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ALIGN TECHNOLOGY, INC.

Notice of 2010 Annual Meeting of Stockholders and Proxy Statement

2009 Annual Report on Form 10-K

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ALIGN TECHNOLOGY, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held on Thursday, May 20, 2010
10:00 a.m.

TO OUR STOCKHOLDERS:

The 2010 Annual Meeting of Stockholders of Align Technology, Inc. ("Align") will be held on Thursday, May 20, 2010, at 10:00 a.m. Pacific Daylight Time at Align's corporate headquarters located at 881 Martin Avenue, Santa Clara, California 95050. At this year's Annual Meeting, the agenda includes the following items:

1. To elect eight (8) directors to serve until the next annual meeting of stockholders or until their respective successors have been duly elected and qualified;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for the fiscal year ending December 31, 2010;
3. To approve amended and restated 2005 Incentive Plan;
4. To approve the 2010 Employee Stock Purchase Plan; and
5. To consider such other business as may properly come before the Annual Meeting of Stockholders.

Please refer to the proxy statement for detailed information on each of the proposals and the Annual Meeting. Only stockholders who owned shares of our common stock at the close of business on March 23, 2010 are entitled to attend and vote at the Annual Meeting and any postponements or adjournments of the meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR ALIGN'S ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 20, 2010

This proxy statement and Align's annual report on Form 10-K for the year ended December 31, 2009 are available at www.aligntech.com by clicking on "Investor Relations" and then clicking on "Click here for 2010 Annual Meeting/Proxy Material".

ALIGN TECHNOLOGY, INC.

Roger E. George
Vice President, Corporate and Legal Affairs, General Counsel and Corporate Secretary

April 21, 2010

Your vote is very important. Whether or not you plan to attend the Annual Meeting, we encourage you to read this proxy statement, please vote via the Internet, by telephone or by mailing a proxy card as soon as possible to ensure that your vote is recorded.

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ALIGN TECHNOLOGY, INC.
881 Martin Avenue
Santa Clara, California 95050

PROXY STATEMENT FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION

Q: Why am I receiving these materials?

A: Our board of directors is providing these materials to you in connection with the solicitation of proxies for use at Align's 2010 Annual Meeting of stockholders, which will take place on Thursday, May 20, 2010 at 10:00 a.m. local time, at our corporate headquarters located at 881 Martin Avenue, Santa Clara, California 95050 (referred to in this proxy statement as the "Annual Meeting"). As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this proxy statement.

Q: What information is contained in these materials?

A: This proxy statement contains important information regarding our Annual Meeting. Specifically, it identifies the proposals on which you are being asked to vote, provides information you may find useful in determining how to vote and describes the voting procedures. Align's 2010 Annual Report on Form 10-K, proxy card and return envelope are also enclosed. These proxy materials are being mailed on or about April 21, 2010 to all of our stockholders as of the record date, which was set by our Board of Directors as March 23, 2010. **This proxy statement and Align's annual report to stockholders for the fiscal year ended December 31, 2009 are available at www.aligntech.com by clicking on "Investor Relations" and then clicking on "Click here for 2010 Annual Meeting/Proxy Materials."**

Q: What proposals will be voted on at the Annual Meeting?

A: There are four proposals scheduled to be presented at the Annual Meeting, and upon which you are being asked to vote:

- The election of eight (8) directors to serve until the next annual meeting of stockholders or until their respective successors have been duly elected and qualified;
- The ratification of the appointment of PricewaterhouseCoopers LLP as Align's independent registered public accountants for the fiscal year ending December 31, 2010;
- Approval of amended and restated 2005 Incentive Plan; and
- Approval of Align's 2010 Employee Stock Purchase Plan.

These proposals are discussed in greater detail in this Proxy Statement.

Q: Who is entitled to vote at the Annual Meeting?

A: Only stockholders of record who owned Align common stock at the close of business on March 23, 2010, the record date for the Annual Meeting, are entitled to receive notice of, and to participate in, the Annual Meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares of Align common stock that you held on the record date at the Annual Meeting, or any postponements or adjournments of the Annual Meeting. As of the record date, 75,607,803 shares of our common stock were issued and outstanding and no shares of our preferred stock were issued and outstanding.

Q: Who can attend the Annual Meeting?

A: All stockholders as of the record date, or their duly appointed proxies, may attend the Annual Meeting. Registration will begin at 9:30 a.m. If you attend, please know that you may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts ("street name" holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

Q: What are the voting rights of the holders of Align common stock?

A: Each share of Align common stock you own as of the record date entitles you to one vote on each matter considered at the Annual Meeting.

Q: What constitutes a quorum?

A: A quorum, which is a majority of the outstanding shares of our common stock as of the record date, must be present or represented by proxy in order to hold the Annual Meeting and to conduct business. As of the record date, 75,607,803 shares of common stock, representing the same number of votes, were outstanding. That means that we need the holders of at least 37,803,902 shares of common stock need to be represented for us to have a quorum. Your shares will be counted as present at the Annual Meeting if you attend the Annual Meeting in person. Your shares will be considered present and represented by proxy if you submit a properly executed proxy card or vote via the Internet or by telephone. Under the General Corporation Law of the State of Delaware, abstentions and broker "non-votes" are counted as present and entitled to vote and so are included for purposes of determining whether a quorum is present at the Annual Meeting.

Q: What is a broker non-vote?

A: If your shares are held in street name, your broker or nominee will ask you how you want your shares to be voted. If you provide voting instructions, your shares must be voted as you direct. If you do not furnish voting instructions, one of two things can happen, depending upon whether a proposal is "routine." Under the rules that govern brokers that have record ownership of shares beneficially owned by their clients, brokers have discretion to cast votes on routine matters, such as the ratification of the appointment of independent registered public accounting firms, without voting instructions from their clients. Brokers are not permitted, however, to cast votes on "non-routine" matters, such as the election of directors, the approval of the amendment to the 2005 Incentive Plan, and the approval of the 2010 Employee Stock Purchase Plan without such voting instructions. A "broker non-vote" occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that proposal and has not received voting instructions from the beneficial owner.

Q: How do I vote?

A: If your shares are registered directly in your own name with Align's transfer agent, you are considered the stockholder of record and you may vote by submitting a proxy in accordance with the instructions on the enclosed proxy card or by attending the Annual Meeting and voting in person. If you hold shares through a broker or other nominee, rather than directly in your own name, you are considered the "beneficial owner" of shares held in "street name". You may vote these shares by submitting voting instructions to your broker or other nominee in accordance with the voting instructions provided to you by your broker or other nominee or by obtaining a legal proxy from them authorizing you to vote your shares. We have summarized below the different ways that you can vote. We encourage you to submit your vote via the Internet, by telephone or by mailing a proxy card even if you plan to attend the Annual Meeting to ensure that your shares will be voted even if you end up being unable to attend.

Voting by Mail. Stockholders of record may submit a proxy by completing, signing, dating and returning the enclosed proxy card. Proxy cards submitted by mail must be received prior to the closing of the polls at the Annual Meeting in order for the votes to be recorded. By submitting a proxy card, you are authorizing our

President and Chief Executive Officer and our Vice President, Finance and Chief Financial Officer, who are named on the proxy card as "proxies and attorneys-in-fact," to vote your shares at the Annual Meeting in the manner you indicate.

Voting via the Internet. Stockholders of record with Internet access may submit proxies by following the "Vote by Internet" instructions on their proxy cards until 8:59 p.m. Pacific Time, on May 19, 2010. Most of Align's stockholders who hold shares beneficially in street name may vote by accessing the website specified in the voting instructions provided by their broker or other nominee. A large number of banks and brokerage firms are participating in Broadridge Financial Solutions, Inc.'s online program for electronic voting. This program provides eligible beneficial owners the opportunity to vote over the Internet or by telephone. Voting forms will provide instructions for beneficial owners whose bank or brokerage firm is participating in Broadridge's program.

Voting by Telephone. Stockholders of record may submit proxies by following the "Vote by Telephone" instructions on their proxy cards until 8:59 p.m. Pacific Time, on May 19, 2010. If you are a beneficial owner, please follow the voting instructions provided to you by your broker or other nominee with respect to telephone voting.

Voting in Person at the Annual Meeting. If you plan to attend the Annual Meeting and vote in person, we will provide you with a ballot at the Annual Meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the Annual Meeting. If, however, you are the beneficial owner of shares held in street name, and if you wish to vote at the Annual Meeting, you will need to bring a legal proxy from your broker or other nominee authorizing you to vote your shares.

Q: Can I change or revoke my vote?

A: Subject to any rules your broker or other nominee may have, you may change your proxy instructions at any time before your proxy is voted at the Annual Meeting. If you are a stockholder of record, you may either:

- Sign and return another proxy bearing a later date prior to the time we take the vote at the Annual Meeting;
- Submit a timely and valid Internet or telephone vote on a later date but prior to the time we take the vote at the Annual Meeting;
- provide written notice of the revocation to:

Corporate Secretary
Align Technology, Inc.
881 Martin Avenue,
Santa Clara, California
95050

prior to the time we take the vote at the Annual Meeting; or

- attend the Annual Meeting and vote in person. Your attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

If you are a beneficial owner of shares held in street name, you may either:

- submit new voting instructions to your broker or other nominee; or
- if you have obtained a legal proxy from your broker or other nominee giving you the right to vote your shares at the Annual Meeting, attend the Annual Meeting and vote in person.

Q: How does the Board recommend that I vote my shares?

A: Your shares will be voted in accordance with your instructions. If you submit a proxy via the Internet, by telephone or by mail but do not indicate your voting instructions, your shares will be voted in accordance with the recommendations of the Board of Directors. In summary, the Board recommends a vote:

- FOR the election of the nominees for director identified in Proposal One;
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for the fiscal year ending December 31, 2010;
- FOR the approval of the amended and restated 2005 Incentive Plan; and
- FOR the approval of Align's 2010 Employee Stock Purchase Plan.

With respect to any other matter that properly comes before the Annual Meeting, the proxyholders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion. At the date this proxy statement was printed, the Board of Directors had no knowledge of any business other than that described in this proxy statement that would be presented for consideration at the Annual Meeting.

Q: What vote is required to approve each item?

A: The vote required and the way the vote is calculated for the proposals is as follows:

Election of directors. The eight (8) director nominees receiving the highest number of votes, in person or by proxy, will be elected as directors. You may vote either "for" or "withhold" your vote for the director nominees. If you vote "withhold" with respect to the election of one or more directors, your shares will not be voted with respect to the director or directors, although your shares will be counted for purposes of determining whether there is a quorum.

Other Items. For each other item, the affirmative vote of a majority of the shares present, represented and entitled to vote on the item will be required for approval. You may vote "for," "against," or "abstain" from voting on the proposal. A properly executed proxy marked "abstain" with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

If you are a beneficial owner and your broker holds your shares in its name, the broker is permitted to vote your shares on the approval of PricewaterhouseCoopers LLP as our independent registered public accountants even if the broker does not receive voting instructions from you. Due to certain rules that govern brokers, your broker may not vote your shares on the proposals relating to the election of directors, approval of the amended and restated 2005 Incentive Plan and the adoption of Align's 2010 Employee Stock Purchase Plan absent instructions from you. Without your voting instructions on these items, a broker non-vote will occur. Broker non-votes, however, are not included in the tabulation of the voting results for proposals requiring the approval of a majority of the votes cast, and, therefore they will not affect the outcome of any of the matters being voted on at the Annual Meeting. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum at the Annual Meeting.

Q: Who will bear the cost of soliciting votes for the Annual Meeting?

A: We will bear the entire cost of proxy solicitation, including the preparation, assembly, printing and mailing of proxy materials. The original solicitation of proxies by mail may be supplemented by solicitation by telephone and other means by directors, and employees of Align. None of these officers, directors or employees will receive special compensation for such services. In addition, we may reimburse brokerage firms and other custodians for their reasonable out-of-pocket expenses for forwarding these proxy materials to you. We have retained The Altman Group for an estimated fee of $8,500, plus out of pocket expenses, to assist in distributing proxy materials and soliciting proxies.

Q: ***Who will count the vote?***

A: We expect a representative from Computershare will tabulate the proxies and act as inspector of the election.

Q: ***Is there any information that I should know regarding future annual meetings?***

A: As a stockholder you may be entitled to present proposals for action at a future annual stockholder meeting.

Proposals intended to be included in the proxy statement. Stockholder proposals that stockholders intend to present at Align's 2011 Annual Meeting of Stockholders and desire to have included in Align's proxy materials relating to such meeting must be received by Align no later than December 22, 2010, which is 120 calendar days prior to the anniversary of this year's proxy statement mailing date, and must be in compliance with applicable laws and regulations (including Rule 14a-8 of the Securities Exchange Act of 1934). If the date of the 2011 Annual Meeting of Stockholders is moved more than 30 days before or after the anniversary date of this year's Annual Meeting, the deadline for inclusion of a proposal in Align's proxy statement will instead be a reasonable time before Align begins to print and mail its proxy materials. Proposals should be addressed to:

Corporate Secretary
Align Technology, Inc.
881 Martin Avenue
Santa Clara, California
95050

Proposals not intended to be included in the proxy statement. If you wish to present a proposal at Align's 2011 Annual Meeting of Stockholders and the proposal is not intended to be included in Align's proxy statement, you must give Align advance notice of such proposal in accordance with Align's Bylaws. Pursuant to Align's Bylaws, in order for a stockholder proposal to be deemed properly presented, a stockholder must deliver notice of such proposal to Align's Corporate Secretary, at the address provided above, no earlier than the close of business on January 20, 2011 and no later than the close of business on February 19, 2011. However, if the date of the 2011 Annual Meeting of Stockholders is either more than 30 days before or more than 70 days after the anniversary date of this year's Annual Meeting, stockholders must give Align notice of any stockholder proposals no earlier than the close of business on the 120th day prior to the annual meeting and no later than the close of business on the later of: (i) the 90th day prior to the annual meeting or (ii) the close of business on the 10th day following the day on which Align first publicly announces the date of the annual meeting.

Q: ***What if multiple stockholders share the same address?***

A: To reduce expenses, in some cases, we are delivering one set of voting materials to certain stockholders who share a single address, unless otherwise requested by one of the stockholders. A separate proxy card is included in the voting materials for each of these stockholders. If you have only received one set, you may request separate copies of the voting materials at no additional cost to you by calling us at (408) 470-1000 or by writing to us at Align Technology, Inc., 881 Martin Avenue, Santa Clara, California 94050, Attn: Investor Relations. You may also contact us by calling or writing if you would like to receive separate materials for future annual meetings.

Q: ***What is the company's website address?***

A: Our website address is *www.aligntech.com.* We make this proxy statement, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended available on our website in the Investor Relations section, as soon as reasonably practicable after electronically filing such material with the SEC.

This information is also available free of charge at *www.sec.gov*, an Internet site maintained by the SEC that contains reports, proxy and information statements and other information regarding issuers that are filed electronically with the SEC. Stockholders may obtain free copies of the documents filed with the SEC by contacting our Investor Relations department at by sending a written request to Align Technology, Inc., 881 Martin Avenue, Santa Clara, California 95050, Attn: Investor Relations or by sending an email to *investorinfo@aligntech.com*

PROPOSAL ONE

ELECTION OF DIRECTORS

Nominees

The first proposal to be voted on at the meeting is the election of directors. The nominees for election at the Annual Meeting are: David E. Collins, Joseph Lacob, C. Raymond Larkin Jr., George J. Morrow, Dr. David C. Nagel, Thomas M. Prescott, Greg J. Santora and Warren S. Thaler. Upon the recommendation of the Nominating and Governance Committee, our Board of Directors has nominated these individuals for election to the Board of Directors. Each director is elected annually to serve until the next annual meeting or until his or her successor is duly elected and qualified or until his or her earlier resignation or removal.

Unless otherwise instructed, the proxyholders will vote the proxies received by them for election of these nominees. In the event any of the nominees is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the then current Board of Directors to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxyholders intend to vote all proxies received by them in such a manner as to assure the election of the nominees named above.

Each nominee, except for Dr. David C. Nagel who was appointed to the Board in July 2009, has served as a director since the last annual meeting of stockholders. Each nominee has consented to serve if elected.

The Board of Directors recommends a vote "FOR" all nominees.

Information Concerning the Nominees

Please review the following information about the nominees.

David E. Collins
Age: 75
Director since 2003
Board committees:
Audit and Compensation

Mr. Collins has served as a director of Align since April 2003. From 1994 to April 2004, Mr. Collins served as an independent consultant. His most recent operational role was with Schering-Plough Corporation from 1989 to 1994. At Schering-Plough, he created and served as president of a new consumer products division known as HealthCare Products, as well as serving as a member of the Schering-Plough Operations Committee, that company's senior executive management group. Prior to Schering-Plough, Mr. Collins helped found New York-based venture capital firm Galen Partners. Mr. Collins also spent 26 years with Johnson & Johnson and from 1962 to 1978 he served in a number of roles in the legal department at Johnson & Johnson, including corporate secretary and general counsel. In 1978, Mr. Collins transitioned into a series of executive management roles, including President of McNeil Laboratories, with responsibility for several Latin American subsidiaries, leadership of the worldwide consumer products business and oversight of corporate public relations, investor relations, strategic planning and the government legislative liaison office. In 1982, Mr. Collins became a member of the Johnson & Johnson executive management committee. Mr. Collins also served on the board of directors of Johnson & Johnson and left in 1988 as vice chairman of the board of directors.

For the following reasons, the board concluded that Mr. Collins should serve as a director of Align. Mr. Collins has more than 30 years of business experience in the health care and consumer health products industry. Mr. Collins has demonstrated success in his business and leadership skills, serving as President *of Schering-Plough and McNeil Laboratories and on the executive management committee at Johnson & Johnson. With this prior experience, Mr. Collins has considerable knowledge of the complex issues facing global companies and an understanding of what makes businesses work effectively and efficiently. Mr. Collins' experience as a board member of Johnson & Johnson gives him insight and perspective into how other boards function and enables him to be an effective board member. Mr. Collins' strong legal background, including teaching courses on ethics and governance, makes him well-suited for our Compensation Committee. In addition, his finance and investment experience make him well-suited for our Audit Committee.*

Joseph Lacob
Age: 54
Director since 1997
Board committees:
Nominating and Governance (Chair) and Technology

Mr. Lacob has served as a director of Align since August 1997 and has been a partner of Kleiner Perkins Caufield & Byers (KPCB), a venture capital firm, since May 1987. Prior to that, Mr. Lacob was an executive with Cetus Corporation (now Chiron), FHP International, a health maintenance organization, and the management consulting firm of Booz, Allen & Hamilton. He serves on the board of directors Orexigen Therapeutics, a biopharmaceutical company focused on the development of pharmaceutical product candidates for the treatment of obesity. He was previously on the boards of eHealth and Nuvasive Inc. Mr. Lacob received his B.S. in Biological Sciences from the University of California at Irvine, his Masters in Public Health from the University of California at Los Angeles and his M.B.A. from Stanford University.

For the following reasons, the board concluded that Mr. Lacob should serve as a director of Align. Mr. Lacob has demonstrated success in his business and leadership skills, serving as a partner of KPCB since 1987. In his role at KPCB, he has gained considerable technology, health care and life sciences industry experience. During his career at KPCB, Mr. Lacob has been closely involved with investments in over fifty life science companies, including the start-up or incubation of a dozen ventures, and with KPCB's medical technology practice, which includes over thirty therapeutic and diagnostic medical device companies. With this extensive business background, Mr. Lacob also brings considerable finance and investment experience that has proven to be valuable in addressing issues that arise at Align. Mr. Lacob currently serves on the board of directors of another publicly traded company, which gives him insight and perspective into current best practices at the board level and enables him to be an effective board member.

C. Raymond Larkin Jr.
(Chairman of the Board)
Age: 61
Director since 2004
Board committees:
Nominating and Governance

Mr. Larkin has served as a director of Align since March 2004. In February 2006, Mr. Larkin was appointed as chairman of the board of directors. He currently is a Principal of Group Outcome L.L.C., a merchant banking firm concentrating on medical technologies and since July 1, 2006 he has served as a part time Venture Partner at Cutlass Capital, a venture capital firm. Mr. Larkin was previously chairman and chief executive officer at Eunoe, Inc., a medical device company. From 1983 to March 1998, he held various executive positions with Nellcor Puritan Bennett, Inc., a medical instrumentation company, for which he served as president and chief executive officer from 1989 until 1998. Mr. Larkin also held various positions of increasing responsibility at Bentley Laboratories/American Hospital Supply from 1976 to 1983. He serves on the board of directors of Heartware, Inc., a medical device company developing implant devices for the treatment of advanced heart failure. He previously served on the boards of Davita Inc., Hangar Orthopedic Inc. and Cerus Corporation. Mr. Larkin received his B.S. in Industrial Management from LaSalle University.

For the following reasons, the board concluded that Mr. Larkin should serve as a director of Align. Mr. Larkin brings with him considerable business experience in the medical device industry serving as President and CEO of a large public company. In his role as President and CEO of Nellcor Puritan Bennett, Inc., Mr. Larkin took on significant management, strategic and operational responsibilities leading that business through significant growth, including numerous mergers & acquisitions. This operational experience has proven valuable in addressing issues that have arisen at Align. With his knowledge of the medical device and health care industry, Mr. Larkin provides valuable insight to our board. Mr. Larkin's experience as a board member of various public companies provides Mr. Larkin a deep understanding of the role of the board of directors and positions him well to serve as our Chairman.

George J. Morrow
Age: 58
Director since 2006
Board committees:
Compensation (Chair)

Mr. Morrow has served as a director of Align since February 2006. He is currently the executive vice president, global commercial operations at Amgen Inc., a global biotechnology company, where he also served as executive vice president of worldwide sales and marketing between 2001 and 2003. From 1992 to 2001, Mr. Morrow held multiple leadership positions at GlaxoSmithKline Inc. and its subsidiaries, including president and chief executive officer of Glaxo Wellcome Inc. Mr. Morrow holds a B.S. in Chemistry from Southampton College, Long Island University, an M.S. in Biochemistry from Bryn Mawr College and an M.B.A. from Duke University.

For the following reasons, the board concluded that Mr. Morrow should serve as a director of Align. As a current executive vice president at Amgen and previously at Glaxo, two large public companies, Mr. Morrow brings to our board of directors considerable business experience in the medical technology industry. As part of the executive leadership at Amgen, Mr. Morrow has front-line exposure to many of the issues facing public companies today, particularly on the operational, regulatory, financial and corporate governance fronts. Mr. Morrow's leadership skills and experience make him knowledgeable of the complex issues facing global companies today and gives him an understanding of what makes businesses work effectively and efficiently. These skills and experience are extremely valuable to our board of directors and enable Mr. Morrow to be an effective Compensation Committee chairman.

Dr. David C. Nagel
Age: 64
Director since 2009
Board committees:
Compensation and
Technology (Chair)

Dr. David C. Nagel has served as a director of Align since July 2009. Dr. Nagel was president and CEO of PalmSource from 2001 to 2005, now known as ACCESS Systems Americas, Inc., a subsidiary of ACCESS which develops the Palm OS PDA operating system. Dr. Nagel also served as a member of the Palm board of directors. Prior to joining Palm, Dr. Nagel was the chief technology officer at AT&T and president of AT&T Labs from 1996 to 2001. Earlier in his career, Dr. Nagel was senior vice president at Apple Computer where he led the worldwide research and development group responsible for Mac OS software, Macintosh hardware, imaging and other peripheral products development. Before joining Apple, Dr. Nagel was head of NASA human factors research at NASA's Ames Research Center. Dr. Nagel holds B.S. and M.S. degrees in engineering and a Ph.D. in perception and mathematical psychology, all from UCLA.

For the following reasons, the board concluded that Dr. Nagel should serve as a director of Align . Dr. Nagel has considerable business experience in the technology industry serving as president and chief executive officer of

PalmSource and chief technology officer at AT&T. Dr. Nagel's drive for innovation, evidenced during his tenure at PalmSource, AT&T and Apple, enhances the knowledge of our board of directors and provides useful insights to management in connection with our focus on technology innovation. Dr. Nagel's experience as a board member of various public companies, including as member or chairman of their compensation committees, gives him insight and perspective into current best practices at the board and compensation committee level and enables him to be an effective contributing member.

Thomas M. Prescott
Age: 54
Director since 2002
No Board committees

Mr. Prescott has served as our President and Chief Executive Officer and a member of the board of directors since March 2002. Prior to joining Align, Mr. Prescott was president and chief executive officer of Cardiac Pathways, Inc. from May 1999 to August 2001 and a consultant for Boston Scientific Corporation from August 2001 to January 2002 after its acquisition of Cardiac Pathways in August 2001. Prior to Cardiac Pathways, Mr. Prescott held various sales, general management and executive roles at Nellcor Puritan Bennett, Inc. from April 1994 to May 1999, and various management positions at GE Medical Systems from October 1987 to April 1994. In addition, Mr. Prescott served in sales, marketing and management roles at Siemens from December 1980 to July 1986. He received his B.S. in Civil Engineering from Arizona State University and Masters in Management from Northwestern University.

For the following reasons, the board concluded that Mr. Prescott should serve as a director of Align. As CEO, Mr. Prescott is the only officer to sit on our board. With over 8 years of experience at our company, he has deep knowledge and understanding of Align and its business. Mr. Prescott's prior experience as CEO of another publicly traded medical device company demonstrates his leadership capability and business acumen. His experience with strategic and operational issues in the life sciences industry along with his service on the board of directors of other companies in this industry gives him insight into the issues facing this industry and brings valuable expertise to our board of directors.

Greg J. Santora
Age: 58
Director since 2003
Board committees:
Audit (Chair)

Mr. Santora has served as a director of Align since July 2003. Mr. Santora served as Chief Financial Officer at Shopping.com, a provider of internet-based comparison shopping resources, from December 2003 until September 2005. From 1997 through 2002, he served as Senior Vice President and Chief Financial Officer for Intuit, Inc., a provider of small business and personal finance software. Prior to Intuit, Mr. Santora spent nearly 13 years at Apple Computer in various senior financial positions including senior finance director of Apple Americas and senior director of internal consulting and audit. Mr. Santora, who began his accounting career with Arthur Andersen L.L.P., has been a CPA since 1974. He serves on the board of directors of Taleo Corporation, a provider of on-demand talent management solutions. He previously served on the board of directors of Digital Insight Corporation. Mr. Santora holds a B.S. in Accounting from the University of Illinois and an M.B.A. from San Jose State University.

For the following reasons, the board concluded that Mr. Santora should serve as a director of Align. Mr. Santora is an experienced financial leader with over 35 years of finance and accounting experience gained through his education and work at a major accounting firm and his later positions as chief financial officer of Intuit and Shopping.com. The compliance, financial reporting and audit *expertise Mr. Santora gained in his senior finance and operations roles, including as chief financial officer, has proven valuable in addressing issues that have arisen at Align during Mr. Santora's tenure as Audit Committee chairman. Mr. Santora also serves on the board of directors and audit committee of another publicly traded company, which gives him insight and perspective into current best practices with respect to finance organizations and the audit committee function.*

Warren S. Thaler
Age: 47
Director since 2004
Board committees:
Audit, Nominating and Governance, and Technology

Mr. Thaler has served as a director of Align since June 2004. Since 2001, Mr. Thaler has been President of Gund Investment Corporation, an investment firm owned by Gordon Gund with holdings in real estate as well as public and private equity securities. Since 1990, Mr. Thaler has served on the boards of several privately held companies owned by the Gund family. From 1990 to 2005, Mr. Thaler was on the boards of the Cleveland Cavaliers and Gund Arena Company and from 2001 to 2005 represented the Cleveland Cavaliers as its Alternate Governor at meetings of the National Basketball Association's Board of Governors. Mr. Thaler received his B.A. from Princeton University and his M.B.A. from Harvard University.

For the following reasons, the board concluded that Mr. Thaler should serve as a director of Align. Mr. Thaler's demonstrated executive level management skills make him an important advisor to our board. His success in building businesses as well as his finance and investment experience gained at Gund and through his education makes Mr. Thaler well suited for our Audit Committee. Mr. Thaler's business background makes him a valuable component of a well rounded board and a key member of the board's audit, nominating and governance, and technology committees.

There are no family relationships between any director or executive officer.

CORPORATE GOVERNANCE

Corporate Governance Policies and Practices

Align has instituted a variety of policies and practices to foster and maintain responsible corporate governance, including the following:

Corporate Governance Guidelines—Our board of directors has set forth its corporate governance practices in the *Corporate Governance Guidelines of Align Technology, Inc.*, a copy of which is available on the Investor Relations section of our website located at *http://investor.aligntech.com*. Selected provisions of the guidelines are detailed below.

Board Committee Charters—Each committee has adopted a written charter that establishes practices and procedures for such committee in accordance with applicable corporate governance rules and regulations. These charters are available on the Investor Relations section of our website located at *http://investor.aligntech.com*.

