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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, 2017
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 No. 001-35621

GLOBUS MEDICAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**04-3744954**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2560 General Armistead Avenue, Audubon, PA 19403	**(610) 930-1800**
(Address of principal executive offices) (Zip Code)	(Registrant's telephone number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files):

Yes ☒ No ☐

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

Large Accelerated Filer ☒	Accelerated Filer ☐	Non-accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐	Emerging Growth Company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes ☐ No ☒

The number of shares outstanding of the issuer's common stock (par value $0.001 per share) as of April 28, 2017 was 96,085,636 shares.

GLOBUS MEDICAL, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GLOBUS MEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except par value)	March 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 182,435**	$ 132,639
Restricted cash	**477**	477
Short-term marketable securities	**143,663**	157,673
Accounts receivable, net of allowances of $3,627 and $2,771, respectively	**94,232**	91,983
Inventories	**113,037**	112,692
Prepaid expenses and other current assets	**7,008**	14,502
Income taxes receivable	**47**	3,800
Total current assets	**540,899**	513,766
Property and equipment, net of accumulated depreciation of $173,890 and $166,711, respectively	**124,840**	124,229
Long-term marketable securities	**63,066**	60,444
Note receivable	**30,000**	30,000
Intangible assets, net	**61,343**	61,706
Goodwill	**106,215**	105,926
Other assets	**954**	928
Deferred income taxes	**33,104**	30,638
Total assets	**$ 960,421**	$ 927,637
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	**$ 17,013**	$ 17,472
Accrued expenses	**37,409**	46,401
Income taxes payable	**11,708**	1,911
Business acquisition liabilities, current	**9,239**	14,108
Total current liabilities	**75,369**	79,892
Business acquisition liabilities, net of current portion	**6,087**	5,972
Deferred income taxes	**8,261**	7,876
Other liabilities	**1,819**	1,819
Total liabilities	**91,536**	95,559
Commitments and contingencies (Note 13)		
Equity:		
Class A common stock; $0.001 par value. Authorized 500,000 shares; issued and outstanding 72,200 and 72,052 shares at March 31, 2017 and December 31, 2016, respectively	**72**	72
Class B common stock; $0.001 par value. Authorized 275,000 shares; issued and outstanding 23,878 at March 31, 2017 and December 31, 2016, respectively	**24**	24
Additional paid-in capital	**217,257**	211,725
Accumulated other comprehensive loss	**(6,081)**	(8,642)
Retained earnings	**657,613**	628,899
Total equity	**868,885**	832,078
Total liabilities and equity	**$ 960,421**	$ 927,637

See accompanying notes to condensed consolidated financial statements.

GLOBUS MEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Sales	**$ 155,809**	$ 139,264
Cost of goods sold	**35,600**	31,519
Gross profit	**120,209**	107,745
Operating expenses:		
Research and development	**10,666**	10,030
Selling, general and administrative	**67,059**	53,798
Amortization of intangibles	**1,782**	392
Acquisition related costs	**388**	674
Total operating expenses	**79,895**	64,894
Operating income	**40,314**	42,851
Other income, net		
Interest income, net	**1,418**	496
Foreign currency transaction gain	**548**	108
Other income	**134**	156
Total other income, net	**2,100**	760
Income before income taxes	**42,414**	43,611
Income tax provision	**13,700**	15,601
Net income	**$ 28,714**	$ 28,010
Earnings per share:		
Basic	**$ 0.30**	$ 0.29
Diluted	**$ 0.30**	$ 0.29
Weighted average shares outstanding:		
Basic	**95,996**	95,398
Dilutive stock options	**1,152**	895
Diluted	**97,148**	96,293
Anti-dilutive stock options excluded from weighted average calculation	**5,758**	5,208

See accompanying notes to condensed consolidated financial statements.

GLOBUS MEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net income	**$ 28,714**	$ 28,010
Other comprehensive income:		
Unrealized gain on marketable securities, net of tax	**120**	224
Foreign currency translation gain	**2,441**	81
Total other comprehensive income	**2,561**	305
Comprehensive income	**$ 31,275**	$ 28,315

See accompanying notes to condensed consolidated financial statements.

GLOBUS MEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flows from operating activities:		
Net income	**$ 28,714**	$ 28,010
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**12,240**	6,676
Amortization of premium on marketable securities	**1,008**	953
Write-down for excess and obsolete inventories	**1,671**	2,225
Stock-based compensation expense	**3,491**	2,770
Allowance for doubtful accounts	**794**	88
Change in fair value of contingent consideration	**478**	—
Change in deferred income taxes	**(2,399)**	391
(Increase)/decrease in:		
Restricted cash	**—**	15,668
Accounts receivable	**(2,225)**	2,201
Inventories	**(2,102)**	(2,252)
Prepaid expenses and other assets	**8,628**	1,209
Increase/(decrease) in:		
Accounts payable	**(172)**	(1,238)
Accrued expenses and other liabilities	**(10,170)**	(15,661)
Income taxes payable/receivable	**13,493**	14,517
Net cash provided by operating activities	**53,449**	55,557
Cash flows from investing activities:		
Purchases of marketable securities	**(51,215)**	(104,208)
Maturities of marketable securities	**55,280**	69,656
Sales of marketable securities	**6,505**	7,798
Purchases of property and equipment	**(11,533)**	(9,366)
Net cash used in investing activities	**(963)**	(36,120)
Cash flows from financing activities:		
Payment of business acquisition liabilities	**(5,001)**	(300)
Proceeds from exercise of stock options	**1,990**	1,895
Net cash (used in)/provided by financing activities	**(3,011)**	1,595
Effect of foreign exchange rate on cash	**321**	91
Net increase in cash and cash equivalents	**49,796**	21,123
Cash and cash equivalents, beginning of period	**132,639**	60,152
Cash and cash equivalents, end of period	**$ 182,435**	$ 81,275
Supplemental disclosures of cash flow information:		
Interest paid	**8**	1
Income taxes paid	**$ 2,656**	$ 774

See accompanying notes to condensed consolidated financial statements.

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Company

Globus Medical, Inc., together with its subsidiaries, is a medical device company focused on the design, development and commercialization of musculoskeletal implants. We are currently focused on implants that promote healing in patients with spine disorders. We have also recently begun to develop a robotic surgical navigation device and products to treat patients who have experienced orthopedic traumas, although those development efforts are still ongoing and we currently have no robotic or orthopedic trauma products that are cleared by the U.S. Food and Drug Administration for sale. We are an engineering-driven company with a history of rapidly developing and commercializing advanced products and procedures that assist surgeons in effectively treating their patients, respond to evolving surgeon needs and address new treatment options. Since our inception in 2003, we have launched over 170 products and offer a product portfolio addressing a broad array of spinal pathologies.

We are headquartered in Audubon, Pennsylvania, and market and sell our products through our exclusive sales force in the United States, as well as within North, Central & South America, Europe, Asia, Africa and Australia. Our sales force consists of direct sales representatives and distributor sales representatives employed by exclusive independent distributors.

The terms “the Company,” “Globus,” “we,” “us” and “our” refer to Globus Medical, Inc. and, where applicable, our consolidated subsidiaries.

(b) Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in complete financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2016.

In the opinion of management, the statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of our financial position and of the results for the three month periods presented. The results of operations for any interim period are not indicative of results for the full year. Certain reclassifications have been made to the prior period statements to include amortization of intangibles and acquisition related costs within operating expenses to conform to the current year presentation. In addition, we have recast an immaterial amount from cost of goods sold to amortization of intangibles to be consistent with our presentation for the year ended December 31, 2016.

(c) Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Globus and its wholly-owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation.

(d) Use of Estimates

The preparation of the condensed 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 disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates, in part, on historical experience that management believes to be reasonable under the circumstances. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the condensed consolidated financial statements in the period they are determined to be necessary.

Significant areas that require management's estimates include intangible assets, contingent payment liabilities, allowance for doubtful accounts, stock-based compensation, write-down for excess and obsolete inventory, useful lives of assets, the outcome of litigation, recoverability of intangible assets and income taxes. We are subject to risks and uncertainties due to changes in the healthcare environment, regulatory oversight, competition, and legislation that may cause actual results to differ from estimated results.

(e) Restricted Cash

In December 2014, we set aside cash for the payment of a portion of the DePuy Synthes and Bianco litigation. We classified this cash as restricted, as the amount was placed in escrow to be used for payment of the litigation obligations, should we not be successful with our appeals. On January 13, 2016, we settled our litigation with DePuy Synthes and made a payment of $7.9 million and recovered approximately $8.4 million related to that settlement shortly thereafter. As of March 31, 2017, we have $0.5 million of restricted cash remaining related to the Bianco matter. See **"Note 13. Commitments and Contingencies"** below for more details regarding these litigations.

(f) Marketable Securities

Our marketable securities include municipal bonds, corporate debt securities, commercial paper, securities of U.S. government-sponsored agencies and asset-backed securities, and are classified as available-for-sale as of March 31, 2017. Available-for-sale securities are recorded at fair value in both short-term and long-term marketable securities on our condensed consolidated balance sheets. The change in fair value for available-for-sale securities is recorded, net of taxes, as a component of accumulated other comprehensive loss on our condensed consolidated balance sheets. Premiums and discounts are recognized over the life of the related security as an adjustment to yield using the straight-line method. Realized gains or losses from the sale of our marketable securities are determined on a specific identification basis. Realized gains and losses, along with interest income and the amortization/accretion of premiums/discounts are included as a component of other income, net, on our condensed consolidated statements of income. Interest receivable is recorded as a component of prepaid expenses and other current assets on our condensed consolidated balance sheets.

