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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **April 1, 2020**

OrthoPediatrics Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

001-38242	**26-1761833**
(Commission File Number)	(I.R.S. Employer Identification Number)

2850 Frontier Drive **Warsaw, Indiana**	**46582**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(574) 268-6379**

Not Applicable

(Former name or former address, if changed since last report)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.00025 par value per share	KIDS	Nasdaq Global Market

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 under the Securities Act (17 CFR 230.405) or Rule 12b-2 under the Exchange Act (17 CFR 240.12b-2).

Emerging growth company [X]

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 [X]

EXPLANATORY NOTE

On April 1, 2020, OrthoPediatrics Corp. (the “Company”) filed a Current Report on Form 8-K (the “Original 8-K”) disclosing, among other things, that the Company had acquired (the “Acquisition”), on such date, all of the issued and outstanding shares of stock of ApiFix Ltd. (“ApiFix”).

This Amendment No. 1 to the Original 8-K (this "Amendment No. 1") is being filed for the purpose of satisfying the Company's undertaking to file the financial statements and pro forma financial information relating to the Acquisition, as required by Item 9.01 of Form 8-K. Any information required to be set forth in the Original 8-K which is not being amended or supplemented pursuant to this Amendment No. 1 is hereby incorporated by reference. Except as set forth herein, no modifications have been made to the information contained in the Original 8-K and the Company has not updated any information contained therein to reflect the events that have occurred since the date of the Original 8-K. Accordingly, this Amendment No. 1 should be read in conjunction with the Original 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The financial statements of ApiFix required by this Item 9.01(a) are filed as Exhibit 99.1 to this Amendment No. 1 and are incorporated by reference herein.

(b) Pro Forma Financial Information.

The pro forma financial information required by this Item 9.01(b) is filed as Exhibit 99.2 to this Amendment No. 1 and is incorporated by reference herein.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global, relating to its audit of the financial statements included as Exhibit 99.1.
23.2	Consent of Wipfli LLP relating to its audit of the financial statements of Vilex in Tennessee Inc. and Affiliate (the "Vilex Companies").
99.1	Audited financial statements of ApiFix as of and for each of the fiscal years ended December 31, 2019 and 2018.
99.2	Unaudited pro forma condensed combined financial statements of the Company, ApiFix and the Vilex Companies as of and for the year ended December 31, 2019.

* * * * *

SIGNATURE

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

OrthoPediatrics Corp.

Date:	June 15, 2020	By:	/s/ Daniel J. Gerritzen
			Daniel J. Gerritzen, General Counsel and Secretary

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement No. 333-220973 on Form S-8 and in the Registration Statement No. 333-237177 on Form S-3 of OrthoPediatrics Corp., of our report dated June 8, 2020, relating to our audit of the consolidated financial statements of Apifix Ltd. and its subsidiary, as of December 31, 2019 and 2018, and for the years then ended, included in this Current Report (Form 8-K/A) of OrthoPediatrics Corp.

Kost Forer Gabbay & Kasierer

Tel Aviv, Israel
June 15, 2020

Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global

WIPFLi LLP

Consent of Independent Auditors

We consent to the incorporation by reference in Registration Statement No. 333-237177 on Form S-3 of OrthoPediatrics Corp. of our report dated July 30, 2019, relating to our audit of the combined financial statements of Vilex in Tennesee Inc. and Affiliate as of December 31, 2018 and 2017, and for the years then ended, included in the Current Report on Form 8-K/A filed on August 20, 2019.

Wipfli LLP

Wipfli LLP
June 15, 2020
Lincolnshire, Illinois

APIFIX LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

IN U.S. DOLLARS IN THOUSANDS

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Building a better
working world

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

REPORT OF INDEPENDENT AUDITORS
To the Shareholders of
APIFIX LTD.

We have audited the accompanying consolidated financial statements of ApiFix Ltd. which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ApiFix Ltd. at December 31, 2019 and 2018 and the consolidated results of their operations, its changes in shareholders' equity (deficiency) and its cash flows for the years then ended, in conformity with U.S generally accepted accounting principles.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
June 8, 2020

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

		December 31,	
	Note	**2019**	**2018**
CURRENT ASSETS:			
Cash and cash equivalents		$ 840	$ 777
Trade receivables		127	147
Inventories	3	616	441
Other accounts receivable and prepaid expenses	4	84	52
		1,667	1,417
LONG TERM ASSETS:			
Long-term operating lease deposit		3	5
Property and equipment, net	5	136	73
		139	78
Total assets		$ 1,806	$ 1,495

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	Note	December 31, 2019	December 31, 2018
CURRENT LIABILITIES:			
Trade payables		$ 204	$ 242
Other payables and accrued expenses	6	320	263
		524	505
LONG-TERM LIABILITIES:			
Convertible loan	7	-	1,560
Total liabilities		524	2,065
COMMITMENTS AND CONTINGENT LIABILITIES	8		
SHAREHOLDERS' EQUITY (DEFICIENCY):	9		
Share capital:			
Ordinary shares of NIS 0.01 par value - Authorized: 859,263 and 890,000 shares at December 31, 2019 and 2018, respectively; Issued and outstanding: 119,706 and 119,706 at December 31, 2019 and 2018, respectively;		1	1
Preferred A shares of NIS 0.01 par value - Authorized: 43,472 and 50,000 shares at December 31, 2019 and 2018, respectively; Issued and outstanding: 43,472 and 43,472 at December 31, 2019 and 2018, respectively;		(* -	(* -
Preferred A-1 shares of NIS 0.01 par value - Authorized: 62,265 and 60,000 shares at December 31, 2019 and 2018, respectively; Issued and outstanding: 62,265 and 48,926 at December 31, 2019 and 2018, respectively;		(* -	(* -
Preferred B shares of NIS 0.01 par value - Authorized: 35,000 and 0 shares at December 31, 2019 and 2018, respectively; Issued and outstanding: 19,252 and 0 at December 31, 2019 and 2018, respectively;		(* -	(* -
Additional paid-in capital		13,903	9,217
Receipts on account of shares		-	-
Accumulated deficit		(12,622)	(9,788)
Total shareholders' equity (deficiency)		1,282	(570)
Total liabilities and shareholders' equity		$ 1,806	$ 1,495

*) Less than $1

The accompanying notes are an integral part of the financial statements.

June 8, 2020	Paul Mraz	Adi Toister
Date of approval	Chief Executive Officer and Director	Chief Financial Officer

CONSOLIDATED STATEMENT OF OPERATIONS

U.S. dollars in thousands

		Year ended December 31,	
	Note	**2019**	**2018**
Revenues		$ 503	$ 427
Cost of sales		456	374
Gross profit		$ 47	$ 53
Operating expenses:			
Research and development, net		1,732	1,590
Sales and marketing		717	739
General and administrative		446	497
Total operating expenses		2,895	2,826
Operating loss		(2,848)	(2,773)
Financial income (expenses), net	10	33	(171)
Income taxes	11	19	10
Net loss		$ (2,834)	$ (2,954)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands (except share data)

	Ordinary shares		Preferred A shares		Preferred A1 shares		Preferred B shares		Receipts on account of shares	Additional paid-in capital	Accumulated deficit	T shar E
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of January 1, 2018	119,706	1	43,472	*)	35,453	*)	-	-	565	7,532	(6,834)	
Issuance of Preferred A1 shares	-	-	-	-	13,473	*)	-	-	(565)	1,515	-	
Share based compensation	-	-	-	-	-	-	-	-	-	170	-	
Net loss	-	-	-	-	-	-	-	-	-	-	(2,954)	
Balance as of December 31, 2018	119,706	$ 1	43,472	$ *)	48,926	$ *)	-	-	-	$ 9,217	$ (9,788)	$
Conversion of convertible loans to Preferred A1 shares	-	-	-	-	13,339	*)	-	-	-	1,575	-	
Issuance of Preferred B shares, net of issuance expenses	-	-	-	-	-	-	19,252	*)	-	2,941	-	
Share based compensation	-	-	-	-	-	-	-	-	-	170	-	
Net loss	-	-	-	-	-	-	-	-	-	-	(2,834)	
Balance as of December 31, 2019	119,706	$ 1	43,472	$ *)	62,265	$ *)	19,252	$ *)	-	$ 13,903	$ (12,622)	$

*) Less than $1

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,	
	2019	**2018**
Cash flows from operating activities:		
Net loss	$ (2,834)	$ (2,954)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest expenses on convertible loan	15	60
Depreciation	20	6
Share based compensation expenses	170	170
Decrease in trade receivables	20	29
Increase in inventory	(175)	(121)
Increase in other accounts receivable and prepaid expenses	(32)	(1)
Decrease in long-term other accounts receivable	2	-
Increase (decrease) in trade payables	(38)	147
Increase in other payables and accrued expenses	57	49
Net cash used in operating activities	(2,795)	(2,615)
Cash flows from investing activities:		
Purchase of property and equipment	(83)	(64)
Net cash used in investing activities	(83)	(64)
Cash flows from financing activities:		
Proceeds from issuance of Preferred B shares, net	2,941	950
Net cash provided by financing activities	2,941	950
Increase (decrease) in cash and cash equivalents	63	(1,729)
Cash and cash equivalents at the beginning of the year	777	2,506
Cash and cash equivalents at the end of the year	$ 840	$ 777
Supplemental disclosure of non-cash activity		
Conversion of a convertible loan to preferred B shares	$ 1,575	$ -

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

NOTE 1:- GENERAL

a. ApiFix Ltd. (the "Company") was incorporated in Israel on March 11, 2011 and commenced its operations on the same date. The Company is engaged in developing, marketing and distributing implants for a minimally invasive procedure to treat scoliosis.

