

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2015**

or

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

For the transition period from _____ to _____

Commission File Number: **333-181229**

Ekso Bionics Holdings, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

99-0367049
(I.R.S. Employer
Identification No.)

1414 Harbour Way South, Suite 1201
Richmond, CA
(Address of principal executive offices)

94804
(Zip Code)

(203) 723-3576
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares of registrant's common stock outstanding as of May 1, 2015 was: 102,064,820

Ekso Bionics Holdings, Inc.
Quarterly Report on FORM 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Ekso Bionics Holdings, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share and par value amounts)

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
	(Unaudited)	(Note 2)
Assets		
Current assets:		
Cash	\$ 21,133	\$ 25,190
Accounts receivable, net	1,455	1,549
Inventories, net	838	622
Prepaid expenses and other current assets	447	388
Deferred cost of revenue, current	1,677	1,551
Total current assets	25,550	29,300
Property and equipment, net	2,183	2,102
Deferred cost of revenue, non-current	2,245	2,017
Other assets	55	55
Total assets	<u>\$ 30,033</u>	<u>\$ 33,474</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable, current	\$ 42	\$ 41
Accounts payable	1,464	783
Accrued liabilities	1,657	2,378
Deferred revenues, current	3,545	3,412
Total current liabilities	6,708	6,614
Deferred revenues, non-current	4,085	3,895
Notes payable, non-current	65	77
Deferred rent	78	88
Total liabilities	10,936	10,674
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized at March 31, 2015 and December 31, 2014; none issued and outstanding at March 31, 2015 and December 31, 2014, respectively	—	—
Common stock, \$0.001 par value; 500,000,000 shares authorized at March 31, 2015 and December 31, 2014; 102,017,584 and 101,621,358, shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	102	102
Additional paid-in capital	94,911	94,499
Accumulated deficit	(75,916)	(71,801)
Total stockholders' equity	19,097	22,800
Total liabilities and stockholders' equity	<u>\$ 30,033</u>	<u>\$ 33,474</u>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Ekso Bionics Holdings, Inc.
Condensed Consolidated Statement of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three months ended March 31,	
	2015	2014
Revenue:		
Medical devices	\$ 985	\$ 527
Engineering services	704	535
Total revenue	<u>1,689</u>	<u>1,062</u>
Cost of revenue:		
Medical devices	798	330
Engineering services	488	252
Total cost of revenue	<u>1,286</u>	<u>582</u>
Gross profit	403	480
Operating expenses:		
Sales and marketing	1,851	1,531
Research and development	983	769
General and administrative	1,662	2,071
Total operating expenses	<u>4,496</u>	<u>4,371</u>
Loss from operations	<u>(4,093)</u>	<u>(3,891)</u>
Other income (expense):		
Interest expense	(3)	(427)
Loss on warrant liability	—	(77,437)
Interest income	4	1
Other expense, net	(23)	(12)
Total other expense, net	<u>(22)</u>	<u>(77,875)</u>
Net loss	<u>\$ (4,115)</u>	<u>\$ (81,766)</u>
Basic and diluted net loss per share	\$ (0.04)	\$ (1.22)
Shares used to compute basic and diluted net loss per share	101,791,221	67,072,057

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements

Ekso Bionics Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three months ended March 31,	
	2015	2014
Operating activities:		
Net loss	\$ (4,115)	\$ (81,766)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	200	157
Inventory allowance expense	45	—
Amortization of deferred rent	(10)	(9)
Amortization of debt discounts	—	198
Stock-based compensation expense	349	367
Loss on increase in fair value of warrant liability	—	77,437
Changes in operating assets and liabilities:		
Accounts receivable	94	(1,226)
Inventories	(261)	(495)
Prepaid expense and other assets	(59)	(52)
Deferred costs of revenue	(354)	(530)
Accounts payable	681	(454)
Accrued liabilities	(721)	135
Deferred revenues	323	779
Net cash used in operating activities	<u>(3,828)</u>	<u>(5,459)</u>
Investing activities:		
Acquisition of property and equipment, net	(281)	(248)
Net cash used in investing activities	<u>(281)</u>	<u>(248)</u>
Financing activities:		
Principal payments on notes payable	(11)	(2,532)
Proceeds from exercise of stock options	31	23
Proceeds from exercise of common stock warrants	32	—
Proceeds from issuance of common stock, net of issuance costs	—	21,987
Net cash provided by financing activities	<u>52</u>	<u>19,478</u>
Net increase (decrease) in cash	(4,057)	13,771
Cash at beginning of the period	25,190	805
Cash at end of the period	<u>\$ 21,133</u>	<u>\$ 14,576</u>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Ekso Bionics Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts)

1. Organization

Description of Business and Liquidity

On January 15, 2014, a wholly-owned subsidiary of Ekso Bionics Holdings, Inc. named Ekso Acquisition Corp merged with and into Ekso Bionics, Inc. (the “Merger”). Ekso Bionics, Inc. was the surviving corporation and became a wholly-owned subsidiary of Ekso Bionics Holdings, Inc. As a result of this transaction, Ekso Bionics Holdings, Inc. discontinued its pre-merger operations, acquired the business of Ekso Bionics, Inc. and continues the operations of Ekso Bionics, Inc. as a publicly traded company. See *Note 3, The Merger, Offering and Other Related Matters*. Ekso Bionics, Inc. was incorporated in January 2005 in the State of Delaware. We are currently headquartered in Richmond, California.

As used in these notes to the condensed consolidated financial statements, the term “the Company” refers to Ekso Bionics Holdings, Inc. (formerly known as PN Med Group, Inc.) and its direct and indirect wholly-owned subsidiaries, including Ekso Bionics, Inc. and Ekso Bionics Ltd., after giving effect to the Merger; the term “Holdings” refers to the business of Ekso Bionics Holdings, Inc. prior to the Merger, and the term “Ekso Bionics” refers to Ekso Bionics, Inc. prior to the Merger. Unless otherwise indicated, all dollar amounts included in these notes to the financial statements are in thousands.

We are a leading developer and manufacturer of human bionic exoskeletons and were founded after the University of California at Berkeley’s Robotics and Human Engineering Laboratory had a breakthrough in demonstrating human exoskeletons that are more energy efficient than previously thought possible.

We are pioneering the field of human exoskeletons to augment human strength, endurance and mobility. We design, develop and sell wearable robots, or “human exoskeletons,” that have applications in medical, military, industrial, and consumer markets. Our exoskeleton systems are strapped over the user’s clothing, enabling individuals with neurological conditions affecting gait (e.g., spinal cord injury or stroke) to walk again, permitting soldiers to carry heavy loads for long distances while mitigating lower back, knee, and ankle injuries, and allowing industrial workers to perform heavy duty work for extended periods.

Our current medical device product, the Ekso GT, is a wearable bionic suit that provides individuals with stroke, spinal cord injuries and other lower-extremity paralysis or weakness the ability to stand and walk over ground with a full weight-bearing, reciprocal gait using a cane, crutches or a walker under the supervision of a physical therapist. Walking is achieved by the shifting of the user’s body to activate sensors in the device that initiate steps. Battery-powered motors drive the legs, replacing deficient neuromuscular function. First-time users can expect to walk with aid from the device the first time they put on the Ekso exoskeleton (after passing an assessment), while an experienced user can transfer to or from their wheelchair and don or remove the Ekso in less than five minutes.