We maintain a portfolio of various holdings, types and maturities, though most of the securities in our portfolio could be liquidated at minimal cost at any time. We invest in securities that meet or exceed standards as defined in our investment policy. Our policy also limits the amount of credit exposure to any one issue, issuer or type of security. We review our securities for other-than-temporary impairment at each reporting period. If an unrealized loss for any security is considered to be other-than-temporary, the loss will be recognized in our condensed consolidated statement of income in the period the determination is made.

(g) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. The majority of our inventories are finished goods and we utilize both in-house manufacturing and third-party suppliers to source our products. We periodically evaluate the carrying value of our inventories in relation to our estimated forecast of product demand, which takes into consideration the estimated life cycle of product releases. When quantities on hand exceed estimated sales forecasts, we record a write-down for such excess inventories.

(h) Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, product delivery has occurred, pricing is fixed or determinable, and collection is reasonably assured. A significant portion of our revenue is generated from consigned inventory maintained at hospitals or with sales representatives. For these products, revenue is recognized at the time the product is used or implanted. For all other transactions, we recognize revenue when title to the goods and risk of loss transfer to customers, provided there are no remaining performance obligations that will affect the customer's final acceptance of the sale. Our policy is to classify shipping and handling costs billed to customers as sales and the related expenses as cost of goods sold.

(i) Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 amends the guidance in former Topic 605, *Revenue Recognition*, and most other existing revenue guidances in US GAAP. Under the new standard, an entity will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which the entity expects to be entitled in exchange for those goods or services and provide additional disclosures. As amended, the effective date for public entities is annual reporting periods beginning after December 15, 2017 and interim periods therein. Early adoption is not permitted prior to the first quarter of 2017. We will adopt ASU 2014-09 effective January 1, 2018 using the modified retrospective method (retrospective application with the cumulative effect of initially applying the guidance recognized at the date of initial application). This update will not have a material impact on our financial position, results of operations, and disclosures.

In July 2015, the FASB released ASU 2015-11, *Simplifying the Measurement of Inventory (Topic 330)* ("ASU 2015-11") as part of the FASB's Simplification Initiative. This update is intended to more closely align the measurement of inventory under GAAP with the measurement of inventory under International Financial Reporting Standards. Within the scope of the update, an entity is required to measure inventory at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonable and predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for all public entities for fiscal years beginning after December 31, 2016, including interim reporting periods within that period, and is required to be applied prospectively, with early adoption permitted. We adopted ASU 2015-11 on January 1, 2017. This update does not have a material impact on our financial position, results of operations, and disclosures.

In February 2016, the FASB released ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). Under ASU 2016-02, a right-of-use asset and lease obligation will be recorded for all leases with terms greater than 12 months, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. ASU 2016-02 is effective for fiscal years

beginning after December 15, 2018, with early adoption permitted, and requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. We are currently evaluating the impact of this update on our financial position, results of operations, and disclosures.

In March 2016, the FASB released ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), which will simplify the income tax consequences, accounting for forfeitures, and classification on the statements of cash flows. ASU 2016-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, and is required to be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. We adopted ASU 2016-09 effective January 1, 2017.

ASU 2016-09 requires that all excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in the income statement as discrete items in the reporting period in which they occur. The adoption of this provision is required to be applied using a prospective transition method, therefore prior period net income has not been adjusted. Under the provisions of the new guidance, we elected to account for forfeitures as they occur, and using the required modified retrospective adoption, the impact to retained earnings was immaterial. We elected to apply the presentation requirements for cash flows related to excess tax benefits retrospectively to all periods presented. As a result of this retrospective application, our cash provided by operating activities increased by $0.5 million for the three months ended March 31, 2016, and our cash provided by financing activities decreased by $0.5 million for the three months ended March 31, 2016.

In November 2016, the FASB released ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"), which requires that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. Transfers between cash and cash equivalents and restricted cash and restricted cash equivalents will no longer be presented in the statement of cash flows. The amendments in this update should be applied using a retrospective transition method to each period presented. This update is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years; early adoption is permitted, including adoption in an interim period. We do not expect the adoption of this update to have any material impact on our financial position, cash flows, or disclosures.

In January 2017. the FASB released ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"), which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this ASU should be applied prospectively and are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early application permitted. No disclosures are required at transition. We are currently evaluating the timing and impact of the new standard on our financial position, results of operations and disclosures.

In January 2017. the FASB released ASU 2017-04, *Intangibles - Goodwill and Other (Topic 805): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which eliminates the Step 2 calculation for the implied fair value of goodwill to measure a goodwill impairment charge. Under the updated standard, an entity will record an impairment charge based on the excess of a reporting unit's carrying amount over its

fair value. ASU 2017-04 does not change the guidance on completing Step 1 of the goodwill impairment test and still allows an entity to perform the optional qualitative goodwill impairment assessment before determining whether to proceed to Step 1. This update is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019 with early adoption permitted for any impairment test performed on testing dates after January 1, 2017. We are currently evaluating the timing and impact of the new standard on our financial position, results of operations and disclosures.

NOTE 2. ACQUISITIONS

Alphatec International

On September 1, 2016 (the "Closing Date"), Globus Medical Ireland, Ltd. ("Globus Ireland"), a private limited company existing under the laws of Ireland and an indirect wholly-owned subsidiary of Globus, acquired from Alphatec Holdings, Inc., a Delaware corporation ("Alphatec") (i) substantially all of the assets and certain liabilities of Alphatec's subsidiaries in the United Kingdom, Italy, the Netherlands, Germany and Hong Kong and (ii) all of the outstanding equity interests of Alphatec's subsidiaries in Japan, Brazil, China, Singapore and Australia ("Alphatec International") pursuant to a Purchase and Sale Agreement entered into on July 25, 2016 (the "Purchase Agreement" and the "Acquisition"). The aggregate consideration for the transaction was approximately $77.8 million in cash, subject to customary adjustment after closing for certain working capital items as provided in the Purchase Agreement.

In addition, in connection with the Acquisition, Globus Ireland entered into a supply agreement with Alphatec, pursuant to which Alphatec will supply products to Globus Ireland and its newly-acquired subsidiaries for up to five years after the Closing Date.

We accounted for the acquisition under the purchase method of accounting, and as a result, recorded preliminary goodwill of approximately $14.8 million. The results of operations of Alphatec International have been included in our results of operations from the date of acquisition. Amounts recognized for assets acquired and liabilities assumed are based on preliminary purchase price allocations and on certain management judgments. These preliminary allocations are based on an analysis of the estimated fair values of assets acquired and liabilities assumed, including identifiable tangible assets, and estimates of the useful lives of tangible assets. The final purchase price allocations will be completed after we finalize our third-party appraisal, review all available data, and complete our own internal assessments. We expect to complete our final purchase price allocations in mid-2017. Any additional adjustments resulting from finalization of the purchase price allocations for Alphatec International will affect the amount assigned to goodwill. Based on our preliminary purchase price allocations, we estimate that $9.1 million of the goodwill from this acquisition is deductible for tax purposes.

As of March 31, 2017, we recorded the following preliminary purchase price allocation for the identifiable tangible and intangible assets and liabilities of Alphatec International:

(In thousands)	
Consideration:	
Cash paid at closing	$ 80,000
Net working capital adjustment due	(2,217)
Fair value of consideration	$ 77,783
Identifiable assets acquired and liabilities assumed:	
Cash acquired	$ 4,010
Accounts receivable	12,402
Inventory	10,579
Customer relationships	38,800
Property and equipment	4,800
Deferred tax assets	1,436
Other assets	8,092
Accounts payable and accrued expenses	(8,119)
Deferred tax liabilities	(9,002)
Total identifiable net assets	62,998
Goodwill	14,785
Total allocated purchase price	$ 77,783

The following unaudited pro forma information is based on our historical data and our assumptions for consolidated results of operations, and gives effect to our acquisition of Alphatec International as if the acquisition had occurred on January 1, 2015. These unaudited pro forma results include adjustments having a continuing impact on our condensed consolidated statements of income. These adjustments primarily consist of: adjustments to the fair value of inventory, adjustments to depreciation for the fair value and depreciable lives of property and equipment, amortization of intangibles, interest income and adjustments to tax expense based on condensed consolidated pro forma results. These results have been prepared using assumptions our management believes are reasonable, are not necessarily indicative of the actual results that would have occurred if the acquisition had occurred on January 1, 2015, and are not necessarily indicative of the results that may be achieved in the future, including but not limited to operating synergies that we may realize as a result of the acquisition.