In January 2018, the Company established a wholly-owned U.S subsidiary, ApiFix Inc. ("the U.S. subsidiary"), incorporated under the laws of the state of Delaware. The subsidiary is engaged primarily in marketing and distributing the Company's products in the US market.

On April 1, 2020, subsequent to the balance sheet date, the Company was acquired by OrthoPediatrics Corp. ("OP" or the "Purchaser"), a US public entity (see Note 14)

b. In connection with the preparation of the consolidated financial statements and in accordance with authoritative guidance for subsequent events, the Company evaluated subsequent events after the balance sheet date of December 31, 2019, through June 8, 2020, the date on which the audited consolidated financial statements were available to be issued.

c. Since inception, the Company has incurred accumulated deficit of $12,622 and negative cash flows from operating activities. The Company is in development stage and dependent upon additional funding sources in order to continue its activities and therefore there is uncertainty about the success of its development activities and ability to generate positive cash flows from its activities in the future. The Purchaser is committed to financially support the Company in order to enable it to meet its financial obligations as they become due for a period of at least 12 months from the date of issuance of the financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Use of estimates:

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency:

Most of the Company's revenues are linked or generated in U.S. dollars ("dollar"). In addition, capital raised to finance the Company's operations is denominated in dollars. The Company's management believes that the dollar is the currency of the primary economic environment in which the Company and its subsidiary operates. Thus, the functional and reporting currency of the Company and its subsidiary is the dollar.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Accordingly, amounts in currencies other than U.S dollars, have been translated in accordance with Accounting Standard Codification 830 ("ASC"), *Foreign Currency Matters*. All transactions gain and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statements of operations as financial income or expenses, as appropriate.

Cash and cash equivalents:

Cash equivalents consist of highly liquid investments that are readily convertible to cash with original maturities of three months or less, when purchased.

Inventories:

Inventories of raw materials and components are stated at the lower of cost or net realizable value.

Cost of inventories is determined as follows:

Materials and parts - using the weighted average cost method.

Work in progress and Finished goods - on the basis of average costs which take into account materials, labor and other direct and indirect manufacturing costs.

Inventory write-offs are provided to cover risks arising from slow-moving items or technological obsolescence for which recoverability is not probable.

Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers and peripheral equipment	33
Equipment	15

Impairment of long-lived assets:

The Company's' long-lived assets are reviewed for impairment in accordance with ASC 360-10-35*, Property, Plant, and Equipment*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. For the years ended December 31, 2019 and 2018, the Company did not record any impairment losses.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Severance pay:

The Company's agreements with employees in Israel, are subject to Section 14 of the Israeli Severance Pay Law, 1963 ("Severance Pay Law"). The Company's contributions for severance pay have replaced its severance obligation. Upon contribution of the full amount of the employee's monthly salary for each year of employment, no additional calculations are conducted between the parties regarding the matter of severance pay and no additional payments are made by the Company to the employee. Further, the related obligation and amounts deposited on behalf of the employee for such obligation are not stated on the balance sheet, as the Company is legally released from the obligation to employees once the deposit amounts have been paid.

Severance pay expenses amounted to approximately $45 and $39 for the years ended December 31, 2019 and December 31, 2018, respectively.

Fair value of financial instruments:

The carrying amount of cash and cash equivalents, trade receivables, other accounts receivable, trade payables, other accounts payable and accrued expenses, approximates their fair values due to the short-term maturities of such instruments.

The Company accounts for certain assets and liabilities at fair value under ASC 820, *Fair Value Measurements and Disclosures*. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Includes other inputs that are directly or indirectly observable in the marketplace, other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; and

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company categorized each of its fair value measurements in one of these three levels of hierarchy.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Revenues recognition:

The Company recognizes revenues when it satisfies a performance obligation by transferring control over a product or service to a customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services.

The Company determines revenue recognition using the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenues when, or as, the Company satisfies a performance obligation

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services. At the inception of a contract, the Company also evaluates the promised goods and services in the contract and determine if each promised good or service is distinct and therefore accounted for as a separate performance obligation or combined with other goods and/or services into a combined performance obligation.

Revenue is generated primarily from the sale of implants. Sales are primarily to hospital accounts through independent sales agencies. The revenue is recognized when performance obligations under the terms of a contract with the customer are satisfied. This typically occurs when the Company transfers control of products to the customers, generally upon implantation or when title passes upon shipment. The products are generally consigned to the independent sales agencies, and revenue is recognized when the products are used by or shipped to the hospital for surgeries on a case by case basis.

The Company elected to use the practical expedient and record incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

The Company capitalizes sales commission as costs of obtaining a contract when they are incremental and if they are expected to be recovered. The Company applies judgment in estimating the amortization period by taking into consideration customer contract terms and expected length of customer relationship. For costs that the Company would have capitalized and amortized over one year or less, the Company has elected to apply the practical expedient and expense these contract costs as incurred.

Commission expense for the years ended December 31, 2019 and 2018 were \$15 and \$15, respectively. Sales commission expense is included in Selling and Marketing expenses in the accompanying consolidated statements of income.

Refer also to Note 12 for disaggregation of revenues by primary geographical markets.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Research and development expenses:

Research and development costs are charged to the statement of operations as incurred.

Concentrations of credit risks:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables.

Cash and cash equivalents are invested in major banks in Israel and the USA. Management believes that the financial institution that holds the Company Cash and cash equivalents have high credit ratings.

Trade receivables are derived from sales to major customers mainly in Europe. The Company performs ongoing credit evaluations of its customers and to date, has not experienced any material losses.

The Company have no off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

Accounting for share-based compensation:

The Company accounts for Stock based compensation in accordance with ASC 718, *Compensation - Stock compensation*. ASC 718 requires companies to estimate the fair value of equity-based payments awards on the date of grant using an option-pricing model.

The Company recognizes compensation expenses for the value of awards granted, based on the straight-line method for service based awards.. The Company accounts for forfeitures as they occur.

The Company selected the Binomial option pricing model as the most appropriate fair-value method for its share-option awards based on the fair value estimation of the Company's Ordinary shares at the date of grant.

The Company estimates the fair value of share options granted with the following assumptions:

	Year ended December 31,	
	2019	**2018**
Dividend yield	0%	0%
Expected volatility	89%	91% - 92%
Risk-free interest	2.7%	2.83 - 2.94%
Contractual life (in years)	10	10

The risk-free interest rate assumption is the implied yield currently available on the U.S treasury yield zero-coupon issues with a remaining term equal to the expected life term of the Company's options.

The expected volatility is based on implied volatility of other comparable publicly traded companies.

The valuation of the ordinary shares was based on market approach and option pricing models.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Income taxes:

The Company account for income taxes under the liability method of accounting in accordance with the provisions of ASC 740, *Income Taxes*. ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized.

ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC 740. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement.

As of December 31, 2019, and December 31, 2018, the Company did not identify any significant uncertain tax positions.

Recently adopted accounting pronouncements:

ASU 2014-09 - Revenue from Contracts with Customers (Topic 606):

On January 1, 2019, the Company adopted ASU No. 2014-09, "*Revenue from Contracts with Customers*", using the modified retrospective method applied to those contracts that were not substantially completed as of January 1, 2019. The adoption of ASC 606 did not have material impact on the Company's financial statements. Results for reporting periods beginning after January 1, 2019, are presented under ASC 606, while prior periods amounts are not adjusted and continue to be reported in accordance with legacy GAAP under prior guidance ("ASC 605").