Our engineering services division, Ekso Labs, is an exoskeleton laboratory that continually integrates emerging technologies into new product applications and expands on such technologies with our partners. Ekso Labs also develops intellectual property through research grants from government organizations, including the United States Special Operations Command and the Department of Defense.

Liquidity

Largely as a result of significant research and development activities related to the creation of our advanced technology and commercialization of this technology into our medical device business, we have incurred significant operating losses and negative cash flows from operations since inception. As of March 31, 2015, we had an accumulated deficit of \$75,916.

Ekso Bionics Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts)

The Company's cash as of March 31, 2015 was \$21,133 compared to \$25,190 at December 31, 2014. During the three months ended March 31, 2015, the Company used \$3,828 of cash in operations compared to \$5,459 for the three months ended March 31, 2014.

Based upon our current three-month average monthly net use of cash of \$1,300 and assuming increases in current revenue and gross profit, offset by modest incremental net use of cash for increased operating expenses and a potential increase in rental activity for our medical device business, the Company believes it has sufficient resources to meet its financial obligations into the second quarter of 2016.

Our actual capital requirements may vary significantly and will depend on many factors. For example, we plan to increase our investments (i) in our clinical, sales and marketing initiatives to accelerate adoption of the Ekso robotic exoskeleton in the rehabilitation market, (ii) in our research, development and commercialization activities with respect to an Ekso robotic exoskeleton for home use, and/or (iii) in the development and commercialization of able-bodied exoskeletons for industrial use. Consequently, the Company will require significant additional financing in the future, which we intend to raise through public or private equity offerings, debt financings, warrant solicitations or corporate collaborations within the next three to four quarters. When we need to raise additional capital, there can be no assurance that financing will be available when required in sufficient amounts, on acceptable terms or at all. In the event that the necessary additional financing is not obtained, we may be required to reduce our discretionary overhead costs substantially, including research and development, general and administrative and sales and marketing expenses or otherwise curtail operations.

2. Basis of Presentation and Summary of Significant Accounting Policies and Estimates

There have been no material changes to our significant accounting policies as compared to those described in our Annual Report on Form 10-K for the year ended December 31, 2014.

Basis of Presentation

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and pursuant to the rules and regulations of the SEC for the presentation of interim financial information. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed, or omitted, pursuant to such rules and regulations. The condensed consolidated balance sheet at December 31, 2014 has been derived from the audited consolidated financial statements at that date but do not include all disclosures required for the annual financial statements and should be read in conjunction with our audited consolidated financial statements and notes thereto included as part of our Annual Report on Form 10-K for the year ended December 31, 2014.

In management's opinion, the condensed consolidated financial statements reflect all adjustments (including reclassifications and normal recurring adjustments) necessary to present fairly the financial position at March 31, 2015, and results of operations and cash flows for all periods presented. The interim results presented are not necessarily indicative of results that can be expected for a full year. The condensed consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet, and the reported amounts of revenues and expenses during the reporting period. For the Company, these estimates include, but are not limited to: revenue recognition, deferred revenue and the deferral of the associated costs, useful lives assigned to long-lived assets, realizability of deferred tax assets, valuation of common and preferred stock warrants, the valuation of options and warrants, and contingencies. Actual results could differ from those estimates.

Ekso Bionics Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts)

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and accounts receivable. We maintain our cash accounts in excess of federally insured limits. However, we believe we are not exposed to significant credit risk due to the financial position of the depository institutions in which these deposits are held. We extend credit to customers in the normal course of business and perform ongoing credit evaluations of our customers. Concentrations of credit risk with respect to accounts receivable exist to the full extent of amounts presented in the consolidated financial statements. We do not require collateral from our customers to secure accounts receivable.

Accounts receivable are derived from the sale of products shipped and services performed for customers located in the U.S. and throughout the world. Invoices are aged based on contractual terms with the customer. We review accounts receivable for collectability and provide an allowance for credit losses, as needed. We have not experienced any material losses related to accounts receivable as of March 31, 2015 and December 31, 2014. Many of the sales contracts with customers outside of the U.S. are settled in a foreign currency other than the U.S. dollar. We do not enter into any foreign currency hedging agreements and are susceptible to gains and losses from foreign currency fluctuations. To date, we have not experienced significant gains or losses upon settling foreign contracts.

As of March 31, 2015, we had one customer with accounts receivable balances totaling 10% or more of our total accounts receivable (12%), compared with two customers as of December 31, 2014 (22% and 11%).

In the three months ended March 31, 2015, we had two customers with sales balances of 10% or more of our total customer sales (17%, and 16%), compared with two customers in the three months ended March 31, 2014 (18% and 12%).

Common Stock Warrants

We accounted for the common stock warrants issued in connection with our Merger and related private placement offering (see *Note 3, The Merger, Offering and Other Related Matters*) in accordance with the guidance in Accounting Standards Codification (“ASC”) 815-40. Under ASC 815-40, the warrants did not meet the criteria for equity treatment and were recorded as a liability. The warrants initially had an anti-dilution clause that allowed for a decrease in the exercise price of the warrants if the Company issued additional shares of common stock without consideration or for consideration per share less than the exercise price of such warrants. Accordingly, we classified the warrant instruments as liabilities at their fair market value at the date of issuance and re-measured the warrants at each balance sheet date. Changes in the fair value were recognized as a gain (loss) on warrant liability in our consolidated statement of operations. These warrants were amended in November 2014 to remove the price-based anti-dilution provision, among other things. Accordingly, the warrants are no longer recorded as a liability.

Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2015 as compared to the recent accounting pronouncements described in our Annual Report on Form 10-K for the year ended December 31, 2014 that are of significance, or potential significance, to the Company.

3. The Merger, Offering and Other Related Transactions

Holdings was incorporated in the State of Nevada on January 30, 2012, as a distributor of medical supplies and equipment to municipalities, hospitals, pharmacies, care centers, and clinics in Chile. At the time of the Merger, Holdings was a “shell company” as defined in Rule 12b-2 of the Exchange Act. Holdings’ fiscal year end was previously March 31 but was changed to December 31 in connection with the Merger.

Ekso Bionics Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts)

On January 15, 2014, Holdings and a newly formed wholly-owned subsidiary of Holdings, Ekso Acquisition Corp. (“Acquisition Sub”) entered into an Agreement and Plan of Merger and Reorganization (the “Merger Agreement”) with Ekso Bionics. Under the Merger Agreement, Acquisition Sub merged with and into Ekso Bionics, with Ekso Bionics remaining as the surviving corporation and with the stockholders of Ekso Bionics exchanging all of their common stock, preferred stock and warrants to purchase preferred stock issued and outstanding immediately prior to the closing of the Merger into an aggregate of 42,615,556 shares of Holdings’ common stock and warrants to purchase 621,361 shares of common stock. In addition, options to purchase 4,989,111 shares of common stock of Ekso Bionics were converted into options to purchase 7,602,408 shares of common stock of Holdings. These shares are in addition to 5,280,368 outstanding shares of Holdings common stock held by certain pre-Merger stockholders of Holdings, consisting of 4,500,600 shares held by such stockholders prior to the Merger and an additional 779,768 shares issued to such stockholders pursuant to a provision in the Merger Agreement requiring us to issue a number of shares such that the aggregate ownership of the pre-Merger stockholders (not including any shares of common stock purchased by them in the private placement offering described below) remained approximately 6.8% of the outstanding common stock of the Company following the Merger and private placement offering.