(pro forma, in thousands, except per share amounts)	Three Months Ended March 31, 2016
Net sales	$ 151,153
Net income	29,456
Earnings per share:	
Basic	$ 0.31
Diluted	$ 0.31

NOTE 3. NOTE RECEIVABLE

On September 1, 2016, in connection with the Acquisition, we entered into a Credit, Security and Guaranty Agreement (the "Credit Agreement") with Alphatec and Alphatec Spine, Inc. ("Alphatec Spine" and together with Alphatec, the "Alphatec Borrowers"), pursuant to which we made available to the Alphatec Borrowers a senior secured term loan facility in an amount not to exceed $30.0 million. On the Closing Date, we made an initial loan of $25.0 million and the Alphatec Borrowers issued a note for such amount to us. On December 20, 2016, the remaining $5.0 million was drawn by the Alphatec Borrowers and added to the note.

The Credit Agreement contains customary operational and financial covenants, including a fixed charge coverage ratio to be maintained by the Alphatec Borrowers, and provides us with a security interest in all of the assets of the Alphatec Borrowers. The Credit Agreement has a scheduled maturity date five years from the Closing Date. The term loan interest rate for the first two years following the Closing Date will be priced at the London Interbank Offered Rate ("LIBOR") plus 8.0%, subject to a 9.5% floor. The term loan interest rate thereafter will be LIBOR plus 13.0%.

On March 30, 2017 we entered into a First Amendment to the Credit Agreement which modified the time periods during which the Alphatec Borrowers are required to calculate the fixed charge coverage ratio in order to determine compliance with the Credit Agreement.

Interest accrues on the note receivable based on the contractual terms of the note. We consider a note to be impaired when, based on current information or factors (such as payment history, value of collateral and assessment of the borrower's current creditworthiness), it is probable that the principal and interest payments will not be collected according to the note agreement. As of March 31, 2017, we do not consider this note to be impaired. We believe that the note's carrying value approximates its fair value.

NOTE 4. INTANGIBLE ASSETS

A summary of intangible assets is presented below:

		March 31, 2017		
(In thousands)	Weighted Average Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
In-process research & development	—	$ 20,460	$ —	$ 20,460
Supplier network	10.0	4,000	(967)	3,033
Customer relationships & other intangibles	6.8	42,452	(6,934)	35,518
Patents	16.1	3,035	(703)	2,332
Total intangible assets		$ 69,947	$ (8,604)	$ 61,343

(In thousands)	Weighted Average Amortization Period (in years)	December 31, 2016 Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
In-process research & development	—	$ 20,460	$ —	$ 20,460
Supplier network	10.0	4,000	(867)	3,133
Customer relationships & other intangibles	6.8	40,936	(5,201)	35,735
Patents	16.1	3,035	(657)	2,378
Total intangible assets		$ 68,431	$ (6,725)	$ 61,706

NOTE 5. MARKETABLE SECURITIES

The composition of our short-term and long-term marketable securities is as follows:

(In thousands)	Contractual Maturity (in years)	March 31, 2017 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term:					
Municipal bonds	Less than 1	$ 98,486	$ 16	$ (27)	$ 98,475
Corporate debt securities	Less than 1	27,783	18	(8)	27,793
Commercial paper	Less than 1	16,035	2	—	16,037
Asset-backed securities	Less than 1	1,358	—	—	1,358
Total short-term marketable securities		$ 143,662	$ 36	$ (35)	$ 143,663
Long-term:					
Municipal bonds	1-2	$ 25,705	$ 8	$ (27)	$ 25,686
Corporate debt securities	1-2	23,167	7	(35)	23,139
Asset-backed securities	1-2	9,265	1	(4)	9,262
Securities of U.S. government-sponsored agencies	1-2	5,001	—	(22)	4,979
Total long-term marketable securities		$ 63,138	$ 16	$ (88)	$ 63,066

(In thousands)	Contractual Maturity (in years)	December 31, 2016 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term:					
Municipal bonds	Less than 1	$ 114,826	$ 2	$ (88)	$ 114,740
Corporate debt securities	Less than 1	36,020	21	(4)	36,037
Commercial paper	Less than 1	6,898	—	(2)	6,896
Total short-term marketable securities		$ 157,744	$ 23	$ (94)	$ 157,673
Long-term:					
Municipal bonds	1-2	$ 30,207	$ —	$ (137)	$ 30,070
Corporate debt securities	1-2	15,278	9	(40)	15,247
Asset-backed securities	1-2	10,146	6	(1)	10,151
Securities of U.S. government-sponsored agencies	1-2	5,002	—	(26)	4,976
Total long-term marketable securities		$ 60,633	$ 15	$ (204)	$ 60,444

NOTE 6. FAIR VALUE MEASUREMENTS

Under the accounting for fair value measurements and disclosures, fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or the liability in an orderly transaction between market participants on the measurement date. Additionally, a fair value hierarchy was established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Our assets and liabilities measured at fair value on a recurring basis are classified and disclosed in one of the following three categories:

Level 1—quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2—observable inputs other than quoted prices in active markets for identical assets and liabilities; and

Level 3—unobservable inputs in which there is little or no market data available, which require the reporting entity to use significant unobservable inputs or valuation techniques.

The fair value of our assets and liabilities measured at fair value on a recurring basis was as follows:

(In thousands)	Balance at March 31, 2017	Level 1	Level 2	Level 3
Assets				
Cash equivalents	$ 103,327	$ 986	$ 102,341	$ —
Municipal bonds	124,161	—	124,161	—
Corporate debt securities	50,932	—	50,932	—
Commercial paper	16,037	—	16,037	—
Asset-backed securities	10,620	—	10,620	—
Securities of U.S. government-sponsored agencies	4,979	—	4,979	—
Liabilities				
Contingent consideration	15,326	—	—	15,326

(In thousands)	Balance at December 31, 2016	Level 1	Level 2	Level 3
Assets				
Cash equivalents	$ 76,157	$ 957	$ 75,200	$ —
Municipal bonds	144,810	—	144,810	—
Corporate debt securities	51,284	—	51,284	—
Commercial paper	6,896	—	6,896	—
Asset-backed securities	10,151	—	10,151	—
Securities of U.S. government-sponsored agencies	4,976	—	4,976	—
Liabilities				
Contingent consideration	19,849	—	—	19,849

Our marketable securities are classified as Level 2 within the fair value hierarchy, as we measure their fair value using market prices for similar instruments and inputs such as actual trade data, benchmark yields, broker/dealer quotes and other similar data obtained from quoted market prices or independent pricing vendors.

Contingent consideration represents our contingent milestone, performance and revenue-sharing payment obligations related to our acquisitions and is measured at fair value, based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions we believe would be made by a market participant. We assess these estimates on an ongoing basis as additional data impacting the assumptions is obtained. The balances of the fair value of contingent consideration are recognized within business acquisition liabilities on our condensed consolidated balance sheets, and the changes in the fair value of contingent consideration are recognized within research and development and selling, general and administrative expenses in the condensed consolidated statements of income.

The recurring Level 3 fair value measurements of our contingent consideration liabilities include the following significant unobservable inputs:

(In thousands)	Fair Value at March 31, 2017	Valuation technique	Unobservable input	Range
			Discount rate	6.7% - 8.5%
Revenue-based payments	$ 10,451	Discounted cash flow	Probability of payment	87.0% - 97.5%
			Projected year of payment	2017 - 2029
			Discount rate	13.5%
Milestone-based payments	$ 4,875	Discounted cash flow	Probability of payment	100.0%
			Projected year of payment	2017

The following table provides a reconciliation of the beginning and ending balances of contingent consideration:

	Three Months Ended	
(In thousands)	March 31, 2017	March 31, 2016
Beginning balance	$ 19,849	$ 26,617
Contingent payments	(5,001)	(5,000)
Changes in fair value of contingent consideration	478	643
Ending balance	$ 15,326	$ 22,260

NOTE 7. INVENTORIES

(In thousands)	March 31, 2017	December 31, 2016
Raw materials	$ 13,507	$ 13,257
Work in process	13,684	10,747
Finished goods	85,846	88,688
Total inventories	$ 113,037	$ 112,692

NOTE 8. ACCRUED EXPENSES

(In thousands)	March 31, 2017	December 31, 2016
Compensation and other employee-related costs	$ 17,615	$ 23,214
Legal and other settlements and expenses	1,387	734
Accrued non-income taxes	6,015	6,946
Royalties	4,758	4,671
Other	7,634	10,836
Total accrued expenses	$ 37,409	$ 46,401

NOTE 9. DEBT

Line of Credit

In May 2011, we entered into a credit agreement with Wells Fargo Bank related to a revolving credit facility that provides for borrowings up to $50.0 million. At our request, and with the approval of the bank, the amount of borrowings available under the revolving credit facility can be increased to $75.0 million. The revolving credit facility includes up to a $25.0 million sub-limit for letters of credit. As amended to date, the revolving credit facility expires in May 2017. Cash advances bear interest at our option either at a fluctuating rate per annum equal to the daily LIBOR in effect for a one-month period plus 0.75%, or a fixed rate for a one- or three-month period equal to LIBOR plus 0.75%. The credit agreement governing the revolving credit facility also subjects us to various restrictive covenants, including the requirement to maintain maximum consolidated leverage. The covenants also include limitations on our ability to repurchase shares, to pay cash dividends or to enter into a sale transaction. As of March 31, 2017, we were in compliance with all financial covenants under the credit agreement, there were no outstanding borrowings under the revolving credit facility and available borrowings were $50.0 million. We may terminate the credit agreement at any time on ten days' notice without premium or penalty. We expect to extend the maturity date of our revolving credit facility in May 2017.