In June 2018, the FASB issued ASU No. 2018-07, "*Compensation - Stock Compensation (Topic 718) - Improvements to Nonemployee Share-Based Payment Accounting*", to simplify the accounting for non-employee share-based payment transactions by expanding the scope of ASC Topic 718, *Compensation - Stock Compensation*, to include share-based payment transactions for acquiring goods and services from non-employees. Under the new standard, most of the guidance on stock compensation payments to non-employees would be aligned with the requirements for share-based payments granted to employees. This standard is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company early adopted the standard On January 1, 2019. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Recent Accounting Pronouncement:

ASU 2016-02 - *Leases* (Topic 842):
In February 2016, the FASB issued guidance on the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for in a manner similar to the accounting under existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASC 842 supersedes the previous leases standard, ASC 840, "*Leases*". The guidance is effective for annual periods beginning on or after December 15, 2019. ASU No. 2016-02 provides a number of optional practical expedients in transition. The Company estimate that it will adopt the 'package of practical expedients', which, under the new standard, permits it not to reassess its prior conclusions about lease identification, lease classification and initial direct costs. The adoption of this new standard will affect the Company's consolidated balance sheets by recognizing new right-of-use ("ROU") assets and lease liabilities for operating leases. The impact on the Company's results of operations and cash flows is not expected to be material. Adoption of the standard will result in the recognition of lease liabilities and ROU asset for operating leases of approximately $105 - $115.

NOTE 3:- INVENTORIES

	December 31,	
	2019	**2018**
Raw materials and parts	$ 180	$ 204
Finished products	436	237
	$ 616	$ 441

NOTE 4:- OTHER ACCOUNTS RECEIVABLE AND PRE-PAID EXPENSES

	December 31,	
	2019	**2018**
Government authorities	$ 32	$ 41
Short-term deposits	11	7
Prepaid expenses and other receivables	41	4
	$ 84	$ 52

U.S. dollars in thousands (except share and per share data)

NOTE 5:- PROPERTY AND EQUIPMENT, NET

	December 31, 2019	December 31, 2018
Cost:		
Computers and software	$ 27	$ 21
Equipment	145	68
	172	89
Accumulated depreciation:		
Computers and software	19	15
Equipment	17	1
	36	16
Property and equipment, net	$ 136	$ 73

Depreciation expenses for the years ended December 31, 2019 and 2018 were approximately $20 and $6, respectively.

NOTE 6:- OTHER PAYABLES AND ACCRUED EXPENSES

	December 31, 2019	December 31, 2018
Employee and payroll accruals	$ 86	$ 58
Vacation and recreational accrual	127	84
Accrued expenses and other payables	107	121
	$ 320	$ 263

NOTE 7:- CONVERTIBLE LOAN

On December 28, 2017 ("effective date"), the Company entered into a convertible loan agreement (the "Convertible Loan") with a lender (the "Lender"), pursuant to which the Lender provided a loan in an aggregate principal amount of $1,500 ("Principal Amount"). The Convertible Loan amount bears interest of 4% per annum.

The Principal Amount shall convert into shares of the Company or repaid as follows:

(i) Conversion

If prior to April 1, 2019 (the "Target Date"), no transaction constituting a Deemed Liquidation (as defined in the convertible loan agreement) has been closed, at any time between and including April 1, 2019 until and including May 1, 2019, the Lender shall have the option: (i) convert the Principal Amount into Preferred A-1 Shares , at a price per share of $112.45 (the "PPS"); or (ii) choose repayment of the loan amount; provided however that, in the event the Lender chooses repayment, the Company shall be entitled to demand by providing a written notice to the Lender within 7 days after receipt of the Lender’s notice that in lieu of such repayment the Principal Amount shall convert into Preferred A-1 Shares, at the PPS.

NOTE 7:- CONVERTIBLE LOANS (CONT.)

(ii) Conversion upon Deemed Liquidation

If prior to the Target Date, a transaction that constitutes a Deemed Liquidation (as defined in the convertible loan agreement) has been closed, then upon the closing of such transaction and conditioned thereon, the Lender shall be entitled to choose either: (i) convert the Principal Amount into Preferred A-1 Shares at the PPS; or (ii) repayment of the loan amount by the Company within 10 days from the receipt of such notice; provided however, that if the Lender has chosen the option of repayment - in the event the distribution of proceeds upon such Deemed Liquidation does not suffice for the full repayment of the Loan Amount and the Preferred A-1 Preference (as such term is defined in the Amended Articles), then the Principal Amount shall be paid to the Lender concurrently and *pari passu* with the Aggregate Amount (where the "Aggregate Amount" shall mean sum of the Loan Amount and the Preferred A-1 Preference).

(iii) Optional Conversion

At any time, beginning upon the Closing Date and ending upon the Target Date, the Lender shall have the right to convert the Principal Amount into Preferred A-1 Shares, at the PPS.

(iv) Conversion upon Default

Notwithstanding the aforesaid, the Principal Amount, if outstanding at the time, will immediately become due and payable upon the occurrence of Default (as defined in the loan agreement)

In April 2019, following the Preferred A Share Purchase Agreement (see Note 9), the Company consummated a Qualified Financing, resulting the conversion of the convertible loan principal amount into 13,339 Preferred A-1 Shares.

Interest expenses for the years ended December 31, 2019 and 2018 were approximately $15 and $60, respectively.

The Company accounted for the convertible loan in accordance with ASC 470, *Debt*. The convertible loan was recorded as a liability and no embedded features were bifurcated. Since the conversion price of the convertible loan equals the Preferred A-1 share price, no beneficial conversion feature ("BCF") was recorded. According to ASC 470 upon conversion pursuant to the original terms of the convertible debt, the carrying amount of the convertible debt, including any unamortized premium or discount, is credited to the capital accounts and no gain or loss should be recognized. As of December 31, 2019, the outstanding accrued interest in the amount of approximately $75 was recorded against additional-paid-in capital.

U.S. dollars in thousands (except share and per share data)

NOTE 8:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Royalty bearing grants:

The Company received grants from the Research Committee of the Israel Innovation Authority of the Israeli Ministry of Economics and Industry ("IIA"), supporting the Company's research and development project.

Under the contracts with the IIA, the Company is required to pay royalties at 3-5%, in accordance with the Regulations for the Encouragement of Industrial Research and Development (Rate of Royalties and Rules for their Payment) - 1996. Royalties are to be paid based on sales of products deriving from the research and development program financed by the IIA up to a maximum of the total grants received, plus interest at LIBOR.

As of December 31,2019, the Company's remaining contingent commitment to the IIA amounted to approximately $412, not including LIBOR interest as described above.

Royalties expenses for the years then ended on December 31, 2019 and 2018, amounted to $23 and $13, respectively and are included in "Cost of sales".

b. Lease commitments**:**

The Company leases office facilities in Misgav, Israel, from a related party, under an operating lease agreement ending on September 1, 2021.

Future minimum annual payments under the operating lease for the year subsequent to December 31, 2019, are as follows:

Year ended December 31,	
2020	$ 72
2021	$ 48

Total rent expenses for the years ended on December 31, 2019 and 2018, were approximately $68 and $46, respectively.

NOTE 9:- SHAREHODERS' EQUITY

a. Composition of share capital:

The Company's authorized, outstanding and issued share capital is comprised as follows:

		December 31, 2019		December 31, 2018	
	Par value	**Authorized**	**Issued and Outstanding**	**Authorized**	**Issued and Outstanding**
Ordinary shares	NIS 0.01	859,263	119,706	890,000	119,706
Preferred A shares	NIS 0.01	43,472	43,472	50,000	43,472
Preferred A-1 shares	NIS 0.01	62,265	62,265	60,000	48,926
Preferred B shares	NIS 0.01	35,000	19,252	-	-
		1,000,000	244,695	1,000,000	240,742

NOTE 9:- SHAREHODERS' EQUITY (CONT.)

b. Shares' rights:

Ordinary Shares:

Ordinary shares confer upon their holders the right to participate in the general meeting where each one ordinary share has one voting right in all matters, receive dividends if and when declared and to participate in the distribution of surplus assets in case of liquidation of the company.

Preferred Shares:

The Preferred B, Preferred A-1 and Preferred A shares (collectively: the "Preferred shares") confer the same rights as the Ordinary Shares. In addition, the Preferred shares have additional rights, as detailed below:

i) Liquidation and Distribution preference:

In the event of Liquidation Event (as defined in the Articles of Association of the Company) any funds, assets or proceeds (the: “Distributable Proceeds”) shall be distributed in the following order and preferences: 1) The holders of the Preferred B Shares shall be entitled to receive, prior and in preference to any other securities of the Company, an amount equal to the applicable original issue price of each Preferred B share (subject to appropriate adjustment in the event of a stock split, stock dividend, combination, reclassification, or other adjustments specified in these Articles). In the event that the Distributable Proceeds shall be insufficient for the distribution of the Preferred B preference in full, the Distributable Proceeds shall be distributed among the holders of Preferred B Shares on a pro rata and pari passu basis; and 2) after payment in full of the Preferred B preference for all Preferred B Shares, the holders of Preferred A-1 Shares shall be entitled to receive out of the remaining Distributable Proceeds available for distribution, if any, for each Preferred A-1 Share, an amount equal to 100% of the original issue price of each Preferred A-1 Share (subject to appropriate adjustment in the event of a stock split, stock dividend, combination, reclassification, or other adjustments specified in these Articles), 3) after payment in full of the Preferred B preference and the Preferred A-1 Preference for all Preferred B Shares and Preferred A-1 Shares, respectively, the holders of the Preferred A Shares shall be entitled to receive out of the remaining Distributable Proceeds available for distribution, if any, for each Preferred A Share held by them, prior and in preference to any other securities of the Company (but after the Preferred B preference and Preferred A-1 preference), an amount equal to 250% of the Original Issue Price (subject to appropriate adjustment in the event of a stock split, stock dividend, combination, reclassification, or other adjustments specified in these Articles), of each Preferred A Share in $. The remaining amount of the assets and funds legally available for distribution, shall be distributed ratably to the holders of all Ordinary Shares.