Code of Ethics—Our board of directors has adopted a *Code of Business Conduct and Ethics* that is applicable to all directors, officers and employees of Align, including Align's principal executive officer, principal financial officer and controller. This Code is intended to deter wrongdoing and promote ethical conduct among our directors, executive officers and employees. The *Code of Business Conduct and Ethics* is available on the Investor Relations section of our website located at *investor.aligntech.com*. Stockholders may request in writing free printed copies of our Code of Ethics from Align Technology, Inc., 881 Martin Avenue, Santa Clara, California 95050, Attn: Investor Relations or by sending an email to *investorinfo@aligntech.com*. We will post on our website at *http://investor.aligntech.com* any amendments to our Code of Business Conduct and Ethics, as well as any waivers to our Code of Business Conduct and Ethics that are required to be disclosed by the rules of the Securities and Exchange Commission or the NASDAQ Stock Market LLC.

Stock Ownership Guidelines.

- *Director Stock Ownership Guidelines.* The guidelines provide that each director should own shares of Align's common stock equal in market value to three times the cash portion of the board's annual retainer. The guideline for the Chairman of the Board is equal to the amount calculated for each of the other non-executive members of the board of directors. By way of example, assuming the cash portion of the Board's annual retainer is $40,000, the target ownership level for a director, including the Chairman, would be $120,000. Directors are expected to attain the minimum level of target ownership within a period of five years from the effective date of the policy. Any new director will be expected to attain the minimum level of target ownership within a period of five years from the date he or she is first elected to the Board. All directors, with the exception of Dr. Nagel who was appointed to the Board in July 2009, are in compliance with the policy.
- *Executive Officer Stock Ownership Guidelines.* The target ownership guideline set for each executive is based on that person's relative level of seniority and responsibility. For Mr. Prescott, the ratio is 1.5 times his annual base salary. For Mr. Arola, the ratio is .75 times his annual base salary. For each other executive officer, the ratio is .5 times such officer's annual base salary. Once established, an executive officer's target ownership guideline does not re-adjust automatically as a result of changes in his or her base salary or changes in the price of the company's stock. Executive officers are required to achieve the guideline within five years of becoming an executive officer, or, in the case of persons who were executive officers at the time the guidelines were adopted, within five years of the date of adoption of the guidelines. Currently, each executive officer is in compliance with the stock ownership guidelines.

For purposes of this policy, "ownership" includes:

- shares of Align common stock held directly by the director or officer or in trust for the benefit of the director or officer or his or her family member living in the same household,

- 50% of the gain on vested in-the-money stock options, and
- shares of underlying Align restricted stock units held directly by a director or officer, whether or not yet vested.

The term “ownership” does not include unvested options to purchase common stock.

Director Independence

In accordance with the Nasdaq listing standards, the board undertook its annual review of the independence of its directors and considered whether any director had a material relationship with Align or its management that could compromise his ability to exercise independent judgment in carrying out his responsibilities. As a result of this review, the board affirmatively determined that David E. Collins, Joseph Lacob, C. Raymond Larkin Jr., George J. Morrow, Dr. David C. Nagel, Greg J. Santora and Warren S. Thaler are “independent directors.”

Mr. Thaler is the President of Gund Investment Corporation, an investment firm owned by Gordon Gund. As of March 31, 2010, Mr. Gund was the beneficial owner of approximately 11% of the shares of our outstanding common stock. After considering this information, the Board determined that Mr. Thaler’s employment by Gund Investment Corporation does not constitute a material relationship that affects Mr. Thaler’s independence.

Board of Directors Role and Structure

Board Member	Board	Audit Committee	Compensation Committee	Nominating and Governance Committee	Technology Committee
David E. Collins	✓	✓	✓		
Joseph Lacob	✓			Chair	✓
C. Raymond Larkin Jr.	Chair			✓	
George J. Morrow	✓		Chair		
Dr. David C. Nagel	✓		✓		Chair
Thomas M. Prescott	✓				
Greg J. Santora	✓	Chair			
Warren S. Thaler	✓	✓		✓	✓
Number of Meetings held in 2009	13(1)	12	10	4	0+

(1) There were 6 regularly scheduled meetings and 7 special meetings.

\+ The Technology Committee was formed in August 2009. No meetings were held in 2009. Meetings have been scheduled for 2010.

Role of Board of Directors. The board of directors has responsibility for reviewing our overall performance rather than day-to-day operations. The board’s primary responsibility is to oversee the management of Align and, in so doing, serve the best interests of Align and its stockholders. The board selects, evaluates and provides for the succession of executive officers and, subject to oversight by the Nominating and Governance Committee, the board nominates for election at annual stockholder meetings individuals to serve as directors of Align and elects individuals to fill any vacancies on the board. It reviews corporate objectives and strategies, and evaluates and approves significant policies and proposed major commitments of corporate resources. It participates in decisions that have a potential major economic impact on Align. Management keeps the directors informed of company activity through regular written reports and presentations at board and committee meetings.

Board Leadership Structure; Executive Sessions. We currently separate the roles of chief executive officer (CEO) and Chairman of the Board in recognition of the differences between the two roles. The CEO is responsible for setting our strategic direction and the day-to-day leadership and performance of the company, while the Chairman of the Board provides guidance to the CEO and sets the agenda for board meetings and presides over meetings of the full board. We believe that this separation of duties allows the CEO and Chairman to most efficiently use their time and to most effectively fulfill their respective responsibilities, which are critical to the future success of the company. While our bylaws and corporate governance guidelines do not require that our chairman and CEO positions be separate, the board believes that having separate positions and having an independent outside director serve as chairman is the appropriate leadership structure for Align at this time. Our Corporate Governance Guidelines provide that the independent directors of the board will meet in executive session at least twice a year.

The Board's Role in Risk Oversight. Management is responsible for the day-to-day management of risks the company faces, while the board, as whole and through its committees, has responsibility for the oversight of risk management. In its risk management role, the board of directors has the responsibility to satisfy itself that the risk management processes implemented by management are adequate and functioning as designed. As a critical part of this risk management oversight role, the board encourages full and open communication between management and the board of directors. Our chairman meets regularly with our president and CEO and other senior members of management to discuss strategy and risks facing the company. Senior management attends the quarterly board meetings and is available to address any questions or concerns raised by the board on risk management-related and other matters. The board of directors regularly receives presentations from senior management on strategic matters involving our operations to enable it to understand our risk identification, risk management and risk mitigation strategies. The board also holds strategic planning sessions with senior management to discuss strategies, key challenges, and risks and opportunities for the company.

While the board is ultimately responsible for risk oversight at Align, our committees assist the board in fulfilling its responsibilities in certain areas of risk. The Audit Committee assists the board in fulfilling its oversight responsibilities with respect to risk management in areas of financial risk, internal controls, and compliance with legal and regulatory requirements. The Compensation Committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. The Nominating and Governance Committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership, and structure. When a committee receives a report, the chairman of the committee discusses it with the full board during the committee reports portion of the next board meeting. This enables to the board to coordinate the risk oversight role.

Meetings of the Board of Directors. For the period of his board service in 2009, each director attended at least 75 percent of the aggregate of the total number of meetings of the board and the committees on which he serves, except that Mr. Lacob attended in the aggregate 70 percent of these meetings due to scheduling conflicts. Mr. Lacob was briefed in advance of the meetings of the business to be considered and subsequently received an update after the meetings. There were six regularly scheduled meetings and seven special meetings of the board of directors.

Process for Identifying and Evaluating Nominees and Relevant Criteria. The Nominating and Governance Committee considers candidates for board membership suggested by board members, management and stockholders of Align. The Nominating and Governance Committee has also retained from time to time a third-party executive search firm to identify independent director candidates. In considering candidates for director nominee, the Nominating and Governance Committee generally assembles all information regarding a candidate's background and qualifications. While Align does not have a formal diversity policy for board membership, the board seeks directors who represent a mix of backgrounds and experiences that will enhance the quality of the board's deliberations and decisions. The Nominating and Governance Committee considers, among other factors, diversity with respect to perspectives, backgrounds, skills, experience, and community involvement in its evaluation of candidates for board membership. Such diversity considerations are discussed by the Nominating and Governance Committee in connection with the general qualifications of each potential nominee. The Nominating and Governance Committee, in its discretion, may designate one or more of its members to interview any candidate. In addition, the Nominating and Governance Committee may seek input from Align's management or the board, who may interview any candidate. The Nominating and Governance Committee recommends director nominees to the board based on its assessment of overall suitability to serve on the board in accordance with Align's policy regarding nominations and qualifications of directors.

The Nominating and Governance Committee has specified the following minimum qualifications that it believes must be met by a nominee for apposition on the board:

- the highest personal and professional ethics and integrity;
- proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;
- skills and experience that are complementary to those of the existing board;
- the ability to assist and support management and make significant contributions to Align's success; and
- an understanding of the fiduciary responsibilities that is required of a member of the board and the commitment of time and energy necessary to diligently carry out those responsibilities.

Stockholder Recommendation of Nominees. Under our Corporate Governance Guidelines, the Nominating and Governance Committee is required to consider recommendations for candidates to the board of directors from stockholders holding at least 1% of the total outstanding shares of Align common stock (stockholders must have held such common stock continuously for at least 12 months prior to the date of the submission of the recommendation). The Nominating and Governance Committee will consider persons recommended by Align's stockholders in the same manner as a nominee recommended by the board of directors, individual board members or management.

A stockholder may also nominate a person directly for election to the board of directors at an annual meeting of our stockholders provided their proposal meets the requirements set forth in our bylaws and the rules and regulations of the SEC related to stockholder proposals. The process for properly submitting a stockholder proposal, including a proposal to nominate a person for election to the board of directors at an annual meeting, is described above in the answer to the question *"Is there any information that I should know regarding future annual meetings?"*

Annual meeting attendance. Align encourages, but does not require, board members to attend the annual stockholder meeting. Last year, two directors, including our chairman, attended our annual meeting of stockholders.

Committees

Audit Committee. The purpose of the Audit Committee is to, among other things, oversee and monitor our accounting and financial reporting processes, our financial statement audits, the qualifications, independence and performance of our independent auditors and our internal accounting and financial controls; to pre-approve audit and non-audit services; to provide oversight and monitor our Internal Audit Department; to review, approve and monitor our Code of Business Conduct and Ethics; to oversee and review our risk management policies; and to establish procedures for receiving, retaining and treating complaints regarding accounting, internal accounting controls or auditing matters. None of the Audit Committee members are employees of Align, and our board of directors has determined that each member is independent within the meaning of the Nasdaq listing standards and the rules and regulations of the SEC. Our board of directors has determined that Mr. Santora is qualified as an "audit committee financial expert" within the meaning of the rules of the SEC and has confirmed that the other members of the Audit Committee are able to read and understand financial statements. The report of the Audit Committee for 2009 is included in this proxy statement. The Audit Committee has adopted a written charter approved by the board of directors, a copy of which is available on our website at *http://investor.aligntech.com.*

Compensation Committee. The primary goal of the Compensation Committee is to ensure that the company's compensation programs successfully align the interest of employees, including executive officers, with those of the company's stockholders in order to maximize stockholder value over time. In carrying out this objective, the Compensation Committee is responsible for reviewing and administering all compensation arrangements for executive officers, and reviewing general compensation goals and guidelines for Align's employees and the criteria for which bonuses are to be determined. The Compensation Committee also assists the board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. The Compensation Committee may form and delegate authority to subcommittees when appropriate, although no such delegation is currently in effect. None of the Compensation Committee members are employees of Align, and our board of directors has determined that each member is independent within the meaning of the Nasdaq listing standards. The report of the Compensation Committee for 2009 is included in this proxy statement. The Compensation Committee has adopted a written charter approved by the board of directors, a copy of which is available on our website at *http://investor.aligntech.com.*

Risk Considerations

In fulfilling its role in assisting the board in its risk oversight responsibilities, the Compensation Committee believes that the various elements of our compensation program mitigates against and do not encourage excessive risk taking and instead encourages behaviors that support sustainable value creation. Specifically, the Compensation Committee reviewed the following design features of our compensation programs that guard against excessive risk-taking:

- our compensation program is designed to provide a balanced mix of cash and equity, annual, and longer-term incentives in order to encourage strategies and actions that are in Align's long-term best interests;
- base salaries are consistent with an employee's responsibilities so that they are not motivated to take excessive risks to achieve a reasonable level of financial security;
- we establish performance goals under our annual cash incentive plan that we believe (A) are reasonable in light of past performance and market conditions, (B) encourage success without encouraging excessive risk taking to achieve short-term results, and therefore do not encourage unnecessary or excessive risk-taking;
- the performance goals that determine payouts under our annual cash incentive plans are company-wide in order to encourage decision-making that is in the best long-term interests of Align and our stockholders as a whole;
- the performance goals under our annual cash incentive plan include the achievement of non-financial, key strategic objectives that put an emphasis on the achievement of results intended to build value over the longer-term;
- under our annual cash incentive plans, achievement of performance goals at levels below full target reduces only the payout related to that goal, not the other goals, and therefore does not result in an "all-or-nothing" approach;
- each performance goal under our annual cash incentive plan has a maximum cap on achievement;
- the Compensation Committee has discretion over annual cash incentive program payouts;
- we use a mix of stock options and RSUs for long-term incentive awards and since RSUs retain value even in a depressed market employees are less likely to take unreasonable risks to get, or keep, options "in the money";
- stock options become exercisable over a four year period and remain exercisable for up to ten years (seven years for options issued after February 2010) from the date of grant, encouraging employees to look to long-term appreciation in equity values;
- time-based vesting is also used for awards of RSUs which encourages employees to focus on sustained stock price appreciation; and
- executive officers are subject to share ownership and retention guidelines.

Compensation Committee Interlocks and Insider Participation.

No member of the Compensation Committee of the board of directors was at any time, since the formation of Align, an officer or employee of Align. No executive officer of Align serves as a member of the board of directors or Compensation Committee of any entity that has one or more executive officers serving on Align's board of directors or Compensation Committee.

Nominating and Governance Committee. The Nominating and Governance Committee is expected to identify, evaluate and recommend nominees to the board of directors as well as evaluate the composition, organization and governance of the board of directors and its committees and develop and recommend corporate governance principles and policies applicable to Align. The Nominating and Governance Committee has adopted a written charter approved by the board of directors, a copy of which is available on our website at *http://investor.aligntech.com.*

Technology Committee. The Technology Committee is expected to review Align's technology and development activities and oversee and advise the board of directors on matters of innovation and technology. The Technology Committee has adopted a written charter approved by the board of directors, a copy of which is available on our website at *http://investor.aligntech.com.*

Stockholder Communications with Board of Directors

Stockholders may communicate directly with the non-management directors of Align by sending an email to *board@aligntech.com*. Our General Counsel monitors these communications and ensures that appropriate summaries of all received messages are provided to the board of directors at its regularly scheduled meetings. In addition, the Chairman of the Nominating and Governance Committee has access to this email address and may monitor communications at his option. Where the nature of a communication warrants, our General Counsel may decide to obtain the more immediate attention of the appropriate committee of the board of directors or a non-management director, or Align's management or independent advisors. After reviewing stockholder messages, our board of directors will determine whether any response is necessary or warranted.

Director Compensation

Cash Compensation. Our standard cash compensation plan for non-employee directors is as follows:

Description	Current Fee
Annual retainer for Chairman of the board of directors (1)	$ 210,000
Monthly retainer for membership on the board of directors (excluding the Chairman of the board)	$ 3,000
Additional monthly retainer for Chair of Audit and Compensation Committees	$ 1,500
Additional monthly retainer for Chair of Technology Committee	$ 833
Additional monthly retainer for Chair of Nominating and Governance Committee	WAIVED(2)
Each face to face meeting of the board of directors	$ 1,500
Each telephonic meeting of the board of directors	$ 750
Each face to face Committee meeting	$ 1,000
Each telephonic Committee meeting	$ 500

(1) The Chairman of the Board does not receive any compensation for board or committee attendance other than the annual retainer.

(2) The current Chair of our Nominating and Governance Committee is Joseph Lacob. Mr. Lacob waives all fees related to his service on the board and its committees.

Equity Compensation.

Automatic Grant Program

Under the Automatic Grant Program of our 2005 Incentive Plan, each non-employee director who has served as a director for at least six months receives an automatic option grant for 10,000 shares of common stock plus an award of 3,000 restricted stock units on the date of each annual meeting of stockholders during his period of continued service on the board. The shares vest upon the earlier of (i) the one year anniversary of the grant date and (ii) the date of the next annual meeting of stockholders following the grant date. New non-employee members of the board of directors receive an initial automatic grant of 30,000 shares of common stock. These shares vest in successive equal annual installments over the first four years of service on the board of directors. Discretionary equity incentive awards may also be made to non-employee members of the board of directors.

In 2009, pursuant to our Automatic Grant Program, each of Messrs. Collins, Lacob, Morrow, Santora and Thaler received an option to purchase 10,000 shares of common stock having an exercise price of $11.81 per share and 3,000 restricted stock units. Assuming the continued service of the director, each of these equity awards will vest 100% on May 20, 2010.

Pursuant to the Automatic Grant Program, upon Dr. Nagel's appointment to the board in July 2009 he received an initial grant of an option to purchase 30,000 shares of common stock with an exercise price of $10.00 per share. This award vests in four successive equal annual installments, commencing July 2010. Dr. Nagel also received a discretionary grant of an option to purchase 10,000 shares of common stock described below.

Each outstanding option under the Automatic Grant Program will become fully vested and immediately exercisable upon (i) certain changes in ownership or control of Align or (ii) the death or permanent disability of the optionee while serving as a member of Align's board of directors. Upon the successful completion of a hostile tender offer for more than 50% of our outstanding voting stock, each such option may be surrendered to Align for a cash distribution per surrendered option share in an amount equal to the excess of (a) the tender offer price paid per share of common stock over (b) the exercise price payable for the share underlying such option.

Discretionary Grants

In connection with Mr. Larkin's service as Chairman of the Board of Directors, in February 2009, Mr. Larkin received a discretionary grant of an option to purchase 15,000 shares of common stock with an exercise price of $7.81 per share and a discretionary grant of 5,000 restricted stock units. Each of these awards was fully vested in February 2010. In February 2010, Mr. Larkin received a discretionary grant of an option to purchase 15,000 shares of common stock with an exercise price of $17.94 per share and a discretionary grant of 5,000 restricted stock units. Assuming the continued service of Mr. Larkin, each of these awards will vest 100% in February 2011, the one year anniversary of the date of grant. Mr. Larkin will not receive any awards in 2010 under the Automatic Grant Program.

Upon Dr. Nagel's appointment to the board in July 2009, in addition to the automatic grant described above, Dr. Nagel also received a discretionary grant of an option to purchase 10,000 shares of common stock with an exercise price of $10.00 per share. This award vests in four successive equal annual installments, commencing July 2010.

2009 Director Compensation. The table below summarizes the compensation paid by Align to non-employee directors for the year ended December 31, 2009. Mr. Thomas M. Prescott, our President and Chief Executive Officer, is not included in this table because he is an employee of Align and, as such, receives no compensation for his service on the board of directors. The compensation received by Mr. Prescott is shown in the Summary Compensation Table on page 39.

Name	Fees earned or paid in cash ($)	Stock awards ($) (1)	Option awards ($) (2)	Total ($)
David E. Collins	61,500	35,430	59,914	156,844
Joseph Lacob (3)	0	35,430	59,914	95,344
C. Raymond Larkin Jr. (4)	210,000	39,050	58,299	307,349
George J. Morrow	72,750	35,430	59,914	168,094
Dr. David C. Nagel	32,498	0	208,396	240,894
Greg J. Santora	74,750	35,430	59,914	170,094
Warren S. Thaler	58,250	35,430	59,914	153,594

(1) The amounts shown in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of awards of restricted stock units. Assumptions used in the calculations of these amounts are included in Note 11 to our audited financial statements for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC on February 25, 2010. There can be no assurance that the grant date fair value amounts will ever be realized. The restricted stock unit awards are time based awards, and are not subject to performance conditions.
(2) The amounts shown in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of stock option awards. Assumptions used in the calculations of these amounts are included in Note 11 to our audited financial statements for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC on February 25, 2010. There can be no assurance that the grant date fair value amounts will ever be realized.
(3) Mr. Lacob waived the payment of fees for his services to the board and its committees.
(4) Mr. Larkin is the Chairman of the Board. The Chairman of the Board does not receive any compensation for board or committee attendance other than the annual retainer.

The aggregate number of options awards and the aggregate number of stock awards outstanding at December 31, 2009 for each non-employee director is as follows:

Name	Option Awards	Stock Awards
Mr. Collins	30,000	3,000
Mr. Lacob	38,000	3,000
Mr. Larkin	143,000	5,000
Mr. Morrow	105,000	3,000
Dr. Nagel	40,000	0
Mr. Santora	129,000	3,000
Mr. Thaler	105,000	3,000

PROPOSAL TWO

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee of the board of directors has selected PricewaterhouseCoopers LLP, independent registered public accountants ("PwC"), to audit the financial statements of Align for the year ending December 31, 2010. In making its recommendation to appoint PwC as Align's independent registered public accountants, the Audit Committee has considered whether the provision of the non-audit services rendered by PwC is compatible with maintaining the firm's independence.

Although stockholder ratification of the selection of PwC as our independent registered public accountants is not required by our Bylaws or any other applicable law, the Audit Committee is submitting the selection of PwC to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee and the board of directors will reconsider whether or not to retain that firm. Even if the selection is ratified, our Audit Committee, at its discretion, may direct the appointment of a different firm to act as our independent registered public accountants at any time during the year if it determines that such a change would be in our best interests and in the best interests of our stockholders.

Representatives of PwC are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Fees to PricewaterhouseCoopers LLP for 2009 and 2008

The following table presents fees for professional services rendered by PwC for the audit of Align's annual financial statements for 2009 and 2008 and fees billed for audit-related services and tax services rendered by PwC for 2009 and 2008:

	2009	2008
Audit fees (1)	$ 992,311	$1,214,078
Audit-related fees (2)	$ 67,580	$ 73,895
Tax fees (3)	$ 284,577	$ 20,140
Total fees:	$1,344,468	$1,308,113

(1) *Audit fees*—These are fees for professional services performed by PwC for the annual audit of Align's financial statements and review of financial statements included in Align's quarterly filings, and services that are normally provided in connection with statutory and regulatory filings or engagements, and attest services, except those not required by statute or regulation.
(2) *Audit-related fees*—These are fees for technical advisory consultations performed by PwC that are reasonably related to the performance of the audit or review of Align's financial statements and are not reported under "Audit fees".
(3) *Tax fees*—These are fees for professional services performed by PwC with respect to tax compliance, tax advice and tax planning.

Audit Committee's Policy of Pre-Approval of Audit and Permissible Non-Audit Services

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accountants subject to limited discretionary authority granted to our Chief Financial Officer. These services may include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accountants and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accountants in accordance with this pre-approval and the fees for the services performed to date. All PwC services in 2009 and 2008 were pre-approved by the Audit Committee.

The Board of Directors recommends that stockholders vote "FOR" the ratification of PricewaterhouseCoopers LLP as Align's independent registered public accountants for the year ending December 31, 2010.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The following is the report of the Audit Committee of the board of directors with respect to Align's audited financial statements for the year ended December 31, 2009, which include the consolidated balance sheets of Align as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years ended December 31, 2009, and the notes thereto.

In accordance with the written charter adopted by the board of directors of Align, the purpose of the Audit Committee is to assist the board of directors in its oversight and monitoring of:

- the integrity of the Align's financial statements;
- Align's compliance with legal and regulatory requirements;
- the independent registered public accountant's qualifications, independence and performance;
- adequacy of Align's internal accounting and financial controls; and
- Align's internal audit department.

The full text of the Audit Committee's charter is available on the Investor Relations section of Align's website (www.aligntech.com). The Audit Committee regularly reviews its charter to ensure that it is meeting all relevant audit committee policy requirements of the SEC and the Nasdaq listing standards.

In carrying out its responsibilities, the Audit Committee, among other things, is responsible for:

- providing guidance with respect to Align's relationship with the independent auditors, including having the responsibility for their appointment, compensation and retention; reviewing the results and audit scope; and approving audit and non-audit services;
- reviewing and discussing with management the quarterly and annual financial reports;
- Align's risk management policies; and
- overseeing management's implementation and maintenance of effective systems of internal controls.

The Audit Committee discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61 (as amended (AICPA, Professional Standards, Vol. 1, AU section 380)), as adopted by the Public Company Accounting Oversight Board.

Before selecting PricewaterhouseCoopers LLP as Align's independent auditors for fiscal 2009, the Audit Committee carefully considered PricewaterhouseCoopers LLP's qualifications as independent accountants. This included a review of the qualifications of the engagement team, the quality control procedures the firm has established, as well as its reputation for integrity and competence in the fields of accounting and auditing. The Audit Committee's review also included matters to be considered under the SEC's rules regarding auditor independence, including the nature and extent of non-audit services, to ensure that the accountants' independence will not be impaired. In addition, the Audit Committee has received the written disclosures and the letter required from the independent accountants required by the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence. The Audit Committee of our board of directors has determined that the provision of services by PricewaterhouseCoopers LLP of non-audit related services is compatible with maintaining the independence of PricewaterhouseCoopers LLP as our independent accountants.

Based upon the Audit Committee's discussion with management and the independent accountants and the Audit Committee's review of the representations of management and the report of the independent accountants to the Audit Committee, the Audit Committee recommended that the Board of Directors include Align's audited consolidated financial statements in Align's Annual Report on Form 10-K for the year ended December 31, 2009 for filing with the SEC.

Respectfully submitted by:

AUDIT COMMITTEE
Greg J. Santora, Chair
David E. Collins
Warren S. Thaler

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

In this Compensation Discussion and Analysis we discuss and analyze the manner and context in which compensation is awarded to and earned by our named executive officers. This discussion is intended to provide perspective for the data presented in the tables and narrative that follow. Our named executive officers (which we refer to as our NEOs) for 2009 are:

Name	Title
Thomas M. Prescott	President & CEO
Kenneth B. Arola	Vice President, Finance & CFO
Len M. Hedge	Senior Vice President, Business Operations
Sheila Tan	Vice President, Marketing & Chief Marketing Officer
Gil Laks	Former Vice President, International *

* In January 2010, we announced the addition of an international distributor for smaller country markets in Europe, the Middle East and Africa (EMEA). Mr. Laks left Align on March 31, 2010 to take on a new role as owner of the new EMEA distributor. No successor to Mr. Laks has been announced.

Executive Compensation Philosophy and Core Objectives

Align's executive compensation program is designed to effectively link the actions of our executives to business outcomes that drive value for stockholders. We believe that the most effective way to achieve this goal is to reward meeting or surpassing annual financial targets (short-term performance) and multi-year key strategic priorities (both short and longer-term performance). With this philosophy as our foundation, the following principles guide our compensation decisions:

- *Offer competitive compensation.* We seek to provide competitive compensation opportunities to attract, retain and incent superior talent.
- *Reward performance.* A significant portion of total compensation for NEOs is tied to the achievement of financial and strategic objectives. We believe that this supports our pay-for-performance philosophy by directly and substantially linking rewards to the achievement of measurable financial targets and a shared set of critical strategic priorities. By also rewarding individual performance, we seek to create a meritocracy.
- *Link the interests of our executives with those of our stockholders.*
  - A significant portion of total compensation for NEOs is tied to the achievement of financial and strategic objectives. This structure is designed to focus decision-making and behavior on goals that are consistent with Align's overall strategy. We believe that this links the actions of our executives to business outcomes that increase stockholder value.
  - A significant portion of the total compensation paid to our NEOs is in the form of long-term equity-based compensation. This serves to further link long-term stockholder and executive interests.
  - We have change of control provisions with each of our NEOs. This serves to ensure that our executives would not be biased against pursuing an acquisition that was favorable to our stockholders.

2009 Business Background.

Despite the challenges in 2009 associated with weakness in consumer spending as a result of the dramatic slowdown in the United States and other global economies, we had many significant accomplishments:

- *Record revenue*. In one of the most difficult operating environments in recent memory, Align's leadership delivered record revenue of $312.3 million in 2009 compared to $304 million in 2008.
- *Continued growth in international markets*. International revenue increased from 20% of total revenue in fiscal 2008 to 23% of total revenue in fiscal 2009.
- *Strong gross margin performance.* We continued to have strong gross margins driven primarily by the favorable impact of higher case volumes and the resulting manufacturing efficiencies as well as higher average selling prices for our products.
- *Delivered significant overall improvement in operating margin.* Significant improvement in non-GAAP operating margins reflecting higher case volume, increased manufacturing efficiencies, as well as our continued focus on diligent expense management.
- *Successful introduction of new products and product enhancements.* Launched in July 2008, Invisalign Teen represented 13% of our total cases shipped in the fourth quarter of 2009. In addition, the number of cases of Invisalign Assist shipped grew approximately 80% in the fourth quarter of 2009 compared to the third quarter of 2009. We also released, on our entire product line, the largest set of new product features and enhancements to date.

These positive accomplishments despite the challenges to our business due to the weakness in the global economies were carefully considered by the Compensation Committee in its review of fiscal 2009 executive compensation and in setting 2010 compensation.