Upon the closing of the Merger, under the terms of a split-off agreement and a general release agreement, Holdings transferred all of its pre-Merger operating assets and liabilities to a newly formed wholly-owned special-purpose subsidiary (“Split-Off Subsidiary”), and transferred all of the outstanding shares of capital stock of Split-Off Subsidiary to two individuals who were the pre-Merger majority stockholders of Holdings and Holdings’ former officers and sole director (the “Split-Off”), in consideration of and in exchange for (a) the surrender and cancellation of an aggregate of all shares of Holdings’ common stock held by such individuals (which were cancelled and resumed the status of authorized but unissued shares of our common stock) and (b) certain representations, covenants and indemnities.

Accounting for Reverse Merger

Ekso Bionics, as the accounting acquirer, recorded the Merger as the issuance of stock for the net monetary assets of Holdings accompanied by a recapitalization. This accounting was identical to that resulting from a reverse merger, except that no goodwill or intangible assets were recorded. The historical financial statements of Holdings before the Merger have been replaced with the historical financial statements of Ekso Bionics before the Merger in filings with the SEC subsequent to the Merger, including this filing. The Merger is intended to be treated as a tax-free exchange under Section 368(a) of the Internal Revenue Code of 1986, as amended.

Retroactive Conversion of all Share and Per Share Amounts

In accordance with reverse merger accounting guidance, amounts for Ekso Bionics’ historical (pre-merger) common stock, preferred stock and warrants and options to purchase common stock, including share and per share amounts, have been retroactively adjusted using their respective exchange ratios in these financial statements unless otherwise disclosed. The conversion ratios were 1.5238, 1.6290, 1.9548 and 1.9548 for shares of common stock, Series A preferred stock, Series A-2 preferred stock and Series B preferred stock, respectively.

Repayment of 2013 Bridge Note

In November 2013, in anticipation of the Merger and related private placement offering, Ekso Bionics completed a private placement to accredited investors of \$5,000 of its senior subordinated secured convertible notes (the “2013 Bridge Notes”). Upon the closing of the Merger and the private placement offering described below, the \$5,000 in outstanding principal and \$83 of accrued interest of the 2013 Bridge Notes automatically converted into 5,000,000 Units (as defined below), and investors in the 2013 Bridge Notes received warrants to purchase 2,500,000 shares of common stock at an exercise price of \$1.00 per share for a term of three years (the “Bridge Warrants”). The Bridge Warrants had weighted average anti-dilution protection, subject to customary exceptions.

Ekso Bionics Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts)

Private Placement Offering

Concurrently with the closing of the Merger and in contemplation of the Merger, the Company held a closing of a private placement offering (the "PPO") in which it sold 20,580,000 Units at a purchase price of \$1.00 per Unit, with each Unit consisting of one share of common stock plus a warrant (the "PPO Warrants") to purchase an additional share of common stock of the Company at \$2.00 per share with a five year term (the "Units"). Included in the initial Unit sales were 5,000,000 Units that were issued upon conversion of the 2013 Bridge Notes mentioned above. Between January 29, 2014 and February 6, 2014, the Company issued an additional 9,720,000 Units in subsequent closings of the PPO. As a result of issuing a total of 30,300,000 Units, (a) the Company received gross proceeds of \$25,300, (b) \$5,083 of debt and accrued interest attributable to the 2013 Bridge Notes was settled with the issuance of 5,000,000 Units, (c) a net of \$2,553 of our Senior Note Payable (as defined below) was paid in full, and (d) we incurred offering costs of \$3,338.

Investors in the Units have weighted average anti-dilution protection with respect to the shares of common stock included in the Units if within 24 months after the final closing of the PPO the Company issues additional shares of common stock or common stock equivalents (subject to customary exceptions, including but not limited to issuances of awards under the Company's 2014 Equity Incentive Plan) for consideration per share less than \$1.00. The PPO warrants also had weighted average anti-dilution protection, subject to customary exceptions.

In connection with the conversion of the 2013 Bridge Notes and the PPO, the placement agent for the PPO and its sub-agents were paid an aggregate commission of \$3,030 and were issued warrants to purchase an aggregate of 500,000 shares of our common stock, with an exercise price per share of \$1.00 and a term of five years ("Bridge Agent Warrants") and warrants to purchase an aggregate of 2,500,000 shares of common stock with a term of five years and an exercise price of \$1.00 per share (the "PPO Agent Warrants"). The Bridge Agent Warrants and PPO Agent Warrants have weighted average anti-dilution protection, subject to customary exceptions.

Offer to Amend and Exercise

In November 2014, the Company consummated an offer to amend and exercise its PPO Warrants at a temporarily reduced exercise price (the "Offer to Amend and Exercise"). Pursuant to the Offer to Amend and Exercise, an aggregate of 22,755,500 PPO Warrants were exercised by their holders and were also amended to reduce the exercise price from \$2.00 to \$1.00 per share of common stock, and to restrict the ability of the holder of shares issuable upon exercise of the amended warrants to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any of such shares without the prior written consent of the Company for a period of 50 days after the expiration date of the Offer to Amend and Exercise.

In connection with the Offer to Amend and Exercise, the holders of a majority of the then outstanding PPO Warrants, Bridge Warrants, PPO Agent Warrants and Bridge Agent Warrants approved an amendment to remove the price-based anti-dilution provisions in those warrants (see Note 10, *Warrants*).

2014 Equity Incentive Plan

Before the Merger, the Board of Directors adopted, and the stockholders approved, the 2014 Equity Incentive Plan (the "2014 Plan"), which provides for the issuance of incentive awards of up to 14,410,000 shares of common stock to officers, key employees, consultants and directors. In connection with the Merger, options to purchase Ekso Bionics common stock outstanding immediately prior to the Merger were converted into options to purchase an aggregate of 7,602,408 shares of Holdings issued under the 2014 Plan.

Ekso Bionics Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts)

On the closing of the Merger, the Board granted to officers and directors options to purchase an aggregate of 2,300,000 shares of common stock under the 2014 Plan.

4. Fair Value Measurements

The Company records its consolidated financial assets and liabilities at fair value. The accounting standard for fair value provides a framework for measuring fair value, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting standard establishes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- **Level 1**—Quoted prices in active markets for identical assets or liabilities. The Company considers a market to be active when transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- **Level 2**—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3**—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The valuation of Level 3 investments requires the use of significant management judgments or estimation.

There were no financial assets or liabilities that required fair value measurements as of March 31, 2015 or December 31, 2014.

5. Deferred Revenues

In connection with our device sales and research services, we often receive cash payments before our earnings process is complete. In these instances, we record the payments as customer deposits or customer advances until the device is shipped to the customer or in the case of research services until the earnings process or milestone is achieved.

As described in our revenue recognition policy for Ekso unit sales, revenues are deferred and recognized over the maintenance period. Accordingly, at the time of shipment the amount billed is recorded as deferred revenue. Also, at the time of shipment to the customer, the related inventory is reclassified to deferred cost of revenue where it is amortized to cost of revenue over the same period as the related revenue.