NOTE 9:- SHAREHODERS' EQUITY (CONT.)

b. Shares' rights (Cont.):

Notwithstanding the foregoing : (1) in the event that a pro-rata distribution (treating the Preferred B Shares A-1 Shares on an as-converted basis), among all shareholders of the Company, without application of the Preferred B preference, Preferred A-1 preference, but with the application of the Preferred A-1 preference and the Preferred A preference, shall yield to the holders of the Preferred B Shares Preferred A-1 Shares an amount that is greater than the Preferred B PreferenceA-1 Preference, then the Preferred B preference A-1 preference shall not apply; and (2) in the event that a pro-rata distribution (treating the Preferred A-1 Shares on an as-converted basis), among all shareholders of the Company, without application of the Preferred A-1 preference, but with the application of the Preferred A presence, shall yield to the holders of the Preferred A-1 Shares an amount that is greater than the Preferred A-1 preference, then the Preferred A-1 preference shall not apply; and (3) in the event that a pro-rata distribution (treating the Preferred A Shares on an as converted basis), among all shareholders of the Company, without the application of the Preferred A preference, shall yield to the holders of the Preferred A Shares an amount that is greater than the Preferred A preference, then the Preferred A preference shall not apply.

As of December 31, 2019, the Preferred shares aggregate liquidation preference amounted to $16,815.

ii) Conversion:

Each Preferred share shall be convertible at any time, at the option of the holder, into shares of Ordinary share, without the payment of any additional consideration. The Preferred shares shall be automatically converted into Ordinary shares immediately prior to the closing of a Qualified IPO or if the majority of the holders of the outstanding Preferred shares agree so in writing.

iii) Voting Rights:

The Preferred shares shall vote together with the other shares of the Company in each case not as a separate class, in all General Meetings, with each Preferred Shares having votes in such number as if then converted into Ordinary shares

c. Issuance of Shares:

During 2017, the Company entered into a Share Purchase Agreement (the: "2017 SPA") with several investors, according to which, the Company will issue 18,991 Series A-1 Preferred shares, with NIS 0.01 per value each, at a price per each Preferred A-1 share of $112.5, for aggregate cash consideration of $2,318.

As of December 31, 2017, the Company issued 5,518 Series A-1 Preferred shares, for considerations of $1,368, of which an amount of $565 was recorded as receivables on accounts of shares. In February 2018, the Company received additional amount of $950 and issued the remaining 13,473 Series A-1 Preferred shares. Issuance expenses were immaterial.

U.S. dollars in thousands (except share and per share data)

NOTE 9:- SHAREHODERS' EQUITY (CONT.)

c. Issuance of Shares (Cont.):

On April 3, 2019, the Company entered into a Series B Preferred share Purchase Agreement (the "2019 SPA") with several investors (the "Investors") pursuant to which the Company issued an aggregate of 19,252 Preferred B shares (the "Preferred B shares"), NIS 0.01 per value each for aggregate cash consideration of $2,941, at a price per Preferred B share of $152.785.

As part of the transaction, the Company converted the existing convertible loan principal amount of $1,500 into 13,339 Preferred A-1 shares, which reflect a price per Preferred A-1 share of $112.45 (see Note 7).

d. Option plan:

In 2012, the Company's Board of Directors adopted a Share Option Plan, the "ApiFix Ltd. 2012 Incentive Plan" (the "Plan"). Under the Plan, options may be granted to employees, directors, officers and/or consultants of the Company.

Each grant generally vests over 4 years' period. Unexercised options expire 10 years after the date of grant.

As of December 31, 2019, there are 35,863 options outstanding and there are no additional options to Ordinary shares available for future grant under the Plan.

The following table presents the Company's Stock option activity for employees and directors of the Company under the Plan and related information:

	Number of options	Weighted- average exercise price		Weighted- average remaining contractual term (in years)
Outstanding at January 1, 2019	27,233	$	44.68	8.05
Options granted	-		-	-
Options exercised	-		-	-
Options forfeited	-		-	-
Options outstanding at end of the period	27,233	$	44.68	7.05
Options exercisable at the end of the period	16,934	$	46.11	6.40

Unamortized compensation expenses related to Stock options granted to employees and directors to be recognized over an average time of approximately 1.4 years are approximately $396.

The weighted average fair values at grant date of options granted for the years ended December 31, 2019 and 2018 were $0 and $26.27 per share, respectively.

The aggregate intrinsic value of the outstanding stock options at 31 December 2019 and 2018, represents the intrinsic value of 26.22 and 26.22 outstanding options. Refer also to Note 12.

U.S. dollars in thousands (except share and per share data)

NOTE 9:- SHAREHODERS' EQUITY (CONT.)

d. Option plan (Cont.):

The following table sets forth the total share-based compensation expenses resulting from stock options granted to employees included in the Company's Statement of Operations:

	Year ended December 31, 2019	2018
Cost of sales	$ 4	$ 4
Sales and marketing expenses	41	41
Research and development expenses	6	6
General and administrative expenses	89	88
	$ 140	$ 139

Share options issued to non-employees:

The following table presents the Company's Stock option activity for non-employees of the Company under the Plan and related information as of December 31, 2019:

Issuance date	Outstanding options	Exercise price	Exercisable options	Exercisable through
May 2015	1,971	$ 63.2	1,971	November 2020
November 2015	3,537	63.2	3,537	November 2025
May 2016	500	112.5	500	May 2026
June 2016	500	63.2	489	June 2026
July 2017	1,122	55.0	1,122	July 2021
July 2017	500	63.2	500	February 2020
February 2019	500	41.9	280	February 2029
	8,630		8,399	

Compensation expenses related to options granted to non-employees were recorded as follows:

	Year ended December 31, 2019	2018
Research and development expenses	$ 30	$ 31
	$ 30	$ 31

NOTE 10:- FINANCIAL EXPENSES (INCOME), NET

	Year ended December 31, 2019	2018
Bank commissions	$ 5	$ 3
Interest related to convertible loans	15	60
Foreign currency translation adjustments, net	(53)	108
	$ (33)	$ 171

U.S. dollars in thousands (except share and per share data)

NOTE 11:- INCOME TAXES

a. The Israeli corporate tax rate in 2019 and 2018 was 23%.

The U.S subsidiary is taxed under United States federal and state tax rules.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the "ACT") was signed into law, permanently lowering the corporate federal income tax rate from 35% to 21%, effective January 1, 2018.

The Tax Act also makes certain changes to the depreciation rules and implements new limits on the deductibility of certain executive compensation paid by the Company. The tax Act also eliminates the carryforward net operating losses ("NOLs") limitation period for losses incurred after December 31, 2017 and eliminates the ability of taxpayers to carry back NOLs incurred after December 31, 2017, to previous tax years.

b. Net operating losses carry forward:

As of December 31, 2019, the Company has an operating tax losses and research and development costs carryforward in the aggregate amount of approximately $12,586. These losses may be offset against future taxable income for an indefinite period.

c. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	December 31,	
	2019	2018
Deferred tax assets:		
Israeli net operating loss and research and development expenses carryforward	$ 2,895	$ 2,224
Allowances and reserves	29	20
Total deferred tax assets before valuation allowance	2,924	2,244
Valuation allowance	(2,924)	(2,244)
Net deferred tax asset	$ -	$ -

c. Deferred income taxes (Cont.):

As of December 31, 2019 and 2018, the Company has provided full valuation allowances in respect of deferred tax assets resulting from tax loss carryforward and other temporary differences, since they have a history of operating losses and current uncertainty concerning its ability to realize these deferred tax assets in the future.

U.S. dollars in thousands (except share and per share data)

NOTE 11:- INCOME TAXES (Cont.)

The Company accounts for its income tax uncertainties in accordance with ASC 740 which clarifies the accounting for uncertainties in income taxes recognized in a Company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

As of December 31, 2019 and 2018, there were no unrecognized tax benefits that if recognized would affect the annual effective tax rate.

d. Tax assessment:

The Company received final tax assessments through 2014. Its U.S. subsidiary has not yet received final tax assessments since inception.

e. Reconciliation of the theoretical tax expense (benefit) to the actual tax expense (benefit):

In 2018 and 2019, the main reconciling item of the statutory tax rate of the Company to the effective tax rate is tax loss carryforwards and other deferred tax assets for which a full valuation allowance was provided.

