent jurisdiction in the State of Delaware (or such person appointed by such court to make such determination) has determined or appointed the person to act as Independent Counsel pursuant to Section 5(b) hereof), (v) payment of indemnification is not made pursuant to Section 2(d) or Section 2(e) of this Agreement within twenty (20) calendar days after receipt by the Company of a written request therefor, or (vi) payment of indemnification pursuant to Section 2(b) or Section 2(c) of this Agreement is not made within twenty (20) calendar days after a determination has been made pursuant to Section 5(b) that the Indemnitee is entitled to indemnification, then the Indemnitee shall be entitled to seek an adjudication by the Court of Chancery of the State of Delaware of the Indemnitee's entitlement to such indemnification or advancement of Expenses. Alternatively, if the foregoing conditions have been satisfied, the Indemnitee, at his or her option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 calendar days following the date on which the Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by the Indemnitee to enforce his or her rights to indemnification under Section 2(d) of this Agreement.

(b) In the event that a determination shall have been made pursuant to Section 5(b) of this Agreement that the Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 7 shall be conducted in all respects as a *de novo* trial, or arbitration, on the merits and the Indemnitee shall not be prejudiced by reason of that adverse determination.

(c) If a determination shall have been made pursuant to Section 5(b) of this Agreement that the Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 7, absent (i) a misstatement or misrepresentation by the Indemnitee (or anyone acting on the Indemnitee's behalf) of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement (or statements of persons acting on behalf of the Indemnitee) not materially misleading, in connection with the request for indemnification or in connection with the provision of information or documentation pursuant to the last sentence of Section 5(b), or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that the Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of or an award in arbitration to enforce the Indemnitee's rights under, or to recover damages for breach of, this Agreement, then the Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by or on behalf of such Indemnitee in such judicial adjudication or arbitration, but only if (and only to the extent) the Indemnitee prevails therein. If it shall be determined in said judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

Section 8. Non-Exclusivity. Except to the extent expressly provided herein, and only to such extent, the rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which the Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, a vote of stockholders, a resolution of directors, or otherwise, both as to action in or by reason of the Indemnitee's Corporate Status and as to action in or by reason of any other capacity of the Indemnitee while serving as a director or officer of the Company. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. In the event of any change after the date of this Agreement in any applicable law, statute, or rule that expands the power of a Delaware corporation to indemnify a member of its board of directors or an officer, employee, agent, or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greatest benefits afforded by such change. Anything in this Section 8 to the contrary notwithstanding, to the extent the time periods specified in Section 3 and Section 7(a) hereof with respect to the time at which the Indemnitee shall be entitled to seek an adjudication or an award in arbitration as to the Indemnitee's entitlement to indemnification or advancement differ from similar time periods specified in the Company's Certificate of Incorporation or Bylaws, the time periods set forth in Section 3 and Section 7(a) hereof shall control and be binding on the Indemnitee and the Company and shall be deemed a waiver of any contrary right specified in the Company's Certificate of Incorporation or Bylaws. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

Section 9. Insurance; Subrogation; Other Sources of Payment.

(a) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company or Another Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies. To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company or Another Enterprise, the provision of directors' and officers' liability insurance as provided in this Section 9(a) shall be in addition to the Company's obligations under Sections 2 and 3 hereof and shall not be deemed to be in satisfaction of those obligations.

(b) In the event of any payment to or on behalf of the Indemnitee under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) Except to the extent required by applicable law, the Company shall not be liable under this Agreement to make any payment to Indemnitee with respect to amounts otherwise indemnifiable hereunder (or for which advancement is otherwise provided hereunder) if and to the extent that the Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement, or otherwise. Nothing hereunder is intended to affect any right of contribution of or against the Company in the event the Company and any other person or persons have co-equal obligations to indemnify or advance expenses to Indemnitee.

(d) The Company's obligation to indemnify or advance Expenses hereunder to the Indemnitee, in connection with or by reason of Indemnitee's service at the request of the Company as a director, officer, employee, agent, or fiduciary of Another Enterprise, shall be reduced by any amount that the Indemnitee has actually received as indemnification or advancement of Expenses from such Other Enterprise with respect to the Proceeding for which indemnification or advancement of Expenses is sought.

Section 10. Contribution. To the fullest extent permitted by applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, for any and all Losses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company, on the one hand, and Indemnitee, on the other hand, as a result of the

event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents), on the one hand, and Indemnitee, on the other hand, in connection with such event(s) and/or transaction(s), including any relevant equitable considerations. To the extent the Proceeding or any claim or issue in the Proceeding involves allegations concerning the misstatement or omission of material facts or other disclosure-based claims, the relative fault of the Company and Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or Indemnitee and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

Section 11. Settlements. Notwithstanding anything in this Agreement or the Company's Certificate of Incorporation or the Bylaws to the contrary, the Company shall have no obligation to indemnify the Indemnitee under this Agreement for any amounts paid by or on behalf of the Indemnitee in settlement of any Proceeding, unless the Company has consented in writing to such settlement, which consent shall not be unreasonably withheld. The Company shall not settle any Proceeding or claim therein in any manner that would impose any fine, penalty, limitation or material obligation on, or require payment from, the Indemnitee without the Indemnitee's prior written consent, which consent shall not be unreasonably withheld.