NOTE 10. EQUITY

Our amended and restated Certificate of Incorporation provides for a total of 785,000,000 authorized shares of common stock. Of the authorized number of shares of common stock, 500,000,000 shares are designated as Class A common stock ("Class A Common"), 275,000,000 shares are designated as Class B common stock ("Class B Common") and 10,000,000 shares are designated as Class C common stock ("Class C Common").

Our issued and outstanding common shares by Class were as follows:

(Shares)	Class A Common	Class B Common	Total
March 31, 2017	72,199,555	23,877,556	96,077,111
December 31, 2016	72,052,360	23,877,556	95,929,916

The following table summarizes changes in total equity:

(In thousands)	Three Months Ended March 31, 2017
Total equity, beginning of period	$ 832,078
Net income	28,714
Stock-based compensation cost	3,542
Exercise of stock options	1,990
Other comprehensive income	2,561
Total equity, end of period	$ 868,885

The tables below present the changes in each component of accumulated other comprehensive income/(loss), including current period other comprehensive income/(loss) and reclassifications out of accumulated other comprehensive income/(loss):

(In thousands)	Unrealized gain/(loss) on marketable securities, net of tax	Foreign currency translation adjustments	Accumulated other comprehensive loss
Accumulated other comprehensive loss, net of tax, at December 31, 2016	$ (167)	$ (8,475)	$ (8,642)
Other comprehensive income before reclassifications	166	2,441	2,607
Amounts reclassified from accumulated other comprehensive income, net of tax	(46)	—	(46)
Other comprehensive income, net of tax	120	2,441	2,561
Accumulated other comprehensive loss, net of tax, at March 31, 2017	$ (47)	$ (6,034)	$ (6,081)

(In thousands)	Unrealized gain/(loss) on marketable securities, net of tax	Foreign currency translation adjustments	Accumulated other comprehensive loss
Accumulated other comprehensive loss, net of tax, at December 31, 2015	$ (119)	$ (1,839)	$ (1,958)
Other comprehensive income before reclassifications	224	81	305
Amounts reclassified from accumulated other comprehensive income, net of tax	—	—	—
Other comprehensive income, net of tax	224	81	305
Accumulated other comprehensive income/(loss), net of tax, at March 31, 2016	$ 105	$ (1,758)	$ (1,653)

NOTE 11. STOCK-BASED COMPENSATION

We have three stock plans: our Amended and Restated 2003 Stock Plan, our 2008 Stock Plan, and our 2012 Equity Incentive Plan (the "2012 Plan"). The 2012 Plan is the only remaining active stock plan. The purpose of these stock plans was, and the 2012 Plan is, to provide incentive to employees, directors, and consultants of Globus. The Plans are administered by the Board of Directors of Globus (the "Board") or its delegates. The number, type of option, exercise price, and vesting terms are determined by the Board or its delegates in accordance with the terms of the Plans. The options granted expire on a date specified by the Board, but generally not more than ten years from the grant date. Option grants to employees generally vest in varying installments over a four-year period.

The 2012 Plan was approved by our Board in March 2012, and by our stockholders in June 2012. Under the 2012 Plan, the aggregate number of shares of Class A Common stock that may be issued subject to options and other awards is equal to the sum of (i) 3,076,923 shares, (ii) any shares available for issuance under the 2008 Plan as of March 13, 2012, (iii) any shares underlying awards outstanding under the 2008 Plan as of March 13, 2012 that, on or after that date, are forfeited, terminated, expired or lapse for any reason, or are settled for cash without delivery of shares and (iv) starting January 1, 2013, an annual increase in the number of shares available under the 2012 Plan equal to up to 3% of the number of shares of our common and preferred stock outstanding at the end of the previous year, as determined by our Board. The number of shares that may be issued or transferred pursuant to incentive stock options under the 2012 Plan is limited

to 10,769,230 shares. The shares of Class A Common stock issuable under the 2012 Plan include authorized but unissued shares, treasury shares or shares of common stock purchased on the open market.

As of March 31, 2017, pursuant to the 2012 Plan, there were 14,887,393 shares of Class A Common stock reserved and 6,323,262 shares of Class A Common stock available for future grants.

The weighted average grant date fair value per share of the options awarded to employees were as follows:

	Three Months Ended	
	March 31, 2017	March 31, 2016
Weighted average grant date fair value per share	$ 8.34	$ 7.81

Stock option activity during the three months ended March 31, 2017 is summarized as follows:

	Option Shares(thousands)	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value (thousands)
Outstanding at December 31, 2016	7,741	$ 21.08		
Granted	1,460	26.23		
Exercised	(147)	13.52		
Forfeited	(183)	23.65		
Outstanding at March 31, 2017	8,871	$ 21.98	7.7	$ 67,736
Exercisable at March 31, 2017	3,867	$ 18.40	6.3	$ 43,391
Expected to vest at March 31, 2017	5,003	$ 24.75	8.9	$ 24,346

The intrinsic value of stock options exercised and the compensation cost related to stock options granted to employees and non-employees under our stock plans was as follows:

	Three Months Ended	
(In thousands)	March 31, 2017	March 31, 2016
Intrinsic value of stock options exercised	$ 1,890	$ 2,731
Stock-based compensation expense	$ 3,491	$ 2,770
Net stock-based compensation capitalized into inventory	51	71
Total stock-based compensation cost	$ 3,542	$ 2,841

As of March 31, 2017, there was $35.9 million of unrecognized compensation expense related to unvested employee stock options that are expected to vest over a weighted average period of three years.

NOTE 12. INCOME TAXES

In computing our income tax provision, we make certain estimates and management judgments, such as estimated annual taxable income or loss, annual effective tax rate, the nature and timing of permanent and temporary differences between taxable income for financial reporting and tax reporting, and the recoverability of deferred tax assets. Our estimates and assumptions may change as new events occur, additional information

is obtained, or as the tax environment changes. Should facts and circumstances change during a quarter causing a material change to the estimated effective income tax rate, a cumulative adjustment is recorded.

The following table provides a summary of our effective tax rate:

	Three Months Ended	
	March 31, 2017	March 31, 2016
Effective income tax rate	32.3%	35.8%

The period over period change in the effective income tax rate for the three months ended is primarily driven by a one-time charge from the reorganization of our domestic legal structure for the period ended March 31, 2016 and a benefit from the adoption of ASU 2016-09 for the period ended March 31, 2017.

NOTE 13. COMMITMENTS AND CONTINGENCIES

We are involved in a number of proceedings, legal actions, and claims. Such matters are subject to many uncertainties, and the outcomes of these matters are not within our control and may not be known for prolonged periods of time. In some actions, the claimants seek damages, as well as other relief, including injunctions prohibiting us from engaging in certain activities, which, if granted, could require significant expenditures and/or result in lost revenues. We record a liability in the condensed consolidated financial statements for these actions when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss is possible but not known or probable, and can be reasonably estimated, the estimated loss or range of loss is disclosed. In most cases, significant judgment is required to estimate the amount and timing of a loss to be recorded. While it is not possible to predict the outcome for most of the matters discussed, we believe it is possible that costs associated with them could have a material adverse impact on our condensed consolidated earnings, financial position or cash flows.

N-Spine, Synthes and DePuy Synthes Litigation

In April 2010, N-Spine, Inc. and Synthes USA Sales, LLC filed suit against us in the U.S. District Court for the District of Delaware for patent infringement. N-Spine, the patent owner, and Synthes USA, a licensee of the subject patent, allege that we infringe one or more claims of the patent by making, using, offering for sale or selling our TRANSITION® stabilization system product. N-Spine and Synthes USA sought injunctive relief and an unspecified amount in damages. This matter was one of the four patent infringement lawsuits concerning spinal implant technologies between Globus Medical, Inc. and DePuy Synthes settled on January 13, 2016 for $7.9 million.

In a related matter, on January 8, 2014, DePuy Synthes Products, LLC (“DePuy Synthes”) filed suit against us in the U.S. District Court for the District of Delaware for patent infringement. DePuy Synthes alleges that we infringe one or more claims of the asserted patent by making, using, offering for sale or selling our TRANSITION® stabilization system product. DePuy Synthes seeks injunctive relief and an unspecified amount in damages. This matter was one of the four patent infringement lawsuits concerning spinal implant technologies between Globus Medical, Inc. and DePuy Synthes settled on January 13, 2016 for $7.9 million.

Synthes USA, LLC, Synthes USA Products, LLC and Synthes USA Sales, LLC Litigation

In July 2011, Synthes USA, LLC, Synthes USA Products, LLC and Synthes USA Sales, LLC filed suit against us in the U.S. District Court for the District of Delaware for patent infringement. Synthes USA LLC, the patent owner, Synthes USA Products, LLC, a licensee to manufacture products of the subject patents, and Synthes USA Sales LLC, a licensee to sell products of the subject patents, allege that we infringed one or more claims of three patents by making, using, offering for sale or selling our COALITION®, INDEPENDENCE® and INTERCONTINENTAL® products. This matter was one of the four patent infringement lawsuits concerning spinal implant technologies between Globus Medical, Inc. and DePuy Synthes settled on January 13, 2016 for $7.9 million.