NOTE 12:- MAJOR CUSTOMERS AND GEOGRAPHIC INFORMATION

Revenues from single customers that exceed 10% of the total revenues in the reported years as a percentage of total revenues are as follows:

	Year ended December 31,	
	2019	2018
	%	
Customer A	34	24
Customer B	17	23
Customer C	22	15
Customer D	10	12
Customer E	9	10

Revenues are attributed to geographic areas based on location of the end customers as follows:

	Year ended December 31,	
	2019	2018
Israel	$ 110	$ 65
Europe	393	362
	$ 503	$ 427

U.S. dollars in thousands (except share and per share data)

NOTE 13:- RELATED PARTIES

a. Balances

	December 31,	
	2019	2018
Trade payable (1)	$ 9	$ 19

b. Transaction

	Year ended December 31,	
	2019	2018
Research and development (1) (2)	73	56
General and administrative (1)	$ 39	$ 23

(1) The Company leases office space and purchases other miscellaneous services from one of its shareholders, which are considered to be related parties.

(2) One of the Company's shareholder provided clinical consultant and Company's CMO services to the Company in the amount of $34 and $33 for years ended December 31, 2019 and 2018, respectively.

NOTE 14:- SUBSEQUENT EVENTS

On January 8, 2020, the Company's Board of Directors approved to increase the option pool by 8,771 options to Ordinary shares of the Company and approved a grant of 8,771 Company's Stock option grant for employees and directors of the Company under the Plan. The additional grant included 769 Company's Stock option to a shareholder of the Company and 2,738 to the Company's CEO, which was approved on a special meeting of the Company's shareholders on April 1, 2020.

On February 17, 2020, the Company entered into a Promissory Note Agreement (the "Loan") with one of the Company's shareholders (the "Holder"), for an amount of $500. The Loan amount bears interest of 10.25% per annum.

On March 31, 2020 the Loan amount including the accrued interest in the aggregate amount of $506 was repaid to the Holder.

On April 1, 2020, (the “Closing Date”) the Company and its shareholders (the "Sellers") entered into a Share Purchase Agreement (the “Purchase Agreement”) with OrthoPediatrics Corp. ("OP"), a U.S. public listed entity ("OP"), according to which, OP purchased all of the issued and outstanding shares of the Company.

Under the terms of the Purchase Agreement, consideration of (a) $2,000 in cash, and (b) 934,783 shares of common stock of OP representing approximately $37,000 (based on a closing share price of $39.64 on March 31, 2020), will be paid by OP on the Closing Date. The purchase price is subject to a post-closing working capital adjustment.

NOTE 14:- SUBSEQUENT EVENTS (Cont.)

In addition, the purchase price may include the following payments (each, an "Anniversary Payment" and, collectively, the "Anniversary Payments"): (i) $13,000 on the second anniversary of the Closing Date, provided that such payment will be paid earlier if 150 clinical procedures using the ApiFix System are completed in the United States before such anniversary date; (ii) $8,000 on the third anniversary of the Closing Date; and (iii) $9,000 on the fourth anniversary of the Closing Date. In addition, to the extent that the product of OP's revenues from the ApiFix System for the twelve months ended June 30, 2024 multiplied by 2.25 exceeds the Anniversary Payments actually made for the third and fourth years (or subject to offset as a result of the occurrence of a Reduction Event (as defined below), OP has agreed to pay the Sellers the amount of such excess (the "System Sales Payment"). The Anniversary Payments may be made in cash and/or Common Stock of OP, subject to certain limitations; provided that OP shall make the determination with respect to Anniversary Payments and the Sellers' representative shall make the determination with respect to the ApiFix Systems Sales Payment, if any.

Notwithstanding the foregoing, in the event that, prior to the fourth anniversary of the Closing Date, the ApiFix System (A) loses its humanitarian device exemption from the FDA, or other approval of the FDA, or its Conformité Européenne mark under European Union legislation, as a result of safety events; or (B) experiences an implant failure rate in excess of ten percent (10%) due to breakage, as calculated at the time of each of the Anniversary Payments (each a "Reduction Event"), each of the Anniversary Payments, to the extent still payable by OP at the relevant time, shall each be reduced up to a total reduction of $15,000.

In addition, if OP sells a majority of the intellectual property comprising, or embodied in, the ApiFix System to a third party, through a sale of assets, an exclusive license of intellectual property rights, a sale of stock of OP or otherwise (an "ApiFix Divestiture"), on or before June 30, 2024, then OP's obligation to make the payments under the Purchase Agreement shall remain effective; provided that the amount payable (excluding the Closing Purchase Price) shall be the higher of: (a) $45,000 less any of the Anniversary Payments already made by OP (or subject to offset as a result of a Reduction Event (if triggered); and (b) the sum of the second year Anniversary Payment (unless previously paid or subject to offset as a result of a Reduction Event (if triggered)). In the event of an ApiFix Divestiture, the remaining payments are payable in cash and/or Common Stock as determined by the Sellers' Representative.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Summary of the Transactions

ApiFix Ltd.

On April 1, 2020, OrthoPediatrics Corp. (the "Company") purchased all the issued and outstanding shares of stock of ApiFix Ltd., a private company incorporated under the laws of the State of Israel ("ApiFix"), pursuant to a Share Purchase Agreement (the "Purchase Agreement") among ApiFix, certain controlling shareholders of ApiFix (together with all other shareholders thereof, who have agreed to be bound thereby, collectively, the “Sellers”), and the Sellers’ representative named therein (the “Sellers’ Representative”). ApiFix has developed and manufactures a minimally invasive deformity correction system for patients with Adolescent Idiopathic Scoliosis (AIS) (the “ApiFix System”).

Under the terms of the Purchase Agreement, the Company paid (a) $2 million in cash, and (b) 934,783 shares of its common stock, $0.00025 par value per share (“Common Stock”), representing approximately $35 million (based on a closing share price of $37.63 on April 1, 2020), to the Sellers on April 1, 2020 (the “Closing Date”). The purchase price is subject to a post-closing working capital adjustment.

In addition to the consideration set forth above (the “Closing Purchase Price”), the Company has also agreed to pay as part of the purchase price the following payments (each, an “Anniversary Payment” and, collectively, the “Anniversary Payments”): (i) $13 million on the second anniversary of the Closing Date, provided that such payment will be paid earlier if 150 clinical procedures using the ApiFix System are completed in the United States before such anniversary date; (ii) $8 million on the third anniversary of the Closing Date; and (iii) $9 million on the fourth anniversary of the Closing Date. In addition, to the extent that the product of the Company’s revenues from the ApiFix System for the twelve months ended June 30, 2024 multiplied by 2.25 exceeds the Anniversary Payments actually made for the third and fourth years (or subject to offset as a result of the occurrence of a Reduction Event (as defined below)), the Company has agreed to pay the Sellers the amount of such excess (the “System Sales Payment”). The Anniversary Payments and the Systems Sales Payment may each be made in cash or cash and Common Stock, subject to certain limitations; provided that the Company shall make the determination with respect to Anniversary Payments and the Sellers’ Representative shall make the determination with respect to the Systems Sales Payment, if any.

Notwithstanding the foregoing, in the event that, prior to the fourth anniversary of the Closing Date, the ApiFix System (A) loses its humanitarian device exemption from the United States Food and Drug Administration (the “FDA"), or other approval of the FDA, or its Conformité Européenne mark under European Union legislation, as a result safety events; or (B) experiences an implant failure rate in excess of ten percent (10%) due to breakage, as calculated at the time of each of the Anniversary Payments (each a “Reduction Event”), each of the Anniversary Payments, to the extent still payable by the Company at the relevant time, shall each be reduced up to a total reduction of $15 million.

In addition, if the Company sells a majority of the intellectual property comprising, or embodied in, the ApiFix System to a third party, through a sale of assets, an exclusive license of intellectual property rights, a sale of stock of the Company or otherwise (an “ApiFix Divestiture”), on or before June 30, 2024, then the Company’s obligation to make the payments under the Purchase Agreement shall remain effective; provided that the amount payable (excluding the Closing Purchase Price) shall be the higher of: (a) $45 million less any of the Anniversary Payments already made by the Company (or subject to offset as a result of a Reduction Event (if triggered); and (b) the sum of the second year Anniversary Payment (unless previously paid or subject to offset as a result of a Reduction Event (if triggered)) and the System Sales Payment. In the event of an ApiFix Divestiture, the remaining payments are payable in cash or cash and Common Stock as determined by the Sellers’ Representative.