Deferred revenues and deferred cost of revenues consist of the following:

	March 31, 2015	December 31, 2014
Customer deposits and advances	\$ 148	\$ 105
Deferred Ekso unit revenues	5,583	5,327
Deferred service, leasing and software revenues	1,899	1,875
Customer advances and deferred revenues	7,630	7,307
Less current portion	(3,545)	(3,412)
Customer advances and deferred revenues, non-current	<u>\$ 4,085</u>	<u>\$ 3,895</u>
Deferred Ekso unit costs	\$ 3,922	\$ 3,568
Less current portion	(1,677)	(1,551)
Deferred cost of revenue, non-current	<u>\$ 2,245</u>	<u>\$ 2,017</u>

Ekso Bionics Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except share and per share amounts)

6. Accrued Liabilities

Accrued liabilities consist of the following:

	March 31, 2015	December 31, 2014
Salaries, benefits and related expenses	\$ 1,136	\$ 1,847
Professional fees	326	184
Warranty expense	109	126
Taxes	41	46
Royalties	2	50
Travel	33	76
Other	10	49
Total	<u>\$ 1,657</u>	<u>\$ 2,378</u>

7. Notes Payable

In 2012, the Company entered into a note agreement in conjunction with its lease agreement for our Richmond, California facility. The note for an aggregate \$200, with an interest rate of 7%, minimum monthly payments of \$4, and a May 31, 2017 maturity, was used to fund leasehold improvements. In addition, the Company has a long-term capital lease obligation of \$12.

Future obligations under these debt instruments as of March 31, 2015 are as follows:

	Capital Lease	Leasehold Improvement Note	Total
2015 (remainder)	\$ 4	\$ 36	\$ 40
2016	5	48	53
2017	4	19	23
Total minimum lease payments	13	103	116
Less: interest	(1)	(8)	(9)
Present value minimum lease payments	12	95	107
Less: current portion	-	(42)	(42)
Long-term portion of capital lease obligation	<u>\$ 12</u>	<u>\$ 53</u>	<u>\$ 65</u>

8. Operating and Capital Leases

On November 29, 2011, the Company entered into an operating lease agreement for its headquarters and manufacturing facility in Richmond, California. The lease term commenced in March 2012 and expires in May 2017. The lease provides the Company with one option to renew for 5 additional years. The Company also leases nominal office equipment.

Ekso Bionics Holdings, Inc.
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Future minimum operating lease payments are as follows as of March 31, 2015:

2015 (remainder of year)	\$ 282
2016	375
2017	157
Total	<u>\$ 814</u>

The Company also has a capital lease for the purchase of machinery and equipment with a balance of \$12 and \$13 as of March 31, 2015 and December 31, 2014 respectively, which is classified as a component of Notes payable, non-current portion (see Note 7, *Notes Payable*).

Rent expense under the Company's operating leases was \$86 and \$85 for the three month periods ended March 31, 2015, and 2014, respectively.

9. Capitalization and Equity Structure

The Company's authorized capital stock at March 31, 2015 consisted of 500,000,000 shares of common stock and 10,000,000 shares of preferred stock. At March 31, 2015, 102,017,584 shares of common stock were issued and outstanding, and no shares of preferred stock were issued and outstanding.

10. Warrants

As discussed in *Note 3, The Merger, Offering and Other Related Transactions*, the Company issued during the Merger and PPO, warrants to purchase a total of 36,055,000 shares of common stock of which 30,300,000 were at an exercise price of \$2.00 per share (the "Warrant Shares"), and the balance at \$1.00 per share. These warrants contained "weighted average" anti-dilution protection in the event that we issued common stock or securities convertible into or exercisable for shares of common stock at a price lower than the subject warrant's exercise price, subject to certain customary exceptions, as well as customary provisions for adjustment in the event of stock splits, subdivision or combination, mergers, etc. The anti-dilution protection feature required the Company to record the then outstanding securities as a \$10,613 liability. Due to the market price of the Company's common stock price exceeding the exercise price of the then outstanding warrants, the Company recorded a non-cash charge of \$77,437 during the period ended March 31, 2014.

The factors utilized in re-valuing the warrants were as follows as of March 31, 2014:

Dividend yield	—
Risk-free interest rate	0.90% - 1.73%
Share price at final valuation	3.90
Expected term (in years)	2.80- 4.80
Volatility	79%
Periodic rate	0.25% - 0.83%
Periods in the model	10

These warrants were amended in November 2014 to remove the price-based anti-dilution provision, among other things. Accordingly, the warrants are no longer recorded as a liability.

Ekso Bionics Holdings, Inc.
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Warrant activity for the three month period ended March 31, 2015 is as follows:

Name	Balance December 31, 2014	Exercise Price	Term (Years)	Exercised	Balance March 31, 2015
Placement agent warrants	3,030,000	\$ 1.00	5	(32,700)	2,997,300
Bridge warrants	2,600,000	\$ 1.00	5		2,600,000
PPO warrants	7,544,500	\$ 2.00	5		7,544,500
Pre Merger/PPO warrants	621,361	\$ 1.38	various		621,361
Total	13,795,861			(32,700)	13,763,161

11. Stock-based Compensation Plans and Awards

In January 2014, and prior to the Merger, the Board of Directors and a majority of the stockholders adopted the 2014 Plan that allows for the issuance of 14,410,000 shares of common stock. Options previously issued under the Ekso Bionics 2007 Equity Incentive Plan were converted into options to purchase an aggregate of 7,602,408 shares of the Company's common stock under the 2014 Plan. Under the terms of the 2014 Plan, the Board of Directors may award stock, options, or similar rights having either a fixed or variable price related to the fair market value of the shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions, or any other security with the value derived from the value of the shares. Such awards include stock options, restricted stock, restricted stock units, stock appreciation rights and dividend equivalent rights.

The Board of Directors may grant stock options under the 2014 Plan at a price of not less than 100% of the fair market value of our common stock on the date the option is granted. Incentive stock options granted to employees who, on the date of grant, own stock representing more than 10% of the voting power of all of our classes of stock, are granted at an exercise price of not less than 110% of the fair market value of our common stock. The maximum term of incentive stock options granted to employees who own stock possessing more than 10% of the voting power of all classes of the our stock, may not exceed five years. The maximum term of an incentive stock option granted to any other participant may not exceed ten years. Subject to the limitations discussed above, the Board of Directors determines the term and exercise or purchase price of other awards granted under the 2014 Plan. The Board of Directors also determines the terms and conditions of awards, including the vesting schedule and any forfeiture provisions. Awards under the 2014 Plan may vest upon the passage of time, generally four years, or upon the attainment of certain performance criteria established by the Board of Directors. We may from time to time grant options to purchase common stock to non-employees for advisory and consulting services. Pursuant to ASC 505-50, *Equity-Based Payments to Non-Employees*, we periodically re-measure the fair value of these stock options using the Black-Scholes option pricing model and recognize expense ratably over the vesting period of each stock option award. Upon exercise of an option, it is the Company's policy to issue new shares of common stock.

Ekso Bionics Holdings, Inc.
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The following table summarizes information about the Company's stock options outstanding at March 31, 2015, and activity during the three-month period then ended:

	Stock Awards	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance as of December 31, 2014	10,791,081	\$ 0.79		
Options granted	285,000	\$ 1.39		
Options exercised	(597,423)	\$ 0.57		
Options forfeited	(10,126)	\$ 1.74		
Options cancelled	-	-		
Balance as of March 31, 2015	<u>10,468,532</u>	\$ 0.82	7.62	\$ 8,089
Vested and expected to vest at March 31, 2015	<u>9,841,985</u>	\$ 0.80	7.53	\$ 7,813
Exercisable as of March 31, 2015	<u>5,457,721</u>	\$ 0.55	6.45	\$ 5,571

Of the 597,423 shares exercised, 233,897 were on a cashless basis for which the Company did not receive any proceeds, but instead withheld a like number of shares from the exerciser to cover the exercise amount.