L5 Litigation

In December 2009, we filed suit in the Court of Common Pleas of Montgomery County, Pennsylvania against our former exclusive independent distributor L5 Surgical, LLC and its principals, seeking an injunction and declaratory judgment concerning certain restrictive covenants made to L5 by its sales representatives. L5 brought counterclaims against us alleging tortious interference, unfair competition and conspiracy. The injunction phase was resolved in September 2010, and this matter is now in the discovery phase of litigation on the underlying damages claims. We intend to defend our rights vigorously. The probable outcome of this litigation cannot be determined, nor can we estimate a range of potential loss. Therefore, in accordance with authoritative guidance on the evaluation of loss contingencies, we have not recorded an accrual related to this litigation.

Bianco Litigation

On March 21, 2012, Sabatino Bianco filed suit against us in the Federal District Court for the Eastern District of Texas claiming that we misappropriated his trade secret and confidential information and improperly utilized it in developing our CALIBER® product. Bianco alleges that we engaged in misappropriation of trade secrets, breach of contract, unfair competition, fraud and theft and seeks correction of inventorship, injunctive relief and exemplary damages. On April 20, 2012, Bianco filed a motion for a preliminary injunction, seeking to enjoin us from making, using, selling, importing or offering for sale our CALIBER® product. On November 15, 2012, the court denied Bianco's motion for preliminary injunction. On October 1, 2013, Bianco amended his complaint to claim that his trade secrets and confidential information were also used improperly in developing our RISE® and CALIBER-L® products.

On January 17, 2014, the jury in this case returned a verdict in favor of Bianco on a claim of misappropriation of trade secret. We accrued the verdict amount of $4.3 million as of December 31, 2013. The jury found against Bianco on the claims of breach of contract and disgorgement of profits. The court granted our motion for judgment as a matter of law and dismissed Bianco's claims for unfair competition, fraud, and exemplary damages, and Bianco abandoned the claim of misappropriation of confidential information. Bianco's claims of correction of inventorship, unjust enrichment, and permanent injunctive relief were not submitted to the jury. On March 7, 2014, the court denied Bianco's claim for correction of inventorship and ruled he is not entitled to be named as a co-inventor on any of the patents at issue, and also denied his claim for unjust enrichment. On March 17, 2014, the court denied Bianco's claim for permanent injunctive relief. On July 2, 2014, the court awarded Bianco an ongoing royalty of 5% of the net sales of the CALIBER®, CALIBER®-L, and RISE® products, or products that are not colorably different from those products, for a fifteen year period on sales starting on January 18, 2014. The court entered final judgment on the jury verdict on July 17, 2014. On October 19, 2015, the United States Federal Circuit Court of Appeals

affirmed the judgment without opinion. On March 22, 2016, we filed a Petition for a Writ of Certiorari with the United States Supreme Court and on June 20, 2016 the Writ was denied.

We do not expect the judgment to impact our ability to conduct our business or to have any material impact on our future revenues.

Bonutti Skeletal Innovations, LLC Litigation

On November 19, 2014, Bonutti Skeletal Innovations, LLC ("Bonutti Skeletal") filed suit against us in the U.S. District Court for the Eastern District of Pennsylvania for patent infringement. Bonutti Skeletal, a non-practicing entity, alleges that Globus willfully infringes one or more claims of six patents by making, using, offering for sale or selling the CALIBER®, CALIBER®-L, COALITION®, CONTINENTAL®, FORGE®, FORTIFY®, INDEPENDENCE®, INTERCONTINENTAL®, MONUMENT®, NIKO®, RISE®, SIGNATURE®, SUSTAIN®, and TRANSCONTINENTAL® products. Bonutti Skeletal sought an unspecified amount in damages and injunctive relief. This matter was stayed on June 26, 2015 pending the resolution of *inter partes* reviews on the asserted patents by the USPTO. Globus Medical, Inc. and Bonutti Skeletal settled this matter on June 9, 2016.

Flexuspine, Inc. Litigation

On March 11, 2015, Flexuspine, Inc. filed suit against us in the U.S. District Court for the Eastern District of Texas for patent infringement. Flexuspine, Inc. alleged that Globus willfully infringed one or more claims of five patents by making, using, offering for sale or selling the CALIBER®, CALIBER®-L, and ALTERA® products. Flexuspine sought an unspecified amount in damages and injunctive relief. On August 19, 2016, the jury returned a verdict in our favor finding no infringement of the asserted patents by the CALIBER®, CALIBER®-L, and ALTERA® products. On November 1, 2016, plaintiff filed a notice of appeal to the United States Court of Appeals for the Federal Circuit.

Stern Litigation

On February 17, 2016, Joseph D. Stern filed suit against us in the U.S. District Court for the District of Delaware for patent infringement. Stern alleges that Globus willfully infringes one or more claims of three patents by making, using, offering for sale or selling the Xtend® products. On October 10, 2016, Stern amended the accused products to further include our Providence®, VIP®, Unify®, and Assure® products. On March 28, 2017, one patent was dismissed with prejudice and our PROVIDENCE®, VIP®, UNIFY®, and ASSURE® products are no longer being accused of infringement. Stern seeks an unspecified amount in damages and injunctive relief. The probable outcome of this litigation cannot be determined, nor can we estimate a range of potential loss. Therefore, in accordance with authoritative guidance on the evaluation of loss contingencies, we have not recorded an accrual related to this litigation.

Silverstein Litigation

On September 28, 2015, a putative securities class action lawsuit was filed against us and certain of our officers in the U.S. District Court for the Eastern District of Pennsylvania. Plaintiff in the lawsuit purported to represent a class of our stockholders who purchased shares between February 26, 2014 and August 5, 2014. The complaint purported to assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and sought damages in an unspecified amount, attorney's fees and other relief. This matter was dismissed with prejudice on August 26, 2016. On September 9, 2016, plaintiff's motion for

reconsideration was denied, and on September 13, 2016 plaintiff filed an appeal in the United States Court of Appeals for the Third Circuit.

In addition, we are subject to legal proceedings arising in the ordinary course of business.

NOTE 14. SEGMENT AND GEOGRAPHIC INFORMATION

Operating segments are defined as components of an enterprise for which separate discrete financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. We globally manage the business within one reportable segment. Segment information is consistent with how management reviews the business, makes investing and resource allocation decisions and assesses operating performance. Products are sold principally in the United States.

The following table represents total sales by geographic area, based on the location of the customer:

	Three Months Ended	
(In thousands)	March 31, 2017	March 31, 2016
United States	$ 129,663	$ 127,560
International	26,146	11,704
Total sales	$ 155,809	$ 139,264

We classify our products into two categories: innovative fusion products and disruptive technology products. The following table represents total sales by product category:

	Three Months Ended	
(In thousands)	March 31, 2017	March 31, 2016
Innovative Fusion	$ 81,872	$ 70,046
Disruptive Technology	73,937	69,218
Total sales	$ 155,809	$ 139,264

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

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited interim condensed consolidated financial statements and related notes included elsewhere in this report.

Unless otherwise noted, the figures in the following discussions are unaudited.

Overview

We are a medical device company focused on the design, development and commercialization of musculoskeletal implants. We are currently focused on implants that promote healing in patients with spine disorders. We are an engineering-driven company with a history of rapidly developing and commercializing advanced products and procedures that assist surgeons in effectively treating their patients, respond to evolving surgeon needs and address new treatment options. Since our inception in 2003, we have launched over 170 products and offer a comprehensive product portfolio of innovative and differentiated products addressing a broad array of spinal pathologies, anatomies and surgical approaches. Development efforts for our robotic surgical navigation system and products to treat patients who have experienced orthopedic trauma are ongoing. We expect to begin selling orthopedic trauma and robotic products later in 2017.

All of our current products fall into one of two categories: Innovative Fusion or Disruptive Technologies. Our Innovative Fusion products comprise fusion products designed to treat a wide variety of spinal disorders for the entire spine and can be used in a variety of surgical approaches. We believe our Innovative Fusion products have features and characteristics that provide advantages for surgeons and potentially contribute to better outcomes for patients as compared to competing traditional fusion products.

We define Disruptive Technologies as those that represent a significant shift in the treatment of spine disorders by allowing for novel surgical procedures, improvements to existing surgical procedures and/or the treatment of spine disorders earlier in the continuum of care. We believe the use of Disruptive Technologies may improve patient outcomes and reduce costs given the expected lower morbidity rates, shorter patient recovery times and shorter hospital stays associated with these procedures. Additionally, Disruptive Technologies may help patients avoid progression of spinal disc disease sometimes caused by traditional surgical options such as spinal fusion. Our current portfolio of approved and pipeline Disruptive Technology products includes products that allow for minimally invasive surgical ("MIS") techniques, as well as new treatment alternatives, including motion preservation technologies, such as dynamic stabilization, total disc replacement and interspinous process spacer products; regenerative biologics technologies; and interventional pain management solutions, including treatments for vertebral compression fractures.

While we group our products into two categories, our products are not limited to a particular technology, platform or surgical approach. Instead, our goal is to offer spine surgeons a complete suite of products they can use to most effectively treat their patients, based on the patient's specific anatomy and condition and the surgeon's particular training and surgical preference.