Vilex Companies

On June 4, 2019, the Company purchased all the issued and outstanding shares of stock of Vilex in Tennessee, Inc., a Tennessee Corporation ("Vilex"), and all of the issued and outstanding membership interests in Orthex, LLC, a Florida limited liability company ("Orthex") for (a) $50 million of cash, as adjusted for estimated working capital, and (b) 245,352 shares of Common Stock. The shares of Common Stock were valued at $40.76 per share. In addition, $3 million of the cash consideration was deposited into escrow for a period of up to twenty (20) months to cover certain indemnification obligations of the Sellers and to secure certain closing adjustments. Orthex and Vilex (together, the "Vilex Companies") are primarily manufacturers of foot and ankle surgical implants, including cannulated screws, fusion devices, surgical staples and bone plates, as well as Orthex Hexapod technology which is used to treat pediatric congenital deformities and limb length discrepancies.

Debt Financing for Acquisition of Vilex Companies

In order to finance a portion of the cash consideration for the acquisition of the Vilex Companies, the Company entered into a First Amendment (the “Amendment”) to its Fourth Amended and Restated Loan and Security Agreement (as so amended, the “Loan Agreement”), with Squadron Capital LLC (“Squadron”), the Company’s largest investor. The Loan Agreement provided for a new $30 million term loan facility (the “Term Loan B”) in addition to the existing $20 million term loan facility (the “Term Loan A”) and $15 million revolving credit facility that were established previously by the Lender. The term loan and revolving credit facilities under the Loan Agreement provide for interest only payments with interest rates equal to the greater of (a) three month LIBOR plus 8.61%, and (b) 10.00%. The Term Loan B, which would have matured no later than May 31, 2020, was paid in full on December 31, 2019 using $25 million received in exchange for the divestiture of the adult product offerings of Vilex and the related Orthex license arrangement (as discussed below), and $5 million from the Squadron revolving credit facility. On January 4, 2020, the Company repaid the $5 million borrowed under the revolving credit facility.

Vilex Divestiture

Because the product line of the Vilex Companies also included adult offerings that were not core to the Company’s pediatrics business, on December 31, 2019, the Company divested substantially all of the assets related to Vilex's adult product offerings to a wholly-owned subsidiary of Squadron in exchange for (i) the $25 million reduction in the amount outstanding under the Term Loan B, and (ii) a cross license arrangement that permits both the Company and the Squadron affiliate to sell the Vilex and Orthex products to certain customers for an indefinite term. As a result of the divestiture, the Company has disclosed Vilex as a discontinued operation within its unaudited proforma condensed combined financial statements.

Pro Forma Presentation

The following unaudited pro forma condensed combined financial statements give effect to the ApiFix acquisition on April 1, 2020 and the Vilex Companies acquisition on June 4, 2019 and include adjustments for the following:

- certain reclassifications to conform historical financial statement presentation of Apifix and the Vilex Companies to that of the Company;
- the proceeds and uses of the Term Loan B and related interest expense;
- application of the acquisition method of accounting under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, which we refer to as ASC 805, “Business Combinations,” to reflect estimated consideration transferred for ApiFix of approximately $87 million (approximately $35 million in share consideration based on the closing share price of $37.63 on April 1, 2020) and approximately $60 million of cash consideration, including future milestone and earn-out payments), in exchange for 100% of all outstanding equity securities of ApiFix (there are no outstanding equity securities of ApiFix owned by any person other than the Company as of April 1, 2020) and consideration for the Vilex Companies of approximately $60 million (approximately $10 million in share consideration based on the weighted average trading price during the thirty day trading period ending on May 30, 2019 and approximately $50 million of cash consideration), in exchange for 100% of all outstanding equity securities of the Vilex Companies;
- transaction costs in connection with the acquisition;
- the fair value of the identifiable intangible assets based on valuations using a combination of the income and cost approach, including trademarks/names, patents, internally developed software, customer relationships and non-competition agreements;
- the accretion of the Anniversary and System Sales payments until date of payment; and
- the impact of the divestiture of Vilex.

The following unaudited pro forma condensed combined financial statements and related notes are based on and should be read in conjunction with (i) the historical audited consolidated financial statements of the Company as of and for the year ended December 31, 2019 and the related notes included in the Company's Annual Report on Form 10-K (as adjusted - refer to the Note 3 of the Company's March 31, 2020 Interim Condensed Consolidated Financial statements filed on Form 10-Q), (ii) the historical audited consolidated financial statements of ApiFix and the related notes for the year ended December 31, 2019, which financial statements are filed as Exhibit 99.1, (iii) unaudited condensed combined financial statements of the Vilex

Companies as of and for the three months ended March 31, 2019 and the related notes for the quarterly period ended March 31, 2019, which financial statements are filed as Exhibit 99.2 to the Company's Current Report on Form 8-K/A filed on August 20, 2019, or the Vilex Companies Amendment No. 1, and (iv) the historical audited combined financial statements of the Vilex Companies and the related notes for the years ended December 31, 2018 and 2017, which financial statements are filed as Exhibit 99.1 to the Vilex Companies Amendment No. 1.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2019 combine the historical consolidated statement of operations of the Company, the consolidated statement of operations of ApiFix, and the statement of income of the Vilex Companies that are included in the applicable 2019 full year financial statements, giving effect to the acquisitions as if they both had been completed on January 1, 2019. Vilex was divested on December 31, 2019 and its financial results are removed from the condensed combined statement of operations for the year ended December 31, 2019. The unaudited pro forma condensed combined balance sheet as of December 31, 2019 combines the historical consolidated balance sheets of the Company and ApiFix giving effect to the acquisition as if it had been completed on December 31, 2019.

The historical financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (i) directly attributable to the acquisitions, (ii) factually supportable and (iii) with respect to the unaudited pro forma condensed combined statement of operations, expected to have a continuing effect on the combined results of the Company, ApiFix and the Vilex Companies. The unaudited pro forma condensed combined financial statements contained herein do not reflect the costs of any integration activities or benefits that may result from the realization of future cost savings from operating efficiencies, or any other synergies that may result from the acquisition.

The unaudited pro forma condensed combined financial statements and related notes are being provided for illustrative purposes only and do not purport to represent what the combined company’s actual results of operations or financial position would have been had the acquisition been completed on the dates indicated, nor are they necessarily indicative of the combined company’s future results of operations or financial position for any future period.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting under U.S. GAAP. The acquisition method of accounting is dependent upon certain procedures, such as valuations, appraisals, and discussions and input from the ApiFix and the Vilex Companies management, which have to be performed to obtain the necessary information to recognize the acquired assets and liabilities at fair value.

The value of the total consideration transferred for ApiFix was determined based on (i) the closing share price on April 1, 2020, (2) Anniversary Payments of $13 million, $8 million and $9 million on the second, third and fourth anniversary of the Closing Date, respectively, and (3) forecasted revenues of the ApiFix System for the twelve months ended June 30, 2024 multiplied by 2.25 less the Anniversary Payments made in the third and fourth years following the Closing Date and present valued as of the closing date, the System Sales Payment. The System Sales Payment is estimated to be $41 million, based on management's estimate of ApiFix's future revenue using a monte carlo simulation, less the third and fourth Anniversary Payments. The Anniversary Payments and System Sales Payment are discounted back to the date of acquisition using a discount rate of 10.4% and recorded at their present value. The Anniversary Payments and System Sales Payment may be made in either cash or cash and common stock subject to certain limitations. The value of the total consideration transferred for the Vilex Companies was determined based on a cash payment of $50 million and $10 million of the Company's common stock.

As a result of the foregoing, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between these preliminary estimates and the final acquisition accounting will arise, and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined Company’s future results of operations and financial position.

Any changes in the fair values of the net assets or total purchase consideration as compared with the information shown in the unaudited pro forma condensed combined financial statements may change the amount of the total purchase consideration allocated to goodwill and other assets and liabilities and may impact the combined Company’s statement of operations. The final calculation of consideration transferred and the purchase price allocation may be materially different than the preliminary amounts presented in the unaudited pro forma condensed combined financial statements.