Highlights of Compensation Committee Actions

The following actions taken by the Committee for 2009 and 2010 relate to the compensation of our NEOs:

2009 Highlights.

- In January 2009, the Compensation Committee reviewed management's plan to respond to a forecasted drop in annual revenue. Among the measures recommended by management was a company-wide freeze on merit base salary increases, including for each named executive officer. The Compensation Committee agreed with this action. The Compensation Committee, however, did recommend an approximately $20,000 increase to Mr. Laks' base salary in consideration of Mr. Laks' 2008 base salary being below base salaries for comparable positions.
- We reduced the 2009 equity award values as compared to 2008, due principally to the general stock market decline and the decline in our stock price during 2008 and consistent with our commitment to limit our equity dilution.
- We adopted a new executive cash incentive compensation (bonus) plan for 2009. The plan was designed to more closely align and reward the executive officers for achieving and surpassing the financial goals set by the Compensation Committee and board and to a lesser extent the achievement of key strategic measures.
- As a result of the record revenue and the operating leverage we generated, above-target cash incentive awards were paid to all executive officers.

2010 Highlights.

- Based on an assessment and analysis of our performance compared to that of our peer group over a three year period, the Compensation Committee determined to set executive compensation more in line with our philosophy of "paying for performance". As a result, we revised our approach to setting target base salary and target total direct compensation as discussed below in *"The Principal Components of Compensation for our Executive Officers—How we determine Compensation—Role of Competitive Data and Compensation Committee's Discretion"*. We accordingly set base salary for 2010 in line with this approach.

- After considering Align's performance relative to our peer group, 2009 financial performance, and the scope of roles and responsibilities at Align, we increased base salaries from 2009 levels.
- We also granted annual equity incentive awards.

How We Implement and Manage our Executive Compensation Programs

Role of Compensation Committee.

In carrying out its responsibilities, the Compensation Committee:

- sets Align's overall compensation philosophy, which is reviewed and approved by the board of directors;
- reviews and approves our compensation programs design and monitors the execution of these programs;
- reviews and approves all equity compensation awards for our employees, including our executive officers;
- reviews and approves all cash based compensation arrangements for our executive officers (other than our CEO); and
- reviews and recommends to our board of directors all cash based compensation arrangements for our CEO.

Role of Compensation Consultant.

The Committee engages its own independent advisors to assist in carrying out its responsibilities. During the first half of 2009, the Committee engaged Watson Wyatt (now Towers Watson), a consulting firm that provides compensation advisory services, to support their responsibilities in determining executive compensation and related programs. In 2009, Watson Wyatt assisted the Committee's executive compensation-setting process by:

- Analyzing whether the compensation packages of our executive officers were consistent with our compensation philosophy and competitive within the market relative to our peer companies;
- Assisting in the design of our compensation programs for executives and board members, including discussing evolving compensation trends;
- Reviewing the effectiveness of our compensation programs; and
- Compiling and providing market data to assist in setting our compensation plan parameters and measures.

Watson Wyatt also attended meetings of the Committee from time to time and communicated outside of meetings with members of the Committee and management with respect to the assessment of compensation packages for our executive officers. Other than its role as consultant to the Committee, Watson Wyatt performed no work for the company.

After 2009 compensation levels were established, the Committee decided to review its compensation consultant alternatives. The Committee met with and ultimately selected and engaged Compensia, Inc. to assist the Committee on compensation matters going forward. Compensia was selected based on their knowledge of relevant industries, market trends and their depth and breadth of experience with technology companies.

Role of Executive Officers and Others.

In designing the various elements of our compensation program and determining actual compensation awards, the Compensation Committee draws upon the expertise of various individuals on matters that fall within their respective realms of responsibility. In order to provide comprehensive support to the Compensation Committee, the vice president in charge of the human resource department, currently our Senior Vice President, Business Operations, attends the meetings. Our CFO also attends Compensation Committee meetings as one of the ways in which he, like the CEO, assures himself that our CD&A is correct so that he can provide the certification required by Section 302 of the Sarbanes-Oxley Act. In the course of a Committee meeting, he may also be called upon to explain details of financial results relevant to incentive compensation or other financial measures or accounting rules. The General Counsel and outside legal counsel are generally available at meetings to provide input on the legal and regulatory environment and to assist in the preparation of minutes. Any executive officer who participates in Compensation Committee meetings leaves the meetings during discussions and deliberations of individual compensation actions affecting them personally and during the Compensation Committee's executive sessions.

Our CEO's role is to advise the Committee regarding the alignment and weighting of our performance measures under our annual cash incentive (bonus) awards with our overall strategy, the impact of the design of our equity incentive awards on our ability to attract, motivate and retain highly talented executives and the competitiveness of our compensation program. After the end of the year, the CEO reviews each executive officer's performance as well as the company's performance against the pre-established financial targets and critical strategic priorities. The CEO then presents this assessment to the Compensation Committee and makes his recommendations with respect to the appropriate base salary, annual bonus payments and grants of long-term equity incentive awards for all executive officers, excluding himself. The Committee in executive session discusses the company's performance and then begins discussions regarding the CEO's performance. Upon completion of the fiscal year, the Compensation Committee finalizes its projected actions for each executive officer and, in the case of the CEO's cash compensation, recommends it to the board for its approval. The CEO is not present during discussions regarding his compensation.

The Principal Components of Compensation of our Executive Officers

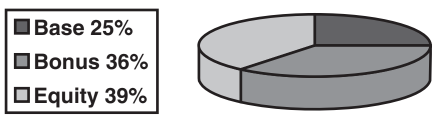
The principal components of each executive officer's total compensation package at Align are:

- base salary;
- annual variable cash incentive awards;
- long-term equity-based incentive grants; and
- severance and change of control arrangements.

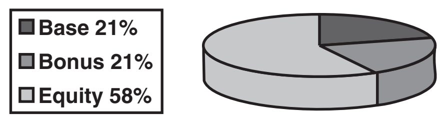
How We Allocate Between the Various Elements of Compensation.

In determining how we allocate an executive's total compensation package among these various components, we emphasize compensation elements that reward performance against measures that correlate closely to increases in stockholder value. Consistent with this pay-for-performance orientation, Align believes that annual cash incentive (bonus) awards and long-term equity compensation should together represent the most significant portion of total direct compensation. As a result, a larger portion of our executive officers' total compensation is performance based and at risk relative to Align's other employees. We believe this is appropriate because our executive officers bear the greatest responsibility for Align's results (positive and negative) and can exert the greatest influence on Align's performance. For example, due to underperformance in 2008 against our pre-established financial targets, a significantly smaller percentage of our NEOs actual compensation in 2008 was associated with annual cash incentive awards compared to 2009 actual compensation, when we over-performed against our pre-established financial targets.

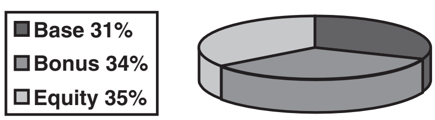
2009 Pay Mix: CEO Actual



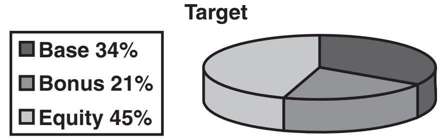
2009 Pay Mix: CEO Target



2009 Pay Mix: Other NEOs Actual



2009 Pay Mix: Other NEOs (avg) Target



How We Determine Compensation.

Competitive Positioning. Within the overall framework of the objectives and principles discussed above, the Compensation Committee exercises its judgment in making executive compensation decisions. The factors that generally inform and shape the Committee's executive compensation decisions are:

- market comparison data (peer group data and survey data);
- subjective elements, such as:
  - the scope of the executive's role;
  - the executive's:
    - experience;
    - qualifications;
    - skills; and
    - performance during the fiscal year (see discussion below on "*Role of Individual Performance"*);
  - internal equity; and
- Align's operational and financial performance.

After reviewing these various competitive positioning factors (none of which is determinative), the Compensation Committee relies upon the judgment of its members and makes adjustments to an executive's compensation.

The Use of Market Comparison Data. In connection with the Compensation Committee's continuing assessment of the competitiveness of Align's executive pay levels and practices relative to its peers, the Committee considers data gathered from: (i) compensation data from a selected peer group of companies, and (ii) multiple, nationally-published surveys with data from a broader mix of companies across various industries.

The selected companies in the peer group are companies that fall within a reasonable range of comparison factors and/or that we may compete with for executive talent. The peer group compensation data, however, is limited to publicly available information and therefore does not provide precise comparisons by position as offered by more comprehensive survey data. In addition, because Align's executive management talent pool is recruited from a much broader range of companies than those included in our peer group, and because the majority of Align's executive positions lead functions that tend to be less industry-sensitive from a recruiting perspective, the Committee also considers compensation data gathered from a broader mix of companies across various industries. As a result, the Compensation Committee uses a combination of industry survey data and peer group data to analyze the overall competitiveness of the company's compensation.

2009 Peer Group Selection.

Each year we review the companies that comprise our peer group to confirm that it continues to be appropriate for Align. For 2009, the peer group consisted of 11 companies that are predominantly (although not exclusively) located in the San Francisco Bay Area, the geographic location in which we operate and compete for executive talent. In addition to geographic location, these companies were chosen using the following principles:

- companies that are close industry competitors;
- medical device companies that are generally between 0.5 to 2.5 times Align's revenue (with Align at approximately the median); and
- technology companies with similar growth potential and technology development needs for software and enterprise system designers.

The following companies made up the peer group for 2009:

American Medical Systems Holdings	Natus Medical Inc.
Ansys Inc.	Nektar Therapeutics
ArthroCare	Nuvasive Inc.
Integra Lifesciences Hldgs	Sirona Dental Systems Inc.
Intuitive Surgical	Sonosite
	Vital Images Inc.

The change in the number of companies in our peer group from 2008 is due to the fact that Advanced Medical Optics Inc. and Mentor Corp. were acquired. Align uses the compensation information reported in the public filings of these companies to make our comparisons and adjusts the data to reflect the age of the reported information. The compensation paid to executive officers at the peer group companies listed above was one factor used to assist the Committee in establishing base salary levels, total target cash compensation and long term incentive awards for our 2009 fiscal year.

2009 Survey Data

We use a compensation survey of executive compensation prepared by the Radford Survey + Consulting, a unit of Aon Consulting, which provides compensation market intelligence on companies with revenues between $200 million and $500 million and companies located in Northern California with revenues between $200 million and $1 billion. The Radford survey is a total compensation survey that includes total direct compensation, including base salary, annual short-term incentive compensation and long-term incentive compensation and is widely used and known within the high technology industry. With respect to this survey data reviewed by the

Compensation Committee, the identities of the individual companies included in the surveys were not provided to the Committee and the Committee did not refer to individual compensation information for these companies. Instead, the Compensation Committee only referred to the statistical summaries of the compensation information included in the surveys.

2010 Peer Group Selection

As described above under *"Role of Compensation Consultants"*, in the summer of 2009, the Committee engaged a new compensation consultant, Compensia. For fiscal 2010, the Committee asked Compensia to conduct a detailed review of our peer company selection criteria and, with Compensia's input, established the following criteria for future peer group selection:

- *Industry*—medical device companies and software as service companies (SaaS);
- *Market Capitalization*—companies with a market capitalization of between approximately $300 million and $2.3 billion, based upon the companies' trading ranges at the time of selection; and
- *Revenue*—companies with revenue of between approximately $150 million to $700 million, based upon the last four quarters of revenue at the time of selection.

The 2010 peer group consists of the following companies:

Medical Device	*Software as Service Industry*
Accuray Incorporated	Blackbaud, Inc.
American Medical Systems Holdings, Inc.+	Blackboard Inc.
Conceptus, Inc.	Dealer Track Holdings, Inc.
Ev3 Inc.	Informatica Corporation
Gen-Probe Incorporated	JDA Software Group, Inc.
Haemonetics Corporation	MicroStrategy Incorporated
Immucor, Inc.	Omniture, Inc.
Integra LifeSciences Holdings Corp. +	Taleo Corporation
Masimo Corporation	
Merit Medical Systems, Inc.	
Natus Medical, Inc.+	
NuVasive, Inc.+	
Sirona Dental Systems, Inc.+	
SonoSite, Inc.+	
Thoratec Corporation	
Volcano Corporation	
ZOLL Medical Corporation	

\+ Indicates companies that were included in the 2009 peer group.

2010 Survey Data

In addition to compensation data for the peer companies listed above, the Compensation Committee also reviewed executive compensation data made available in surveys published by:

- Radford Executive (Tech) Survey for 2009—the scope of the data included from this survey was companies located throughout the United States with revenues of between $200 million and $500 million;
- Radford Life Sciences Survey for 2009—the scope of the data included from this survey was companies located throughout the United States with more than 150 employees.

Role of Competitive Data and Compensation Committee's Discretion. In 2010, based on an assessment of our performance compared to that of our peer group over a three year period, the Compensation Committee determined to set executive compensation to more closely align our executive compensation practices with our pay-for-performance philosophy. The Compensation Committee believed that targeting above-median pay levels without commensurate performance is inconsistent with this overarching philosophy. As a result, the Committee implemented a transition plan, and now uses the following percentiles as the starting point for assessing appropriate base salary, target total cash compensation and equity compensation of our executive officers:

Element of Compensation	2009 Target Percentile	2010 Target Percentile
Base salary	60th percentile	50th percentile
Target total cash compensation	70th to 80th percentile	65th to 75th percentile
Equity compensation	50th percentile	50th percentile

While we believe that comparisons to market data are a useful tool, we do not believe that it is appropriate to establish executive compensation levels based solely on a comparison to market data. The Compensation Committee therefore uses the market data as a starting point and then incorporates flexibility into our compensation programs and in the assessment process to respond to and adjust for the evolving business environment and other subjective elements described in the competitive positioning factors above. After reviewing these various factors, the Compensation Committee relies upon the judgment of its members and makes adjustments to an executive's compensation below or above the targeted percentile ranges.

Role of Company Performance. The Compensation Committee believes that our executives should be rewarded based on their success as a team. Consistent with this belief, the achievement of shared financial and critical strategic goals, which we describe below under *"Annual Cash Incentive (Bonus) Compensation"* is the primary factor in determining the amount of cash incentive bonus payments.

Role of Individual Performance. Although the Compensation Committee believes that the largest portion of each executive's total compensation should be based on our executive officers' success as a team and thus based on achievement of shared financial and critical strategic goals, it also believes that there should be some ability to reward individual contributions. To evaluate individual performance, individual goals are set each year for the NEOs. These include shared financial objectives as well as objectives that are directly related to each NEOs specific business function. For example, the CEO's goals are tied to Align's overall performance. In contrast, the individual goals set for Mr. Arola included achievement of specific balance sheet metrics, including managing total cash and days sales outstanding (DSOs). For Mr. Laks, these individual goals included revenue goals related to the international business, as well as increased brand awareness and increased consumer demand in Europe. The individual goals for Mr. Hedge, included instituting roadmap management performance and execution processes, leadership of the human resources department and continued focus on expense management opportunities. For Ms. Tan, these goals included achievement of key strategic objectives, including goals related to product innovation, go to market initiatives, consumer demand generation, as well as demonstrated commitment to expense management. As a result, the actual compensation of a NEO reflects an element of the Compensation Committee's subjective evaluation of the contribution of the NEO, including factors such as the scope of the executive's role, the executive's experience, qualifications, skills and performance. This subjective evaluation of the impact of the individual contributions on actual compensation is not a formula based process resulting in a quantifiable amount of impact, but rather involves the exercise of discretion and judgment. There is no specific weight given to any one individual goal or objective. This assessment is based on our CEO's recommendation to the Compensation Committee on how well the executive performed his or her job, and such assessment is largely (although not exclusively) qualitative, not quantitative, in nature. This enables the Committee to differentiate among executives and emphasize the link between personal performance and compensation.

The Use of Tally Sheets. The Compensation Committee uses tally sheets to understand the total annual compensation of the NEOs, and to provide perspective on the NEOs wealth accumulation from our compensation programs. Compensation previously paid to the NEOs, including amounts realized under prior equity-based compensation awards, did not affect the Compensation Committee's compensation decisions for 2009 or 2010. The Compensation Committee believes that compensation should reflect the executive's performance and the market value of his or her services, and does not want to create a disincentive for exceptional performance.

Elements of Compensation

Base Salary.

Base salary is intended to provide a fixed, baseline level of compensation that is not contingent upon Align's performance. Consistent with our pay-for-performance philosophy, base salaries generally represent a modest proportion of the total compensation opportunity for our executive officers.

Actions taken in 2009. In setting base salary for executives in 2009, the Compensation Committee targeted the 60th percentile as the starting point for its assessment and then made adjustments based on the competitive positioning factors described above. Following the completion of fiscal year 2008, in light of the significant adverse global economic conditions that were affecting our business and the forecasted drop in revenue for 2009 compared to 2008, the Compensation Committee determined, with the input and support of our executive officers, to not award any merit-based salary increases company-wide. The Compensation Committee, however, did maintain an approximately $20,000 increase to Mr. Laks' base salary in consideration of Mr. Laks' competitive positioning, including the fact that Mr. Laks' 2008 base salary was below the 60th percentile of the market comparison data. Ms. Tan received a salary increase for 2009 representing her promotion from to Vice President, Product Innovation and Marketing Strategy to Vice President, Marketing and Chief Marketing Officer.

Actions taken in 2010. In setting base salary for executives in 2010, the Compensation Committee used the 50th percentile as the starting point and then made adjustments based on the other subjective competitive positioning factors described above. The base salaries for our NEOs were increased from 2009 to 2010 as described in the table below.

Name	FY2009	FY2010	2009-2010 % Increase
Thomas M. Prescott	$518,400	$540,000	4%
Kenneth B. Arola	$275,000	$300,000	9%
Len M. Hedge	$315,000	$338,000	7%
Sheila Tan	$275,000	$290,835	6%
Gil Laks	$298,554	$298,554	0%

In February 2010, the Compensation Committee evaluated global economic conditions, our financial performance in 2009, levels of individual responsibilities and performance for each of the NEOs and, at a minimum, provided merit-based salary increases consistent with salary rate increases at Align generally. Mr. Arola's 2010 salary increase reflects an upward adjustment of his base salary to more closely approximate the 50th percentile and reward individual performance. Although Mr. Hedge received an upward adjustment to reflect his contribution and performance, his base salary remains below the market 50th percentile of the market comparison data. The Compensation Committee, however, believes this positioning is appropriate since, while he is compared to a Chief Operating Officer, Mr. Hedge is not responsible for each business function. Therefore, the Compensation Committee adjusted for this difference in scope of role and responsibility when determining pay positioning for Mr. Hedge. Ms. Tan's increase reflects the determination by the Compensation Committee that the market comparison data did not accurately reflect the scope of her role at Align. This determination was primarily based on the fact that the closest comparable roles at medical device and SaaS companies are for chief marketing officers whose responsibilities do not also include the complexities of classic brand marketing and consumer marketing efforts. As a result, Ms. Tan's 2010 base salary was adjusted to reflect her increased role and responsibility, as well as her individual performance, and consequently falls above the market 50th percentile. Mr. Laks did not receive any increase in salary due to his departure from the company on March 31, 2010.

Annual cash incentive (bonus) compensation

Executive Bonus Plan. In 2009, the Compensation Committee adopted a new executive officer cash incentive compensation plan to more closely align and reward our executive officers for achieving and surpassing pre-established financial goals and to a lesser extent the achievement of key strategic measures. All of our named executive officers participated in the executive bonus plan. Bonus determinations for fiscal 2009 performance were calculated using the following formula:

Annual Salary x Target Bonus Percentage x Individual Multiplier x Company Multiplier = Bonus Payout

The Individual and Company Multipliers are each derived based on performance and are equally weighted.

Target Bonus Percentage. Each executive officer is assigned a target award opportunity, expressed as a percentage of base salary. Based on a review of peer group and survey data and the 2009 objective of positioning total cash compensation for our NEOs at the 65th to 75th percentile for employees in similar positions, Mr. Prescott had an incentive target of 100% of base salary, Mr. Hedge had an incentive target of 70% and each other NEO had an incentive target of 60% of base salary. The incentive targets of the NEOs were set by the Compensation Committee based on the scope and significance of their roles as the leaders of Align, with the CEO and Senior Vice President, Business Operations receiving the highest targets due to greater responsibilities. In order to appropriately encourage and reward a range of acceptable performance and contributions, our awards are structured so that the actual payout under an executive officer's award can be lower or higher than target.

Individual Multiplier. The Individual Multiplier reflects each executive's individual performance and is determined at the Compensation Committee's discretion based on the recommendation of the CEO. The Compensation Committee considers each executive officer's performance in light of that individual's achievement of his or her individual goals. Individual performance is measured using the same performance factors used for determining merit-based increases in base salary. These individual performance measures are both qualitative and quantitative in nature and, therefore, the evaluation of performance against those objectives by the Compensation Committee is largely subjective. The CEO does not provide input to the Compensation Committee on his own performance. Individual performance that meets expectations yields a 100% multiplier.

Company Multiplier. The Company Multiplier is generally the same for all named executive officers. The Company Multiplier is determined based on pre-established goals under selected financial and key company strategic objectives. While management typically recommends the performance targets for bonus pool funding based on our Annual Operating Plan, the targets are ultimately approved by the Compensation Committee and reviewed by the board of directors. For 2009, the Compensation Committee determined that, consistent with our stage in the corporate lifecycle, it was appropriate to more heavily weight financial achievement compared to prior years. For example in 2008, 70% of our bonus pool funding was based on the achievement of key strategic priorities. Under the incentive plan adopted in 2009, the Compensation Committee determined that while the achievement of critical strategic priorities remained important, it was critical for management to focus on increasing revenue and earnings. As a result, to ensure that management focused on balancing profit and growth, the financial targets accounted for 70% of the total Company Multiplier. The remaining 30% of the Company Multiplier was selected to encourage and reward the longer-term objective of enhancing stockholder value by making significant progress towards the successful implementation of our multi-year strategic plan.

The following table shows the performance metrics used in 2009 and our level of performance with respect to these metrics. These full year financial performance targets were established in an extraordinarily challenging economic environment and when established we believed they would be difficult to achieve.

Measure/Weight/Calculated	Why do we use this measure? (1)	Target	Achievement	Level of Achievement of Target (3)	Impact on Company Multiplier
Revenue (40%)	Improvement in this measure aligns with our overall growth strategy.	$286.9M	$312.5M	109%	0.62
Non-GAAP Operating income (20%) Adjusted to exclude stock-based compensation expense and restructuring charges. The reason for excluding these items is to prevent payouts under the bonus plan from being adversely or advantageously affected by one-time events. In other words, the Compensation Committee does not want to (a) deter our executives from taking an action that is beneficial for the Company but that would adversely impact his or her bonus payment or (b) encourage actions that are detrimental the Company but that would increase an executive's bonus payment.	Directly links incentive payments to Company profitability and we want our employees (including our executives) to share in our profitability. Because profitability encompasses both revenue and expense management, the Compensation Committee believes this measure encourages a balanced, holistic approach by our executives to manage our business. The Compensation Committee considers operating profit before taxes because our executives cannot predict or directly affect our taxes or our tax rate.	$ 30.2M	$ 58.8M	195%	0.34
Cash (10%) Total ending cash, restricted cash and marketable securities on the balance sheet, adjusted for payment to Ormco as part of litigation settlement.	Balance top-line growth, profitability and cash generation while strengthening the balance sheet and managing receivables.	$160.2M	$199.7M	125%	0.17
Roadmap Elements (30%) Delivering key elements of company roadmap projects or initiatives, including meeting delivery dates and feature set requirements.	Critical to our achievement of our multi-year strategic corporate priorities, specifically, increased adoption and frequency of use by our customers, the orthodontist and general practitioner dentist and increased consumer demand. (2)			100%	0.30
COMPANY MULTIPLIER:					**1.43**

(1) The Committee believes that the performance objectives established for each of these strategic initiatives represent meaningful improvements for the organization and, therefore, are reasonably difficult to attain

which is line with our pay-for-performance philosophy. For example, although we significantly over performed against our 2009 and 2007 financial and strategic objectives, in each of 2004, 2005, 2006 and 2008 our executive officers were awarded approximately 90%, 80%, 91% and 62% of the target award opportunity, respectively.

(2) Management believes, and the Committee concurs, that the specific strategic initiatives and performance goals established for each of these strategic priorities represent confidential business information, the disclosure of which would result in meaningful competitive harm.

(3) Maximum achievement of financial and strategic objectives yields a 200% Company Multiplier. The threshold performance and the level of performance at which the funding for that particular performance measure will be capped as follows:

- For each financial measure, a rating of zero if achievement is below 80%. Company performance below target automatically reduces only the payout related to that goal, not the other goals, because we want executives to have the same incentive to achieve strategic priorities as well as their individual performance goals even if our performance tracks below the target during the course of the year;
- For each financial measure, a rating ranging from 80% to 100% if achievement meets or exceeds the minimum performance level but does not achieve the target performance level;
- For each strategic performance measure, a rating ranging from 0% to 100% based on relative achievement of the particular measure; and
- For each financial and strategic measure, a rating of 101% to 200% if achievement meets or exceeds the target performance level.

The Compensation Committee reserves the right to apply judgment in the final determination of cash incentive awards and can adjust actual results (up or down) to reflect the impact of certain extraordinary items or events to more accurately reflect the overall performance of the management team. In addition, the board of directors retains authority to pay additional discretionary bonuses outside the executive bonus plan if warranted by performance not measured under the plan. In 2009, our board of directors did not authorize any such discretionary bonus payments outside of the executive bonus plan to our executive officers.

Awards to the NEOs. The Compensation Committee awarded the cash incentive awards set forth below to the NEOs for 2009. These awards are also set forth in the Summary Compensation Table on page 39 under the heading "Non-Equity Incentive Plan Compensation."

Name	Target Incentive Award (as % of Base Salary)	Target Incentive Award	Actual Incentive Award	Actual Award as % of Target
Thomas M. Prescott	100%	$519,840	$820,000	158%
Kenneth B. Arola	60%	$165,000	$255,891	155%
Len M. Hedge	70%	$220,500	$353,647	160%
Sheila Tan	60%	$165,000	$252,820	153%
Gil Laks	60%	$179,132	$287,299	160%

Although differences in bonus payouts among our executives were based in part on individual performance, we believe that individuals having a greater impact for achieving performance and strategic objectives should receive a greater proportion of the reward. As a result, since Mr. Laks' role is directly tied to the achievement of financial goals and critical strategic priorities, he received the highest percentage payout when compared to his target bonus. Mr. Laks organization contributed 23% of revenue compared to 20% in 2008, despite a general decline in economic conditions in Europe. Mr. Prescott's payout reflects his leadership of the company during extremely challenging business conditions. Mr. Arola's award was made in recognition of his performance in developing the company's continued financial response to the recession and leadership of the company's cost control efforts and successful balance sheet management. Mr. Hedge's payout reflects his performance obtaining corporate support of the company's key strategic objectives for 2009, his continued leadership of the company's cost control efforts and his assumption of direct leadership of the human resource organization. Ms. Tan's payout reflects the successful commercialization of Invisalign Teen and Invisalign Assist, two products launched in late 2008, and her success with programs that more effectively and efficiently generated demand or "pull" for Invisalign on lower total program spending.

Executive Bonus Plan FY2010. At the beginning of 2010, the Committee reviewed the structure of the executive bonus plan and determined that it was appropriate to continue to focus on (1) growth, (2) profitability, and (3) the achievement of critical strategic priorities. The Compensation Committee, however, decided to place a greater emphasis on profitability and focus our executives on achieving greater leverage and therefore eliminated targeted cash position. As a result, the corporate performance targets for 2010 are as follows:

- Revenue (40%);
- Non-GAAP Operating Income (30%); and
- Achievement of key strategic objectives (30%).

We believe that there is a reasonable likelihood that we will achieve our corporate performance targets in 2010 at the "target" level.

Long-Term, Equity-Based Incentive Awards.

To the extent it is compatible with our commitment to limit dilution, long-term, equity-based incentive awards are generally targeted at or above competitive median levels with high performing executive officers being eligible for grants that approximate the 75th percentile. The Compensation Committee uses two forms of equity-based compensation: stock options and restricted stock units (contracts that give the recipients the right to receive shares as the units vest). The Committee believes that awards of stock options are inherently performance-based, as the recipient does not receive any benefit unless our stock price rises after the date the option is granted. The same attribute also directly links stock option compensation with stockholder value creation. Stock option awards are generally granted on an annual basis as a reward for past performance and as motivation for future performance that maximizes stockholder value. A grant of RSUs gives an executive the right to receive a specified number of shares of Align's common stock at no cost to the executive if the executive remains employed by Align until the RSUs vest. As a result, in contrast to stock options, the compensation value of an RSU does not depend solely on future stock price increases; at grant, a RSUs value is equal to Align's stock price. Although its value may increase or decrease with changes in the stock price during the period before vesting, a RSU will have value in the long-term, which we believe encourages retention and alignment with stockholders. Options and RSUs typically vest over a period of four years of service.

In determining awards, the Compensation Committee does not issue a targeted number of options or RSUs. Instead, in consultation with our compensation consultant and taking into account market comparison data, the Compensation Committee first determines the total dollar value of the award to be granted to the NEO. Grants are based upon their estimated fair value (as determined under the Black-Scholes valuation model) using the average closing price of our common stock, as reported on the Nasdaq Global Market, over a twelve month period.