To date, the primary market for our products has been the United States, where we sell our products through a combination of direct sales representatives employed by us and distributor sales representatives employed by our exclusive independent distributors, who distribute our products on our behalf for a commission that is generally based on a percentage of sales. We believe there is significant opportunity to strengthen our position in the U.S. market by increasing the size of our U.S. sales force and we intend to add additional direct and distributor sales representatives in the future.

During the three months ended March 31, 2017, (which includes the results since the acquisition date of the international operations and distribution channel of Alphatec Holdings, Inc. ("Alphatec

International,")), our international sales accounted for approximately 17% of our total sales. We sell our products in 53 countries outside the United States through a combination of direct sales representatives employed by us and international distributors. We believe there are significant opportunities for us to increase our presence in both existing and new international markets through the continued expansion of our direct and distributor sales forces and the commercialization of additional products.

Results of Operations

Three Months Ended March 31, 2017 Compared to the Three Months Ended March 31, 2016

Sales

The following tables set forth, for the periods indicated, our sales by product category and geography expressed as dollar amounts and the changes in sales between the specified periods expressed in dollar amounts and as percentages:

	Three Months Ended		Change	
(In thousands, except percentages)	March 31, 2017	March 31, 2016	$	%
Innovative Fusion	$ 81,872	$ 70,046	$ 11,826	16.9%
Disruptive Technology	73,937	69,218	4,719	6.8%
Total sales	$ 155,809	$ 139,264	$ 16,545	11.9%

The growth in Disruptive Technology of $4.7 million was due primarily to sales of expandable interbody products, minimally invasive products and regenerative biologics products launched during the past three years. Innovative Fusion sales increased by $11.8 million primarily as a result of increases from Alphatec International sales, which were offset partially by pricing pressure.

	Three Months Ended		Change	
(In thousands, except percentages)	March 31, 2017	March 31, 2016	$	%
United States	$ 129,663	$ 127,560	$ 2,103	1.6%
International	26,146	11,704	14,442	123.4%
Total sales	$ 155,809	$ 139,264	$ 16,545	11.9%

In the United States, the increase in sales of $2.1 million was due primarily to one more selling day in the three months ended March 31, 2017 than the comparable period in the prior year.

Internationally, the increase in sales of $14.4 million was due primarily to Alphatec International sales. On a constant currency basis, our international sales grew $14.8 million, or by 126.5%, due to expansion into new international territories and higher sales of our expandable interbody products. Our worldwide sales increased 12.1% on a constant currency basis.

Cost of Goods Sold

(In thousands, except percentages)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Change $	Change %
Cost of goods sold	$ 35,600	$ 31,519	$ 4,081	12.9%
Percentage of sales	22.8%	22.6%		

The $4.1 million net increase in cost of goods sold was due primarily to higher volumes and product mix of $6.7 million, which was partially offset by $2.6 million of net decreases in expenses including the continued favorable impact of in-house manufacturing, a vendor refund, net impact of depreciation and instrument scrap, and other expenses.

Research and Development Expenses

(In thousands, except percentages)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Change $	Change %
Research and development	$ 10,666	$ 10,030	$ 636	6.3%
Percentage of sales	6.8%	7.2%		

The increase in research and development expenses was due primarily to an increase in employee compensation costs from additional headcount, including our Emerging Technologies group, for furthering research activities and developing new innovative products.

Selling, General and Administrative Expenses

(In thousands, except percentages)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Change $	Change %
Selling, general and administrative	$ 67,059	$ 53,798	$ 13,261	24.6%
Percentage of sales	43.0%	38.6%		

The increase in selling, general and administrative expenses was primarily due to an increase of $8.7 million of costs to support the Alphatec International sales, building the Emerging Technologies salesforce, and increases in the US salesforce expenses. In addition, there were increases of $4.6 million of costs related to general and administrative compensation costs, audit fees, bad debt expense, depreciation, legal fees and other costs.

Amortization of Intangibles

(In thousands, except percentages)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Change $	Change %
Amortization of intangibles	$ 1,782	$ 392	$ 1,390	354.6%
Percentage of sales	1.1%	0.3%		

The increase in the amortization of intangibles is due to primarily due to the customer relationships acquired as part of the Alphatec International acquisition.

Acquisition Related Costs

(In thousands, except percentages)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Change $	Change %
Acquisition related costs	$ 388	$ 674	$ (286)	(42.4)%
Percentage of sales	0.2%	0.5%		

The decrease in acquisition related costs is due primarily to the avoidance of current year quarter costs resulting from the non-cash settlement of certain business acquisition liabilities during the prior year.

Other Income, Net

(In thousands, except percentages)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Change $	Change %
Other income, net	$ 2,100	$ 760	$ 1,340	176.3%
Percentage of sales	1.3%	0.5%		

The increase in other income, net, was due primarily to increases in interest income from the note receivable with Alphatec Spine, Inc., along with increases in foreign exchange transaction gains during the current quarter.

Income Tax Provision

(In thousands, except percentages)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Change $	Change %
Income tax provision	$ 13,700	$ 15,601	$ (1,901)	(12.2)%
Effective income tax rate	32.3%	35.8%		

The change in the effective income tax rate between the current year and prior year periods is primarily driven by a one-time charge from the reorganization of our domestic legal structure for the period ended March 31, 2016 and a benefit from the adoption of ASU 2016-09 for the period ended March 31, 2017.

Non-GAAP Financial Measures

To supplement our financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), management uses certain non-GAAP financial measures. For example, non-GAAP Adjusted EBITDA, which represents net income before interest income, net and other non-operating expenses, provision for income taxes, depreciation and amortization, stock-based compensation expense, provision for litigation, and acquisition related costs, is useful as an additional measure of operating performance, and particularly as a measure of comparative operating performance from period to period, as it is reflective of changes in pricing decisions, cost controls and other factors that affect operating performance, and it removes the effect of our capital structure, asset base, income taxes and interest income and expense. Our management also uses non-GAAP Adjusted EBITDA for planning purposes, including the preparation of our annual operating budget and financial projections. Provision for litigation represents costs incurred for litigation settlements or unfavorable verdicts when the loss is known or considered probable and the amount can be reasonably estimated, or in the case of a favorable settlement, when income is realized. Acquisition related costs represents the change in fair value of business-acquisition-related contingent consideration; costs related to integrating recently acquired businesses including but not limited to costs to exit or convert contractual obligations, severance, and information system conversion; and specific costs

related to the consummation of the acquisition process such as banker fees, legal fees, and other acquisition- related professional fees.

The following is a reconciliation of net income to Adjusted EBITDA for the periods presented:

(In thousands, except percentages)	Three Months Ended March 31, 2017	March 31, 2016
Net Income	**$ 28,714**	$ 28,010
Interest income, net	**(1,418)**	(496)
Provision for income taxes	**13,700**	15,601
Depreciation and amortization	**12,240**	6,676
EBITDA	**53,236**	49,791
Stock-based compensation expense	**3,491**	2,770
Acquisition related costs, COGS	**698**	—
Acquisition related costs	**388**	674
Adjusted EBITDA	**$ 57,813**	$ 53,235
Net income as a percentage of sales	**18.4%**	20.1%
Adjusted EBITDA as a percentage of sales	**37.1%**	38.2%

In addition, for the period ended March 31, 2017 and for other comparative periods, we are presenting non-GAAP net income and non-GAAP Diluted Earnings Per Share, which represents net income and diluted earnings per share excluding the provision for litigation, amortization of intangibles, acquisition related costs, and adjusted for the tax effects of such adjustments. The tax impact of these non-GAAP adjustments is calculated based on the consolidated effective tax rate on a GAAP basis, applied to the non-GAAP adjustments, unless the underlying item has a materially different tax treatment, in which case the estimated tax rate applicable to the adjustment is used.

We believe these non-GAAP measures are also useful indicators of our operating performance, and particularly as additional measures of comparative operating performance from period to period as they remove the effects of litigation, amortization of intangibles, acquisition related costs, and the tax effects of such adjustments, which we believe is not reflective of underlying business trends.

The following is a reconciliation of net income computed in accordance with U.S. GAAP to non-GAAP net income for the periods presented.

(In thousands)	Three Months Ended March 31, 2017	March 31, 2016
Net income	**$ 28,714**	$ 28,010
Amortization of intangibles	**1,782**	392
Acquisition related costs	**1,086**	674
Tax effect of adjusting items	**(926)**	(382)
Non-GAAP net income	**$ 30,656**	$ 28,694

The following is a reconciliation of Diluted Earnings Per Share as computed in accordance with U.S. GAAP to non-GAAP Diluted Earnings Per Share for the periods presented.

(Per share amounts)	Three Months Ended March 31, 2017	March 31, 2016
Diluted earnings per share, as reported	**$ 0.30**	$ 0.29
Amortization of intangibles	**0.02**	—
Acquisition related costs	**0.01**	0.01
Tax effect of adjusting items	**(0.01)**	—
Non-GAAP diluted earnings per share	**$ 0.32**	$ 0.30

We also define the non-GAAP measure of Free Cash Flow as the net cash provided by operating activities, adjusted for the impact of restricted cash, less the cash impact of purchases of property and equipment. We believe that this financial measure provides meaningful information for evaluating our overall liquidity for comparative periods as it facilitates an assessment of funds available to satisfy current and future obligations and fund acquisitions.