OrthoPediatrics Corp.
Unaudited Pro Forma Condensed Balance Sheet
As of December 31, 2019
(In thousands, except per share amounts)

	OrthoPediatrics Corp. Historical December 31, 2019	ApiFix Ltd. Historical December 31, 2019	Pro Forma Acquisition Adjustments		Total OrthoPediatrics Corp. Pro Forma Combined
ASSETS					
Current assets:					
Cash	$ 70,777	$ 840	$ (2,067)	4(a)	$ 69,550
Restricted cash	1,250	—	—		1,250
Accounts receivable, net	16,003	127	—		16,130
Inventories, net	38,000	616	—		38,616
Notes receivable	564	—	—		564
Prepaid expenses and other current assets	1,464	84	—		1,548
Total current assets	$ 128,058	$ 1,667	$ (2,067)		$ 127,658
Property and equipment, net	21,349	136	—		21,485
Other assets:					
Intangible assets, net of accumulated amortization	14,484	—	32,950	4(b)	47,434
Goodwill	13,773	—	52,821		66,594
Other intangible assets	4,490	3	102	4(c)	4,595
Total other assets	$ 32,747	$ 3	$ 85,873		$ 118,623
Total assets	$ 182,154	$ 1,806	$ 83,806		$ 267,766
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable - trade	$ 6,467	$ 204	$ —		$ 6,671
Accrued compensation and benefits	4,349	—	—		4,349
Current portion of long-term debt with affiliate	124	—	—		124
Other current liabilities	2,723	320	—		3,043
Total current liabilities	$ 13,663	$ 524	$ —		$ 14,187
Long-term liabilities:					
Long-term debt with affiliate, net of current portion	26,067	—	—		26,067
Operating lease liabilities	63	—	102	4(c)	165
Anniversary payments and sales system payment liabilities	—	—	49,810	4(d)	49,810
Total long-term liabilities	$ 26,130	$ —	$ 49,912		$ 76,042
Total liabilities	$ 39,793	$ 524	$ 49,912		$ 90,229
Stockholders' equity:					
Common stock	4	1	(1)	4(e)	4
Additional paid-in capital	271,182	13,903	21,273	4(e)	306,358
Accumulated other comprehensive loss	(3)	—	—		(3)
Accumulated deficit	(128,822)	(12,622)	12,622	4(e)	(128,822)
Total stockholders' equity	$ 142,361	$ 1,282	$ 33,894		$ 177,537
Total liabilities and stockholders' equity	$ 182,154	$ 1,806	$ 83,806		$ 267,766

See accompanying notes to unaudited pro forma condensed combined financial information.

OrthoPediatrics Corp.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2019
(In thousands, except per share amounts)

	OrthoPediatrics Corp. Historical December 31, 2019	Vilex Companies Historical January 1 - March 31, 2019		Vilex Companies Historical April 1 - June 4, 2019	ApiFix Ltd Historical December 31, 2019	Pro Forma Financing Adjustments		Pro Forma Acquisition Adjustments		Subtotal OrthoPediatrics Corp. Preliminary Pro Forma Combined	Pro Forma Vilex Divestiture Adjustments	Total OrthoPediatrics Corp. Pro Forma Combined	
Net revenue	$ 72,552	$ 2,761		$ 1,749	$ 503	$ —		$ —		$ 77,565	$ (2,574)	$ 74,991	
Cost of revenue	17,933	643	2	672	456	—		—		19,704	(885)	18,819	
Gross profit	54,619	2,118		1,077	47	—		—		57,861	(1,689)	56,172	
Operating expenses:													
Sales and marketing	31,284	769		554	717	—		—		33,324	(982)	32,342	
General and administrative	26,664	733	2	513	446	—		2,523	5(a)	30,879	(1,154)	29,725	
Research and development	5,748	20	2	71	1,732	—		—		7,571	(24)	7,547	
Total operating expenses	63,696	1,522		1,138	2,895	—		2,523		71,774	(2,160)	69,614	
Operating income (loss)	(9,077)	596		(61)	(2,848)	—		(2,523)		(13,913)	471	(13,442)	
Other expenses (income):													
Interest expense (income)	3,538	66		69	(33)	8,756	5(b)	(135)	5(b)	12,261	—	12,261	
Other expense	70	—		—	19	—		—		89	(486)	(397)	
Total other expenses (income)	3,608	66		69	(14)	8,756		(135)		12,350	(486)	11,864	
Net income (loss) from continuing operations	$ (12,685)	$ 530		$ (130)	$ (2,834)	$ (8,756)		$ (2,388)		$ (26,263)	$ 957	$ (25,306)	
Net loss from discontinued operations	$ (1,046)	$ —		$ —	$ —	$ —		$ —		$ (1,046)	$ —	$ (1,046)	
Net income (loss)	$ (13,731)	$ 530		$ (130)	$ (2,834)	$ (8,756)		$ (2,388)		$ (27,309)	$ 957	$ (26,352)	
Net income (loss) attributable to common stockholders	$ (13,731)	$ 530		$ (130)	$ (2,834)	$ (8,756)		$ (2,388)		$ (27,309)	$ 957	$ (26,352)	
Weighted average common shares - basic and diluted	14,624,194											15,662,495	5(c)
Net loss from continuing operations per share attributable to common stockholders - basic and diluted	$ (0.87)											$ (1.62)	
Net loss from discontinued operations per share attributable to common stockholders - basic and diluted	$ (0.07)											$ (0.07)	
Net loss per share attributable to common stockholders - basic and diluted	$ (0.94)											$ (1.68)	

See accompanying notes to unaudited pro forma condensed combined financial information.

ORTHOPEDIATRICS CORP
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

1. Basis of pro forma presentation

The accompanying unaudited pro forma condensed combined financial statements and related notes were prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2019 combine the historical consolidated statements of operations of the Company, the combined statements of income of ApiFix and the combined statements of income of the Vilex Companies included in the applicable 2019 full year financial statements, and the internal books and records of ApiFix and the Vilex Companies prepared on a basis consistent with ApiFix and the Vilex Companies' audited financial statements, respectively, giving effect to the Apifix and Vilex Companies acquisitions as if they had been completed on January 1, 2019. The accompanying unaudited pro forma condensed combined balance sheet as of December 31, 2019 combines the historical consolidated balance sheet of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (as adjusted - refer to the Note 3 of the Company's March 31, 2020 Interim Condensed Consolidated Financial statements filed on Form 10-Q) and ApiFix, giving effect to the acquisition as if it had been completed on December 31, 2019. Substantially all the assets relating to Vilex were divested on December 31, 2019.

The Company's, ApiFix's and the Vilex Companies' historical financial statements were prepared in accordance with U.S. GAAP and presented in U.S. dollars. As discussed in Note 2, certain reclassifications were made to align the Company's, ApiFix's and the Vilex Companies' financial statement presentation. The Company has not identified all adjustments necessary to conform the ApiFix accounting policies to the Company's accounting policies. There were no material transactions and balances between the Company and ApiFix as of and for the year ended December 31, 2019. There were no material transactions and balances between the Company and the Vilex Companies prior to the acquisition of the Vilex Companies on June 4, 2019.

The accompanying unaudited pro forma condensed combined financial statements and related notes were prepared using the acquisition method of accounting under the provisions of ASC 805, with the Company considered the acquirer of ApiFix and the Vilex Companies. ASC 805 requires, among other things, that the assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. For purposes of the unaudited pro forma condensed combined balance sheet, the purchase consideration has been allocated to the assets acquired and liabilities assumed of ApiFix and the Vilex Companies based upon management's preliminary estimate of their fair values at the respective date of acquisition. Any differences between the estimated fair value of the consideration transferred and the fair value of the assets acquired and liabilities assumed has been recorded as goodwill. Accordingly, the purchase price allocation for ApiFix and the Vilex Companies and related adjustments reflected in these unaudited pro forma condensed combined financial statements are preliminary.

All amounts presented within these Notes to Unaudited Pro Forma Condensed Combined Financial Statements are in thousands, except per share data or as denoted otherwise.

2. Reclassification adjustments

Vilex Companies

During the preparation of these unaudited pro forma condensed combined financial statements, management reviewed the Vilex Companies' financial information to identify differences in accounting policies as compared to those of the Company and differences in financial statement presentation as compared to the presentation of the Company. The Company reclassified $53 of expenses for the year ended December 31, 2019 related to regulatory and research and development from cost of revenue to operating expenses in the unaudited pro forma condensed combined statements of operations to conform with the Company's presentation.

3. Preliminary purchase price allocation

ApiFix

Refer to the table below for the preliminary calculation of estimated value of the consideration transferred for Apfix:

(in thousands, except per share amounts)	NOTE		Amount (Rounded)
Cash consideration:			
Cash consideration paid to ApiFix stockholders pursuant to the Purchase Agreement			$ 2,000
Share consideration:			
OrthoPediatrics common shares issued		934,783	
Closing share price of OrthoPediatrics on April 1, 2020		$ 37.63	
Estimated value of OrthoPediatrics common shares issued to ApiFix equity holders pursuant to the Purchase Agreement			35,176
Estimated payment of ApiFix transaction related costs			67
Estimated Anniversary Payments and System Sales Payment	(i)		49,810
Preliminary estimated fair value of consideration transferred			$ 87,053

(i) Per the Purchase Agreement, the Company has agreed to pay as part of the purchase price Anniversary Payments of (a) $13 million on the second anniversary of the Closing Date, provided that such payment will be paid earlier if 150 clinical procedures using the ApiFix System are completed in the United States before such anniversary date; (b) $8 million on the third anniversary of the Closing Date; and (c) $9 million on the fourth anniversary of the Closing Date. In addition, the Company has agreed to pay a System Sales Payment calculated as global ApiFix System revenues for the twelve months ended June 30, 2024 multiplied by 2.25 less the third and fourth Anniversary Payments. The System Sales Payment is estimated to be $41 million, based on management's estimate of ApiFix's future revenue using a monte carlo simulation, less the third and fourth Anniversary Payments. The Anniversary Payments and System Sales Payment are discounted back to the date of acquisition using a discount rate of 10.4% and recorded at their present value. The Anniversary Payments and System Sales Payment may be made in either cash or cash and common stock subject to certain limitations.