Name	2009 Option Awards	2009 RSU Awards	2010 Option Awards	2010 RSU Awards
Thomas M. Prescott	116,500	40,000	175,000	60,000
Kenneth B. Arola	27,500	9,167	48,000	16,000
Len M. Hedge	42,390	14,130	60,000	20,000
Sheila Tan	60,000	20,000	33,000	11,000
Gil Laks	30,250	10,083	0	0

Awards in 2009. Annual long-term, equity-based incentive awards were made in February 2009. Each NEO received annual option grants to purchase shares of Align's common stock as well as restricted stock units. These annual awards reflect the Compensation Committee's goal of motivating future performance and to retain the individuals responsible for Align's accomplishments in 2008, including revenue growth of 7% despite a slowdown in consumer spending and the successful launch of three new products in 2008. These awards also reflect the competitive positioning factors described above. In addition, after consulting with Watson Wyatt, the Compensation Committee determined to discount the total dollar value of the award to be granted to the NEOs by approximately 30% to reflect the general decline in the stock prices of our peer group of companies and the Nasdaq generally since the data was originally compiled. Based on the grant date fair value of these awards, the 2009 grants, as a result of the 30% discount discussed above, were generally below the 50th percentile for comparable positions at peer companies. Ms. Tan's award, reflects her promotion to Vice President, Marketing and Chief Marketing Officer.

Awards in 2010. Awards for 2009 performance were made in February 2010. In making these awards, the Compensation Committee again considered the market data, as well as the other competitive positioning factors described above. Based on the grant date fair value of these awards (as measured using the one year average of the closing price of our common stock), the 2010 grants are generally between the 50th and 60th percentile, except for Ms. Tan's grant that is between the 60th and 75th percentile in recognition of the increased scope of her role compared to chief marketing officer at medical device and SaaS companies discussed above. Mr. Laks did not receive a grant due to his announced departure on March 31, 2010.

Post-Employment Compensation. Each NEO is eligible to receive benefits under certain conditions in accordance with their respective employment agreement. Each such agreement provides for benefits to the executive officer upon:

- a change of control; and
- termination without cause or for convenience.

In adopting the change of control provisions in these agreements, the Compensation Committee's primary objective was to ensure that our executives have sufficient security such that they are not biased against selling the company in the event a stockholder favorable M&A transaction is presented to the company. If Align were to pursue a change of control transaction beneficial to Align stockholders, the Committee believes that our executive officers' active support of the transaction through closing would be critical in ensuring the success of such a transaction.

Change of Control Only. Though the cash amounts payable to our executives in connection with a change of control are subject to a "double trigger" (meaning to get paid out the cash portion of their change of control arrangement, first there has to be a change of control and then the executive must be terminated without cause or for convenience within 12 months of such change of control), the Committee adopted a "single trigger" for all executive officers (except our CEO) whereby the vesting of equity awards is accelerated by one year immediately upon a change of control.

For our CEO, the Compensation Committee adopted a "single trigger" whereby 100% of his equity vests immediately upon a change of control. This structure was used to provide a more powerful retention incentive during change of control discussions. It was determined that the CEOs "single trigger" acceleration of 100% of his unvested equity is appropriate (rather than 12 months as is the case for each other NEO), since having the CEOs attention and commitment through to the closing of the change of control is of paramount importance to the ultimate success of the transaction.

Termination Within 12 Months of a Change of Control. In the event the executive is terminated without cause or for convenience within 12 months of a change in control ("double trigger"), 100% of the unvested equity awards is accelerated and a cash severance payment is made. The CEO would receive a cash severance payment (in addition to the acceleration of equity described above) in the event he is terminated without cause or for convenience within 12 months of the change of control.

Termination Unrelated to a Change of Control. For termination without cause or for convenience unrelated to a change of control, the vesting of equity awards held by an NEO (except for the CEO) is immediately accelerated by one year and a cash severance payment will be made. Our CEO would only receive a cash severance payment (no equity acceleration).

The cash severance benefits are intended to provide consideration for the employee's service to Align and expected length of time until subsequent employment is secured. The severance provisions also assist in recruiting executives given that executive roles tend to carry higher risks. The amounts that each of our current NEOs would have been entitled to if one of the termination or change of control events mentioned above occurred on December 31, 2009 are set forth in *"—Payments Upon Termination or Change of Control."*

Other Compensation Arrangements.

Align provides the following benefits to our executives generally on the same basis as the benefits provided to all employees:

- health and dental insurance;
- life insurance;
- short and long-term disability;
- employee stock purchase plan; and
- 401(k) plan.

These benefits are consistent with those offered by other companies and specifically with those companies with which we compete for employees.

Corporate Tax Deduction on Compensation in Excess of $1 Million a Year.

The Compensation Committee is responsible for addressing issues associated with Section 162(m) of the U.S. Internal Revenue Code of 1986. Section 162(m) generally disallows a tax deduction to public companies for compensation in excess of $1 million paid to the CEO or any of the four other most highly compensated officers. Performance-based compensation arrangements may qualify for an exemption from the deduction limit if they satisfy various requirements under Section 162(m). Although Align considers the impact of this rule when developing and implementing its executive compensation programs, Align believes that factors other than tax deductibility are important in the design of executive compensation programs and that it is important to preserve flexibility in designing such programs. Accordingly, Align has not adopted a policy that all compensation must qualify as deductible under Section 162(m). While the Compensation Committee believes that equity awards granted pursuant to the 2005 Plan qualify as "performance-based," other awards permitted by the terms of the 2005 Plan and certain other amounts paid under Align's compensation programs (such as salary) may not qualify for exemption from Section 162(m)'s deduction limitation. The 2009 compensation for all of the executive officers is fully deductible under 162(m) as the elements of compensation that are included under 162(m) did not exceed $1,000,000 for the "covered employees" described above.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS REPORT

The following is the report of the Compensation Committee of the Board of Directors with respect to the year ended December 31, 2009. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on the Compensation Committee's review and discussion with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE
David E. Collins,
George J. Morrow, Chair
David C. Nagel

SUMMARY COMPENSATION TABLE FOR FISCAL YEAR ENDED 2009

The following Summary Compensation Table sets forth certain information regarding the compensation of our Chief Executive Officer and Chief Financial Officer, and our three next most highly compensated executive officers. Information is provided for 2008 and 2007 for each named executive officer who was also a named executive officer during those years.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Thomas M. Prescott, President & Chief Executive Officer	2009	$519,840		$ 312,400	$ 452,789	$820,000	$ 714	$2,105,743
	2008	$518,921		$1,170,000	$1,754,379	$275,000	$ 714	$3,719,014
	2007	$480,000		$ 715,200	$1,309,836	$840,000	$ 433	$3,345,469
Kenneth B. Arola, Vice President & Chief Financial Officer	2009	$275,000		$ 71,594	$ 106,882	$255,891	$ 561	$ 709,928
	2008	$275,000		$ 206,200	$ 315,935	$101,000	$ 561	$ 898,696
	2007	$242,652		$ 554,409	$ 871,383	$157,227	$ 428	$1,826,099
Len M. Hedge, Sr. Vice President, Business Operations	2009	$315,000		$ 110,355	$ 164,753	$353,647	$ 643	$ 944,398
	2008	$315,000		$ 273,000	$ 383,364	$141,237	$ 1,143	$1,113,744
	2007	$282,689		$ 801,300	$1,249,899	$329,852	$ 473	$2,664,212
Sheila Tan, Vice President Marketing & Chief Marketing Officer	2009	$267,154		$ 156,200	$ 233,196	$252,820	$ 281	$ 909,651
Gil Laks, Vice President International (left Align March 31, 2010)	2009	$297,784		$ 78,748	$ 117,570	$287,299	$135,376	$ 916,777

(1) The amounts shown in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of awards of restricted stock units. Assumptions used in the calculations of these amounts are included in Note 11 to our audited financial statements for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC on February 25, 2010. This same method was used for years ended December 31, 2008 and 2007. There can be no assurance that the grant date fair value amounts will ever be realized. The restricted stock unit awards are time based awards, and are not subject to performance conditions.

(2) The amounts shown in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of stock option awards. Assumptions used in the calculations of these amounts are included in Note 11 to our audited financial statements for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC on February 25, 2010. This same method was used for years ended December 31, 2008 and 2007. There can be no assurance that the grant date fair value amounts will ever be realized.

Non-Equity Incentive Plan Compensation. The amounts shown in this column represent employee annual incentive award payments and are reported for the year in which they were earned, though they were paid in the following year. The material terms of the performance payment plan are described under *"Compensation Discussion and Analysis—Variable Cash Incentive Awards—Corporate Performance Targets and Individual Performance Measures"*.

All Other Compensation. Align pays life insurance and AD&D premiums for all of its employees, including its NEOs. Amounts in this column for each NEO except for Mr. Laks represent payments of such premiums. For Mr. Laks, the payments were for the following:

Name	Dollar Value of Life Insurance Premiums	Cost of Living Adjustments	Corporate Housing
Gil Laks	$610	$101,920	$32,846

GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR ENDED 2009

The following table sets forth information regarding:

- cash amounts that could have been received in 2009 by our NEOs under the terms of our performance-based incentive plan; and
- stock option and restricted stock unit awards granted by the Compensation Committee to our NEOs in 2009 reflected on an individual grant basis.

2009 Grants of Plan-Based Awards

Name	Grant Date	Approval Date	Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair value of Options and Awards ($)
Thomas M. Prescott				$519,840					
	2/20/2009	2/12/2009					116,500	$7.81	$452,789
	2/20/2009	2/12/2009				40,000			$312,400
Kenneth B. Arola				$165,000					
	2/20/2009	2/12/2009					27,500	$7.81	$106,882
	2/20/2009	2/12/2009				9,167			$ 71,594
Len M. Hedge				$220,500					
	2/20/2009	2/12/2009					42,390	$7.81	$164,753
	2/20/2009	2/12/2009				14,130			$110,355
Sheila Tan				$165,000					
	2/20/2009	2/12/2009					60,000	$7.81	$233,196
	2/20/2009	2/12/2009				20,000			$156,200
Gil Laks				$179,132					
	2/20/2009	2/12/2009					30,250	$7.81	$117,570
	2/20/2009	2/12/2009				10,083			$ 78,748

Approval Date. The Compensation Committee met on February 12, 2009 to finalize the grant of annual equity awards. Upon approval of the stock option and restricted stock unit grants for each NEO, the Compensation Committee determined that the actual date of grant would be February 20, 2009. This grant date was chosen in order to allow sufficient time for the CEO to notify each named executive officer and other members of the management team of the grant.

Estimated Possible Payouts under Non-Equity Incentive Plan Awards. The amounts shown under this column represent the range of possible dollar payouts the NEOs could have earned for 2009. For 2009, the target cash incentive award for each NEO (other than the CEO and the Senior VP, Business Operations) was 60% of his or her base salary and, for the CEO and Senior VP, Business Operations was 100% and 70% of his base salary, respectively, based upon the achievement of specified performance objectives. For a description of the performance objectives applicable to the receipt of these payments, see *"Compensation Discussion and Analysis —Annual Cash Incentive (Bonus) Awards"*. The actual amount paid to each NEO in 2009 is set forth in the Summary Compensation Table above in the column *"Non-Equity Incentive Plan Compensation"*.

- *Threshold.* There is no threshold performance level. Rather, company performance below a specific target automatically reduces only the payout related to that specific goal, not the other goals, because we want executives to have the same incentive to achieve strategic priorities as well as their individual performance goals even if our financial performance tracks below the target during the course of the year.

- *Target.* The target amounts assume a corporate performance percentage of 100% and that the NEO received 100% of his target.
- *Maximum.* Although each financial and strategic objective is capped at 200% for funding the total pool available for distribution, there is no maximum amount that an NEO could receive.

Stock Awards. Stock awards represent grants of restricted stock units ("RSUs") under our 2005 Incentive Plan. In accordance with the terms of the 2005 Incentive Plan, any grants of RSUs will reduce shares available for grant under the 2005 Incentive Plan at a 2:1 ratio. Since RSUs are taxable to each NEO when they vest, the number of shares we issue to each named executive officer will be net of applicable withholding taxes which will be paid by Align on behalf of each NEO. The RSUs will result in payment to the NEO only if the vesting criteria are met. Typically, each RSU vests over a four year period, with 25% of the shares subject to the RSU vesting each anniversary of the date of grant, with full vesting in four years.

Option Awards. Stock option awards were granted under our 2005 Incentive Plan. Each option grant allows the NEO to acquire shares of Align common stock at the closing market price on the date of grant. As a result, the option grants will provide a return only if the executive remains with Align and only if the market price of Align's common stock appreciates over the term of the option. The term of each option award is ten years. Each option vests over a four year period, with 25% of the shares subject to the option award vesting on the one year anniversary of the date of grant and 1/48th of the shares subject to the award vesting each month thereafter, subject to the NEO's continued service through the vesting date.

Grant Date Fair Value. The amounts shown in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of awards of restricted stock units and stock options. Assumptions used in the calculations of these amounts are included in Note 11 to our audited financial statements for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC on February 25, 2010. This same method was used for years ended December 31, 2008 and 2007. There can be no assurance that the grant date fair value amounts will ever be realized. The restricted stock unit awards are time based awards, and are not subject to performance conditions.

Timing of Stock Option Grants. The Compensation Committee, in consultation with management, our independent auditors and legal counsel, has adopted the following practices on equity compensation awards:

- Align does not plan to time, nor has it timed, the release of material non-public information for the purpose of affecting the exercise price of its stock options;
- consistent with the policy described in the bullet point above, all awards of equity compensation for new employees (other than new executive officers described in the next bullet point) are made on the first day of the month for those employees who started during the period between the 16th day of the month that is two months prior to the grant date and the 15th day of the month prior to the month of the grant date. For example, May 1 grants will cover new hires starting between March 16, 2010 and April 15, 2010;
- as part of the compensation package offered to new executives, incentive grants for these individuals are generally awarded as of the first day of their employment;
- annual incentive grants are made on or about the same day for all employees (including executive officers); in fiscal 2010 and 2009 such date was February 19 and 20, respectively. The Compensation Committee sets the actual grant date approximately one week following approval of the size of each grant in order to provide Align managers with adequate time to inform each employee individually of their grant; and
- all grants of options to our executive officers and other employees, as well as to our directors are granted with exercise prices equal to the fair value of the underlying shares of common stock on the grant date, as determined by our Compensation Committee.

OUTSTANDING EQUITY AWARDS AT FISCAL 2009 YEAR END

The following table provides information relating to unexercised options, stock that has not vested and equity incentive plan awards for each named executive officer as of December 31, 2009.

	Option Awards					Stock Awards	
Name	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Thomas M. Prescott . . .	328,596	—		4.95	3/27/2012		
	137,499	—		6.15	4/23/2013		
	150,000	—		18.73	3/12/2014		
	150,000	—		7.35	2/22/2015		
	127,244	5,625(1)		8.38	2/24/2016		
	85,000	35,000(2)		17.88	2/20/2017		
	—	130,000(3)		13.00	2/20/2018		
	64,166	75,834(4)		13.00	2/20/2018		
		116,500(12)		7.81	2/20/2019		
						3,438(5)	61,265
						12,500(6)	222,750
						42,000(3)	748,440
						36,000(7)	641,520
						40,000(13)	712,800
Kenneth B. Arola	72,000			6.56	8/1/2015		
	19,166	834(1)		8.38	2/24/2016		
	13,104	5,396(2)		17.88	2/20/2017		
	37,500	37,500(9)		17.77	12/14/2017		
	—	24,000(3)		13.00	2/20/2018		
	6,875	8,125(4)		13.00	2/20/2018		
	4,166	5,834(9)		12.40	4/1/2018		
		27,500(12)		7.81	2/20/2019		
						375(5)	6,683
						1,926(6)	34,321
						12,500(10)	222,750
						8,000(3)	142,560
						3,750(7)	66,825
						2,250(11)	40,095
						9,167(13)	163,356

Name	Option Awards					Stock Awards	
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Len M. Hedge	75,000	—		4.18	2/26/2012		
	81,000			6.15	4/23/2013		
	61,000			18.73	3/12/2014		
	120,000			7.35	2/22/2015		
	48,635	2,115(1)		8.38	2/24/2016		
	31,875	13,125(2)		17.88	2/20/2017		
	42,500	42,500(8)		17.77	12/14/2017		
	—	39,000(3)		13.00	2/20/2018		
	9,166	10,834(4)		13.00	2/20/2018		
		42,390(12)		7.81	2/20/2019		
						1,066(5)	18,996
						4,688(6)	83,540
						15,000(10)	267,300
						13,000(3)	231,660
						6,000(7)	106,920
						14,130(13)	251,797
Sheila Tan	10,000	22,000(14)		10.48	10/1/2018		
		60,000(12)		7.81	2/20/2019		
						7,500(15)	133,650
						20,000(13)	356,400
Gil Laks	5,250			18.73	3/12/2014		
	2,500	1,667(1)		8.38	2/24/2016		
	17,000	7,000(2)		17.88	2/20/2017		
		37,000(3)		13.00	2/20/2018		
	1,459	18,959(4)		13.00	2/20/2018		
		30,250(12)		7.81	2/20/2019		
						782(5)	13,935
						2,188(6)	38,990
						11,500(3)	204,930
						9,000(7)	160,380
						10,083(15)	179,679

(1) 25% of the shares subject to this option vested on 2/24/2007 with 1/48th vesting monthly thereafter for full vesting on 2/24/2010.

(2) 25% of the shares subject to this option vested on 2/20/2008 with 1/48th vesting monthly thereafter for full vesting on 2/20/2011.

(3) 1/3 of the shares subject to this grant vest on 02/20/2010 with 2/3 of the shares subject to this grant vesting on 2/20/2011.

(4) 25% of the shares subject to this option vest on 2/20/2009 with 1/48th vesting monthly thereafter for full vesting on 2/20/2012.

(5) Restricted stock units vest at a rate of 25% of the total number of shares subject to the restricted stock unit on the first year anniversary of the date of grant and 1/16th of the total number of shares subject to the restricted stock unit vesting quarterly thereafter, on , 02/24/2007, 05/24/2007, 08/24/2007, 11/24/2007, 02/24/2008, 05/24/2008, 08/24/2008, 11/24/2008, 02/24/2009, 05/24/2009, 08/24/2009, 11/24/2009, and 02/24/2010.
(6) Restricted stock units vest at a rate of 25% of the total number of shares subject to the restricted stock unit on the first year anniversary of the date of grant and 1/16th of the total number of shares subject to the restricted stock unit vesting quarterly thereafter, on , 02/20/2008, 05/20/2008, 08/20/2008, 11/20/2008, 02/20/2009, 05/20/2009, 08/20/2009, 11/20/2009, and 02/20/2010, 05/20/2010, 08/20/2010, 11/20/2010, 02/20/2011.
(7) Restricted stock units vest at a rate of 25% of the total number of shares subject to the restricted stock unit on the first year, second year, third year and fourth year anniversary of the date of grant for vesting on 02/20/2009, 02/20/2010, 02/20/2011 and 02/20/2012.
(8) 25% of the shares subject to this option vested on 12/14/2008 with 1/48th vesting monthly thereafter for full vesting on 12/14/2011.
(9) 25% of the shares subject to this option vest on 04/01/2009 with 1/48th vesting monthly thereafter for full vesting on 04/01/2012.
(10) Restricted stock units vest at a rate of 25% of the total number of shares subject to the restricted stock unit on the first year, second year, third year and fourth year anniversary of the date of grant for vesting on 12/14/2008, 12/14/2009, 12/14/2010 and 12/14/2011.
(11) Restricted stock units vest at a rate of 25% of the total number of shares subject to the restricted stock unit on the first year, second year, third year and fourth year anniversary of the date of grant for vesting on 04/01/2009, 04/01/2010, 04/01/2011 and 04/01/2012.
(12) 25% of the shares subject to this option vest on 2/20/2010 with 1/48th vesting monthly thereafter for full vesting on 2/20/2013.
(13) Restricted stock units vest at a rate of 25% of the total number of shares subject to the restricted stock unit on the first year, second year, third year and fourth year anniversary of the date of grant for vesting on 02/20/2010, 02/20/2011, 02/20/2012 and 02/20/2013.
(14) 25% of the shares subject to this option vested on 09/15/09 with 1/48th vesting monthly thereafter for full vesting on 09/15/2012.
(15) Restricted stock units vest at a rate of 25% of the total number of shares subject to the restricted stock unit on the first year, second year, third year and fourth year anniversary of the date of grant for vesting on 11/17/2009, 11/17/2010, 11/17/2011 and 11/17/2012.

OPTION EXERCISES AND STOCK VESTED DURING FISCAL YEAR ENDED 2009

The following table provides information concerning each exercise of stock options, and each vesting of restricted stock units, for each named executive officer during the fiscal year ended December 31, 2009.

Option Exercises and Stock Vested Table for Fiscal Year Ended 2009

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized Upon Exercise ($) (1)	Number of Shares Acquired on Vesting (#) (2)	Value Realized on Vesting ($)
Thomas M. Prescott			35,750	385,065
Kenneth B. Arola			11,290	165,061
Len M. Hedge			17,513	248,438
Sheila Tan			2,500	41,875
Gil Laks	44,166	186,562	7,875	83,306

(1) Value realized represents the fair market value of the underlying securities at the time of exercise less the exercise price of the options.

(2) The amount represents the gross amount of shares vested under an RSU award. However, because RSUs are taxable to the individuals when they vest, the number of shares we issue to each of our named executive officers is net of applicable withholding taxes which are paid by us on their behalf.

POTENTIAL PAYMENT UPON TERMINATION OR CHANGE OF CONTROL

Named Executive Officers (Other than the CEO)

We enter into employment agreements with each of our executive officers. Each employment agreement with our named executive officers (other than the CEO) contains substantially the same terms and conditions. Each employment agreement sets forth the base salary, bonus opportunity, stock options, benefits and the responsibilities of each position in effect at the time of execution of the agreement. In addition, each agreement requires Align to provide compensation to these officers in the event of termination of employment or a change of control of Align. The compensation due in the event of the termination of each employment agreement varies depending on the nature of the termination. What is meant by the terms “cause”, “good reason” and “change of control” is described more fully at the end of this section under the heading “Employment Agreement Definitions”.

The following table describes the potential payments upon termination or a change of control for each of our named executive officers (other than the CEO):

Name	Type of Payment	Payments Upon Involuntary or Good Reason Termination Unrelated to Change of Control	Payments Upon Involuntary or Good Reason Termination Related to a Change of Control	Change of Control Only
Kenneth B. Arola	Severance Payment	$ 605,000	$ 605,000	
	Equity			
	Stock Options	$ 205,162	$ 471,486	$205,162
	Restricted Stock Units	$ 269,162	$ 676,590	$269,510
	Health and Welfare Benefits	$ 12,086	$ 12,086	
	Total	**$1,091,757**	**$1,765,162**	**$474,671**

Name	Type of Payment	Payments Upon Involuntary or Good Reason Termination Unrelated to Change of Control	Payments Upon Involuntary or Good Reason Termination Related to a Change of Control	Change of Control Only
Len M. Hedge	Severance Payment	$ 756,000	$ 756,000	
	Equity			
	Stock Options	$ 302,262	$ 686,614	$302,262
	Restricted Stock Units	$ 395,301	$ 960,213	$395,301
	Health and Welfare Benefits	$ 27,808	$ 27,808	
	Total	**$1,481,371**	**$2,430,635**	**$697,563**
Sheila Tan	Severance Payment	$ 605,000	$ 605,000	
	Equity			
	Stock Options	$ 333,995	$ 762,080	$333,995
	Restricted Stock Units	$ 133,650	$ 490,050	$133,650
	Health and Welfare Benefits	$ 4,217	$ 4,217	
	Total	**$1,076,862**	**$1,861,347**	**$467,645**
Gil Laks	Severance Payment	$ 656,819	$ 656,819	
	Equity			
	Stock Options	$ 256,135	$ 588,257	$256,135
	Restricted Stock Units	$ 211,826	597,914	$211,826
	Health and Welfare Benefits	$ 8,434	$ 8,434	
	Total	**$1,133,214**	**$1,851,424**	**$467,962**

All amounts are estimated based on an assumed triggering date of December 31, 2009 and the closing sales price of our common stock on the Nasdaq Global Market on December 31, 2009 of $17.82, which was the last trading day of the year.

Termination Unrelated to a Change of Control. A termination unrelated to a change of control is a termination that occurs either before or 12 months after the change of control date. Each employment agreement with our NEOs (other than the CEO) provides that in the event the executive's employment is terminated without cause or if the executive resigns for good reason, such executive will:

(a) immediately vest in an additional number of shares under all outstanding equity awards as if the executive had performed 12 additional months of service; and

(b) such executive is entitled to receive a lump sum payment equal to:

(i) the then current annual base salary;

(ii) the then current year's target bonus, prorated for the number of days such executive has been employed during the year; and

(iii) the greater of the then current year's target bonus or the prior year's actual bonus.

Each employment agreement also provides that Align will pay the named executive officer's monthly premium under COBRA until the earliest of 12 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which the executive commences new employment.

A Termination Related to a Change of Control. A termination related to a change of control is a termination that occurs within 12 months from the change of control date. Each employment agreement with our named executive officers (other than the CEO) provides that, if, within 12 months of a change of control either the executive's employment is terminated without cause or the executive resigns for good reason then the executive will:

(a) immediately vest in all outstanding equity awards; and

(b) be entitled to a payment (payable in a lump sum) equal to:

 (i) executive's then current annual base salary;

 (ii) executive's then current year's target bonus prorated for the number of days employed during the year, and

 (iii) the greater of the then current year's target bonus or the prior year's actual bonus.

Each employment agreement also provides that Align will pay the named executive officer's monthly premium under COBRA until the earliest of 12 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which the executive commences new employment.

Change of Control Only. Each employment agreement with our named executive officers (other than the CEO) provides that in the event of a change of control the executive will immediately vest in an additional number of shares under all outstanding equity awards as if he or she had performed 12 additional months of service.

Conditions to Payment. Prior to receiving any payments upon termination of employment, the executive officer must execute a general release of all known and unknown claims that such officer may have against Align and agree not to prosecute any legal action or other proceedings based upon any of such claims. In addition, each executive has agreed, for a period of one year following termination, not to solicit employees of Align and has further agreed to be bound by the terms of a confidentiality agreement with Align.

Chief Executive Officer

Mr. Prescott serves as our President and Chief Executive Officer pursuant to an employment agreement originally entered into in March 2002, as amended and restated in April 2005. Mr. Prescott's employment agreement was further amended and restated in March 2007 to include new language intended to avoid the imposition of taxes pursuant to Section 409A of the Internal Revenue Code on certain payments to Mr. Prescott. The employment agreement provides that Mr. Prescott is entitled to an annual target bonus of 100% of his base salary based upon the attainment of performance objectives agreed upon in each fiscal year and established by the Board.

The following table describes the potential payments upon termination or a change of control for our Chief Executive Officer. Note that all amounts are estimated based on an assumed triggering date of December 31, 2009 and the closing sales price of our common stock on the Nasdaq Global Market on December 31, 2009 of $17.82, which was the last trading day of the year.

Name	Type of Payment	Payments Upon Involuntary or Good Reason Termination Unrelated to Change of Control	Payments Upon Involuntary or Good Reason Termination Related to a Change of Control	Change of Control Only
Thomas M. Prescott	Severance Payment	$2,339,280	$2,339,280	
	Equity			
	Stock Options		$2,211,380	$2,211,380
	Restricted Stock Units		$2,386,775	$2,386,775
	Health and Welfare Benefits	$ 26,276	$ 26,276	
	Total	**$2,365,556**	**$6,963,711**	**$4,598,155**

Termination Unrelated to a Change of Control. A termination unrelated to a change of control is a termination that occurs either before or 12 months after the change of control date. In the event Mr. Prescott is terminated without cause or resigns for good reason, Mr. Prescott is entitled to a payment (payable in a lump sum) equal to:

(a) twice his then current annual base salary;

(b) the then current year's target bonus, prorated for the number of days Mr. Prescott has been employed during the year; and

(c) the greater of 150% of the then current year's target bonus or the prior year's actual bonus.

Mr. Prescott's employment agreement also provides that Align will pay his monthly premium under COBRA until the earliest of 18 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which Mr. Prescott commences new employment.

Termination Related to a Change of Control. A termination related to a change of control is a termination that occurs within 12 months from the change of control date. If within 12 months of a change of control either Mr. Prescott's employment is terminated without cause or Mr. Prescott resigns for good reason, he would immediately vest in all outstanding equity awards and receive a payment (payable in a lump sum) equal to:

(a) twice his then current annual salary;

(b) the then current year's target bonus, prorated for the number of days Mr. Prescott has been employed during the year; and

(c) the greater of 150% of the then current year's target bonus or the prior year's actual bonus.

Mr. Prescott's employment agreement also provides that Align will pay his monthly premium under COBRA until the earliest of 18 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which Mr. Prescott commences new employment.

Change of Control Only. In the event of a change of control, Mr. Prescott will immediately vest in all outstanding equity awards.

Conditions to Payment. Prior to receiving any payments upon termination of employment, Mr. Prescott must execute a general release of all known and unknown claims that he may have against Align and agree not to prosecute any legal action or other proceedings based upon any of such claims. In addition, Mr. Prescott has agreed, for a period of one year following termination, not to solicit employees of Align and has further agreed to be bound by the terms of a confidentiality agreement with Align.