As of March 31, 2015, total unrecognized compensation cost related to unvested stock options was \$2,713. This amount is expected to be recognized as stock-based compensation expense in the Company's consolidated statements of operations over the remaining weighted average vesting period of 2.63 years.

The per-share fair value of each stock option was determined on the date of grant using the Black-Scholes option pricing model using the following assumptions:

	Three months ended March 31,	
	2015	2014
Dividend yield	—	—
Risk-free interest rate	1.41% - 1.92%	1.74% - 2.67%
Expected term (in years)	6-10	5-10
Volatility	73%	66%

Total stock-based compensation expense related to options granted to employees and non-employees was included in the unaudited Condensed Consolidated Statements of Operations as follows:

	Three months ended March 31,	
	2015	2014
Sales and marketing	\$ 132	\$ 101
Research and development	54	69
General and administrative	163	197
	<u>\$ 349</u>	<u>\$ 367</u>

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Notes to Unaudited Condensed Consolidated Financial Statements
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12. Income Taxes

There were no material changes to the unrecognized tax benefits in the three months ended March 31, 2015 and the Company does not expect significant changes to unrecognized tax benefits through the end of the fiscal year. Because of the Company's history of tax losses, all years remain open to tax audit.

13. Commitments and Contingencies

Contingencies

In the normal course of business, the Company is subject to various legal matters. In the opinion of management, the resolution of such matters will not have a material adverse effect on the Company's consolidated financial statements.

Material Contracts

The Company enters into various license, research collaboration and development agreements which provide for payments to the Company for government grants, fees, cost reimbursements typically with a markup, technology transfer and license fees, and royalty payments on sales.

The Company has two license agreements to maintain exclusive rights to patents. The Company is also required to pay 1% of net sales of products sold to entities other than the U.S. government. In the event of a sublicense, the Company will owe 21% of license fees and must pass through 1% of the sub-licensee's net sales of products sold to entities other than the U.S. government.

The agreements also stipulate minimum annual royalties of \$10 for 2012, \$20 for 2013, \$40 for 2014 and \$50 for subsequent years.

FDA Approval

While we believe that the Company's Ekso GT robotic exoskeleton has been appropriately marketed in the United States as a Class I 510(k) exempt Powered Exercise Equipment device since February 2012, on June 26, 2014, the FDA announced the creation of a new product classification for Powered Exoskeleton devices. On October 21, 2014, the FDA published the summary for the reclassified Powered Exoskeleton and informed us in writing of the agency's belief that this new product classification applied to the Ekso GT device. This new product classification was designated as being Class II, which required the clearance of a 510(k). The FDA requested that we file a 510(k) notice to obtain this clearance. Per the FDA's request, we filed that 510(k) notice on December 24, 2014, and this submission is currently under review at the FDA. The Company intends to continue marketing the Ekso robotic exoskeleton under its current Class I registration and listing with its current indications for use until 510(k) clearance is either granted or denied by the FDA or the Company is otherwise notified by the FDA to cease such activities. The Company believes that in situations where the class of a product has been elevated by the FDA, manufacturers are normally granted enforcement discretion by the FDA and given ample time to seek clearance at the new class level. Nonetheless, the FDA may not agree with our decision to continue marketing the device until a 510(k) is cleared. If the FDA disagrees with our decision, we may be required to cease marketing or to recall the products until we obtain clearance or approval, and we may be subject to regulatory fines or penalties.

Ekso Bionics Holdings, Inc.
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14. Net Income (Loss) Per Share

The following table sets forth the computation of basic and diluted net loss per share:

	Three Months Ended March 31,	
	2015	2014
Numerator:		
Net loss	\$ (4,115)	\$ (81,766)
Denominator:		
Weighted-average common shares outstanding used in computing basic and diluted net loss per share	101,791,221	67,072,057
Net loss per share, basic and diluted	\$ (0.04)	\$ (1.22)

The following table sets forth potential shares of common stock that are not included in the calculation of diluted net loss per share because to do so would be anti-dilutive as of the end of each period presented:

	Three Months Ended March 31,	
	2015	2014
Options to purchase common stock	10,468,532	10,645,449
Warrants	13,763,161	36,676,361
Total common stock equivalents	24,231,693	47,321,810

15. Segment Disclosures

The Company has two reportable segments, Engineering Services and Medical. Engineering Services generates revenue principally from collaborative research and development service arrangements, technology license agreements, and government grants where the Company uses its robotics domain knowledge in bionic exoskeletons to bid on and procure contracts and grants from entities such as the National Science Foundation and the Defense Advanced Research Projects Agency. The Medical segment designs, engineers, and manufactures exoskeletons for applications in the medical and military markets.

The Company evaluates performance and allocates resources based on segment gross profit margin. The reportable segments are each managed separately because they serve distinct markets, and one segment provides a service and the other manufactures and distributes a unique product. The Company does not consider net assets as a segment measure and, accordingly, assets are not allocated.

Ekso Bionics Holdings, Inc.
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Segment reporting information is as follows:

	Engineering Services	Medical Devices	Total
Three months ended March 31, 2015			
Revenue	\$ 704	\$ 985	\$ 1,689
Cost of revenue	488	798	1,286
Gross profit	<u>\$ 216</u>	<u>\$ 187</u>	<u>\$ 403</u>
Three months ended March 31, 2014			
Revenue	\$ 535	\$ 527	\$ 1,062
Cost of revenue	252	330	582
Gross profit	<u>\$ 283</u>	<u>\$ 197</u>	<u>\$ 480</u>

Geographic information for revenue based on location of customer is as follows:

	Three Months Ended March 31,	
	2015	2014
North America	\$ 1,271	\$ 890
All Other	418	172
	<u>\$ 1,689</u>	<u>\$ 1,062</u>

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

You should read the following discussion of our financial condition and results of operation in conjunction with the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and to our Annual Report on Form 10-K for the year ended December 31, 2014.

This Quarterly Report on Form 10-Q contains forward-looking statements, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. Terms such as "may," "might," "would," "should," "could," "project," "estimate," "pro-forma," "predict," "potential," "strategy," "anticipate," "attempt," "develop," "plan," "help," "believe," "continue," "intend," "expect," "future," and terms of similar import (including the negative of any of the foregoing) may be intended to identify forward-looking statements.

The following factors, among others, including those described in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2014, could cause our future results to differ materially from those expressed in the forward-looking information:

- the anticipated timing, cost and progress of the development and commercialization of new products or services, and improvements to our existing products, and related impacts on our profitability and cash position;
- our ability to effectively market and sell our products and expand our business, both in unit sales and product diversification;
- our ability to achieve broad customer adoption of our products and services;
- existing or increased competition;
- rapid changes in technological solutions available to our markets;
- volatility with our business, including long and variable sales cycles, which could have a negative impact on our results of operations for any given quarter;
- our ability to obtain or maintain patent protection for the Company's intellectual property;
- the scope, validity and enforceability of our and third party intellectual property rights;
- significant government regulation of medical devices and the healthcare industry;
- our ability to obtain or maintain regulatory approval to market the Company's medical devices;
- our customers' ability to get third party reimbursement for our products and services associated with them;
- our failure to implement our business plan or strategies;
- our ability to retain or attract key employees;
- our ability to obtain adequate financing to fund operations and necessary to develop or enhance our technology;
- stock volatility or illiquidity;
- our ability to maintain adequate internal controls over financial reporting; and
- overall economic and market conditions.