Below is a reconciliation of net cash provided by operating activities as computed in accordance with U.S. GAAP to Free Cash Flow for the periods presented.

(In thousands)	Three Months Ended March 31, 2017	March 31, 2016
Net cash provided by operating activities	**$ 53,449**	$ 55,557
Adjustment for impact of restricted cash	**—**	(15,668)
Purchases of property and equipment	**(11,533)**	(9,366)
Free cash flow	**$ 41,916**	$ 30,523

The adjustment for the impact of restricted cash is primarily related to the DePuy Synthes settlement on January 13, 2016, where we paid $7.9 million and recovered approximately $8.4 million previously set aside for the DePuy Synthes litigation obligation.

Furthermore, the non-GAAP measure of constant currency sales growth is calculated by translating current year sales at the same average exchange rates in effect during the applicable prior year period. We believe constant currency sales growth provides insight to the comparative increase or decrease in period sales, in dollar and percentage terms, excluding the effects of fluctuations in foreign currency exchange rates.

Below is a reconciliation of sales growth as reported in accordance with U.S. GAAP compared to constant currency sales growth for the periods presented.

(In thousands, except percentages)	Three Months Ended March 31, 2017	March 31, 2016	Reported Sales Growth	Currency Impact on Current Period Sales	Constant Currency Sales Growth
United States	**$ 129,663**	$ 127,560	1.6%	—	1.6%
International	**26,146**	11,704	123.4%	$ (364)	126.5%
Total sales	**$ 155,809**	$ 139,264	11.9%	$ (364)	12.1%

Non-GAAP Adjusted EBITDA, non-GAAP net income, non-GAAP Diluted Earnings Per Share, Free Cash Flow and constant currency sales growth are not calculated in conformity with U.S. GAAP within the meaning of Item 10(e) of Regulation S-K. Non-GAAP financial measures have limitations as analytical

tools and should not be considered in isolation or as a substitute for financial measures prepared in accordance with U.S. GAAP. These measures do not include certain expenses that may be necessary to evaluate our liquidity or operating results. Our definitions of non-GAAP Adjusted EBITDA, non-GAAP net income, non-GAAP Diluted Earnings Per Share, Free Cash Flow and constant currency sales growth may differ from that of other companies and therefore may not be comparable. Additionally, we have recast prior periods for non-GAAP net income and non-GAAP Diluted Earnings Per Share to conform with current period presentation.

Cash Flows

The following table summarizes, for the periods indicated, cash flows from operating, investing and financing activities:

	Three Months Ended		Change
(In thousands)	March 31, 2017	March 31, 2016	$
Net cash provided by operating activities	**$ 53,449**	$ 55,557	$ (2,108)
Net cash used in investing activities	**(963)**	(36,120)	35,157
Net cash (used in)/provided by financing activities	**(3,011)**	1,595	(4,606)
Effect of foreign exchange rate changes on cash	**321**	91	230
Increase in cash and cash equivalents	**$ 49,796**	$ 21,123	$ 28,673

Cash Provided by Operating Activities

The decrease in net cash provided by operating activities was due primarily to the recovery of a portion of our restricted cash related to the DePuy Synthes settlement on January 13, 2016, increases in accounts receivables and increased inventory purchases, which were offset partially by decrease in prepaids and other assets and increases in accrued expenses.

Cash Used in Investing Activities

The decrease in net cash used in investing activities was due primarily to the current year period decreases in net cash invested in marketable securities.

Cash Used in Financing Activities

The increase in cash used in financing activities was the result of the current year's presentation of a contingent consideration payment, whereas the prior year's payment was presented as a reduction of accrued expenses in operating activities.

Liquidity and Capital Resources

The following table highlights certain information related to our liquidity and capital resources:

(In thousands)	March 31, 2017	December 31, 2016
Cash and cash equivalents	**$ 182,435**	$ 132,639
Short-term marketable securities	**143,663**	157,673
Long-term marketable securities	**63,066**	60,444
Total cash, cash equivalents and marketable securities	**$ 389,164**	$ 350,756
Available borrowing capacity under revolving credit facility	**50,000**	50,000
Working capital	**$ 465,530**	$ 433,874

In May 2011, we entered into a credit agreement with Wells Fargo Bank related to a revolving credit facility that provided for borrowings up to $50.0 million. At our request, and with the approval of the bank, the amount of borrowings available under the revolving credit facility can be increased to $75.0 million. The revolving credit facility includes up to a $25.0 million sub-limit for letters of credit. As amended to date, the revolving credit facility expires in May 2017. Cash advances bear interest at our option either at a fluctuating rate per annum equal to the daily LIBOR in effect for a one-month period plus 0.75%, or a fixed rate for a one- or three-month period equal to LIBOR plus 0.75%. The credit agreement governing the revolving credit facility also subjects us to various restrictive covenants, including the requirement to maintain maximum consolidated leverage. The covenants also include limitations on our ability to repurchase shares, to pay cash dividends or to enter into a sale transaction. As of March 31, 2017, we were in compliance with all financial covenants under the credit agreement, there were no outstanding borrowings under the revolving credit facility and available borrowings were $50.0 million. We may terminate the credit agreement at any time on ten days' notice without premium or penalty. We expect to extend the maturity date of our revolving credit facility in May 2017.

In addition to our existing cash and marketable securities balances, our principal sources of liquidity are our cash flows from operating activities and our revolving credit facility, which was fully available as of March 31, 2017. We believe these sources will provide sufficient liquidity for us to meet our liquidity requirements for the foreseeable future. Our principal liquidity requirements are to meet our working capital, research and development, including clinical trials, capital expenditure needs, principally for our surgical sets required to maintain and expand our business, and potential future business or intellectual property acquisitions. We expect to continue to make investments in surgical sets as we launch new products, increase the size of our U.S. sales force, and expand into international markets. We may, however, require additional liquidity as we continue to execute our business strategy. Our liquidity may be negatively impacted as a result of a decline in sales of our products, including declines due to changes in our customers' ability to obtain third-party coverage and reimbursement for procedures that use our products; increased pricing pressures resulting from intensifying competition, cost increases and slower product development cycles resulting from a changing regulatory environment; and unfavorable results from litigation which will affect our cash flow. We anticipate that to the extent that we require additional liquidity, it will be funded through the incurrence of other indebtedness, additional equity financings or a combination of these potential sources of liquidity. The sale of additional equity may result in dilution to our stockholders. There is no assurance that we will be able to secure such additional funding on terms acceptable to us, or at all.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Seasonality and Backlog

Our business is generally not seasonal in nature. However, our sales may be influenced by summer vacation and winter holiday periods during which we have experienced fewer spine surgeries taking place. Our sales generally consist of products that are in stock in our warehouse facilities or maintained at hospitals or with our sales representatives. Accordingly, we do not have a backlog of sales orders.

Recently Issued Accounting Pronouncements

For further details on recently issued accounting pronouncements, please refer to **"Part I; Item 1. Financial Statements; Notes to Condensed Consolidated Financial Statements; Note 1. Background and Summary of Significant Accounting Policies; (i) Recently Issued Accounting Pronouncements"** above.

Cautionary Note Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are forward-looking statements. We have tried to identify forward-looking statements by using words such as "believe," "may," "might," "could," "will," "aim," "estimate," "continue," "anticipate," "intend," "expect," "plan" and similar words. These forward-looking statements are based on our current assumptions, expectations and estimates of future events and trends. Forward-looking statements are only predictions and are subject to many risks, uncertainties and other factors that may affect our businesses and operations and could cause actual results to differ materially from those predicted. These risks and uncertainties include, but are not limited to, factors affecting our quarterly results, our ability to manage our growth, our ability to sustain our profitability, demand for our products, our ability to compete successfully (including without limitation our ability to convince surgeons to use our products and our ability to attract and retain sales and other personnel), our ability to rapidly develop and introduce new products, our ability to develop and execute on successful business strategies, our ability to successfully integrate the international operations acquired from Alphatec, both in general and on our anticipated timeline, our ability to transition Alphatec's international customers to Globus Medical products, our ability to realize the expected benefits to our results from the Alphatec acquisition, our ability to comply with changes and applicable laws and regulations that are applicable to our businesses, our ability to safeguard our intellectual property, our success in defending legal proceedings brought against us, trends in the medical device industry, and general economic conditions, and other risks set forth throughout our Annual Report on Form 10-K for the year ended December 31, 2016 (the "Form 10-K"), particularly those set forth under "Item 1A, Risk Factors" of the Form 10-K, and those discussed in other documents we file with the Securities and Exchange Commission (the "SEC"). Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for us to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the

extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements contained in this Quarterly Report speak only as of the date of this Quarterly Report. We undertake no obligation to update any forward-looking statements as a result of new information, events or circumstances or other factors arising or coming to our attention after the date hereof.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We have evaluated the information required under this item that was disclosed under Item 7A in our Annual Report on Form 10-K and there have been no significant changes to this information.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2017. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. As disclosed on our Form 10-K, as of December 31, 2016, we self-identified material weakness in our internal control over financial reporting related to the computation of non-cash activities in depreciation and scrap expense of instruments and cases and immediately began remediation efforts. Based on their evaluation of our disclosure controls and procedures and our continued remediation efforts related to the self-identified material weakness noted above, our CEO and CFO concluded that, as of March 31, 2017, our disclosure controls and procedures were not effective.