Employment Agreement Definitions

Definition of Cause. In each employment agreement described above, cause means any of the following:

- unauthorized use or disclosure of the confidential information or trade secrets of Align;
- any breach of the employment agreement or the Employee Proprietary Information and Inventions Agreement between the executive and Align;
- conviction of, or a plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state thereof;
- misappropriation of the assets of Align or any act of fraud or embezzlement by the executive, or any act of dishonesty by the executive in connection with the performance of his or her duties for Align that adversely affects its business or affairs;
- intentional misconduct; or
- the executive's failure to satisfactorily perform his or her duties after the executive received written notice of such failure and was provided at least thirty (30) days to cure such failure.

Definition of Good Reason. In each employment agreement described above, good reason means the executive's resignation within ninety (90) days of the occurrence of any one or more of the following events:

- the executive's position, authority or responsibilities being significantly reduced;
- the executive being asked to relocate his principal place of employment such that the commuting distance from his or her residence prior to the change of control is increased by over thirty-five (35) miles;
- the executive's annual base salary or bonus being reduced; or
- the executive's benefits being materially reduced.

Definition of Change of Control. In each employment agreement described above, change of control means any of the following:

- a sale of all or substantially all of Align's assets;
- the acquisition of more than 50% of the common stock of Align by any person or group of persons;
- a reorganization of Align wherein the holders of common stock of Align receive stock in another company (other than a subsidiary of Align), a merger of Align with another company wherein there is a 50% or greater change in the ownership of the common stock of Align as a result of such merger, or any other transaction in which Align (other than as the parent corporation) is consolidated for federal income tax purposes or is eligible to be consolidated for federal income tax purposes with another corporation; or
- in the event that the common stock is traded on an established securities market, a public announcement that any person has acquired or has the right to acquire beneficial ownership of more than 50% of the then outstanding common stock, or the commencement of or public announcement of an intention to make a tender offer or exchange offer for more than 50% of the then outstanding common stock.

Other Termination of Employment and Change of Control Arrangements

In addition to the termination of employment and change of control arrangements described above, the Compensation Committee of the Board of Directors has the authority as Plan Administrator of the 2005 Incentive Plan to accelerate the vesting of outstanding options and restricted stock units immediately upon an acquisition or change in ownership or majority of the Board.

PRINCIPAL STOCKHOLDERS

Except as otherwise noted in the footnotes to the following table, the information contained in the table below sets forth the beneficial ownership of our common stock as of March 23, 2010 by:

- each stockholder known by us to own beneficially more than 5% of our common stock;
- each of our executive officers named in the summary compensation table on page 39 of this proxy statement;
- each of our directors; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined based on the rules of the SEC. The column captioned "Total Shares Beneficially Owned" represents the number of shares of our common stock beneficially owned and the number of shares of our common stock subject to options that are currently exercisable or will become exercisable and restricted stock units that will vest on or before April 22, 2010. The number of shares subject to options that each beneficial owner has the right to acquire and restricted stock units that will vest on or before April 22, 2010 is listed separately under the column "Number of Shares Underlying Options Exercisable and RSUs vesting on or before April 22, 2010." These shares are not deemed exercisable or vested for purposes of computing the percentage of shares beneficially owned by any other person. "Percentage of Outstanding Shares Beneficially Owned" is based upon 75,607,803 shares of our common stock outstanding as of March 23, 2010. The address for those individuals for which an address is not otherwise provided is c/o Align Technology, Inc., 881 Martin Avenue, Santa Clara, California 95050. Unless otherwise indicated, we believe the stockholders listed below have sole voting or investment power with respect to all shares, subject to applicable community property laws.

Name and Address	Number of Outstanding Shares Beneficially Owned	Number of Shares Underlying Options Exercisable and RSUs vesting on or before April 22, 2010 (1)	Total Shares Beneficially Owned	Percentage of Outstanding Shares Beneficially Owned
Danaher Corporation (2)	8,437,132		8,437,132	11.16%
Gordon Gund, family members and affiliated entities (3)	7,957,150		7,957,150	10.52%
Kornitzer Capital Management Inc. (4)	6,390,050		6,390,050	8.45%
Healthcor Management L.P. (5)	5,055,276		5,055,276	6.69%
Bank of New York Mellon Corporation (6)	3,975,968		3,975,968	5.26%
Thomas M. Prescott	201,540	818,496	1,020,036	1.35%
Kenneth B. Arola	19,975	180,288	200,263	*
Len M. Hedge	7,514	499,150	506,664	*
Gil Laks	9,773	27,801	37,574	*
Sheila Tan	6,917	30,166	37,083	*
David Collins	29,000	20,000	49,000	*
Joseph Lacob (7)	1,188,067	18,000	1,206,067	1.60%
C. Raymond Larkin, Jr.	29,660	143,000	172,660	*
George J. Morrow	11,000	95,000	106,000	*
David C. Nagel	0	0		
Greg J. Santora	6,000	119,000	125,000	*
Warren S. Thaler	127,004	95,000	222,004	*
All current executive officers and directors as a group (16 persons)	1,706,925	2,639,998	4,346,923	5.75%

* Less than 1%

(1) Except as otherwise set forth in the footnotes below, represents shares of common stock that can be acquired upon the exercise of stock options and vesting of restricted stock units on or before April 22, 2010.

This column includes the full amount of restricted stock units that will vest on or before April 22, 2010, although each executive officer will actually receive the number of shares that have vested net of the number of shares necessary to cover any applicable withholding taxes which Align will pay on their behalf.

(2) Based on a filing with the Securities and Exchange Commission on Schedule 13D/A on September 22, 2009. The principal office of Danaher is located at 2099 Pennsylvania Avenue, N.W., 12th Floor, Washington, D.C. 20006.

(3) Based on a filing with the Securities and Exchange Commission on Schedule 13G/A, indicating beneficial ownership as of December 31, 2008. Includes shares held in trust for immediate family members and shares held by immediate family members. The mailing address for Gordon Gund is P.O. Box 449, Princeton, New Jersey 08542.

(4) Based on a filing with the Securities and Exchange Commission on Schedule 13G/A, indicating beneficial ownership as of December 31, 2009. The address for Kornitzer Capital Management Inc. is 5420 West 61st Place, Shawnee Mission, KS 66205.

(5) Based on a filing with the Securities and Exchange Commission on Schedule 13G/A, indicating beneficial ownership as of December 31, 2009. The mailing address for HealthCor Management, L.P. is Carnegie Hall Tower, 152 West 57th Street, 47th Floor, New York, New York 10019.

(6) Based on a filing with the Securities and Exchange Commission on Schedule 13G/A, indicating beneficial ownership as of December 31, 2009. Includes shares held by direct and indirect subsidiaries. The mailing address for The Bank of New York Mellon Corporation is One Wall Street, 31st Floor, New York, New York 10286.

(7) Includes 1,039,300 shares held by the Joseph S. Lacob Trust and 148,767 shares held by Lacob Children's Trust. Principal address is 2750 Sand Hill Road, Menlo Park, CA 94025.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms that we have received, or written representations from reporting persons, we believe that during the year ended December 31, 2009, all executive officers, directors and greater than 10% stockholders complied with all applicable filing requirements; with the exception of Len M. Hedge who inadvertently filed one Form 4 late.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Review, approval or ratification of transactions with related persons

Our board of directors has adopted a *Code of Business Conduct and Ethics* that is applicable to all directors, officers and employees of Align, including Align's principal executive officer, principal financial officer and controller. The Code provides in writing, that Align discourages its employees from conducting company business with a relative or significant other, or with a business in which an employee, a relative or significant other is associated in any significant role (each a "Related Party"). If, however, such a Related Party transaction is unavoidable, the Code provides that all employees (other than the directors and officers of Align) must fully disclose the nature of the relationship and the transaction to their supervisor, and the Chief Financial Officer must approve in advance the Related Party transaction. If, however:

- you are a director or officer of Align and you desire to enter into a transaction with a Related Party (as defined above); or
- you are an employee (other than a director or officer) and you desire to enter into a transaction with a Related Party that the Chief Financial Officer (in consultation with legal counsel) has deemed to be material to Align and is reportable under the rules and regulations of the Exchange Act,

the nature of the transaction must be fully disclosed to the Audit Committee of the board of directors and such interest must be approved by the Audit Committee.

EMEA Distributor

In January 2010, we announced the addition of an international distributor for smaller country markets in Europe, the Middle East and Africa (EMEA). Mr. Laks, then Align's Vice President, International, left Align on March 31, 2010 to take on a new role as owner of the new EMEA distributor. Align has agreed to pay the distributor a fee for efforts incurred by the distributor in supporting Invisalign cases that were in treatment prior to the distributor start date. This amount is estimated to be approximately $300,000. As of December 31, 2009, the amount of revenues earned by the EMEA countries was approximately $2 million per year. Align's Audit Committee reviewed and approved this transaction as part of Align's procedures for entering into transactions with related parties.

PROPOSAL THREE

APPROVAL OF THE ALIGN TECHNOLOGY, INC. AMENDED AND RESTATED 2005 INCENTIVE PLAN

The stockholders are being asked to approve the amended and restated 2005 Incentive Plan (the "Incentive Plan"). Our board of directors has adopted the Incentive Plan, subject to approval from the stockholders at the Annual Meeting. Our current 2005 Incentive Plan (the "Existing Plan") will expire at the end of 2010. If the stockholders approve the Incentive Plan, it will replace the Existing Plan as of the date of the Annual Meeting and have a term of ten years from the date of the Annual Meeting. The board has determined that it is in the best interests of the Company and its stockholders to have an equity incentive plan and is asking the Company's stockholders to approve the Incentive Plan. If stockholders do not approve the Incentive Plan, the Existing Plan will continue until it terminates on December 31, 2010.

We are asking stockholders to approve an increase of 3,300,000 in the number of shares ("Shares") of the Company's common stock that may be issued under the Incentive Plan. If stockholders approve the Incentive Plan, a total maximum aggregate of 13,283,379 Shares plus up to an aggregate of 5,000,000 Shares that are or would have been returned to the 2001 Plan as result of termination of options or repurchase of Shares on or after March 28, 2005, would be available for issuance under the Incentive Plan. No grants have been made under the 2001 Plan since the adoption of the Existing Plan. In May 2005, stockholder approval of the Existing Plan was obtained and the 2001 Plan was terminated. As of March 23, 2010, 936,518 shares remain available for grant under the Existing Plan.

Reasons Why You Should Vote in Favor of the Approval of the Incentive Plan

Our board recommends a vote for the approval of the Incentive Plan because the board believes the plan is in the best interests of our company and our stockholders for the following reasons:

- **Aligns director, employee and stockholder interests.** We believe that an effective and competitive employee incentive program is imperative for the success of our business. We rely on our experienced employees and their efforts to help Align achieve its business objectives. At Align, equity awards constitute a key component of our incentive and retention programs because the board and the Compensation Committee believe that equity compensation encourages employees to act like owners of the business, motivating them to work toward our success and rewarding their contributions by allowing them to benefit from increases in the value of our shares.
- **Attracts and retains talent.** Talented, motivated and effective executives and employees are essential to executing our business strategies. Stock-based compensation has been an important component of total compensation at Align for many years because such compensation enables us to effectively recruit executives and other employees while encouraging them to act and think like owners of our company. If the Incentive Plan is approved, we believe we will maintain our ability to offer competitive compensation packages to both retain our best performers and attract new talent.
- **Supports our pay-for-performance philosophy.** The Committee believes that stock-based compensation is inherently performance-based, as the benefit the recipient receives increases as our stock price rises. The same attribute also directly links stock option compensation with stockholder value creation.
- **Avoids disruption in our compensation programs.** The approval of the Incentive Plan by our stockholders is critical because our Existing Plan expires by its term in December 2010. If the Incentive Plan is approved, we will not have to restructure our existing compensation programs for reasons that are not directly related to the achievement of our financial business objectives. To remain competitive without stock-based compensation arrangements, it likely will be necessary to replace components of compensation previously awarded in equity with cash or with other instruments that may not necessarily align director and employee interests with those of our stockholders as well as

stock-based awards do. Additionally, replacing equity with cash will increase cash compensation expense and use cash that would be better utilized toward other strategic purposes, such as strategic acquisitions, research and development of innovative new products, and improvements in the quality and performance of existing products.

Comparisons of the amended and restated 2005 Incentive Plan and the Existing Plan

The following table provides a summary of some of the material differences between the amended and restated Incentive Plan and the Existing Plan. This summary is qualified in its entirety by reference to the Incentive Plan itself set forth in Appendix A.

Amendment	Existing Plan	Incentive Plan
Share Reserve	Plan permits issuance of a maximum of 9,983,379 shares plus up to 5,000,000 shares that are or would be returned to the Company's 2001 Stock Incentive Plan (due to forfeited awards) on or after March 28, 2005	Share reserve is increased by 3,300,000 shares to permit the issuance of a maximum of 13,283,379 shares plus up to 5,000,000 shares that are or would be returned to the Company's 2001 Stock Incentive Plan (due to forfeited awards) on or after March 28, 2005
Plan Term	Plan expires December 31, 2010	Plan expires on the 10-year anniversary of the Company's 2010 Annual Meeting
Award Types	Permits the grant of stock options, stock appreciation rights, restricted stock, performance shares and performance units, as well as automatic grants to non-employee members of the Board of awards in the form of options and restricted stock units	Permits the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units, as well as automatic grants to non-employee members of the Board of awards in the form of options and restricted stock units
Term of Options and Stock Appreciation Rights	Permits stock options and stock appreciation rights to have a maximum term to expiration of up to 10 years.	Permits stock options and stock appreciation rights to have a maximum term to expiration of up to 7 years.
Fungibility of Full Value Awards	Awards of restricted stock, performance shares and performance units count as 2 shares for purposes of determining the available number of shares for issuance under the Existing Plan	Awards of restricted stock, restricted stock units, performance shares and performance units count as 1.5 shares for purposes of determining the available number of shares for issuance under the Incentive Plan
Code Section 162(m)	Does not specify a limit with respect to restricted stock units for purposes of qualifying as "performance-based compensation" within the meaning of Code Section 162(m)	Specifies that the maximum number of restricted stock units that may be granted under the Incentive Plan that are intended to qualify as "performance-based compensation" within the meaning of Code Section 162(m) is 500,000 per year for any participant and, in connection with a participant's initial service as an employee of the Company, up to an additional 500,000 restricted stock units

Equity Compensation Plan Information as of March 23, 2010 and Burn Rate Information

Under the heading "Equity Compensation Plan Information" on page 67, as required by SEC rules, we provide information about shares of our common stock that may be issued under our equity compensation plans as of December 31, 2009. To facilitate the approval of the amendment to the 2005 Plan, set forth below is certain additional information. As of the record date, March 23, 2010:

- 75,607,803 shares of our common stock were outstanding.
- The market value of one share of our common stock was $19.89.
- The number of shares remaining available for future grants, under the Existing Plan was 936,518.
- The number of shares of our common stock to be issued upon exercise of outstanding stock options was 8,087,980.
- The weighted average exercise price of all outstanding stock options was $12.74.
- The weighted average remaining contractual term for all outstanding stock options was 6.51 years.
- The total number of unvested full value awards outstanding was 976,060.

Additionally, the following table sets forth information regarding awards granted and earned and the run rate (burn rate) for each of the last three fiscal years.

	2009	2008	2007
Stock options granted	1,150,000	2,150,000	1,600,000
Restricted stock units granted	300,000	700,000	400,000
Weighted average basic common shares outstanding during the fiscal year	69,100,000	66,800,000	67,200,000
% of Basic Total Shares Outstanding **(RSUs counted using a ratio of 1.5:1)**	2.3%	4.7%	3.3%

The following is a summary of the material features of the Incentive Plan and its operation. This summary is qualified in its entirety by reference to the Incentive Plan itself set forth in Appendix A.

Summary of the Amended and Restated 2005 Incentive Plan

Purpose. The general purposes of the Incentive Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to individuals who perform services to the Company and to promote the success of the Company's business.

Administration. The Incentive Plan will be administered by the board or a committee ("Committee") designated by the board (in either case, the "Plan Administrator"). To make grants to certain officers and key employees of the Company, the members of the Committee must qualify as "non-employee directors" under Rule 16b-3 of the Securities Exchange Act of 1934. In the case of awards intended to qualify for the performance-based compensation exemption under Section 162(m), administration must be by a Compensation Committee comprised solely of two or more "outside directors" within the meaning of Section 162(m).

Subject to the terms of the Incentive Plan, the Plan Administrator has the sole discretion to select the employees, consultants, and directors who will receive awards, to determine the terms and conditions of awards, to modify or amend each award (subject to the restrictions of the Incentive Plan), including to accelerate vesting or waive forfeiture restrictions, and to interpret the provisions of the Incentive Plan and outstanding awards.

Eligibility. The Incentive Plan provides that nonstatutory stock options, restricted stock, restricted stock units ("RSUs"), performance shares, performance units, and stock appreciation rights ("SARs") may be granted to employees (including officers) and consultants of the Company and its affiliates and to members of the board. Incentive stock options may be granted only to employees. The Plan Administrator will determine which eligible persons will be granted awards. In addition, the Plan Administrator may grant other incentives payable in cash or Shares under the Incentive Plan as determined by the Plan Administrator to be in the best interests of the Company and subject to any terms and conditions the Plan Administrator deems advisable.

Shares Available under the Incentive Plan. We are asking stockholders to approve an increase of 3,300,000 Shares in the number of Shares reserved under the Incentive Plan. If stockholders approve the Incentive Plan, a total maximum aggregate of 13,283,379 Shares plus up to an aggregate of 5,000,000 Shares that are or would have been returned to the Company's 2001 Stock Incentive Plan (the "2001 Plan") as result of termination of options or repurchase of Shares on or after March 28, 2005, would be available for issuance under the Incentive Plan. Under the Existing Plan, up to a total of 9,983,379 shares plus up to an aggregate of 5,000,000 Shares that are or would have been returned to the 2001 Plan as result of termination of options or repurchase of Shares on or after March 28, 2005, are available for issuance. No grants have been made under the 2001 Plan since the adoption of the Existing Plan. In May 2005, stockholder approval of the Existing Plan was obtained and the 2001 Plan was terminated. As of March 23, 2010, 8,087,980 Shares were subject to outstanding options and 976,060 Shares were subject to outstanding restricted stock units under the Incentive Plan. As of the same date, 936,518 Shares remained available for any new awards to be granted in the future under the Incentive Plan. Any Shares subject to options or SARs will be counted as one Share for purposes of determining the available number of Shares for issuance under the Incentive Plan. Any Shares subject to restricted stock, RSUs, and performance shares or units will be counted as 1.5 Shares for purposes of determining the available number of Shares for issuance under the Incentive Plan. To the extent a Share that was subject to an award that counted as 1.5 Shares against the Shares reserved under the Incentive Plan, is recycled back into the Incentive Plan (as described below), the Incentive Plan will be credited with 1.5 Shares. As of April 7, 2010, the closing price of our common stock was $18.17 per share.

If an award expires or becomes unexercisable without having been exercised in full or, with respect to RSUs, performance units or performance shares, is terminated due to failure to vest, the unpurchased Shares (or for awards other than Options or SARs, the unissued Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Upon the exercise of a SAR settled in Shares, the gross number of Shares covered by the portion of the award so exercised will cease to be available under the Incentive Plan. Shares that have actually been issued under the Incentive Plan under any award will not be returned to the Incentive Plan and will not become available for future distribution under the Incentive Plan; except that if Shares issued pursuant to restricted stock, RSUs, performance shares or performance units are repurchased by the Company or are forfeited to the Company due to failure to vest, such Shares will become available for future grant under the Incentive Plan. Shares used to pay the exercise or purchase price of an award and/or to satisfy the tax withholding obligations related to an award will not become available for future grant or sale under the Incentive Plan. To the extent an award under the Incentive Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Incentive Plan.

Prohibition on Repricings and Option or SAR Exchanges. The exercise price for the Shares to be issued pursuant to an option or SAR that has already been granted may not be reduced without the consent of our stockholders. This prohibition includes, without limitation, a repricing of the option or SAR as well as an option or SAR exchange program whereby the holder of such award agrees to cancel his or her existing option or SAR in exchange for an option, SAR or other award to be granted in the future with an exercise price equal to the fair market value of the Shares subject to such award on the date of grant.

Options. The exercise price of options granted under the Incentive Plan is determined by the Plan Administrator and must not be less than 100% of the fair market value of the Company's common stock at the time of grant. Options granted under the Incentive Plan expire as determined by the Plan Administrator, but in no event later than 7 years from date of grant. Incentive stock options granted to stockholders owning more than

10% of the voting stock of the Company must have an exercise price per Share no less than 110% of the fair market value at the time of grant and the term of such option may be no more than 5 years from the date of grant. The fair market value of the Company's common stock generally is determined with reference to the price for the Company's common stock on the date the option is granted.

Options become exercisable at such times as are determined by the Plan Administrator and are set forth in the individual option agreements. An option is exercised by giving written notice to the Company specifying the number of full Shares to be purchased and tendering payment of the purchase price. The method of payment of the exercise price for the Shares purchased upon exercise of an option will be determined by the Plan Administrator. Each option grant is evidenced by an agreement that specifies the exercise price, the term of the option, the forms of consideration for exercise, and such other terms and conditions as the Plan Administrator, in its sole discretion, will determine.

Stock Appreciation Rights. A stock appreciation right gives a participant the right to receive the appreciation in the fair market value of Company common stock between the date of grant of the award and the date of its exercise. The Plan Administrator, subject to the provisions of the Incentive Plan, will have complete discretion to determine the terms and conditions of SARs granted under the Incentive Plan; provided that no SAR may have a term of more than 7 years from the date of grant and that the exercise price of a SAR may not have an exercise price below 100% of the fair market value of the Company's common stock on the grant date.

Upon exercise of a SAR, the holder of the SAR will be entitled to receive payment from us in an amount determined by multiplying (i) the difference between the fair market value of a Share on the date of exercise over the exercise price by (ii) the number of Shares with respect to which the SAR is exercised. At the discretion of the Plan Administrator, payment to the holder of a SAR may be in cash, Shares or a combination of both. Each SAR grant is evidenced by an agreement that specifies the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Plan Administrator will determine.

Termination of Employment. The Incentive Plan gives the Plan Administrator the authority to vary the terms of the individual option and SAR agreements, including exercisability of the award following termination of service with the Company. In the absence of a period specified in the option or SAR agreement, generally if a participant ceases to be an employee, director or consultant for any reason other than misconduct, then the participant will have the right to exercise his or her outstanding award for 3 months (or 12 months if termination is due to death or disability), after the date of termination, but only to the extent that the participant was entitled to exercise such option or SAR at the date of such termination. In no event will an option or SAR be exercisable beyond its term.

Restricted Stock. Awards of restricted stock are rights to acquire or purchase Shares, which vest in accordance with the terms and conditions established by the Plan Administrator in its sole discretion. Restricted stock awards may be subject to vesting conditions as the Plan Administrator specifies, and the Shares acquired may not be transferred by the participant until vested. Unless otherwise provided by the Plan Administrator, a participant will forfeit any Shares of restricted stock as to which the restrictions have not lapsed prior to the participant's termination of service. Participants holding restricted stock will have the right to vote the Shares and to receive any dividends paid, except that dividends or other distributions paid in Shares will be subject to the same restrictions as the original award. The Plan Administrator may, in its sole discretion, reduce or waive any restrictions and may accelerate the time at which any restrictions will lapse or be removed. Each restricted stock grant is evidenced by an agreement that specifies the period of restriction, the number of Shares granted, and such other terms and conditions as the Plan Administrator will determine.

Restricted Stock Units. The Plan Administrator may grant RSUs which represent a right to receive Shares at a future date as set forth in the participant's award agreement. Each RSU granted under the Incentive Plan is evidenced by an agreement that specifies the number of Shares subject to the award and other terms and conditions as the Plan Administrator will determine. RSUs will result in a payment to a participant only if the performance goals or other vesting criteria the Plan Administrator may establish are achieved or the awards otherwise vest. Earned RSUs will be paid, in the sole discretion of the Plan Administrator, in the form of cash, Shares, or a combination of both. The Plan Administrator may establish vesting criteria in its discretion, which may be based on company-wide, business unit or individual goals, or any other basis and which may include the performance goals listed below, and which, depending on the extent to which they are met, will determine the number of RSUs to be paid out to participants.

After the grant of a restricted stock unit award, the Plan Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout and may accelerate the time at which any restrictions will lapse or be removed. A participant will forfeit any unearned RSUs as of the date set forth in the award agreement.

Performance Units and Performance Shares. Performance units and performance shares may also be granted under the Incentive Plan. Each award of performance shares or units granted under the Incentive Plan is evidenced by an agreement that specifies the performance period and other terms and conditions of the award as the Plan Administrator will determine. Performance units and performance shares will result in a payment to a participant only if the performance goals or other vesting criteria the Plan Administrator may establish are achieved or the awards otherwise vest. Earned performance units and performance shares will be paid, in the sole discretion of the Plan Administrator, in the form of cash, Shares, or a combination of both. The Plan Administrator may establish performance objectives in its discretion, which may be based on company-wide, divisional or individual goals, applicable federal or state securities laws, or any other basis and which may include the performance goals listed below, and which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants.

After the grant of a performance unit or performance share, the Plan Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such performance units or shares and accelerate the time at which any restrictions will lapse or be removed. Performance units will have an initial value established by the Plan Administrator on or before the date of grant. Performance shares will have an initial value equal to the fair market value of a Share on the grant date. A participant will forfeit any performance shares or units that are unearned or unvested as of the date set forth in the award agreement.

Performance Goals. Awards of restricted stock, RSUs, performance shares, performance units and other incentives under the Incentive Plan may be made subject to the attainment of performance goals relating to one or more business criteria within the meaning of Code Section 162(m) and may provide for a targeted level or levels of achievement including: cash flow; cash position; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings per Share; economic profit; economic value added; equity or stockholder's equity; market share; net income; net profit; net sales; operating earnings; operating income; profit before tax; ratio of debt to debt plus equity; ratio of operating earnings to capital spending; return on net assets; revenue; sales growth; Share price; or total return to stockholders. The performance goals will be based on the Company's tactical and strategic business objectives, which may differ from participant to participant and from award to award, may be used to measure the performance of the Company as a whole or a business unit or other segment of the Company, or one or more product lines or specific markets and may be measured on growth basis or relative basis to a peer group or index. The performance goals will be calculated in accordance with the Company's financial statements, United States Generally Accepted Accounting Principles ("GAAP") or under a methodology established by the Plan Administrator prior to issuance of an award, which is consistently applied and identified in the financial statements, including footnotes, or the management discussion and analysis section of the Company's annual report.

To the extent necessary to comply with the performance-based compensation provisions of Code Section 162(m), with respect to any award granted subject to performance goals, within the first 25% of the performance period, but in no event more than 90 days following the commencement of any performance period (or such other time as may be required or permitted by Code Section 162(m)), the Plan Administrator will, in writing: (i) designate one or more participants to whom an award will be made, (ii) select the performance goals applicable to the performance period, (iii) establish the performance goals, and amounts of such awards, as applicable, which may be earned for such performance period, and (iv) specify the relationship between performance goals and the amounts of such awards, as applicable, to be earned by each participant for such performance period. Following the completion of each performance period, the Plan Administrator will certify in writing whether the applicable performance goals have been achieved for such performance period. In determining the amounts earned by a participant, the Administrator may reduce or eliminate (but not increase) the amount payable at a given level of performance to take into account additional factors that the Plan Administrator may deem relevant to the assessment of individual or corporate performance for the performance period. A participant will be eligible to receive payment pursuant to an award for a performance period only if the performance goals for such period are achieved.

Vesting of Restricted Stock, Restricted Stock Units and Performance Shares and Units. The Incentive Plan provides that awards of restricted stock, restricted stock units and performance shares and units (other than grants to non-employee directors) will vest no earlier than one-third of the total number of Shares subject to the award each year from the date of grant, unless the Plan Administrator determines that the award is to vest upon the achievement of a performance objective, provided the period for measuring performance will be at least 12 months.

Individual Award Limitations. The Incentive Plan contains annual grant limits intended to satisfy Code Section 162(m). Specifically, the maximum number of Shares which could be issued to any one individual in any fiscal year (i) pursuant to options or SARs is 1,000,000 Shares, (ii) pursuant to restricted stock is 500,000 Shares, (iii) pursuant to RSUs is 500,000 Shares, and (iv) pursuant to performance shares is 500,000 Shares, and the maximum dollar value which could be issued to any one individual in any fiscal year pursuant to the grant of performance units is $5,000,000. In addition, in connection with his or her initial hiring with the Company, an individual may be granted additional awards of up to a maximum of (i) 1,000,000 Shares covering options or SARs, (ii) 500,000 Shares covering restricted stock, (iii) 500,000 Shares covering RSUs, and (iv) 500,000 Shares covering performance shares. Other types of incentives payable in cash under the Incentive Plan that the Plan Administrator may determine to grant have a maximum dollar value of $5,000,000 per year for any participant.

Non-Transferability of Awards. Awards granted under the Incentive Plan generally are not transferable, and all rights with respect to an award granted to a participant generally will be available during a participant’s lifetime only to the participant.