The preliminary estimated consideration transferred as shown in the table above is allocated to the tangible and intangible assets acquired and liabilities assumed of ApiFix based on their preliminary estimated fair values. The following table sets forth a preliminary allocation of the consideration transferred to the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed of ApiFix using the ApiFix unaudited combined balance sheet as of April 1, 2020, with the excess recorded to goodwill:

Description	**Amount**
(in thousands)	
Preliminary estimated fair value of consideration transferred	87,053
Assets	
Cash and cash equivalents	338
Trade receivables	173
Inventory	660
Prepaid expenses and other current assets	74
Property and equipment	148
Intangible assets	32,950
Operating lease right-of-use asset	102
Total assets	34,445
Liabilities	
Accounts payable and accrued liabilities	479
Operating lease liabilities	102
Total liabilities	581
Less: net assets	33,864
Goodwill	53,189

Vilex Companies

Refer to the table below for the preliminary calculation of estimated value of the consideration transferred for the Vilex Companies:

(in thousands, except per share amounts)	NOTE			Amount (Rounded)
Cash consideration:				
Cash consideration paid to Vilex and Orthex stockholders pursuant to the equity interest purchase agreement			$	40,210
Share consideration:				
OrthoPediatrics common shares issued		245,352		
Volume weighted average share price of OrthoPediatrics for the 30 days ending on May 30, 2019		$ 40.76		
Estimated value of OrthoPediatrics common shares issued to Vilex and Orthex equity holders pursuant to the equity interest purchase agreement				10,000
Estimated repayment of the Vilex Companies funded indebtedness (including accrued interest)	(i)			6,529
Estimated payment of Vilex Companies transaction related costs				261
Fund escrow and payment of related agent fees	(ii)			3,001
Working capital adjustment				183
Preliminary estimated fair value of consideration transferred			$	60,184

(i) Per the equity interest purchase agreement, the Company was required to pay each person to whom either or both of the Vilex Companies owes funded indebtedness as of closing.

(ii) Per the equity interest purchase agreement, $3,000 was deposited into escrow for a period of up to twenty months to cover certain indemnification obligations of the Vilex Companies and to secure certain closing adjustments.

The preliminary estimated consideration transferred as shown in the table above is allocated to the tangible and intangible assets acquired and liabilities assumed of the Vilex Companies based on their preliminary estimated fair values. The following table sets forth a preliminary allocation of the consideration transferred to the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed of the Vilex Companies using the Vilex Companies' unaudited combined balance sheet as of June 4, 2019, with the excess recorded to goodwill:

Description	Amount
(in thousands)	
Preliminary estimated fair value of consideration transferred	60,184
Assets	
Cash	348
Accounts receivable - trade	2,088
Inventories	3,652
Prepaid expenses and other current assets	12
Property and equipment	7,540
Intangible assets	31,180
Operating lease right-of-lease asset	323
Total assets	45,143
Liabilities	
Accounts payable and accrued liabilities	563
Operating lease liabilities	323
Deferred tax liability	1,175
Other long-term liabilities	68
Total liabilities	2,129
Less: total net assets	43,014
Goodwill	17,170

4. Adjustments to the unaudited pro forma condensed combined balance sheet

Refer to the items below for a reconciliation of the adjustments reflected in the unaudited pro forma condensed combined balance sheet:

(a) Reflects the payment of $2,000 cash consideration paid to the ApiFix shareholders and $67 cash paid for ApiFix transaction costs.

(b) Reflects an adjustment to intangible assets, net based on a preliminary fair value assessment. The ApiFix intangible assets, including trademarks/names, patents, customer relationships and non-competition agreements, have been amortized based on useful lives ranging from 4 to 15 years. Trademarks/names have an indefinite life.

(c) Represents the addition of the ApiFix operating lease right-of-use asset and liability.

(d) Represents Anniversary Payments of (a) $13 million on the second anniversary of the Closing Date, provided that such payment will be paid earlier if 150 clinical procedures using the ApiFix System are completed in the United States before such anniversary date; (b) $8 million on the third anniversary of the Closing Date; and (c) $9 million on the fourth anniversary of the Closing Date. In addition, the Company has agreed to pay a System Sales Payment calculated as global ApiFix System revenues for the twelve months ended June 30, 2024 multiplied by 2.25 less the third and fourth Anniversary Payments. The System Sales Payment is estimated to be $41 million. The Anniversary Payments and System Sales Payment are discounted back to the date of acquisition using a discount rate of 10.4% and recorded at their present value. The Anniversary Payments and System Sales Payment may be made in either cash or cash and common stock subject to certain limitations.

(e) Reflects the removal of the historical ApiFix December 31, 2019 equity balances offset by $35 million of purchase consideration paid via shares at closing.

5. Adjustments to the unaudited pro forma condensed combined statement of operations

Refer to the items below for a reconciliation of the adjustments reflected in the unaudited pro forma condensed combined statements of operations:

(a) General and administrative operating expenses have been adjusted as follows:

Intangible asset amortization

ApiFix

Represents the addition of $1,670 of amortization expense on the newly acquired intangible assets for the year ended December 31, 2019. The newly acquired intangible assets consist of trademarks/names, patents, customer relationships and non-competition agreements and are amortized on estimated useful lives ranging from 4 to 15 years. The trademarks/names have an indefinite life.

Vilex Companies

Represents the removal of $20 of amortization expense on the historical Vilex Companies' intangible assets offset by $1,802 of amortization expense on the newly acquired intangible assets for the year ended December 31, 2019. The newly acquired intangible assets consist of trademarks/names, patents, internally developed software, customer relationships and non-competition agreements and are amortized on estimated useful lives ranging from 5 to 15 years. The trademarks/names have an indefinite life.

Operating lease right-of-use

ApiFix
Additional expenses of $104 were recorded related to the operating lease right-of-use asset amortization recorded as rent expense for the year ended December 31, 2019.

Vilex Companies
Additional expenses of $89 were recorded related to the operating lease right-of-use asset amortization recorded as rent expense for the year ended December 31, 2019.

Transaction costs

One-time transaction costs of $385 incurred by the Vilex Companies and $737 incurred by the Company related to the acquisition of the Vilex Companies were removed in the year ended December 31, 2019. No transaction costs were incurred or adjusted during the year ended December 31, 2019 related to the ApiFix acquisition.

(b) Historical interest expense has been adjusted as follows:

Accretion of the ApiFix Anniversary and System Sales Payments: pro forma financing adjustment

Represents the increased interest expense for the year ended December 31, 2019 of approximately $7,183 related to one year of accretion of the estimated Anniversary and System Sales Payments.

Interest expense on Term Loan A and B: pro forma financing adjustment

Represents the increased interest expense for the year ended December 31, 2019 of approximately $1,588. For the unaudited pro forma condensed combined financial statement, the Company assumes the Term Loan A and B has a weighted average interest rate of 10.94%. Based on the principal amounts of Term Loan B assumed to be issued, a 1/8% increase (decrease) in the annual interest rates on the debt assumed to be issued would cause the net earnings to (decrease) increase for the years ended December 31, 2019 by ($63).

Elimination of historical ApiFix and Vilex Companies interest expense - pro forma acquisition adjustment

Represents the elimination of interest expense on the existing Vilex Companies loans which were paid in full with the acquisition proceeds, decreasing interest expense by $135 for the year ended December 31, 2019. This was offset by the elimination of the ApiFix interest income of $15 for the year ended December 31, 2019.

(c) The pro forma basic and diluted earnings per share calculations are based on the basic and diluted weighted average shares of the Company plus shares issued as part of the acquisition. Contingently issuable and convertible equity shares were excluded from the calculation of diluted net loss per share because their effect would have been ant-dilutive for all periods presented. The pro forma basic and diluted weighted average shares outstanding are a combination of historical weighted average shares of the Company's common stock and the share impact of the acquisitions. The 103,518 incremental shares in the year ended December 31, 2019 gives effect to the 245,352 shares issued as consideration for the purchase of the Vilex Companies as if they had been issued on January 1, 2019 as opposed to June 4, 2019.

Pro forma basic weighted average shares	**Year Ended December 31, 2019**
Historical OrthoPediatrics weighted average shares outstanding - basic and diluted	14,624,194
Shares of OrthoPediatrics common stock issued to ApiFix equity holders pursuant to the acquisition	934,783
Shares of OrthoPediatrics common stock issued to Vilex Companies equity holders pursuant to the acquisition	103,518
Pro forma weighted average shares - basic and diluted	15,662,495