Changes in Internal Control over Financial Reporting

As disclosed on our Form 10-K, management has implemented remediation efforts to address the self-identified material weakness in the computation of non-cash activities in depreciation and scrap expenses of instruments and cases for the year ended December 31, 2016. These remediation efforts, summarized below, which are either implemented or in process, are intended to both address the identified material weakness and to enhance our overall control environment. Our plan includes the following steps:

- recorded an updated depreciation and scrap methodology for instruments and cases included in December 31, 2016 financial statements
- reviewed results using the updated methodology to validate the prior period adjustment
- implementation of the new methodology within the fixed asset sub-ledger
- additional account detail within the general ledger to provide added visibility to monitor amounts scrapped.

The material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed prior to December 31, 2017.

There was no other changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. For example, these inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in a number of proceedings, legal actions and claims. Such matters are subject to many uncertainties, and the outcomes of these matters are not within our control and may not be known for prolonged periods of time. In some actions, the claimants seek damages, as well as other relief, including injunctions prohibiting us from engaging in certain activities, which, if granted, could require significant expenditures and/or result in lost revenues. For further details on the material legal proceedings to which we are currently a party, please refer to **"Part I; Item 1. Financial Statements; Notes to Condensed Consolidated Financial Statements; Note 13. Commitments and Contingencies"** above.

In addition, we are subject to legal proceedings arising in the ordinary course of business.

Item 1A. Risk Factors

We are affected by risks specific to us as well as factors that affect all businesses operating in a global market. For a discussion of the specific risks that could materially adversely affect our business, financial condition or operation results, please see our Form 10-K under the heading **"Part I; Item 1A. Risk Factors."**

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q. Where so indicated, exhibits that were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in parentheses.

Exhibit No.	Item
2.1*	Second Amendment to Purchase and Sale Agreement and First Amendment to Product Manufacture and Supply Agreement, dated as of February 9, 2017, by and among Globus Medical Ireland, Ltd., and Alphatec Holdings, Inc.
31.1*	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
*	Filed herewith.
**	Furnished herewith.

SIGNATURES

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

GLOBUS MEDICAL, INC.

Dated: May 4, 2017

/s/ DAVID C. PAUL

David C. Paul
Chairman
Chief Executive Officer
(Principal Executive Officer)

Dated: May 4, 2017

/s/ DANIEL T. SCAVILLA

Daniel T. Scavilla
Senior Vice President
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

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*	Filed herewith.
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Exhibit 2.1

SECOND AMENDMENT TO PURCHASE AND SALE AGREEMENT

AND

FIRST AMENDMENT TO PRODUCT MANUFACTURE AND SUPPLY AGREEMENT

THIS SECOND AMENDMENT TO PURCHASE AND SALE AGREEMENT AND FIRST AMENDMENT TO PRODUCT MANUFACTURE AND SUPPLY AGREEMENT is made as of February 9, 2017 (this " **Amendment**"), by and between Globus Medical Ireland, Ltd., a private limited company existing under the laws of Ireland ("**Buyer**"), and Alphatec Holdings, Inc., a Delaware corporation ("**Seller**"). Buyer and Seller are referred to herein as the "**Parties**." Capitalized terms used in this Amendment shall have the meanings ascribed to them in the Purchase Agreement, as defined below.

WITNESSETH:

WHEREAS, Seller and Purchaser are parties to that certain Purchase and Sale Agreement, made and entered into as of July 25, 2016 (as amended, the "**Purchase Agreement**"), and as amended by that certain First Amendment to Purchase and Sale Agreement, dated as of September 1, 2016, pursuant to which Seller and certain of its Subsidiaries sold to Buyer its business of the design, development, marketing, promotion and sale of (i) products for the surgical treatment of spine disorders outside of the United States of America, its possessions and territories and (ii) general orthopedic products in Japan;

WHEREAS, the Parties desire to amend the Purchase Agreement pursuant to Section 11.2(a) of the Purchase Agreement, as set forth in this Amendment;

WHEREAS, in connection with the Purchase Agreement, the Parties entered into that certain Product Manufacture and Supply Agreement, dated as of September 1, 2016 (the "**Supply Agreement**"), pursuant to which Seller is responsible for the manufacture and supply to Buyer of its requirements of the Products (as defined in the Supply Agreement); and

WHEREAS, the Parties desire to amend the Supply Agreement pursuant to Section 13.2 of the Supply Agreement, as set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

1. ***Amendments to the Purchase Agreement.*** The Purchase Agreement shall be amended as set forth below:

(a) The definition of "Target Closing Working Capital" as set forth in Section 1.1 of the Purchase Agreement is hereby amended and restated to read in its entirety as follows:

""**Target Closing Working Capital**" means $34,095,732."

(b) Exhibit A to the Purchase Agreement is hereby amended and restated to read in its entirety as set forth on EXHIBIT A hereto.

2. ***Acknowledgements of the Parties with Respect to Working Capital.***

(a) The Parties acknowledge that the Closing Working Capital shall be deemed to be $31,880,704, the Closing Working Capital Adjustment shall be deemed to be $2,215,028, the Purchase Price Adjustment shall be deemed to be $2,295,297, the Final Purchase Price Adjustment shall be deemed to be $2,295,297, and the Final Purchase Price shall be deemed to be $77,782,314.

(b) Seller shall pay an amount equal to $2,295,297 to Buyer by offsetting such amount against open invoices issued from Seller to Buyer for purchases of the Products (as defined in the Supply Agreement) by Buyer.

(c) The Parties acknowledge that the execution and delivery of this Amendment satisfies in full each Party's obligations under Section 2.6 of the Purchase Agreement.

3. ***Amendments to the Supply Agreement.*** The Supply Agreement shall be amended as set forth below:

Section 7.2.2 of the Supply Agreement shall be amended and restated in its entirety as follows:

"7.2.2 The Parties acknowledge and agree that Alphatec, in partial consideration for the Purchase Agreement, hereby grants Globus a credit equal to $1,926,452 for Product purchases under this Agreement (the "Credit"). After consideration of credit previously used of $391,872, Globus may use up to $255,763 of the Credit each month beginning on January 1, 2017 to pay invoices, either partially or in their entirety; provided, however, that to the extent Globus has not used the entire $255,763 in any previous month during which such amount was usable, Globus shall be permitted to use such unused amounts in addition to the $255,763 for the current month. In the event that Globus uses the Credit to pay for any given invoice, Globus shall provide a written accounting to Alphatec indicating the portion of such invoice being satisfied through the Credit and the amount of the Credit remaining."

4. ***No Other Modification***. Except as set forth in this Amendment, the terms and conditions of the Purchase Agreement and the Supply Agreement shall remain in full force and effect.

5. ***Governing Law.*** This Amendment shall be governed by and interpreted and enforced in accordance with the Laws of the State of Delaware, without giving effect to any choice of Law or conflict of Laws rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

6. ***Entire Agreement***. This Amendment, together with the Purchase Agreement, the Supply Agreement, the other Ancillary Agreements, the Schedules and the other documents, instruments and agreements specifically referred to herein or therein or delivered pursuant hereto or thereto set forth the entire understanding of the Parties.

7. ***Counterparts***. This Amendment may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall be considered one and the same instrument.

8. ***Conflicts.*** In the event of any discrepancy between the provisions of this Amendment and any provision of the Purchase Agreement or the Supply Agreement, then the provisions of this Amendment shall control.

[Signature pages to follow]

IN WITNESS WHEREOF, each of the undersigned has caused this Amendment to be duly executed on its behalf by its representative thereunto duly authorized, as of the day and year first above written.

SELLER:

ALPHATEC HOLDINGS, INC.

By: **/s/ Terry Rich**
Name: Terry Rich
Title: Chief Executive Officer

BUYER:

GLOBUS MEDICAL IRELAND, LTD.

By: **/s/ Dan Scavilla**
Name: Dan Scavilla
Title: Director

EXHIBIT A

Exhibit A

Sample Calculation of Estimated Closing Working Capital and Closing Working Capital

See attached.

EXHIBIT 31.1

Certification By Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David C. Paul, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Globus Medical, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 4, 2017

/s/ DAVID C. PAUL
David C. Paul
Chairman
Chief Executive Officer

EXHIBIT 31.2

Certification By Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel T. Scavilla, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Globus Medical, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 4, 2017

/s/ DANIEL T. SCAVILLA
Daniel T. Scavilla
Senior Vice President
Chief Financial Officer

EXHIBIT 32

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), David C. Paul, Chairman and Chief Executive Officer, and Daniel T. Scavilla, Senior Vice President and Chief Financial Officer of Globus Medical, Inc. (the "Company"), each certifies with respect to the Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2017 (the "Report") that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: May 4, 2017

/s/ DAVID C. PAUL
David C. Paul
Chairman
Chief Executive Officer

Dated: May 4, 2017

/s/ DANIEL T. SCAVILLA
Daniel T. Scavilla
Senior Vice President
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.