Misconduct. If a participant terminates service with the Company as a result of his or her misconduct (as defined in the Incentive Plan) or the participant engages in misconduct while holding an outstanding award, then all awards granted under the Incentive Plan that the participant holds will terminate immediately and the participant will have no further rights with respect to those awards.

Automatic Director Grants. In addition to other awards for which non-employee directors may otherwise be eligible, the Incentive Plan provides for the automatic grant of options and RSUs to our non-employee directors. Each non-employee director who first becomes a member of the Board after March 7, 2007, whether through election by the stockholders or appointment by the Board to fill a vacancy, will receive an initial option to purchase 30,000 Shares, except for those directors who become non-employee directors by ceasing to be employee directors. Non-employee directors who, after March 7, 2007, are then serving as directors and who have been directors for at least 6 months will receive an annual option to purchase 10,000 Shares and an annual award of 3,000 RSUs on the date of each annual meeting of our stockholders. All options granted under the automatic grant provisions have a term of 7 years and an exercise price equal to fair market value of our common stock on the date of grant. Each initial option to purchase 30,000 Shares becomes exercisable as to one-fourth of the Shares subject thereto on each anniversary of its date of grant, provided the non-employee director remains a director through each such date. Each annual option to purchase 10,000 Shares becomes exercisable, and each annual award of 3,000 RSUs vest, as to 100% of the Shares subject to the respective option on the earlier of the one-year anniversary of the date of grant or the date of the next annual meeting of the Company's stockholders, provided that the non-employee director remains a director through such date. The annual awards of 3,000 RSUs that vest will be settled in Shares. The Plan Administrator in its discretion may change and otherwise revise the terms of automatic director grants, including, without limitation, the number of Shares and exercise prices for awards granted on or after the date of such change or revision

Adjustments. In the event of any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, exchange of Shares or other securities of the Company, or other change in the corporate structure affecting the Company's common stock, the Plan Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be available under the Incentive Plan, will adjust the number and class of shares that may be delivered under the Incentive Plan, and/or the number, class and price of shares of stock subject to outstanding awards, and the award grant limitations.

Dissolution or Liquidation. In the event of the Company's proposed dissolution or liquidation, the Plan Administrator will notify each participant as soon as practicable prior to the effective date of such proposed transaction. An award will terminate immediately prior to consummation of such proposed action to the extent the award has not been previously exercised.

Change in Control. In the event of our change in control (as defined in the Incentive Plan), each outstanding award will be assumed or substituted for by the successor corporation (or a parent or subsidiary or such successor corporation). If there is no assumption or substitution of outstanding awards, the Plan Administrator will provide notice to the recipient that he or she has the right to exercise the option and SAR as to all of the Shares subject to the award, all restrictions on restricted stock will lapse, and all performance goals or other vesting requirements for RSUs and performance shares and units will be deemed achieved at target levels, and all other terms and conditions met. In such event, the Plan Administrator will notify the participant that the award is fully exercisable for such period of time as the Plan Administrator may determine from the date of such notice and that the award will terminate upon expiration of such period. With respect to awards granted to non-employee directors that are assumed or substituted for, if on the date of or following such assumption or substitution such director is terminated in his or her capacity as a director other than upon his or her voluntary resignation, then he or she will fully vest in and have the right to exercise options and/or SARs as to all of the Shares subject to such awards, all restrictions on restricted stock will lapse, and all performance goals or other vesting criteria with respect to RSUs and performance shares and units will be deemed achieved at target levels and all other terms and conditions met.

Amendment and Termination of the Incentive Plan. The Plan Administrator will have the authority to amend, suspend or terminate the Incentive Plan, except that stockholder approval will be required for any amendment to the Incentive Plan to the extent required by any applicable laws. Any amendment, suspension or termination will not, without the written consent of the participant, impair any rights of any participant under any award previously granted. If stockholders approve the Incentive Plan, it will terminate on the 10-year anniversary of the Company's 2010 Annual Meeting, unless the Plan Administrator terminates it earlier pursuant to the terms of the Incentive Plan.

Number of Awards Granted to Employees, Consultants and Directors

Subject to the annual numerical limits under the Incentive Plan, the number of awards (if any) that an employee, consultant, or director may receive under the Incentive Plan is in the discretion of the Plan Administrator and therefore cannot be determined in advance. Under the automatic award grant program, however, each individual who first becomes a non-employee board member will receive an option grant to purchase 30,000 Shares on the date the individual joins the Board. In addition, on the date of each annual stockholders meeting, each non-employee member of the Board, will automatically be granted an option to purchase 10,000 shares of common stock and an award of 3,000 RSUs, provided the individual has served on the Board for at least six months. The following table sets forth: (a) the total number of Shares subject to options and SARs, (b) the average per share exercise price of options and SARs, and (c) the total number of Shares subject to restricted stock, RSUs, performance shares and performance units, granted during the last fiscal year.

Name of Individual or Group	Number of Options and SARs Granted	Average Per Share Exercise Price	Shares of Restricted Stock, RSUs, and Performance Shares and Units
Thomas M. Prescott, President & CEO	116,500	$ 7.81	40,000
Kenneth B. Arola, Vice President Finance & CFO	27,500	$ 7.81	9,167
Len M. Hedge, Senior Vice President, Business Operations	42,390	$ 7.81	14,130
Sheila Tan, Vice President, Marketing & Chief Marketing Officer	60,000	$ 7.81	20,000
Gil Laks, Vice President, International	30,250	$ 7.81	10,083
All executive officers, as a group	374,640	$ 7.81	126,046
All directors who are not executive officers, as a group	105,000	$10.55	20,000
All employees who are not executive officers, as a group	653,997	$ 8.77	180,310

Federal Income Tax Information

Nonstatutory Stock Options. No taxable income is reportable when a nonstatutory stock option with an exercise price at least equal to the fair market value of the underlying stock on the date of grant is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the excess of the fair market value (on the exercise date) of the shares purchased over the exercise price of the option. Any taxable income recognized in connection with an option exercise by an employee of the Company is subject to tax withholding by the Company. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

Incentive Stock Options. No taxable income is reportable when an incentive stock option is granted or exercised (except for purposes of the alternative minimum tax, in which case taxation is the same as for nonstatutory stock options). If the participant exercises the option and then later sells or otherwise disposes of the shares more than 2 years after the grant date and more than 1 year after the exercise date, the difference between the sale price and the exercise price will be taxed as capital gain or loss. If the participant exercises the option and then later sells or otherwise disposes of the shares before the end of the 2 or 1 year holding periods described above, he or she generally will have ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the option.

Stock Appreciation Rights. No taxable income is reportable when a stock appreciation right with an exercise price equal to the fair market value of the underlying stock on the date of grant is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the amount of cash received and the fair market value of any shares received. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

Restricted Stock, Restricted Stock Units, Performance Units and Performance Shares. A participant generally will not have taxable income at the time an Award of restricted stock, restricted stock units, performance shares or performance units are granted. Instead, he or she will recognize ordinary income in the first taxable year in which his or her interest in the shares underlying the Award becomes either (i) freely transferable, or (ii) no longer subject to substantial risk of forfeiture. However, the recipient of a restricted stock award may elect to recognize income at the time he or she receives the award in an amount equal to the fair market value of the shares underlying the award (less any cash paid for the shares) on the date the award is granted.

Tax Effect for the Company. The Company generally will be entitled to a tax deduction in connection with an award under the Incentive Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonstatutory stock option). Special rules limit the deductibility of compensation paid to the Company's Chief Executive Officer and to each of its 4 most highly compensated executive officers. Under Code Section 162(m), the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed $1,000,000. However, the Company can preserve the deductibility of certain compensation in excess of $1,000,000 if the conditions of Section 162(m) are met. These conditions include stockholder approval of the Incentive Plan, setting limits on the number of awards that any individual may receive and for awards other than certain stock options, establishing performance criteria that must be met before the award actually will vest or be paid. The Incentive Plan has been designed to permit the Plan Administrator to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting the Company to continue to receive a federal income tax deduction in connection with such awards.

Section 409A. Section 409A of the Code, which was added by the American Jobs Creation Act of 2004, provides certain new requirements on non-qualified deferred compensation arrangements. These include requirements with respect to an individual's election to defer compensation and the individual's selection of the timing and form of distribution of the deferred compensation. Section 409A also generally provides that distributions must be made on or following the occurrence of certain events (e.g., the individual's separation from service, a predetermined date, or the individual's death). Section 409A imposes restrictions on an individual's ability to change his or her distribution timing or form after the compensation has been deferred. For certain individuals who are officers, subject to certain exceptions, Section 409A requires that such individual's distribution commence no earlier than six months after such officer's separation from service.

Awards granted under the Incentive Plan with a deferral feature will be subject to the requirements of Section 409A. If an award is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with Section 409A's provisions, Section 409A imposes an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation. In addition, certain states such as California have adopted similar provisions.

THE FOREGOING IS ONLY A SUMMARY OF THE EFFECT OF FEDERAL INCOME TAXATION UPON THE PARTICIPANT AND THE COMPANY WITH RESPECT TO AWARDS UNDER THE INCENTIVE PLAN AND DOES NOT PURPORT TO BE COMPLETE, AND REFERENCE SHOULD BE MADE TO THE APPLICABLE PROVISIONS OF THE INTERNAL REVENUE CODE. IN ADDITION, THIS SUMMARY DOES NOT DISCUSS THE TAX CONSEQUENCES OF A PARTICIPANT'S DEATH OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH THE EMPLOYEE OR CONSULTANT MAY RESIDE.

Vote Required; Recommendation of Board of Directors

The approval of the amendment and restatement of the Align Technology, Inc. 2005 Incentive Plan requires the affirmative vote of a majority of the votes cast on the proposal at the 2010 Annual Meeting.

Our Board of Directors has unanimously approved this proposal and recommends that stockholders vote "FOR" the approval of the amendment and restatement of the Align Technology, Inc. 2005 Incentive Plan.

PROPOSAL FOUR

APPROVAL OF THE ALIGN TECHNOLOGY, INC.
2010 EMPLOYEE STOCK PURCHASE PLAN

The stockholders are being asked to approve a new 2010 Employee Stock Purchase Plan (the "ESPP"). Our board of directors has adopted the ESPP, subject to approval from the stockholders at the Annual Meeting. Our current Employee Stock Purchase Plan (the "Existing ESPP") will expire on January 31, 2011. If the stockholders approve the ESPP, it would replace the Existing ESPP as of the date determined by the board and no further offerings would be granted under the Existing ESPP. The board has determined that it is in the best interests of the Company and its stockholders to have an employee stock purchase plan and is asking the Company's stockholders to approve the ESPP.

The following is a summary of some of the material differences between the ESPP and the Existing ESPP. The comparative summary is qualified in its entirety by reference to the ESPP itself set forth in Appendix B:

- A total of 2,400,000 Shares are reserved for issuance under the ESPP and the ESPP does not have a provision (which the Existing ESPP had) allowing for an annual automatic increase in the number of shares reserved for issuance;
- The ESPP will remain in effect until terminated by the ESPP Administrator in accordance with the terms of the ESPP.

Summary of the ESPP

The following is a summary of the principal features of the ESPP and its operation. The summary is qualified in its entirety by reference to the ESPP as set forth in Appendix B.

General. The ESPP was adopted by the board in March 2010, subject to approval by our stockholders at the 2010 Annual Meeting. The purpose of the ESPP is to provide a means by which employees of the Company and its designated subsidiaries may be given an opportunity to purchase common stock of the Company.

Shares Available for Issuance. If our stockholders approve this proposal, a total of 2,400,000 Shares will be reserved for issuance under the ESPP. We expect that the number of Shares reserved for issuance under the ESPP will last for approximately 4 years.

Administration. The ESPP will be administered by the board or a committee of the board (in either case, the "Administrator"). The Administrator has full and exclusive discretionary authority to construe, interpret and apply the terms of the ESPP, to designate separate offerings under the ESPP, to determine eligibility, to adjudicate all disputed claims filed under the ESPP and to establish such procedures it deems necessary for the administration of the ESPP. Subject to the provisions of the ESPP, every finding, decision, and determination made by the Administrator will, to the full extent permitted by law, be final and binding upon all parties.

Eligibility. Unless the Administrator provides otherwise (consistent with the terms of the ESPP and Code Section 423), employees of the Company and its designated subsidiaries whose customary employment is at least 20 hours per week and more than 5 months in a calendar year are eligible to participate in the ESPP; except that no employee will be granted an option under the ESPP (i) to the extent that, immediately after the grant, such employee would own 5% or more of the total combined voting power of all classes of the Company's capital stock or the capital stock of any Company parent or subsidiary, or (ii) to the extent that his or her rights to purchase stock under all of the Company's employee stock purchase plans accrues at a rate which exceeds $25,000 worth of stock (determined at the fair market value of the shares at the time such option is granted) for each calendar year in which such rights are outstanding at any time, as determined in accordance with Internal Revenue Code Section 423 and the regulations thereunder. Subject to the limits in the previous sentence, the maximum aggregate number of Shares available that a participant may purchase under a purchase period will be 2,500 Shares and the maximum number of Shares that may be purchased during each purchase period by all participants under the ESPP will be 400,000 Shares.

Offerings.

The ESPP is implemented by offerings of rights to eligible employees. Each offering will be in such form and will contain such terms and conditions as the Administrator will deem appropriate, which will comply with Code Section 423(b) and all employees granted rights under an offering will have the same rights and privileges. The provisions of separate offerings need not be identical. The ESPP generally has a series of consecutive, overlapping 24 month offering periods, with each offering period consisting of 4 six-month purchase periods commencing generally on February 1 and August 1 of each year. The first day of an offering is referred to as the "offering date."

An eligible employee may become a participant in the ESPP by delivering a subscription agreement to the Company's stock administration office (or its designee), on or before a date determined by the Administrator prior to the offering date or by following an electronic or other enrollment procedure determined by the Administrator. A subscription agreement will authorize participant contributions, generally in the form of payroll deductions unless otherwise determined by the Administrator, which may not be less than 1% or exceed 15% of a participant's compensation (as defined in the ESPP) during the offering, unless the Administrator determines such lower percentage. Generally during an offering, a participant may change the rate of his or her participation level, except that a participant may only make one change to his or her participation level during each month of an offering period. Additionally, any increase in the rate of a participant's participating level will apply only to future purchase periods under the ESPP.

On the offering date, each participant is granted a right to purchase Shares. An offering includes purchase periods of approximately 6 months in duration. The right expires at the end of the offering, or potentially earlier in connection with an employee's termination (described below), but is exercised on generally the last day on which the Company's common stock is actively traded during the purchase period (the "purchase date"). If the fair market value of the Company's common stock on any purchase date is lower than the fair market value of the Company's common stock on the offering date, then all participants in the offering period automatically will be withdrawn from such offering period immediately after exercise of their option on such purchase date and automatically re-enrolled in the immediately following offering period on the first day thereof.

Purchase Price. Unless and until the Administrator determines otherwise, the purchase price for Shares is the lesser of: (a) 85% of the fair market value of the common stock on the offering date, or (b) 85% of the fair market value of the common stock on the purchase date.

Payment of Purchase Price; Contributions. On each purchase date, each participant's accumulated payroll deductions (or other contributions) will be applied to the purchase of whole shares of Company common stock, up to the maximum number of Shares permitted under the ESPP and a given purchase period. Currently, a participant may make contributions under the ESPP only by payroll deductions, unless the Administrator, in its sole discretion, permits participants to contribute amounts through cash, check or other specified means set forth in the subscription agreement prior to each purchase date.

Withdrawal. Generally, a participant may withdraw from an offering by delivering a withdrawal notice to the Company's stock administration office or its designee in such form as the Company provides or following an electronic or other procedure determined by the Administrator. The participant will receive his or her accumulated contributions from the offering promptly after the effective date of his or her withdrawal. Once a participant withdraws from a particular offering, the participant must re-enroll in the ESPP in order to participate in future offerings under the ESPP.

Termination of Employment. Rights granted under the ESPP terminate immediately upon cessation of a participant's employment with the Company and any designated subsidiary of the Company for any reason. Once a participant's employment is terminated, the Company will distribute to such terminated employee all of his or her accumulated contributions under the offering generally without interest.

Adjustments upon Changes in Capitalization, Dissolution or Liquidation, or Change of Control.

Changes in Capitalization. In the event that any dividend or other distribution (whether in the form of cash, common stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of common stock or other securities of the Company, or other change in the corporate structure of the Company affecting the common stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the ESPP, then the Administrator will adjust the number and class of common stock which may be delivered under the ESPP, the purchase price per share and the number of shares of common stock covered by each option under the ESPP which has not yet been exercised, the maximum number of shares a participant can purchase during a purchase period and the maximum number of shares that can be purchased during a purchase period by all participants under the ESPP.

Dissolution or Liquidation. In the event of dissolution or liquidation, the offering period will be shortened by setting a new purchase date and will terminate immediately prior to the completion of the dissolution or liquidation, unless provided otherwise by the Administrator. The new purchase date will be prior to the dissolution or liquidation. If the Administrator shortens any offering periods then in progress, the Administrator will notify each participant in writing or electronically, at least 10 business days prior to the new purchase date, that the purchase date has been changed to the new purchase date and that the right will be exercised automatically on the new purchase date, unless the participant has already withdrawn from the offering.

Merger or Change of Control. In the event of a merger or Change in Control (as defined in the ESPP), then the surviving corporation or its parent or subsidiary may assume outstanding rights under the ESPP or substitute similar rights. If no surviving corporation assumes outstanding rights or substitutes similar rights, the Administrator will shorten the offering with respect to which such right relates by setting a new purchase date on which such offering will end. The new purchase date will be prior to the transaction. If the Administrator shortens any offering periods then in progress, the Administrator will notify each participant in writing or electronically prior to the date of the merger or Change in Control, that the purchase date has been changed to the new purchase date and that the right will be exercised automatically on the new purchase date, unless the participant has already withdrawn from the offering.

Amendment and Termination of the ESPP. The Administrator may, at any time and for any reason, amend, suspend or terminate the ESPP or any part of the ESPP. If the ESPP is terminated, the Administrator may elect to terminate all outstanding offering periods either immediately or upon completion of the purchase of Shares on the next purchase date (which may be sooner than originally scheduled, if determined by the Administrator), or may elect to permit offering periods to expire in accordance with their terms (and subject to any adjustments described above). If an offering period is terminated prior to expiration, all amounts credited to a participant's account that were not used to purchase Shares will be returned to the participant (without interest) as soon as administratively practicable. Without stockholder consent and without limiting the foregoing, the Administrator is entitled to change the offering periods, designate separate offerings, limit the frequency and/or number of changes in the amount withheld during an offering period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of shares for each participant correspond with contribution amounts, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable which are consistent with the ESPP. If the Administrator determines that the ongoing operation of the ESPP may result in unfavorable financial accounting consequences, the Administrator may modify, amend or terminate the ESPP to reduce or eliminate such accounting consequence.

Participation in Plan Benefits

Participation in the ESPP is voluntary and is dependent on each eligible employee's election to participate and his or her determination as to the level of payroll deductions or other contributions. Accordingly, future purchases under the ESPP are not determinable. Non-employee directors are not eligible to participate in the ESPP. No purchases have been made under the ESPP since its adoption by the board. As of April 7, 2010, the closing price of our common stock was $18.17 per share. For illustrative purposes, the following table sets forth (i) the number of Shares that were purchased during the last fiscal year under the Existing ESPP, and (ii) the weighted average price per share paid for such Shares.

Name of Individual or Group	Number of Shares Purchased	Weighted Average Per Share Purchase Price ($)
Thomas M. Prescott, President & CEO	2,373	$6.69
Kenneth B. Arola, Vice President Finance & CFO	0	
Len M. Hedge, Senior Vice President, Business Operations	0	
Sheila Tan, Vice President, Marketing & Chief Marketing Officer	0	
Gil Laks, Vice President, International	2,373	$6.69
All executive officers, as a group	6,434	$6.71
All directors who are not executive officers, as a group	0	
All employees who are not executive officers, as a group	538,717	$6.75

Certain U.S. Federal Income Tax Information

The following brief summary of the effect of U.S. federal income taxation upon the participant and the Company with respect to the shares purchased under the ESPP does not purport to be complete, and does not discuss the tax consequences of a participant's death or the income tax laws of any state or non-U.S. jurisdiction in which the participant may reside.

The ESPP, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Sections 421 and 423 of the Code. Under these provisions, no income will be taxable to a participant until the shares purchased under the ESPP are sold or otherwise disposed of. Upon sale or other disposition of the shares, the participant generally will be subject to tax in an amount that depends upon the holding period. If the shares are sold or otherwise disposed of more than 2 years from the first day of the applicable offering and 1 year from the applicable date of purchase, the participant will recognize ordinary income measured as the lesser of (a) the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price, or (b) the excess of the fair market value of a share on the offering date that the right was granted over the purchase price for the right. Any additional gain will be treated as long-term capital gain. If the shares are sold or otherwise disposed of before the expiration of these holding periods, the participant will recognize ordinary income generally measured as the excess of the fair market value of the shares on the date the shares are purchased over the purchase price. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on how long the shares have been held from the date of purchase. The Company generally is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant except to the extent of ordinary income recognized by participants upon a sale or disposition of shares prior to the expiration of the holding periods described above.

THE FOREGOING IS ONLY A SUMMARY OF THE EFFECT OF U.S. FEDERAL INCOME TAXATION UPON PARTICIPANTS AND THE COMPANY UNDER THE ESPP. IT DOES NOT PURPORT TO BE COMPLETE, AND DOES NOT DISCUSS THE TAX CONSEQUENCES OF A PARTICIPANT'S DEATH OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR NON-U.S. JURISDICTION IN WHICH THE PARTICIPANT MAY RESIDE.

Vote Required; Recommendation of Board of Directors

The approval of the ESPP requires the affirmative vote of a majority of the votes cast on the proposal at the 2010 Annual Meeting.

Our Board of Directors has unanimously approved this proposal and recommends that stockholders vote "FOR" the approval of the Align Technology, Inc. 2010 Employee Stock Purchase Plan.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2009 about our common stock that may be issued upon the exercise of options and rights granted to employees, consultants or members of our board of directors under all existing equity compensation plans, including the 1997 Equity Incentive Plan, the Employee Stock Purchase Plan, the 2001 Stock Incentive Plan and the 2005 Incentive Plan, each as amended, and certain individual arrangements. For information about shares of our common stock that may be issued under our equity compensation plans as of March 23, 2010, the record date, see Proposal Three—Approval of Amendment to 2005 Equity Incentive Plan under the heading "Equity Compensation Plan Information as of March 23, 2010". Column (c) of the table below does not reflect the 3,300,000 additional shares of our common stock that will become available for issuance under the 2005 Incentive Plan if our stockholders approve Proposal Three.

Plan Category	Number of securities to be issued upon exercise of outstanding options and restricted stock units (a)	Weighted average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	8,364,135(1)(2)	$11.49	2,747,759(3)
Equity compensation plans not approved by security holders	—	—	—
Total	8,364,135	$11.49	2,747,759

(1) This number reflects the number of securities to be issued upon exercise of outstanding options and restricted stock units under the 1997 Equity Incentive Plan, the 2001 Stock Incentive Plan, and the 2005 Incentive Plan. The 876,375 restricted stock units included in this number have an exercise price of zero.

(2) We are unable to ascertain with specificity the number of securities to be issued upon exercise of outstanding rights under the Employee Stock Purchase Plan or the weighted average exercise price of outstanding rights under the Employee Stock Purchase Plan.

(3) This number reflects securities available for future issuance under the 2005 Stock Incentive Plan and the Employee Stock Purchase Plan. In January 2001, all outstanding options under the 1997 Equity Incentive Plan were subsumed under the 2001 Stock Incentive Plan. Since that date no options have been granted under the 1997 Equity Incentive Plan. In May 2005, stockholder approval was obtained for the 2005 Incentive Plan and the 2001 Stock Incentive Plan was terminated. Since that date, no further options have been granted under the 2001 Stock Incentive Plan. The 2005 Incentive Plan has 9,983,379 shares of common stock reserved for issuance, plus up to an aggregate of 5,000,000 shares that are or would have been returned to the 2001 Stock Incentive Plan as a result of termination of outstanding options or repurchase of shares granted under the 2001 Stock Incentive Plan after March 28, 2005. As of December 31, 2009, 2,360,766 shares have been transferred to the 2005 Incentive Plan. As of December 31, 2009, the number of shares available for future issuance under the 2005 Incentive Plan was 2,747,759. Any grants of restricted stock units will reduce shares available for grant at a 2:1 ratio. The Employee Stock Purchase Plan provides that the number of shares of our common stock reserved for issuance thereunder will automatically increase on the first trading day of January in each calendar year by an amount equal to three percent (3%) of the total number of shares of common stock outstanding on the last trading day in December of the immediately preceding calendar year, with this annual increase not to exceed 1,500,000 shares. The maximum number of shares that can be granted under the Employee Stock Purchase Plan in any one year is 800,000 shares of common stock. As of December 31, 2009, the total number of shares of our common stock available for future issuance under the Employee Stock Purchase Plan was 10,124,732.

OTHER MATTERS

We know of no other matters to be submitted at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as the board of directors may recommend or, if the board of directors has not provided a recommendation, in accordance with their own judgment.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to mark, sign, date, and return the accompanying proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose.

THE BOARD OF DIRECTORS OF
ALIGN TECHNOLOGY, INC.

Dated: April 21, 2010

APPENDIX A

ALIGN TECHNOLOGY, INC.

2005 INCENTIVE PLAN

(amended March 2010)

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide incentives to individuals who perform services to the Company, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, SARs, Restricted Stock Units, Performance Units, Performance Shares and other stock or cash awards as the Administrator may determine.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Affiliate" means any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

(c) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

(d) "Award" means, individually or collectively, a grant under the Plan of Options, Restricted Stock, SARs, Restricted Stock Units, Performance Units, Performance Shares and other stock or cash awards as the Administrator may determine.

(e) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(f) "Board" means the Board of Directors of the Company.

(g) "Change in Control" means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" means directors who either (A) are Directors as of the effective date of the Plan, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

(h) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(i) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 hereof.

(j) "Common Stock" means the common stock of the Company.

(k) "Company" means Align Technology, Inc., a Delaware corporation, or any successor thereto.

(l) "Consultant" means any person, including an advisor, engaged by the Company or its Affiliate to render services to such entity.

(m) "Determination Date" means the latest possible date that will not jeopardize the qualification of an Award granted under the Plan as "performance-based compensation" under Section 162(m) of the Code.

(n) "Director" means a member of the Board.

(o) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(p) "Employee" means any person, including Officers and Directors, employed by the Company or its Affiliates. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(q) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(r) "Fair Market Value" means, as of any date, the value of Common Stock as the Administrator may determine in good faith by reference to the price of such stock on any established stock exchange or a national market system on the day of determination if the Common Stock is so listed on any established stock exchange or a national market system. If the Common Stock is not listed on any established stock exchange or a national market system, the value of the Common Stock as the Administrator may determine in good faith.

(s) "Fiscal Year" means the fiscal year of the Company.

(t) "Incentive Stock Option" means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(u) "Inside Director" means a Director who is an Employee.

(v) "Misconduct" means the commission of any act of fraud, embezzlement or dishonesty by the Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Company or its Affiliates, or any other intentional misconduct by such person adversely affecting the business or affairs of the Company or its Affiliates in a material manner. The foregoing definition will not in any way preclude or restrict the right of the Company or its Affiliates to discharge or dismiss any Participant for any other acts or omissions, but such other acts or omissions will not be deemed, for purposes of the Plan, to constitute grounds for termination for Misconduct.

(w) "Nonstatutory Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(x) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(y) "Option" means a stock option granted pursuant to the Plan.

(z) "Outside Director" means a Director who is not an Employee.

(aa) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(bb) "Participant" means the holder of an outstanding Award.

(cc) "Performance Goals" will have the meaning set forth in Section 12 of the Plan.

(dd) "Performance Period" means any Fiscal Year of the Company or such other period as determined by the Administrator in its sole discretion.

(ee) "Performance Share" means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10.

(ff) "Performance Unit" means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10.

(gg) "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(hh) "Plan" means this 2005 Incentive Plan.

(ii) "Restricted Stock" means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.

(jj) "Restricted Stock Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(kk) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(ll) "Section 16(b)" means Section 16(b) of the Exchange Act.

(mm) "Service Provider" means an Employee, Director or Consultant.

(nn) "Share" means a share of the Common Stock, as adjusted in accordance with Section 18 of the Plan.

(oo) "Stock Appreciation Right" or "SAR" means an Award, granted alone or in connection with an Option, that pursuant to Section 8 is designated as a SAR.

(pp) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 18 of the Plan, the maximum aggregate number of Shares that may be awarded and sold under the Plan is 13,283,379 Shares (3,300,000 Shares plus 9,983,379 Shares which is the number of Shares that had been reserved but not issued under the

Company's 2001 Stock Incentive Plan (the "2001 Plan") as of March 28, 2005), plus up to an aggregate of 5,000,000 Shares that are or would have been returned to the 2001 Plan as a result of termination of options or repurchase of Shares on or after March 28, 2005. The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Full Value Awards. Any Shares subject to Options or SARs will be counted against the numerical limits of this Section 3 as one Share for every Share subject thereto. Any Shares subject to Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units with a per share or unit purchase price lower than 100% of Fair Market Value on the date of grant will be counted against the numerical limits of this Section 3 as one and one-half (1 ½) Shares for every one (1) Share subject thereto. To the extent that a Share that was subject to an Award that counted as one and one-half (1 ½) Shares against the Plan reserve pursuant to the preceding sentence is recycled back into the Plan under the next paragraph of this Section 3, the Plan will be credited with one and one-half (1 ½) Shares.