Although we believe that the assumptions underlying the forward-looking statements and forward-looking information contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such statements and information included in this Quarterly Report on Form 10-Q may not prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements and forward-looking information included herein, the inclusion of such statements and information should not be regarded as a representation by us or any other person that the results or conditions described in such statements and information or our objectives and plans will be achieved. Such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

The Company designs, develops and sells wearable bionic or robotic exoskeletons, that have applications in healthcare, industrial, military, and consumer markets. Our exoskeletons systems are strapped over the user's clothing and augment human strength, endurance and mobility. These systems serve multiple markets and can be used both by able-bodied users as well as by persons with physical disabilities. We or our partners have sold, rented or leased devices that (a) enable individuals with neurological conditions affecting gait (e.g., spinal cord injury or stroke) to rehabilitate and to walk again; (b) allow industrial workers to perform heavy duty work for extended periods; and (c) permit soldiers to carry heavy loads for long distances while mitigating lower back, knee, and ankle injuries. To-date, we have shipped approximately 125 of our devices to over 90 rehabilitation centers, distributors, and individual users for rehabilitation.

In our efforts to develop exoskeleton technology, we have established an extensive intellectual property portfolio that includes, in the United States alone and as of May 1, 2015, twelve patents that have been granted, eighteen patent applications that are currently pending (which means a complete patent application has been filed with the applicable patent authority and additional action is pending), and nine provisional patents (which means that we have filed a short form application to establish an early filing date in anticipation of completion and submission of a complete application). All but three of the patents are either solely owned by us or exclusively licensed to us. Many of these patents have also been filed internationally as appropriate for their respective subject matter. Our patent portfolio includes product and method type claims, since the devices that we produce and the processes performed by those devices are patentable. Our patents encompass technologies relevant to our devices, including medical exoskeletons, commercial exoskeletons, actuators, and strength-enhancing exoskeletons. The earliest priority date reaches back to 2003, and new applications continue to be filed.

Our long-term goal is to have one million people stand and walk in an Ekso exoskeleton by February 2022. Our first step to achieving that goal was for us to focus on selling our medical exoskeletons to rehabilitation centers and hospitals in the United States and Europe. We began that journey with the February 2012 sale of the Ekso, an exoskeleton for complete spinal cord injuries (“SCI”). We have since expanded that effort with the July 2013 launch of our Variable Assist software and the December 2013 release of our next generation Ekso hardware platform, Ekso GT. The Variable Assist software enables users with any amount of lower extremity strength to contribute their own power for either leg to achieve self-initiated walking. The Ekso GT builds on the experience of the Ekso and incorporates the Variable Assist, allowing us to expand our sales and marketing efforts beyond SCI-focused centers to centers supporting stroke and related neurological patients.

The Ekso GT is a wearable bionic suit that provides individuals with stroke, spinal cord injuries and other lower-extremity paralysis or weakness the ability to stand and walk over ground with a full weight-bearing, reciprocal gait using a cane, crutches or a walker under the supervision of a physical therapist. Walking is achieved by the shifting of the user’s body to activate sensors in the device that initiate steps. Battery-powered motors drive the legs, replacing deficient neuromuscular function. First-time users can expect to walk with aid from the device the first time they put on the Ekso exoskeleton (after passing an assessment), while an experienced user can transfer to or from their wheelchair and don or remove the Ekso in less than five minutes.

Ekso Labs, our engineering services division focused on technology development and future applications. It is an exoskeleton laboratory that integrates emerging technologies into new product applications and expands on it for our partners. To date, the majority of our Ekso Labs revenue has been in the form of research grants from government organizations including United States Special Operations Command, the Defense Advanced Research Projects Agency and the National Science Foundation. These projects fund research and development on new exoskeleton systems, providing the Company with new intellectual property and exoskeleton designs that have the potential for commercialization.

In addition to furthering exoskeleton technology for our current medical applications, Ekso Labs’ research and development work may have potential use in future, able-bodied models of the Ekso human exoskeleton. Many of the research projects funded by grants are focused on researching future medical applications and capabilities not yet ready for commercial development. Other projects, often funded by commercial partners or the U.S. military, focus on able-bodied human exoskeleton applications. One such development project was the Human Universal Load Carrier (“HULC”), a robotic exoskeleton designed for Lockheed and potential military applications to augment strength and endurance, allowing users to carry up to 200 pounds over long distances and rough terrain. Similarly, industrial models that we are developing are intended to increase an individual’s workload, endurance and efficiency, allowing workers to carry heavy objects for much longer. The goal of these technologies is to increase worker productivity while at the same time helping to prevent employee injuries. Both the HULC and our other industrial exoskeleton products are in the developmental stage.

As we continue to develop, commercialize and market our various exoskeleton technologies, we may seek to establish new strategic relationships with third parties. Potential relationships may be in the form of technology or product development agreements, sales or distribution agreements, or license agreements.

Regulatory Plans

The U.S. government regulates the medical device industry through various agencies, including but not limited to, the FDA, which administers the Federal Food, Drug and Cosmetic Act (FDCA).

The FDA classifies medical devices into one of three classes (Class I, II or III) based on the degree of risk the FDA determines to be associated with a device and the extent of control deemed necessary to ensure the device's safety and effectiveness. Devices requiring fewer controls because they are deemed to pose lower risk are placed in Class I or II. Class I devices are deemed to pose the least risk and are subject only to general controls applicable to all devices, such as requirements for device labeling, premarket notification, and adherence to the FDA's current good manufacturing practice requirements, as reflected in its QSR. Class II devices are intermediate risk devices that are subject to general controls and may also be subject to special controls such as performance standards, product-specific guidance documents, special labeling requirements, patient registries or post-market surveillance. Class III devices are those for which insufficient information exists to assure safety and effectiveness solely through general or special controls, and include life-sustaining, life-supporting, or implantable devices, and devices not "substantially equivalent" to a device that is already legally marketed. Most Class I devices, and some Class II devices are exempted by regulation from the 510(k) clearance requirement and can be marketed without prior authorization from FDA. Class I and Class II devices that have not been so exempted are eligible for marketing through the 510(k) clearance pathway. By contrast, devices placed in Class III generally require premarket approval, or PMA, prior to commercial marketing.

To obtain 510(k) clearance for a medical device, an applicant must submit a premarket notification to the FDA demonstrating that the device is "substantially equivalent" to a predicate device legally marketed in the United States. A device is substantially equivalent if, with respect to the predicate device, it has the same intended use and (i) the same technological characteristics, or (ii) has different technological characteristics and the information submitted demonstrates that the device is as safe and effective as a legally marketed device and does not raise different questions of safety or effectiveness.

While we believe that the Company's Ekso GT robotic exoskeleton has been appropriately marketed as a Class I 510(k) exempt Powered Exercise Equipment device since February 2012, on June 26, 2014, the FDA announced the creation of a new product classification for Powered Exoskeleton devices. On October 21, 2014, FDA published the summary for the reclassified Powered Exoskeleton. This new product classification was designated as being Class II, which requires the clearance of a 510(k).