Section 12. Survival of Rights; Binding Effect; Successors and Assigns.

(a) The indemnification and advancement of Expenses and other rights provided by, or granted pursuant to, this Agreement shall continue during the period that the Indemnitee is a director or officer of the Company and shall continue through and after the Termination Date so long as Indemnitee shall be subject to any possible Proceeding (including any appeal thereto), by reason of Indemnitee's Corporate Status, with respect to claims arising from any action taken or omitted (or that are alleged to have been taken or omitted) by the Indemnitee, or from any facts or events that occurred (or that are alleged to have occurred), on or before the Termination Date, and shall further continue for such period of time following the conclusion of any such Proceeding as may be reasonably necessary for Indemnitee to enforce rights and remedies pursuant to this Agreement as provided in Section 7 of this Agreement.

(b) This Agreement shall be binding upon the Indemnitee and upon the Company and its successors and assigns, and shall inure to the benefit of the Indemnitee, the Indemnitee's heirs, personal representatives, executors, administrators, and assigns and to the benefit of the Company and its successors and assigns.

(c) The Company further agrees that in the event the Company or any of its successors or assigns (i) consolidates with or merges into any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any corporation or entity, then, and in each such case, to the extent necessary, proper provision shall be made so that the successors and assigns of the Company as a result of such transaction assume the obligations of the Company set forth in this Agreement, including, without limitations, the requirements with respect to directors' and officers' liability insurance set forth in Section 9.

Section 13. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever: (a) the validity, legality, and enforceability of the remaining provisions of this Agreement (including without limitation, each such portion of any Section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that is not itself held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each such portion of any Section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held to be invalid, illegal, or unenforceable.

Section 14. Acknowledgement. The Company expressly acknowledges, confirms, and agrees that it has entered into this Agreement and has assumed the obligations imposed on the Company hereby in order to induce the Indemnitee to serve or continue to serve as a director or officer of the Company, and the Company acknowledges that the Indemnitee is relying upon this Agreement in serving or continuing to serve in such capacity. In addition, both the Company and Indemnitee acknowledge that in certain instances, federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's rights under public policy to indemnify Indemnitee.

Section 15. Notice by Indemnitee. The Indemnitee agrees to notify the Company promptly and in writing upon being served with any summons, citation, subpoena, complaint, petition, indictment, information, or other document relating to the commencement or threatened commencement of any Proceeding or matter that may be subject to indemnification or advancement of Expenses covered hereunder. The failure of the Indemnitee to so notify the Company shall not relieve the Company of any obligation that it may have to the Indemnitee under this Agreement or otherwise, except to the extent the Company is materially prejudiced by such failure.

Section 16. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) if delivered by hand to the party to whom said notice or other communication shall have been directed, on the date so delivered, or (ii) if mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed. All such notices, requests, demands, and other communications shall be delivered to the Indemnitee or to the Company, as the case may be, at the following addresses:

- (a) If to the Indemnitee, to the address set forth on the signature page hereto
- (b) If to the Company, to:

Orthofix Medical Inc.
3451 Plano Parkway, Lewisville, Texas 75056
Attn: Kimberly A. Elting, Chief Legal and Administrative Officer

or to such other address as may have been furnished to the Indemnitee by the Company or to the Company by the Indemnitee, as the case may be, by like notice.

Section 17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement.

Section 18. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 19. Entire Agreement; Prior Indemnification Agreements. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written, and implied, between the parties hereto with respect to the subject matter hereof. This Agreement shall supersede and replace any prior indemnification agreements entered into by and between the Company and the Indemnitee, including any prior indemnity agreements entered into by and between Orthofix International N.V. and the Indemnitee, and any such prior agreements shall be deemed automatically terminated upon execution and delivery of this Agreement by the Company and the Indemnitee.

Section 20. Modification and Waiver.

(a) No amendment, modification, supplementation, or repeal of this Agreement or any provision hereof shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

(b) No amendment, modification, supplementation, or repeal of this Agreement or of any provision hereof shall limit or restrict any rights of the Indemnitee under this Agreement in respect of any action taken or omitted by the Indemnitee in or by reason of the Indemnitee's Corporate Status prior to such amendment, modification, supplementation, or repeal.

Section 21. Governing Law; Submission to Jurisdiction; Service of Process.