(c) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full or, with respect to an Award of Restricted Stock Units, Performance Units or Performance Shares, is terminated due to failure to vest, the unpurchased Shares (or for Awards other than Options or SARs, the unissued Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Upon the exercise of a SAR settled in Shares, the gross number of Shares covered by the portion of the Award so exercised will cease to be available under the Plan. Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company due to failure to vest, such Shares will become available for future grant under the Plan. Shares used to pay the exercise or purchase price of an Award and/or to satisfy the tax withholding obligations related to an Award will not become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 18, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan under this Section 3(c).

(d) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Awards granted hereunder as "performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan will be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.

(iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

(vi) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(vii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;

(viii) to modify or amend each Award (subject to Section 23(c) of the Plan) including, without limitation, the discretionary authority to extend the post-termination exercisability period of Awards longer than is otherwise provided for in the Plan. Notwithstanding the previous sentence, the Administrator may not modify or amend an Option or SAR to reduce the exercise price of such Option or SAR after it has been granted (except for adjustments made pursuant to Section 18) nor may the Administrator cancel any outstanding Option or SAR and replace it with a new Option or SAR with a lower exercise price, unless, in either case, such action is approved by the Company's stockholders;

(ix) to allow Participants to satisfy withholding tax obligations in such manner as prescribed in Section 19;

(x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xi) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award pursuant to such procedures as the Administrator may determine;

(xii) to grant in addition to the incentives described in Sections 6, 7, 8, 9, and 10 below, other incentives payable in cash or Shares under the Plan as determined by the Administrator to be in the best interests of the Company and subject to any terms and conditions the Administrator deems advisable; and

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards.

(d) No Liability. Under no circumstances will the Company, its Affiliates, the Administrator, or the Board incur liability for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan or the Company's, its Affiliates', the Administrator's or the Board's roles in connection with the Plan.

5. Eligibility. Nonstatutory Stock Options, Restricted Stock, Stock Appreciation Rights, Restricted Stock Units, Performance Units, Performance Shares and such other cash or stock awards as the Administrator determines may be granted to Service Providers. Incentive Stock Options may be granted only to Employees of the Company or any Parent or Subsidiary of the Company.

6. Stock Options. Subject to the terms and conditions of the Plan, an Option may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(a) Limitations.

(i) Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(ii) The following limitations will apply to grants of Options:

(1) No Service Provider will be granted, in any Fiscal Year, Options or SARs to purchase more than 1,000,000 Shares.

(2) In connection with his or her initial service, a Service Provider may be granted Options or SARs to purchase up to an additional 1,000,000 Shares, which will not count against the limit set forth in Section 6(a)(ii)(1) above.

(3) The foregoing limitations will be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 18.

(4) If an Option or SAR is cancelled in the same Fiscal Year in which it was granted (other than in connection with a transaction described in Section 18), the cancelled Option or SAR, as applicable, will be counted against the limits set forth in subsections (1) and (2) above. For this purpose, if the exercise price of an Option or SAR is reduced, the transaction will be treated as a cancellation of the Option or SAR, as applicable, and the grant of a new Option or SAR, as applicable.

(b) Term of Option. The term of each Option will be seven (7) years from the date of grant or such shorter term as may be provided in the Award Agreement as determined by the Administrator in its sole discretion. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) Option Exercise Price and Consideration.

(i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

(1) In the case of an Incentive Stock Option

a) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant.

b) granted to any Employee other than an Employee described in paragraph a) immediately above, the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be determined by the Administrator, but will be no less than 100% of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Option Agreement. Each Option grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Option, the acceptable forms of consideration for exercise (which may include any form of consideration permitted by Section 6(c)(iv), the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(iv) Form of Consideration. The Administrator will determine the acceptable form(s) of consideration for exercising an Option, including the method of payment, to the extent permitted by Applicable Laws.

(d) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) notice of exercise (in such form as the Administrator specifies from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable tax withholdings). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 18 of the Plan.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as a result of the Participant's death, Disability or Misconduct, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

7. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Notwithstanding the foregoing sentence, for Restricted Stock intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, during any Fiscal Year no Participant will receive more than an aggregate of 500,000 Shares of Restricted Stock; provided, however, that in connection with a Participant's initial service as an Employee, for Restricted Stock intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, an Employee may be granted an aggregate of up to an additional 500,000 Shares of Restricted Stock. The foregoing limitations will be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 18. Unless the Administrator determines otherwise, Shares of Restricted Stock will be held by the Company as escrow agent until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 7, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction. The restrictions will lapse at a rate determined by the Administrator; provided, however, that Shares of Restricted Stock will vest no earlier than one-third (1/3rd) of the total number Shares of Restricted Stock subject to an Award each year from the date of grant, unless the Administrator determines that the Award is to vest upon the achievement of a performance objective, provided the period for measuring performance will be at least twelve months. After the grant of Restricted Stock, the Administrator, in its sole discretion, may reduce or waive any restrictions for such Restricted Stock upon or in connection with a Change in Control or upon or in connection with a Participant's termination of service, including, without limitation, due to death or Disability.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

8. Stock Appreciation Rights.

(a) Grant of SARs. Subject to the terms and conditions of the Plan, a SAR may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of SARs granted to any Participant, provided that during any Fiscal Year, no Participant will be granted SARs or Options covering more than 1,000,000 Shares. Notwithstanding the foregoing limitation, in connection with a Participant's initial service as an Employee, an Employee may be granted SARs or Options covering up to an additional 1,000,000 Shares. The foregoing limitations will be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 18.

(c) Exercise Price and Other Terms. The Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of SARs granted under the Plan, provided, however, that the exercise price will be not less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant. Notwithstanding the foregoing provisions of this Section 8(c), Stock Appreciation Rights may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code and the Treasury Regulations thereunder.

(d) SAR Agreement. Each SAR grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of SARs. A SAR granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement; provided, however, that the term will be no more than seven (7) years from the date of grant thereof. Notwithstanding the foregoing, the rules of Section 6(d) also will apply to SARs.

(f) Payment of SAR Amount. Upon exercise of a SAR, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times

(ii) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Administrator, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

9. Restricted Stock Units.

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units. Notwithstanding anything to the contrary in this subsection (a), for Restricted Stock Units intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, during any Fiscal Year of the Company, no Participant will receive more than an aggregate of 500,000 Restricted Stock Units. Notwithstanding the limitation in the previous sentence, for Restricted Stock Units intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, in connection with his or her initial service as an Employee, an Employee may be granted an aggregate of up to an additional 500,000 Restricted Stock Units. The foregoing limitations will be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 18.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant; provided, however, that Awards of Restricted Stock Units (other than any Awards granted to Outside Directors) will vest no earlier than one-third (1/3) of the total number of units subject to such Award each year from the date of grant, unless the Administrator determines that the Award is to vest upon the achievement of a performance objective, provided the period for measuring performance will be at least twelve months. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment), or any other basis determined by the Administrator in its discretion.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout and may accelerate the time at which any restrictions will lapse or be removed.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) set forth in the Award Agreement or as otherwise provided in the applicable Award Agreement or as required by Applicable Laws. The Administrator, in its sole discretion, may pay earned Restricted Stock Units in cash, Shares, or a combination thereof. Shares represented by Restricted Stock Units that are fully paid in cash again will not reduce the number of Shares available for grant under the Plan.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

(f) Section 162(m) Performance Restrictions. For purposes of qualifying grants of Restricted Stock Units as "performance-based compensation" under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals will be set by the Administrator on or before the Determination Date. In granting Restricted Stock Units which are intended to qualify under Section 162(m) of the Code, the Administrator will follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Award under Section 162(m) of the Code (e.g., in determining the Performance Goals).

10. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units/Shares granted to each Participant provided that during any Fiscal Year, for Performance Units/Shares intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, (a) no Participant will receive Performance Units having an initial value greater than $5,000,000, and (b) no Participant will receive more than 500,000 Performance Shares. Notwithstanding the foregoing limitation, for Performance Units/Shares intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, in connection with a Participant's initial service as an Employee, an Employee may be granted up to an additional 500,000 Performance Shares. The foregoing limitations will be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 18.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the "Performance Period." Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine; provided, however, that Awards of Performance Units/Shares (other than any Awards granted to Outside Directors) will vest no earlier than one-third (1/3) of the total number of units or Shares subject to such Award each year from the date of grant, unless the Administrator determines that the Award is to vest upon the achievement of a performance objective, provided the period for measuring performance will be at least twelve months. The Administrator may set performance objectives based on the achievement of Company-wide, divisional, or individual goals, applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share upon or in connection with a Change in Control or upon or in connection with a Participant's termination of service, including, without limitation, due to death or Disability.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period, or as otherwise provided in the applicable Award Agreement or as required by Applicable Laws. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

(g) Section 162(m) Performance Restrictions. For purposes of qualifying grants of Performance Units/Shares as "performance-based compensation" under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals will be set by the Administrator on or before the Determination Date. In granting Performance Units/Shares which are intended to qualify under Section 162(m) of the Code, the Administrator will follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Award under Section 162(m) of the Code (e.g., in determining the Performance Goals).

11. Other Cash or Stock Awards. In addition to the incentives described in Sections 6 through 10 above, the Administrator may grant other incentives payable in cash or Shares under the Plan as it determines to be in the best interests of the Company and subject to such other terms and conditions as it deems appropriate, provided that in any Fiscal Year, a Participant will not receive a cash Award under this Section in excess of $5,000,000.

12. Performance-Based Compensation Under Code Section 162(m).

(a) General. If the Administrator, in its discretion, decides to grant an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the provisions of this Section 12 will control over any contrary provision in the Plan; provided, however, that the Administrator may in its discretion grant Awards that are not intended to qualify as "performance-based compensation" under Section 162(m) of the Code to such Participants that are based on Performance Goals or other specific criteria or goals but that do not satisfy the requirements of this Section 12.

(b) Performance Goals. The granting and/or vesting of Awards of Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units and other incentives under the Plan may be made subject to the attainment of performance goals relating to one or more business criteria within the meaning of Section 162(m) of the Code and may provide for a targeted level or levels of achievement ("Performance Goals") including cash flow; cash position; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings per Share; economic profit; economic value added; equity or stockholder's equity; market share; net income; net profit; net sales; operating earnings; operating income; profit before tax; ratio of debt to debt plus equity; ratio of operating earnings to capital spending; return on net assets; revenue; sales growth; Share price; or total return to stockholders. Any Performance Goals may be used to measure the performance of the Company as a whole or a business unit or other segment of the Company, or one or more product lines or specific markets and may be measured on a growth basis or relative basis to a peer group or index. The Performance Goals for a Participant will be determined by the Administrator based on the Company's tactical and strategic business objectives, which may differ from Participant to Participant and from Award to Award. Prior to the Determination Date, the Administrator will determine whether to make any adjustments to the calculation of any Performance Goal with respect to any Participant for any significant or extraordinary events affecting the Company. In all other respects, Performance Goals will be calculated in accordance with the Company's financial statements, generally accepted accounting principles, or under a methodology established by the Administrator prior to the issuance of an Award, which is consistently applied and identified in the financial statements, including footnotes, or the management discussion and analysis section of the Company's annual report.

(c) Procedures. To the extent necessary to comply with the performance-based compensation provisions of Section 162(m) of the Code, with respect to any Award granted subject to Performance Goals and intended to qualify as "performance-based compensation" under Section 162(m) of the Code, on or before the Determination Date (i.e., within the first twenty-five percent (25%) of the Performance Period, but in no event more than ninety (90) days following the commencement of any Performance Period or such other time as may be required or permitted by Section 162(m) of the Code), the Administrator will, in writing, (i) designate one or more Participants to whom an Award will be made, (ii) select the Performance Goals applicable to the Performance Period, (iii) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (iv) specify the relationship between Performance Goals and the amounts of such Awards, as applicable, to be earned by each Participant for such Performance Period.

(d) Additional Limitations. Notwithstanding any other provision of the Plan, any Award which is granted to a Participant and is intended to constitute qualified performance-based compensation under Section 162(m) of the Code will be subject to any additional limitations set forth in the Code (including any amendment to Section 162(m)) or any regulations and ruling issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m) of the Code, and the Plan will be deemed amended to the extent necessary to conform to such requirements.

(e) Determination of Amounts Earned. Following the completion of each Performance Period, the Administrator will certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. A Participant will be eligible to receive payment pursuant to an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code for a Performance Period only if the Performance Goals for such period are achieved. In determining the amounts earned by a Participant pursuant to an Award intended to qualified as "performance-based compensation" under Section 162(m) of the Code, the Committee will have the right to (a) reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the

Performance Period, (b) determine what actual Award, if any, will be paid in the event of a termination of employment as the result of a Participant's death or disability or upon a Change in Control or in the event of a termination of employment following a Change in Control prior to the end of the Performance Period, and (c) determine what actual Award, if any, will be paid in the event of a termination of employment other than as the result of a Participant's death or disability prior to a Change of Control and prior to the end of the Performance Period to the extent an actual Award would have otherwise been achieved had the Participant remained employed through the end of the Performance Period. A Participant will be eligible to receive payment pursuant to an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code for a Performance Period only if the Performance Goals for such period are achieved.

13. Compliance With Code Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Code Section 409A such that the grant, payment, settlement or deferral of Awards will not be subject to the additional tax or interest applicable under Code Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Code Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Code Section 409A, the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Code Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Code Section 409A.

14. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise and except as required by Applicable Laws, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Service Provider will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1^{st}) day of such leave, any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

15. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

16. Termination of Relationship as a Service Provider due to Misconduct. If a Participant ceases to be a Service Provider due to his or her Misconduct or should a Participant engage in Misconduct while holding an outstanding Award, then all Awards that the Participant then holds will immediately terminate and the Participant will have no further rights with respect to such Awards. Upon such a termination, the Shares covered by the Awards that so terminate will revert to the Plan.

17. Awards to Outside Directors.

(a) General. Outside Directors will be entitled to receive all types of Awards under this Plan, including discretionary Awards not covered under this Section 17. All grants of Options and Restricted Stock Units to Outside Directors pursuant to this Section will be automatic and nondiscretionary, except as otherwise provided herein, and will be made in accordance with the following provisions:

(b) Options.

(i) First Option. Each Outside Director who becomes an Outside Director after March 7, 2007 will be automatically granted a Nonstatutory Stock Option to purchase 30,000 Shares (the "First Option") on the date on which such person first becomes an Outside Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy; provided, however, that an Inside Director who ceases to be an Inside Director but who remains a Director will not receive a First Option.

(ii) Subsequent Option. Each Outside Director will be automatically granted a Nonstatutory Stock Option to purchase 10,000 Shares (a "Subsequent Option") on the date of each annual meeting of the Company's stockholders following March 7, 2007; provided that he or she is then an Outside Director and, provided further, that as of such date, he or she will have served on the Board for at least the preceding six (6) months.

(iii) Terms of Options. The terms of First Options and Subsequent Options granted hereunder will be as follows:

(1) the term of each Option will be seven (7) years.

(2) the exercise price per Share will be 100% of the Fair Market Value per Share on the date of grant.

(3) twenty-five percent (25%) of the Shares subject to each First Option will vest on each anniversary of the date of grant of such Option, so that 100% of the Shares subject to such Option will be vested four (4) years from the grant date, subject to Optionee continuing to be a Director through such dates. One hundred percent (100%) of the Shares subject to each Subsequent Option will vest on the earlier of (i) the one-year anniversary of the date of grant and (ii) the date of the next annual meeting of the Company's stockholders following the date of grant, subject to the Optionee continuing to be a Director through such date.

(4) each Option granted under this Section 17 will have such other terms and conditions as the Administrator determines.

(c) Restricted Stock Units.

(i) Annual Restricted Stock Units. Each Outside Director will be automatically granted an Award of 3,000 Restricted Stock Units ("Annual Restricted Stock Units") on the date of each annual meeting of the Company's stockholders following March 7, 2007; provided that he or she is then an Outside Director and, provided further, that as of such date, he or she will have served on the Board for at least the preceding six (6) months.

(ii) Terms of Restricted Stock Units. The terms of Annual Restricted Stock Units granted hereunder will be as follows:

(1) one hundred percent (100%) of the Annual Restricted Stock Units will vest on the earlier of (i) the one-year anniversary of the date of grant and (ii) the date of the next annual meeting of the Company's stockholders following the date of grant, subject to the Optionee continuing to be a Director through such date.

(2) each Restricted Stock Unit will represent the right to receive a Share and will be settled in Common Stock upon vesting.

(3) Awards of Restricted Stock Units granted under this Section 17 will have such other terms and conditions as the Administrator determines.

(d) Adjustments. The Administrator in its discretion may change and otherwise revise the terms of Awards granted under this Section 17, including, without limitation, the number of Shares, exercise prices and other terms thereof, for Awards granted on or after the date the Administrator determines to make any such change or revision.

18. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, and the numerical Share and unit limits set forth in Sections 3, 6, 7, 8, 9, 10 and 17.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control. In the event of a Change in Control, each outstanding Award will be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation does not assume or substitute for the Award (or portion thereof), the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights that are not assumed or substituted for, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock, Restricted Stock Units, and Performance Shares/Units not assumed or substituted for will lapse, and, with respect to Awards with performance-based vesting not assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted for in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be fully vested and exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

With respect to Awards granted to Outside Directors that are assumed or substituted for, if on the date of or following such assumption or substitution the Participant's status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant, then the Participant will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the Shares subject thereto, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

For the purposes of this subsection (c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) or, in the case of a Stock Appreciation Right upon the exercise of which the Administrator determines to pay cash or a Restricted Stock Unit, Performance Share or Performance Unit which the Administrator can determine to pay in cash, the fair market value of the consideration received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Share or Performance Unit, for each Share subject to such Award (or in the case of an Award settled in cash, the number of implied shares determined by dividing the value of the Award by the per share consideration received by holders of Common Stock in the Change in Control), to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

Notwithstanding anything in this Section 18(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance objectives (including any Performance Goals) will not be considered assumed if the Company or its successor modifies any of such performance objectives without the Participant's consent; provided, however, a modification to such performance objectives only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

Notwithstanding anything in this Section 18(c) to the contrary, if a payment under an Award Agreement is subject to Section 409A of the Code and if the change in control definition contained in the Award Agreement or other agreement related to the Award does not comply with the definition of "change in control" for purposes of a distribution under Section 409A of the Code, then any payment of an amount that is otherwise accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Section 409A of the Code without triggering any penalties applicable under Section 409A of the Code.

19. Tax Withholding

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (a) paying cash, (b) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the amount required to be withheld, (c) delivering to the Company already-owned Shares having a Fair Market Value equal to the amount required to be withheld, provided the delivery of such Shares will not result in any adverse accounting consequences as the Administrator determines in its sole discretion, (d) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld or (e) retaining from salary or other amounts payable to the Participant cash having a sufficient value to satisfy the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

20. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

21. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

22. Term of Plan. Subject to Section 26 of the Plan, this Plan as adopted by the Board in its amended and restated form will become effective as of the date of the Company's 2010 Annual Meeting of Stockholders and will continue in effect for a term ending on the ten (10) year anniversary of such meeting, unless terminated earlier under Section 23 of the Plan.

23. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Administrator may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws. Without limiting the foregoing sentence, the number of Shares available under the Plan pursuant to Section 3 herein may not be increased without approval of the Company's stockholders, except as provided in Section 3.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

24. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

25. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

26. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

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APPENDIX B

ALIGN TECHNOLOGY, INC.

2010 EMPLOYEE STOCK PURCHASE PLAN

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to

2. purchase Common Stock through accumulated Contributions (as defined in Section 2(j) below). The Company's intention is to have Plan qualify as an "employee stock purchase plan" under Section 423 of the Code. The provisions of the Plan, accordingly, will be construed so as to extend and limit Plan participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423 of the Code.

3. Definitions.

(a) "Administrator" means the Board or any Committee designated by the Board to administer the Plan pursuant to Section 14.

(b) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where options are, or will be, granted under the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Change in Control" means the occurrence of any of the following events:

(i) Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; or

(ii) Change in Effective Control of the Company. If the Company has a class of securities registered pursuant to Section 12 of the Exchange Act, a change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any 12 month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this Section 2(d), persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(e) "Code" means the U.S. Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or Treasury Regulation thereunder will include such section or regulation, any valid regulation or other official applicable guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(f) "Committee" means a committee of the Board appointed in accordance with Section 14 hereof.

(g) "Common Stock" means the common stock of the Company.

(h) "Company" means Align Technology, Inc., a Delaware corporation, or any successor thereto.

(i) "Compensation" means (i) the regular base salary paid to a Participant by the Company and/or Employer plus (ii) all overtime payments, bonuses, commissions, profit-sharing distributions or other incentive-type payments received during such period. Such Compensation will be calculated before deduction of (A) any income or employment tax withholdings or (B) any contributions made by the Participant to any Code Section 401(k) salary deferral plan or any Code Section 125 cafeteria benefit program now or hereafter established by the Company or Employer. However, Compensation will not include any contributions made by the Company or any Employer on the Participant's behalf to any employee benefit or welfare plan now or hereafter established (other than Code Section 401(k) or Code Section 125 contributions deducted from such calculation of Compensation).

(j) "Contributions" means the payroll deductions and other additional payments that the Company may permit to be made by a Participant to fund the exercise of options granted pursuant to the Plan.

(k) "Designated Subsidiary" means any Subsidiary that has been designated by the Administrator from time to time in its sole discretion as eligible to participate in the Plan.

(l) "Director" means a member of the Board.

(m) "Eligible Employee" means any individual who is a common law employee of the Company or a Designated Subsidiary and is customarily employed for at least twenty (20) hours per week and more than five (5) months in any calendar year by the Employer, or any lesser number of hours per week and/or number of months in any calendar year established by the Administrator (if required under applicable local law) for purposes of any separate Offering. For purposes of the Plan, the employment relationship will be treated as continuing intact while the individual is on sick leave or other leave of absence that the Employer approves. Where the period of leave exceeds six (6) months and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship will be deemed to have terminated six months and one (1) day following the commencement of such leave. The Administrator, in its discretion, from time to time may, prior to an Enrollment Date for all options to be granted on such Enrollment Date, determine (on a uniform and nondiscriminatory basis) that the definition of Eligible Employee will or will not include an individual if he or she: (i) has not completed at least two (2) years of service since his or her last hire date (or such lesser period of time as may be determined by the Administrator in its discretion), (ii) customarily works not more than twenty (20) hours per week (or such lesser period of time as may be determined by the Administrator in its discretion), (iii) customarily works not more than five (5) months per calendar year (or such lesser period of time as may be determined by the Administrator in its discretion), (iv) is a highly compensated employee within the meaning of Section 414(q) of the Code with compensation above a certain level or is an officer or subject to the disclosure requirements of Section 16(a) of the Exchange Act, provided the exclusion is applied with respect to each Offering in an identical manner to all highly compensated individuals of the Employer whose Employees are participating in that Offering.

(n) "Employer" means the employer of the applicable Eligible Employee(s).

(o) "Enrollment Date" means the first Trading Day of each Offering Period.

(p) "Exchange Act" means the Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder.

(q) "Exercise Date" means the last Trading Day of each Purchase Period.

(r) "Fair Market Value" means, as of any date and unless the Administrator determines otherwise, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The NASDAQ Stock Market, its Fair Market Value will be the closing sales price for such stock as quoted on such exchange or system on the date of determination (or on the last preceding Trading Day for which such quotation exists if the date of determination is not a Trading Day), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value will be the mean between the high bid and low asked prices for the Common Stock on the date of determination (or on the last preceding Trading Day if the date of determination is not a Trading Day), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof will be determined in good faith by the Administrator.

(s) "Fiscal Year" means the fiscal year of the Company.

(t) "New Exercise Date" means a new Exercise Date if the Administrator shortens any Offering Period then in progress.

(u) "Offering Periods" means the periods of approximately twenty-four (24) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after February 1 and August 1 of each year and terminating on the last Trading Day in the periods ending twenty-four (24) months later. The duration and timing of Offering Periods may be changed pursuant to Sections 4 and 20.

(v) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(w) "Participant" means an Eligible Employee that participates in the Plan.

(x) "Plan" means this Align Technology, Inc. 2010 Employee Stock Purchase Plan.

(y) "Purchase Period" means the approximately six (6) month period commencing after one Exercise Date and ending with the next Exercise Date, except that the first Purchase Period of any Offering Period will commence on the Enrollment Date and end with the next Exercise Date.

(z) "Purchase Price" means an amount equal to eighty-five percent (85%) of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided however, that the Purchase Price may be determined for subsequent Offering Periods by the Administrator subject to compliance with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule) or pursuant to Section 20.

(aa) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(bb) "Trading Day" means a day on which the national stock exchange upon which the Common Stock is listed is open for trading.

4. Eligibility.

(a) Offering Periods. Any Eligible Employee on a given Enrollment Date will be eligible to participate in the Plan, subject to the requirements of Section 5. Employees who are citizens or residents of a non-U.S. jurisdiction may be excluded from participation in the Plan or an Offering if the participation of such Employees is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan or an Offering to violate Section 423 of the Code.

(b) Limitations. Any provisions of the Plan to the contrary notwithstanding, no Eligible Employee will be granted an option under the Plan (i) to the extent that, immediately after the grant, such Eligible Employee (or any other person whose stock would be attributed to such Eligible Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company or any Parent or Subsidiary of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Parent or Subsidiary of the Company, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans (as defined in Section 423 of the Code) of the Company or any Parent or Subsidiary of the Company accrues at a rate, which exceeds twenty-five thousand dollars ($25,000) worth of stock (determined at the Fair Market Value of the stock at the time such option is granted) for each calendar year in which such option is outstanding at any time, as determined in accordance with Section 423 of the Code and the regulations thereunder.

5. Offering Periods. The Plan will be implemented by consecutive, overlapping Offering Periods with a new Offering Period commencing on the first Trading Day on or after February 1 and August 1 each year, or on such other date as the Administrator will determine. The Administrator will have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without stockholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected thereafter.

6. Participation. An Eligible Employee may participate in the Plan by (i) submitting to the Company's stock administration office (or its designee), on or before a date determined by the Administrator prior to an applicable Enrollment Date, a properly completed subscription agreement authorizing Contributions in the form provided by the Administrator for such purpose, or (ii) following an electronic or other enrollment procedure determined by the Administrator.

7. Contributions.

(a) At the time a Participant enrolls in the Plan pursuant to Section 5, he or she will elect to have payroll deductions made on each pay day or other Contributions (to the extent permitted by the Administrator) made during the Offering Period in an amount not less than one percent (1%) and not exceeding fifteen percent (15%) of the Compensation, which he or she receives on each pay day during the Offering Period; provided, however, that should a pay day occur on an Exercise Date, a Participant will have any payroll deductions made on such day applied to his or her account under the subsequent Purchase Period or Offering Period. The Administrator, in its sole discretion, may permit all Participants in a specified Offering to contribute amounts to the Plan through payment by cash, check or other means set forth in the subscription agreement prior to each Exercise Date of each Purchase Period, provided that payment through means other than payroll deductions shall be permitted only if the Participant has not already had the maximum permitted amount withheld through payroll deductions during the Purchase Period. A Participant's subscription agreement will remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(b) Payroll deductions for a Participant will commence on the first pay day following the Enrollment Date and will end on the last pay day prior to the Exercise Date of such Offering Period to which such authorization is applicable, unless sooner terminated by the Participant as provided in Section 10 hereof.

(c) All Contributions made for a Participant will be credited to his or her account under the Plan and payroll deductions will be made in whole percentages only. A Participant may not make any additional payments into such account.

(d) A Participant may discontinue his or her participation in the Plan as provided in Section 10, or may increase or decrease the rate of his or her Contributions during the Offering Period by (i) properly completing and submitting to the Company's stock administration office (or its designee), on or before a date determined by the Administrator prior to an applicable Exercise Date, a new subscription agreement authorizing the change in Contribution rate in the form provided by the Administrator for such purpose, or (ii) following an electronic or other procedure prescribed by the Administrator; provided, however, that a Participant may only make one Contribution change during each month of the Offering Period and, provided, further, that unless the Administrator provides otherwise, a Participant may reduce, but not increase, his or her Contribution rate during a Purchase Period for that Purchase Period (it being understood that a Participant may increase his or her Contribution rate for a future Purchase Period prior to the commencement of any such Purchase Period). If a Participant has not followed such procedures to change the rate of Contributions, the rate of his or her Contributions will continue at the originally elected rate throughout the Offering Period and future Offering Periods (unless terminated as provided in Section 10). The Administrator may, in its sole discretion, limit the nature and/or number of Contribution rate changes that may be made by Participants during any Offering Period, and may establish such other conditions or limitations as it deems appropriate for Plan administration. Any change in payroll deduction rate made pursuant to this Section 6(d) will be effective as of the first full payroll period following five (5) business days after the date on which the change is made by the Participant (unless the Administrator, in its sole discretion, elects to process a given change in payroll deduction rate more quickly).