On October 21, 2014, concurrent with the FDA's publication of the reclassification of Powered Exoskeleton devices, the FDA issued us an Untitled Letter which informed us in writing the agency's belief that this new product classification applied to our Ekso GT device. We filed a 510(k) notice for the Ekso robotic exoskeleton on December 24, 2014, and this submission is currently under review at the FDA. The Company intends to continue marketing the Ekso robotic exoskeleton under its current Class I registration and listing with its current indications for use until 510(k) clearance is either granted or denied by the FDA or the Company is otherwise notified by the FDA to cease from such activities. The Company believes that in situations where the class of a product has been elevated by FDA, manufacturers are normally granted enforcement discretion by FDA and given ample time to seek clearance at the new class level. Nonetheless, the FDA may not agree with our decision to continue marketing the device until a 510(k) is cleared. If the FDA disagrees with our decision, we may be required to cease marketing or to recall the products until we obtain clearance or approval, and we may be subject to any of the regulatory fines or penalties identified above.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Our estimates form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimate that are reasonably likely to occur, could materially impact the condensed consolidated financial statements. We believe that our critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the condensed consolidated financial statements.

For the three month period ended March 31, 2015, there have been no material changes to our critical accounting policies and estimates as compared to those described in our Annual Report on Form 10-K for the year ended December 31, 2014 under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies, Estimates and Judgments.”

Results of Operations

The following table presents our results of operations for the periods indicated and as a percentage of total revenue (in thousands):

	Three Months Ended March 31,			
	2015		2014	
	Actual	% of Revenue	Actual	% of Revenue
Revenue:				
Medical devices	\$ 985	58%	\$ 527	50%
Engineering services	704	42%	535	50%
Total revenue	<u>1,689</u>	100%	<u>1,062</u>	100%
Cost of revenue:				
Medical devices	798	47%	330	31%
Engineering services	488	29%	252	24%
Total cost of revenue	<u>1,286</u>	76%	<u>582</u>	55%
Gross profit	403	24%	480	45%
Operating expenses:				
Sales and marketing	1,851	110%	1,531	144%
Research and development	983	58%	769	72%
General and administrative	1,662	98%	2,071	195%
Total operating expenses	<u>4,496</u>	266%	<u>4,371</u>	412%
Loss from operations	<u>(4,093)</u>	(242)%	<u>(3,891)</u>	(366)%
Other income (expense):				
Interest expense	(3)		(427)	(40)%
Loss on warrant liability	-		(77,437)	(7292)%
Interest income	4		1	
Other expense, net	<u>(23)</u>		<u>(12)</u>	
Total other expense, net	<u>(22)</u>	(1)%	<u>(77,875)</u>	(7333)%
Net loss	<u>\$ (4,115)</u>	(244)%	<u>\$ (81,766)</u>	(7699)%

Revenue:

The following table presents our revenues (in thousands) for the periods indicated and associated percent change:

	Three Months Ended March 31,			
	2015	2014	Change	% Change
Revenue:				
Medical devices	\$ 985	\$ 527	\$ 458	87
Engineering services	704	535	169	32
Total revenue	<u>\$ 1,689</u>	<u>\$ 1,062</u>	<u>\$ 627</u>	59

Medical device revenue increased \$0.5 million, or approximately 87%, primarily due to the number of medical device sales being recognized to revenue more than doubling as compared to the same period in the prior year. Engineering services revenue increased by \$0.2 million, or approximately 32%, primarily due to an overall increase in projects period over period.

Cost of Revenue:

The following table presents our cost of revenues (in thousands) for the periods indicated and associated percent change:

	Three Months Ended March 31,			
	2015	2014	Change	% Change
Cost of revenue:				
Medical devices	\$ 798	\$ 330	\$ 468	142
Engineering services	488	252	236	94
Total cost of revenue	<u>\$ 1,286</u>	<u>\$ 582</u>	<u>\$ 704</u>	121

Medical device cost of revenue increased \$0.5 million, or approximately 142%, due to the more than doubling of medical devices being amortized to revenue this year as compared to last year.

The increase in medical device cost of revenue exceeded the increase in associated revenue, and we recorded a drop in margins on medical devices, primarily due to increased levels of service expenses associated with enhancements we are making to our fleet in order to implement technological improvements we have developed since many of our units were placed into service.

Engineering services cost of revenue increased by \$0.2 million, or approximately 94%, primarily due to an overall increase in projects period over period.

Operating Expenses:

The following table presents our operating expenses (in thousands) for the periods indicated and associated percent change:

	Three Months Ended March 31,			
	2015	2014	Change	% Change
Operating expenses:				
Sales and marketing	\$ 1,851	\$ 1,531	\$ 320	21
Research and development	983	769	214	28
General and administrative	1,662	2,071	(409)	(20)
Total operating expenses	<u>\$ 4,496</u>	<u>\$ 4,371</u>	<u>\$ 125</u>	3

Sales and marketing expenses increased \$0.3 million, or 21%, as compared to the three months ended March 31, 2014, due to general increases, the greatest of which is an increase of \$0.1 million in compensation related costs.

Research and development expenses increased \$0.2 million, or 28%, as compared to the three months ended March 31, 2014 primarily due to an increase of \$0.1 million in compensation related expenses as a result of increases in headcount.

General and administrative expenses decreased \$0.4 million, or 20%, as compared to the three months ended March 31, 2014. The decrease was primarily attributable to an overall \$0.5 million decline in compensation costs, which included a \$0.3 million reduction in recognized bonus expense year-over-year. This decrease was offset by a \$0.2 million increase in professional services fees primarily related to public company requirements and investor relations expenses.

Other Income (Expense), Net:

The following table presents our other income (expense), net (in thousands) for the periods indicated and associated percent change:

	Three Months Ended March 31,			
	2015	2014	Change	% Change
Other income (expense):				
Interest expense	\$ (3)	(427)	424	(99)
Loss on warrant liability	-	(77,437)	77,437	(100)
Interest income	4	1	3	300
Other expense, net	(23)	(12)	(11)	92
Total other expense, net	<u>\$ (22)</u>	<u>(77,875)</u>	<u>77,853</u>	<u>(100)</u>

Total other expense, net reflected a decrease of \$77.9 million as compared to the three month period ended March 31, 2014 primarily due to a \$77.4 million net change in non-cash charges relating to outstanding warrants. The \$77.4 million of prior year warrant liability charges was attributable to warrants issued in the private placement offering in January and February 2014. Due to the price-based anti-dilution provision in the warrants, the Company was required to classify the warrants as a liability and to adjust their value to market at each measurement period. In November 2014, the holders of a majority of the warrants approved an amendment to remove the price-based anti-dilution provisions in the warrants. As a result, the warrants are no longer recorded as a liability effective November 2014 because they met the criteria for equity treatment. Interest expense decreased by \$0.4 million this year as compared to last year due to the repayment of outstanding debt in January 2014.

Financial Condition, Liquidity and Capital Resources

Since the Company's inception, we have devoted substantially all of our efforts toward the development of exoskeletons for the medical, military and industrial markets, toward the commercialization of our medical exoskeletons to rehabilitation centers and toward raising capital. Accordingly, we are considered to be in the early commercialization stage. We have financed our operations primarily through the issuance and sale of equity securities for cash consideration and convertible and promissory notes, as well as from government research grant awards and strategic collaboration payments.

Cash and Working Capital

Since the Company's inception, we have incurred recurring net losses and negative cash flows from operations. We incurred net losses of \$33.7 million for the year ended December 31, 2014 and \$4.1 million for the three months ended March 31, 2015. In addition, our operating activities used \$15.0 million for the year ended December 31, 2014 and \$3.8 million for the three months ended March 31, 2015.