(a) This Agreement and the legal relations among the parties with respect to the matters addressed hereby shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules.

(b) Except with respect to any arbitration commenced by the Indemnitee pursuant to Section 7(a) of this Agreement and except to the extent permitted by Section 2(c) hereof with respect to a determination by a court in which an underlying Proceeding was brought that the Indemnitee is entitled to indemnification of Expenses notwithstanding an adjudication of liability to the Company, the Company and the Indemnitee each hereby irrevocably and unconditionally (i) agrees and consents to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action, suit, or proceeding that arises out of or relates to this Agreement and agrees that any such action instituted under this Agreement shall be brought only in the Court of Chancery of the State of Delaware (or in any other state court of the State of Delaware if the Court of Chancery does not have subject matter jurisdiction over such action), and not in any other state or federal court in the United States of America or any court or tribunal in any other country; (ii) consents to submit to the exclusive jurisdiction of the courts of the State of Delaware for purposes of any action or proceeding arising out of or in connection with this Agreement; (iii) waives any objection to the laying of venue of any such action or proceeding in the courts of the State of Delaware; and (iv) waives, and agrees not to plead or to make, any claim that any such action or proceeding brought in the courts of the State of Delaware has been brought in an improper or otherwise inconvenient forum.

(c) Each of the Company and the Indemnitee hereby consents to service of any summons and complaint and any other process that may be served in any action, suit, or proceeding arising out of or relating to this Agreement in any court of the State of Delaware by mailing by certified or registered mail, with postage prepaid, copies of such process to such party at its address for receiving notice pursuant to Section 16 hereof. Nothing herein shall preclude service of process by any other means permitted by applicable law.

Section 22. Nature of Agreement. This Agreement shall not be deemed an employment contract between the Company and the Indemnitee, and, if Indemnitee is an officer or employee of the Company, Indemnitee specifically acknowledges that Indemnitee may be discharged as an officer or employee of the Company at any time for any reason, with or without cause, and with or without severance compensation, except as may be otherwise provided in a separate written contract between the Company and the Indemnitee.

Section 23. Definitions. For purposes of this Agreement:

(a) “Another Enterprise” and “Other Enterprise” refer to a corporation, partnership, limited liability company, joint venture, trust, employee benefit plan, or any other form of enterprise, other than the Company.

(b) “Change in Control” means, and shall be deemed to have occurred if, (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company acting in such capacity or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company’s then outstanding voting stock, (ii) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company’s stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation that would result in the voting stock of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting stock of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting stock of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company (in one transaction or a series of related transactions) of all or substantially all of the Company’s assets.

(c) “Corporate Status” describes (1) the Indemnitee’s status as a present or former director or officer of the Company (whether before or after the Effective Time), (2) the Indemnitee’s present or former status, at any time while serving as a director or officer of the Company (whether before or after the Effective Time), as a director, officer, employee, agent, or fiduciary of Another Enterprise to the extent the Indemnitee is or was serving in such capacity with respect to such Other Enterprise at the request of Company, and (3) the Indemnitee’s present or former status as a director, officer, employee, agent, or fiduciary of Another Enterprise to the extent the Indemnitee served in such capacity with respect to such Other Enterprise while serving as a director or officer of the Company (whether before or after the Effective Time), continued serving in such capacity with respect to such Other Enterprise after ceasing to be a director or officer of the Company, and is or was serving in such capacity with respect to such Other Enterprise at the request of Company.

(d) “Disinterested Director” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

(e) “Expenses” includes, without limitation, reasonable attorneys’ fees; retainers; disbursements of counsel; court costs; filing fees; transcript costs; fees and expenses of experts; fees and expenses of witnesses; fees and expenses of accountants and other consultants (excluding public relations consultants unless approved in advance by the Company); travel expenses; duplicating and imaging costs; printing and binding costs; telephone charges; facsimile transmission charges; computer legal research costs; postage; delivery service fees; fees and expenses of third-party vendors; the premium, security for, and other costs associated with any bond (including supersedeas or appeal bonds, injunction bonds, cost bonds, appraisal bonds or their equivalents), in each case incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding (including, without limitation, any judicial or arbitration Proceeding brought to enforce the Indemnitee’s rights under, or to recover damages for breach of, this Agreement), as well as all other “expenses” within the meaning of that term as used in Section 145 of the DGCL and all other disbursements or expenses of types customarily and reasonably incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, actions, suits, or proceedings similar to or of the same type as the Proceeding with respect to which such disbursements or expenses were incurred; but, notwithstanding anything in the foregoing to the contrary, “Expenses” shall not include amounts of judgments, penalties, or fines actually levied against the Indemnitee in connection with any Proceeding.

(f) “Independent Counsel” means a law firm, or a person admitted to practice law in any State of the United States, that is experienced in matters of corporation law and neither presently is, nor in the past three (3) years has been, retained to represent: (i) the Company or the Indemnitee in any matter material to either such party (other than with respect to serving as Independent Counsel (or similar independent legal counsel position) as to matters concerning the rights of Indemnitee under this Agreement, the rights of other indemnitees under similar indemnification agreements, or the rights of Indemnitee or other indemnitees to indemnification under the Company’s Certificate of Incorporation or Bylaws), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any law firm or person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee’s rights under this Agreement. For the avoidance of doubt, the term “Independent Counsel” shall not include any law firm or person who represented or advised any entity or person in connection with a Change in Control of the Company.

(g) “Losses” means all Expenses, judgments, penalties, fines, liabilities, and amounts paid in settlement in connection with a Proceeding.

(h) “Proceeding” means any threatened, pending, or completed action, suit, arbitration, alternative dispute resolution mechanism, investigation (including any internal investigation), inquiry, administrative hearing, or any other threatened, pending, or completed proceeding, whether brought by or in the right of the Company or otherwise, and whether civil, criminal, administrative, or investigative.

(i) “Termination Date” shall mean the date on which the Indemnitee is no longer a director or officer of the Company; provided, however, that if (1) the Indemnitee continues to serve as a director, officer, employee, agent, or fiduciary of Another Enterprise after the date on which the Indemnitee is no longer a director or officer of the Company, (2) the Indemnitee is serving in such capacity with respect to such Other Enterprise at the request of the Company, and (3) the Indemnitee served in such capacity with respect to such Other Enterprise while serving as a director or officer of the Company, then “Termination Date” shall mean such later date which the Indemnitee is no longer serving in such capacity with respect to such Other Enterprise.

(j) References herein to “fines” shall include any excise tax assessed with respect to any employee benefit plan.

(k) References herein to a director of Another Enterprise or a director of an Other Enterprise shall include, in the case of any entity that is not managed by a board of directors, such other position, such as manager or trustee or member of the governing body of such entity, that entails responsibility for the management and direction of such entity’s affairs, including, without limitation, the general partner of any partnership (general or limited) and the manager or managing member of any limited liability company.

(l) (i) References herein to serving at the request of the Company as a director, officer, employee, agent, or fiduciary of Another Enterprise shall include any service as a director, officer, employee, or agent of the Company that imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan of the Company or any of its affiliates, other than solely as a participant or beneficiary of such a plan; and (ii) if the Indemnitee has acted in good faith and in a manner such the Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, the Indemnitee shall be deemed to have acted in a manner not opposed to the best interests of the Company for purposes of this Agreement.

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, the Company and the Indemnitee have executed this Agreement, on the day and year first above written, effective as of immediately following the Effective Time.

ORTHOFIX MEDICAL INC.

By: /s/ Kimberley A. Elting
Name: Kimberley A. Elting
Title: Chief Legal and Administrative Officer

INDEMNITEE

By: /s/ Jon C. Serbousek
Name: Jon C. Serbousek
Address: _____

[Signature Page to Indemnification Agreement]

UNDERTAKING

I _____, agree to reimburse the Company for all expenses paid to me or on my behalf by the Company in connection with my involvement in **[name or description of proceeding or proceedings]**, in the event, and to the extent, that it shall ultimately be determined that I am not entitled to be indemnified by the Company for such expenses.

Signature _____

Typed Name _____

_____) ss:

Before me _____, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and who, after being duly sworn, stated that the contents of said instrument is to the best of his/her knowledge and belief true and correct and who acknowledged that he/she executed the same for the purpose and consideration therein expressed.

GIVEN under my hand and official seal at _____, this _____ day of _____, 20__.

Notary Public

My commission expires:

CERTIFICATION

I, Bradley R. Mason, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2019, of Orthofix Medical 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has material 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.

Dated: October 28, 2019

By: /s/ BRADLEY R. MASON

Name: Bradley R. Mason

Title: President and Chief Executive Officer

CERTIFICATION

I, Doug Rice, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2019, of Orthofix Medical 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has material 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.

Dated: October 28, 2019

By: /s/ DOUG RICE

Name: Doug Rice

Title: Chief Financial 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 Orthofix Medical Inc. ("Orthofix") on Form 10-Q for the quarterly period ended September 30, 2019, (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, Bradley R. Mason, Chief Executive Officer and President of Orthofix, and Doug Rice, Chief Financial Officer, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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 results of operations of Orthofix.

Dated: October 28, 2019

/s/ BRADLEY R. MASON

Name: Bradley R. Mason

Title: President and Chief Executive Officer

Dated: October 28, 2019

/s/ DOUG RICE

Name: Doug Rice

Title: Chief Financial Officer