Liquidity and Capital Resources

Largely as a result of significant research and development activities related to the creation of our advanced technology and commercialization of this technology into our medical device business, we have incurred significant operating losses and negative cash flows from operations since inception. As of March 31, 2015, we had an accumulated deficit of \$75.9 million.

The Company's cash as of March 31, 2015 was \$21.1 million compared to \$25.2 million at December 31, 2014. During the three months ended March 31, 2015, the Company used \$3.8 million of cash in operations compared to \$5.5 million for the three months ended March 31, 2014.

Based upon our current three-month average monthly net use of cash of \$1.3 million and assuming increases in current revenue and gross profit, offset by modest incremental net use of cash for increased operating expenses and a potential increase in rental activity for our medical device business, the Company believes it has sufficient resources to meet its financial obligations into the second quarter of 2016.

Our actual capital requirements may vary significantly and will depend on many factors. For example, we plan to increase our investments (i) in our clinical, sales and marketing initiatives to accelerate adoption of the Ekso robotic exoskeleton in the rehabilitation market, (ii) in our research, development and commercialization activities with respect to an Ekso robotic exoskeleton for home use, and/or (iii) in the development and commercialization of able-bodied exoskeletons for industrial use. Consequently, the Company will require significant additional financing in the future, which we intend to raise through public or private equity offerings, debt financings, warrant solicitations or corporate collaborations within the next three to four quarters. When we need to raise additional capital, there can be no assurance that financing will be available when required in sufficient amounts, on acceptable terms or at all. In the event that the necessary additional financing is not obtained, we may be required to reduce our discretionary overhead costs substantially, including research and development, general and administrative and sales and marketing expenses or otherwise curtail operations.

Cash and Cash Equivalents

The following table summarizes the sources and uses of cash for the periods stated. The Company held no cash equivalents for any of the periods presented.

	Three Months Ended	
	March 31,	
	2015	2014
Cash, beginning of period	\$ 25,190	\$ 805
Net cash used in operating activities	(3,828)	(5,459)
Net cash used in investing activities	(281)	(248)
Net cash provided by financing activities	52	19,478
Cash, end of period	<u>\$ 21,133</u>	<u>\$ 14,576</u>

Net Cash Used in Operating Activities

Net cash used in operations for the three months ended March 31, 2015 was driven by our \$4.1 million operating loss, offset by \$0.5 million in non-cash charges related to depreciation and amortization, and stock compensation expense.

Net cash used in operations for the three months ended March 31, 2014 was driven by our \$81.8 million operating loss, offset by \$78.2 million in non-cash charges. Non-cash charges included \$77.4 million that was attributable to warrants issued in the private placement offering in January and February 2014. Due to an anti-dilution provision in the warrants, the Company was required to classify the warrants as a liability and to adjust their value to market at the end of each reporting period.

Net Cash Used in Investing Activities

Net cash used in investing activities of \$0.3 million and \$0.2 million for the three months ended March 31, 2015 and 2014 was primarily to acquire property and equipment, including expansion of our company-owned fleet of Ekso units used for demonstrations, loaners to current customers, and as rental units.

Net Cash Provided by Financing Activities

The net cash provided by financing activities for the three months ended March 31, 2015 of \$0.1 million was primarily from the exercise of common stock warrants and options.

The net cash provided by financing activities for the three months ended March 31, 2014 of \$19.5 million included a net \$22.0 million from the private placement offering in January and February, 2014. The proceeds from the 2014 private placement offering were in turn used to retire \$2.5 million of outstanding debt.

Contractual Obligations and Commitments

The following table summarizes our outstanding contractual obligations as of March 31, 2015 and the effect those obligations are expected to have on our liquidity and cash flows in future periods (in thousands):

	Payments Due By Period:				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Facility Operating Lease	\$ 814	\$ 282	\$ 532	\$ -	\$ -
Leasehold Improvement Loans	103	36	67	-	-
Capital lease	13	4	9	-	-
Total	<u>\$ 930</u>	<u>\$ 322</u>	<u>\$ 608</u>	<u>\$ -</u>	<u>\$ -</u>

The table above reflects only payment obligations that are fixed and determinable.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business, including inflation risks.

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Item 4. Controls and Procedures

Disclosure Controls and Procedures.

Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2015, to provide reasonable assurance that information required to be disclosed in reports filed by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We previously reported a material weakness in internal control over financial reporting related to the timing of the implementation of certain policies, processes and procedures that we have put in place since the Merger, which was described in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2014. As of December 31, 2014, we considered the material weakness that resulted from the previously identified deficiencies in the aggregate to have been remediated. However, the policies, practices and procedures we have put in place since the Merger to remediate the identified deficiencies have not been operational for a sufficient period of time to enable us to properly test the effectiveness of the controls and determine them to be effective. As a result, our management, with the participation of our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were not effective as of March 31, 2015.

It should be noted that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment and makes assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Management believes that the financial statements included in this Report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Changes in Internal Control Over Financial Reporting

Except as noted in the preceding paragraphs, there were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

During the three months ended March 31, 2015 we were not a party to legal proceedings that could have a material affect on our consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

An investment in our securities involves a risk of loss. You should carefully consider the information set forth in this Quarterly Report on Form 10-Q and in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2014. There have been no material changes to the Risk Factors described in our 2014 Annual Report on Form 10-K.

Item 6. Exhibits

Exhibit Number	Description
10.32 †	Employment Agreement, dated March 19, 2015, between the Registrant and Thomas Looby (<i>incorporated by reference from Exhibit 10.32 to the Registrant's Annual Report on Form 10-K filed on March 19, 2015</i>)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following financial statements from the Ekso Bionics Holdings, Inc. Quarterly Report on Form 10Q for the quarter ended March 31, 2015, formatted in Extensible Business Reporting Language ("XBRL"): <ul style="list-style-type: none">· unaudited condensed consolidated balance sheets;· unaudited condensed consolidated statement of operations;· unaudited condensed consolidated statement of cash flows;· notes to unaudited condensed consolidated financial statements;
*	Filed herewith
†	Management contract or compensatory plan or arrangement

SIGNATURES

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

EKSO BIONICS HOLDINGS, INC.

Date: May 11, 2015

By: /s/ Nathan HardingNathan Harding
Chief Executive Officer

Date: May 11, 2015

By: /s/ Max Scheder-BieschinMax Scheder-Bieschin
Chief Financial Officer(Duly Authorized Officer and Principal Financial and
Accounting Officer)

CERTIFICATION

I, Nathan Harding, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Ekso Bionics Holdings, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
- (4) The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
- (5) The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 11, 2015

/s/ Nathan Harding
Nathan Harding
Principal Executive Officer

CERTIFICATION

I, Max Scheder-Bieschin, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Ekso Bionics Holdings, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
- (4) The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
- (5) The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 11, 2015

/s/ Max Scheder-Bieschin
Max Scheder-Bieschin
Principal Financial Officer

**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Ekso Bionics Holdings, Inc. (the "Company"), for the quarterly period ended March 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, Nathan Harding, Chief Executive Officer and principal executive officer, hereby certify as of the date hereof, solely for purposes of 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: May 11, 2015

/s/ Nathan Harding
Nathan Harding
Principal Executive Officer

**CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Ekso Bionics Holdings, Inc. (the "Company"), for the quarterly period ended March 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, Max Scheder-Bieschin, Chief Financial Officer and principal financial officer, hereby certify as of the date hereof, solely for purposes of 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: May 11, 2015

/s/ Max Scheder-Bieschin

Max Scheder-Bieschin
Principal Financial Officer