(e) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b), a Participant's Contributions may be decreased to zero percent (0%) at any time during a Purchase Period. Subject to Section 423(b)(8) of the Code and Section 3(b) hereof, Contributions will recommence at the rate originally elected by the Participant effective as of the beginning of the first Purchase Period scheduled to end in the following calendar year, unless terminated by the Participant as provided in Section 10.

(f) Notwithstanding any provisions to the contrary in the Plan, the Administrator may allow Eligible Employees to participate in the Plan via cash contributions instead of payroll deductions if (i) payroll deductions are not permitted under applicable local law, and (ii) the Administrator determines that cash contributions are permissible under Section 423 of the Code.

(g) At the time the option is exercised, in whole or in part, or at the time some or all of the Common Stock issued under the Plan is disposed of (or any other time that a taxable event related to the Plan occurs), the Participant must make adequate provision for the Company's or Employer's federal, state, local or any other tax liability payable to any authority including taxes imposed by jurisdictions outside of the U.S., national insurance, social security or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock (or any other time that a taxable event related to the Plan occurs). At any time, the Company or the Employer may, but will not be obligated to, withhold from the Participant's Compensation the amount necessary for the Company or the Employer to meet applicable withholding obligations, including any withholding required to make available to the Company or the Employer any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Eligible Employee. In addition, the Company or the Employer may, but will not be obligated to, withhold from the proceeds of the sale of Common Stock or any other method of withholding the Company or the Employer deems appropriate to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f).

8. Grant of Option. On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period will be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of Common Stock determined by dividing such Eligible Employee's Contributions accumulated prior to such Exercise Date and retained in the Eligible

Employee's account as of the Exercise Date by the applicable Purchase Price; provided that (a) in no event will an Eligible Employee be permitted to purchase during each Purchase Period more than 2,500 shares of the Company's Common Stock (subject to the limitations set forth in Section 3(b)) on the Enrollment Date, (b) in no event will the number of shares of the Company's Common Stock that may be purchased during each Purchase Period under the Plan exceed 400,000 shares, and (c) such limits under clauses (a) and (b) further will be subject to the limitations set forth in Section 13 and to any adjustment pursuant to Section 19. The Eligible Employee may accept the grant of such option with respect to an Offering Period by electing to participate in the Plan in accordance with the requirements of Section 5. The Administrator may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of Common Stock that an Eligible Employee may purchase during each Purchase Period of an Offering Period. Exercise of the option will occur as provided in Section 8, unless the Participant has withdrawn pursuant to Section 10. The option will expire on the last day of the Offering Period.

9. Exercise of Option.

(a) Unless a Participant withdraws from the Plan as provided in Section 10, his or her option for the purchase of shares of Common Stock will be exercised automatically on the Exercise Date, and the maximum number of full shares subject to the option will be purchased for such Participant at the applicable Purchase Price with the accumulated Contributions from his or her account. No fractional shares of Common Stock will be purchased; any Contributions accumulated in a Participant's account, which are not sufficient to purchase a full share will be retained in the Participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the Participant as provided in Section 10. Any other funds left over in a Participant's account after the Exercise Date will be returned to the Participant. During a Participant's lifetime, a Participant's option to purchase shares hereunder is exercisable only by him or her.

(b) If the Administrator determines that, on a given Exercise Date, the number of shares of Common Stock with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period, or (ii) the number of shares of Common Stock available for sale under the Plan on such Exercise Date, the Administrator may in its sole discretion (x) provide that the Company will make a pro rata allocation of the shares of Common Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all Participants exercising options to purchase Common Stock on such Exercise Date, and continue all Offering Periods then in effect or (y) provide that the Company will make a pro rata allocation of the shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and terminate any or all Offering Periods then in effect pursuant to Section 20. The Company may make a pro rata allocation of the shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date.

10. Delivery. As soon as reasonably practicable after each Exercise Date on which a purchase of shares of Common Stock occurs, the Company will arrange the delivery to each Participant the shares purchased upon exercise of his or her option in a form determined by the Administrator (in its sole discretion) and pursuant to rules established by the Administrator. The Company may permit or require that shares be deposited directly with a broker designated by the Company or to a designated agent of the Company, and the Company may utilize electronic or automated methods of share transfer. The Company may require that shares be retained with such broker or agent for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions of such shares. No Participant will have any voting, dividend, or other stockholder rights with respect to shares of Common Stock subject to any option granted under the Plan until such shares have been purchased and delivered to the Participant as provided in this Section 9.

11. Withdrawal.

(a) A Participant may withdraw all but not less than all the Contributions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by (i) submitting to the Company's stock administration office (or its designee) a written notice of withdrawal in the form determined by the Administrator for such purpose, or (ii) following an electronic or other withdrawal procedure determined by the Administrator. All of the Participant's Contributions credited to his or her account will be paid to such Participant promptly after receipt of notice of withdrawal and such Participant's option for the Offering Period will be automatically terminated, and no further Contributions for the purchase of shares will be made for such Offering Period. If a Participant withdraws from an Offering Period, Contributions will not resume at the beginning of the succeeding Offering Period, unless the Participant re-enrolls in the Plan in accordance with the provisions of Section 5.

(b) A Participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any similar plan that may hereafter be adopted by the Company or in succeeding Offering Periods that commence after the termination of the Offering Period from which the Participant withdraws.

12. Termination of Employment. Upon a Participant's ceasing to be an Eligible Employee, for any reason, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to such Participant's account during the Offering Period but not yet used to purchase shares of Common Stock under the Plan will be returned to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15, and such Participant's option will be automatically terminated.

13. Interest. No interest will accrue on the Contributions of a participant in the Plan, except as may be required by applicable law, as determined by the Company, and if so required by the laws of a particular jurisdiction, shall apply to all Participants in the relevant Offering except to the extent otherwise permitted by U.S. Treasury Regulation Section 1.423-2(f).

14. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of Common Stock that will be made available for sale under the Plan will be 2,400,000 shares of Common Stock.

(b) Until the shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), a Participant will only have the rights of an unsecured creditor with respect to such shares, and no right to vote or receive dividends or any other rights as a stockholder will exist with respect to such shares.

(c) Shares of Common Stock to be delivered to a Participant under the Plan will be registered in the name of the Participant or in the name of the Participant and his or her spouse.

15. Administration. The Plan will be administered by the Board or a Committee appointed by the Board, which Committee will be constituted to comply with Applicable Laws. The Administrator will have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to designate separate Offerings under the Plan, to determine eligibility, to adjudicate all disputed claims filed under the Plan and to establish such procedures that it deems necessary for the administration of the Plan (including, without limitation, to adopt such procedures and sub-plans as are necessary or appropriate to permit the participation in the Plan by employees who are foreign nationals or employed outside the U.S.). Unless otherwise determined by the Administrator, the Employees eligible to participate in each sub-plan will participate in a separate Offering. Without limiting the generality of the foregoing, the Administrator is specifically authorized to adopt rules and procedures regarding eligibility to participate, the definition of Compensation, handling of Contributions, making of Contributions to the Plan (including, without limitation, in forms other than payroll deductions), establishment

of bank or trust accounts to hold Contributions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of stock certificates that vary with applicable local requirements. Every finding, decision and determination made by the Administrator will, to the full extent permitted by law, be final and binding upon all parties.

16. Designation of Beneficiary.

(a) If permitted by the Administrator, a Participant may file a designation of a beneficiary who is to receive any shares of Common Stock and cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such Participant of such shares and cash. In addition, if permitted by the Administrator, a Participant may file a designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the option. If a Participant is married and the designated beneficiary is not the spouse, spousal consent will be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the Participant at any time by notice in a form determined by the Administrator. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company will deliver such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(c) All beneficiary designations will be in such form and manner as the Administrator may designate from time to time. Notwithstanding Sections 15(a) and (b) above, the Company and/or the Administrator may decide not to permit such designations by Participants in non-U.S. jurisdictions to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f).

17. Transferability. Neither Contributions credited to a Participant's account nor any rights with regard to the exercise of an option or to receive shares of Common Stock under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition will be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

18. Use of Funds. The Company may use all Contributions received or held by it under the Plan for any corporate purpose, and the Company will not be obligated to segregate such Contributions except under Offerings in which applicable local law requires that Contributions to the Plan by Participants be segregated from the Company's general corporate funds and/or deposited with an independent third party for Participants in non-U.S. jurisdictions. Until shares of Common Stock are issued, Participants will only have the rights of an unsecured creditor with respect to such shares.

19. Reports. Individual accounts will be maintained for each Participant in the Plan. Statements of account will be given to participating Eligible Employees at least annually, which statements will set forth the amounts of Contributions, the Purchase Price, the number of shares of Common Stock purchased and the remaining cash balance, if any.

20. Adjustments, Dissolution, Liquidation, Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common

Stock or other securities of the Company, or other change in the corporate structure of the Company affecting the Common Stock occurs, the Administrator, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will, in such manner as it may deem equitable, adjust the number and class of Common Stock that may be delivered under the Plan, the Purchase Price per share and the number of shares of Common Stock covered by each option under the Plan that has not yet been exercised, and the numerical limits of Sections 7 and 13.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, any Offering Period then in progress will be shortened by setting a New Exercise Date, and will terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Administrator. The New Exercise Date will be before the date of the Company's proposed dissolution or liquidation. The Administrator will notify each Participant in writing or electronically, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) Merger or Change in Control. In the event of a merger or Change in Control, each outstanding option will be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, the Offering Period with respect to which such option relates will be shortened by setting a New Exercise Date on which such Offering Period shall end. The New Exercise Date will occur before the date of the Company's proposed merger or Change in Control. The Administrator will notify each Participant in writing or electronically prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

21. Amendment or Termination.

(a) The Administrator, in its sole discretion, may amend, suspend, or terminate the Plan, or any part thereof, at any time and for any reason. If the Plan is terminated, the Administrator, in its discretion, may elect to terminate all outstanding Offering Periods either immediately or upon completion of the purchase of shares of Common Stock on the next Exercise Date (which may be sooner than originally scheduled, if determined by the Administrator in its discretion), or may elect to permit Offering Periods to expire in accordance with their terms (and subject to any adjustment pursuant to Section 19). If the Offering Periods are terminated prior to expiration, all amounts then credited to Participants' accounts that have not been used to purchase shares of Common Stock will be returned to the Participants (without interest thereon, except as otherwise required under local laws, as further set forth in Section 12 hereof) as soon as administratively practicable.

(b) Without stockholder consent and without limiting Section 20(a), the Administrator will be entitled to change the Offering Periods, designate separate Offerings, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with Contribution amounts, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable that are consistent with the Plan.

(c) In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) amending the Plan to conform with the safe harbor definition under Statement of Financial Accounting Standards Codification Topic 718 (or any successor thereto), including with respect to an Offering Period underway at the time;

(ii) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(iii) shortening any Offering Period by setting a New Exercise Date, including an Offering Period underway at the time of the Administrator action;

(iv) reducing the maximum percentage of Compensation a Participant may elect to set aside as Contributions; and

(v) reducing the maximum number of Shares a Participant may purchase during any Offering Period or Purchase Period.

Such modifications or amendments will not require stockholder approval or the consent of any Plan Participants.

22. Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan will be deemed to have been duly given when received in the form and manner specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

23. Conditions Upon Issuance of Shares. Shares of Common Stock will not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto will comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and will be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

24. Code Section 409A. The Plan is exempt from the application of Code Section 409A. In furtherance of the foregoing and notwithstanding any provision in the Plan to the contrary, if the Administrator determines that an option granted under the Plan may be subject to Code Section 409A or that any provision in the Plan would cause an option under the Plan to be subject to Code Section 409A, the Administrator may amend the terms of the Plan and/or of an outstanding option granted under the Plan, or take such other action the Administrator determines is necessary or appropriate, in each case, without the Participant's consent, to exempt any outstanding option or future option that may be granted under the Plan from or to allow any such options to comply with Code Section 409A, but only to the extent any such amendments or action by the Administrator would not violate Code Section 409A. Notwithstanding the foregoing, the Company shall have no liability to a Participant or any other party if the option to purchase Common Stock under the Plan that is intended to be exempt from or compliant with Code Section 409A is not so exempt or compliant or for any action taken by the Administrator with respect thereto. The Company makes no representation that the option to purchase Common Stock under the Plan is compliant with Code Section 409A.

25. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

26. Governing Law. The Plan shall be governed by, and construed in accordance with, the laws of the State of California (except its choice-of-law provisions).

27. Severability. If any provision of the Plan is or becomes or is deemed to be invalid, illegal, or unenforceable for any reason in any jurisdiction or as to any Participant, such invalidity, illegality or unenforceability shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as to such jurisdiction or Participant as if the invalid, illegal or unenforceable provision had not been included.

28. Automatic Transfer to Low Price Offering Period. To the extent permitted by Applicable Laws, if the Fair Market Value of the Common Stock on any Exercise Date in an Offering Period is lower than the Fair Market Value of the Common Stock on the Enrollment Date of such Offering Period, then all participants in such Offering Period will be automatically withdrawn from such Offering Period immediately after the exercise of their option on such Exercise Date and automatically re-enrolled in the immediately following Offering Period as of the first day thereof.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 0-32259

ALIGN TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	**94-3267295**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

881 Martin Avenue
Santa Clara, California 95050
(Address of principal executive offices)

(408) 470-1000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.0001 par value (Including associated Preferred Stock Purchase Rights)	**The NASDAQ Stock Market LLC (NASDAQ Global Market)**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $601,598,887 as of June 30, 2009 based on the closing sale price of the registrant's common stock on the NASDAQ Global Market on such date. Shares held by persons who may be deemed affiliates have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

On February 19, 2010, 75,277,984 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to its 2010 Annual Stockholders' Meeting to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year end of December 31, 2009 are incorporated by reference into Part III of this Annual Report on Form 10-K.

ALIGN TECHNOLOGY, INC.

FORM 10-K
For the Year Ended December 31, 2009
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Invisalign, Align, ClinCheck, Invisalign Assist, Invisalign Teen and Vivera, amongst others, are trademarks belonging to Align Technology, Inc. and are pending or registered in the United States and other countries.

In addition to historical information, this annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, among other things, our expectations regarding the Proficiency Requirements and its impact on our case volume and revenues, the anticipated impact our new products and product enhancements will have on doctor utilization and our market share, our expectations regarding product mix and product adoption, our expectations regarding the existence and impact of seasonality, our expectations regarding the continued growth of our international markets, our expectations regarding the impact of increased consumer marketing programs in Europe, the anticipated level of our operating expenses, and other factors beyond our control, as well as other statements regarding our future operations, financial condition and prospects and business strategies. These statements may contain words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," or other words indicating future results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations", and in particular, the risks discussed below in Part I, Item 1A "Risk Factors." We undertake no obligation to revise or update these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I

ITEM 1. BUSINESS

Our Company

Align Technology, Inc. designs, manufactures and markets the Invisalign system, a proprietary method for treating malocclusion, or the misalignment of teeth. Invisalign corrects malocclusion using a series of clear, nearly invisible, removable appliances that gently move teeth to a desired final position. Because it does not rely on the use of metal or ceramic brackets and wires, Invisalign significantly reduces the aesthetic and other limitations associated with metal arch wires and brackets, commonly referred to as braces. We received the United States Food and Drug Administration ("FDA") clearance to market Invisalign in 1998. The Invisalign system is regulated by the FDA as a Class II medical device.

We distribute the vast majority of our products directly to our customers: the orthodontist and the general practitioner dentist, or GP. In order to provide the Invisalign treatment solution to their patients, orthodontists and GPs must initially complete an Invisalign training course. In addition, for North America dental professionals, every Invisalign provider must start 10 Invisalign cases and complete at least 10 Invisalign-specific continuing education (CE) credits each calendar year. See discussion of Invisalign Proficiency Requirements in *Item 1 – Business – Business Strategy – Becoming a Leading Invisalign provider*. The Invisalign system is sold in North America, Europe, Asia Pacific, Latin America and Japan. We use a distributor model for the sale of our products in parts of the Asia Pacific and Latin American regions. Additionally, we recently announced the addition of an international distributor for the smaller country markets in Europe, the Middle East and Africa.

We were incorporated in Delaware in April 1997. Our headquarters are currently located at 881 Martin Avenue, Santa Clara, California 95050, and our telephone number is 408-470-1000. In January 2010, we entered into a lease agreement for office space located at 2560 Orchard Parkway, San Jose, California for our new corporate headquarters. We expect to commence conducting business at this location on or about June 28, 2010. Our international headquarters are located in Amsterdam, Netherlands. Our digital planning and software facility is located in San Jose, Costa Rica and our aligner manufacturing facility is located in Juarez, Mexico.

Industry Background

Malocclusion

Malocclusion, or the misalignment of teeth, is one of the most prevalent clinical dental conditions, affecting approximately 50 to 75% of the population of major developed countries or nearly a billion individuals. Approximately 4 million people annually elect treatment by orthodontists worldwide, of which approximately 2.2 million have mild to moderate malocclusion and are applicable to Invisalign—our served market. While most individuals seek orthodontic treatment to improve their appearance, malocclusion may also be responsible for dental problems such as tooth decay, tooth loss, gum disease, jaw joint pain and headaches. Because of the compromised aesthetics, discomfort and other drawbacks associated with traditional orthodontic treatments, only a relatively small proportion of people with malocclusion seek treatment.

Traditional Orthodontic Treatment

In the U.S., dental professionals treat malocclusion primarily with metal arch wires and brackets, commonly referred to as braces. Occasionally, dental professionals attempt to improve treatment aesthetics by using ceramic, tooth-colored brackets or bond brackets on the inside, or lingual surfaces, of the patient's teeth. Dental professionals also augment braces with elastics, metal bands, headgear and other ancillary devices.

The average treatment takes approximately 12 to 24 months to complete and requires several hours of direct dental professional involvement, or chair time. To initiate treatment, a dental professional will diagnose a patient's condition and create an appropriate treatment plan. In a subsequent visit, the dental professional will bond brackets to the patient's teeth with a bonding agent and attach an arch wire to the brackets. Thereafter, by tightening or otherwise adjusting the braces approximately every six weeks, the dental professional is able to exert sufficient force on the patient's teeth to achieve desired tooth movement. In a final visit, the dental professional removes each bracket and residual bonding agent from the patient's teeth. Upon completion of the treatment, the dental professional may, at his or her discretion, have the patient use a retainer.

Fees for traditional orthodontic treatment typically range between U.S. $3,500 to $7,000 with a median fee of approximately $5,000; generally only a portion of the fee is reimbursed by insurance. Fees are based on the difficulty of the particular case and on the dental professional's estimate of chair time, and are generally negotiated in advance. A treatment that exceeds the dental professional's estimate of chair time generally results in decreased fees per hour of chair time, and reduced profitability for the dental professional.

Limitations of Traditional Orthodontic Treatment

Although braces are generally effective in correcting a wide range of malocclusions, they are subject to many limitations and disadvantages. Traditional orthodontic treatment is associated with:

- *Unattractive appearance.* Braces call attention to the patient's condition and treatment. In addition, braces trap food, which can further compromise appearance. Braces can also result in permanent discoloration of teeth. As a result of these and other limitations, relatively few adults with malocclusion elect traditional orthodontic treatment and braces can compromise the self esteem of young adults and teenagers.
- *Oral discomfort.* Braces are sharp and bulky and can abrade and irritate the interior surfaces of the mouth. The tightening or adjustment of braces results in root and gum soreness and discomfort, especially in the few days immediately following an orthodontic visit.
- *Poor oral hygiene.* Braces can make it difficult to brush and floss leaving teeth vulnerable to developing decay, plaque, periodontal disease and stains that must be taken care of after braces are removed. Additionally, the bonding of brackets to teeth can cause permanent markings on the teeth.
- *Inability to project treatment.* Historically, dental professionals have not had a means to model the movement of teeth over a course of treatment. Accordingly, dental professionals must rely on intuition

and judgment to plan and project treatment. As a result, they cannot be precise about the direction or distance of expected tooth movement between patient visits. This lack of predictability may result in unwanted tooth movements and can limit the dental professional's ability to estimate the duration of treatment. Because most orthodontic treatment is performed on a fixed price basis, extended treatment duration reduces profitability for the dental professional.

- *Physical demands on dental professional.* The manipulation of wires and brackets requires sustained manual dexterity and visual acuity, and may place other physical burdens on the dental professional.
- *Root resorption.* The sustained high levels of force associated with traditional treatment can result in root resorption, which is a shortening of tooth roots. This shortening can have substantial adverse periodontal consequences for the patient.
- *Emergencies.* At times, brackets and wires need to be repaired or replaced on an emergency basis. Such emergencies cause significant inconvenience to both the patient and the dental professional.

Due to the poor aesthetics, discomfort and other limitations of braces, relatively few adults with malocclusion elect traditional orthodontic treatment. Additionally, teenagers that seek orthodontic treatment have traditionally only had the option of braces for treatment. Accordingly, we believe there is a large unmet need for an alternative orthodontic system that addresses these patient concerns.

The Invisalign Solution

Invisalign is a proprietary system for treating malocclusion. The Invisalign system is comprised of several phases, the principal steps of which are the creation of customized digital treatment plans using proprietary software known as ClinCheck, which occurs in our facility in San Jose, Costa Rica, and the manufacturing of customized Invisalign aligners, which occurs in our facility in Juarez, Mexico.

Orthodontic diagnosis and transmission of treatment data to us. In an initial patient visit, the dental professional determines whether Invisalign is an appropriate treatment. The dental professional then prepares a treatment data package which consists of a polyvinyl-siloxane, or PVS impression of the relevant dental arches, x-rays of the patient's dentition, photographs of the patient, a bite impression depicting the relationship between the patient's upper and lower dental arches and an Invisalign treatment planning form, or prescription. The impression is a critical component of the Invisalign system as it depicts the three-dimensional geometry of the patient's teeth and hence forms the basis for our computer models and subsequent molds and aligners. An impression requires the patient to bite into a viscous material. This material hardens, capturing the shape of the patient's teeth. The prescription is also a critical component of the Invisalign system, describing the desired positions and movement of the patient's teeth. The dental professional sends the treatment data to our facility in Juarez, Mexico.

Preparation of three-dimensional computer models of the patient's initial malocclusion. Upon receipt, we use the treatment data to construct digital models of the patient's dentition. Using computed tomography, known as CT scanning, we scan the PVS impression to develop a digital, three-dimensional computer model of the patient's current dentition. We then transmit this initial computer model together with the dental professional's prescription and supplemental materials electronically to our facility in San Jose, Costa Rica.

Preparation of computer-simulated treatment and viewing of treatment using ClinCheck. In Costa Rica, we transform this initial digital model into a proposed custom, three-dimensional treatment plan that simulates appropriate tooth movement in a series of two-week increments. This simulated treatment plan, called ClinCheck, is an internally developed and proprietary computer modeling program that allows dental professionals to diagnose and plan treatments for their patients. This ClinCheck simulation is then reviewed for adherence to prescribed clinical treatment and quality standards. Upon completion of the review, the patient's ClinCheck is then made available to the prescribing dental professional via Virtual Invisalign Practice (VIP), our proprietary customer interfacing software portal, which is available on our websites located at *www.invisalign.com* and *www.aligntech.com.* The dental professional then reviews the ClinCheck and can either accept the proposed treatment or request modifications and adjustments until satisfied with the treatment plan. ClinCheck allows the dental professional to view this three-dimensional simulation with a high degree of magnification and from any angle. Accordingly, ClinCheck enables the dental professional to project tooth movement with a level of accuracy not previously possible with metal arch wires and brackets. By reviewing and amending the treatment simulation, the dental professional retains control over the treatment plan and, thus participates in the customized design of the aligners. At this point, the dental professional may also invite the patient to view the treatment plan, allowing the patient to see the projected course of treatment. The dental professional's final approval of the proposed ClinCheck treatment engages us to manufacture the corresponding molds and aligners in Juarez, Mexico.

Construction of molds corresponding to each step of treatment. Upon the dental professional's approval of the ClinCheck simulation, we use the data underlying the simulation, in conjunction with stereolithography technology, to construct a series of molds depicting the future position of the patient's teeth. Each mold is a replica of the patient's teeth at each two-week stage of the simulated course of treatment. These molds are then used to fabricate the patient's aligners.

Manufacture of aligners and shipment to the dental professional. From these molds, aligners are fabricated by pressure-forming polymeric sheets over each mold. Aligners are thin, clear plastic, removable dental appliances that are custom manufactured in a series to correspond to each two-week stage of the ClinCheck simulation. Aligners are customized to perform the treatment prescribed for an individual patient by dental professionals using ClinCheck. Each aligner covers a patient's teeth and is nearly invisible when worn. Aligners are commonly worn in pairs, over the upper and lower dental arches. Aligners are generally worn for consecutive two-week periods which correspond to the approved ClinCheck treatment simulation. After two weeks of use, the patient replaces them with the next pair in the series, advancing the teeth movement with each aligner stage. This process is repeated until the final aligners are used and treatment is complete. When treating with Invisalign Full, Invisalign Express and Invisalign Teen, aligners are manufactured and then delivered to the dental professionals in a single shipment. For Invisalign Assist, aligners are manufactured in batches based on a progress tracking feature integrated into Invisalign Assist. When the progress tracking feature is selected, aligners are shipped to the dental professional after every nine stages. In certain cases, dental professionals may use Invisalign in conjunction with tooth-colored attachments bonded to the patient's teeth. These attachments are used to increase the force applied to a tooth or teeth in circumstances where the aligners alone may have difficulty in effecting the desired movement. We provide an aligner-like template to the dental professionals to aid the placement of bonding attachments to the patient's teeth where needed. Also, in cases where interproximal reduction, or IPR, is required or requested by the dental professional, we provide an IPR treatment form, quantifying the amount of space to be created through enamel reduction, location, and timing of IPR.

Retention. Upon completion of the treatment, the patient may be prescribed our single clear retainer product or our Vivera retainer product. Vivera retainers are shipped every three months over the one year period.

Our Products

Our revenues are generated from the sale of the following product offerings.

Percentage of Revenues by Product	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
Invisalign Full	75%	84%	86%
Invisalign Express	9	8	8
Invisalign Teen	8	2	—
Invisalign Assist	3	—	—
Other	5	6	6
Total	100%	100%	100%

Invisalign Full. Invisalign Full is intended to be used as a complete treatment for a broad range of malocclusions. Each treatment plan is unique to the individual patient and will consist of as many aligners as indicated by ClinCheck in order to achieve the doctor's treatment goals. For Invisalign Full, aligners are manufactured and then delivered to the dental professionals in a single shipment.

Invisalign Express. Invisalign Express is a lower-cost solution for less complex orthodontic cases. Invisalign Express is a dual arch orthodontic treatment for cases that meet certain predetermined clinical criteria and consist of up to ten sets of aligners. Invisalign Express is intended to help a broader range of patients elect orthodontic treatment by providing a lower-cost option for adult relapse cases, for minor crowding and spacing, or as a pre-cursor to restorative or cosmetic treatments such as veneers. For Invisalign Express, aligners are manufactured and then delivered to the dental professionals in a single shipment.

Invisalign Teen. Invisalign Teen is designed to meet the specific needs of the non-adult comprehensive or teen treatment market. Invisalign Teen includes features such as compliance indicators to help gauge patient wear and compliance and specially engineered aligner features to address the natural eruption of key teeth common in teen patients. Predominantly marketed to orthodontists who treat the vast majority of malocclusion in teen patients, these features are intended to meet the treatment needs of those younger patients. As part of Invisalign Teen, we include up to six free individual replacement aligners during active treatment to cover potential aligner loss. For Invisalign Teen, aligners (other than the replacement aligners) are manufactured and then delivered to the dental professionals in a single shipment.

Invisalign Assist. Invisalign Assist is designed specifically for GPs who want more support in selecting, monitoring and finishing Invisalign cases. Intended to help newly-trained and lower volume GPs accelerate the adoption and frequency of use of Invisalign into their practice, Invisalign Assist is intended to make it easier for GPs to select appropriate cases for their experience level or treatment approach, submit cases more efficiently and manage appointments with suggested tasks. In addition, progress tracking features allow GPs to submit new impressions every nine stages. When the progress tracking feature is selected, aligners are shipped to the dental professional after every nine stages**.**

Retention. In addition to our traditional single retainer product, we offer Vivera retainers, where we deliver a new replacement retainer to orthodontic patients every three months for one year. Vivera retainers are produced using the same proprietary technology and material as the Invisalign aligners, and offer an effective, aesthetic retention solution for both Invisalign and non-Invisalign patients.

Training, Ancillary and Other. The remaining net revenues are generated by training fees and sales of ancillary products, such as cleaning material and adjusting tools used by dental professionals during the course of treatment.

Proprietary software mentioned in this Annual Report on Form 10-K such as ClinCheck and VIP (Virtual Invisalign Practice) are included as part of the Invisalign system and are not sold separately nor do they contribute as individual items of revenue.

Benefits of Invisalign

We believe that Invisalign provides benefits to dental professionals and patients that have the potential to establish Invisalign as the preferred alternative to traditional braces.

Benefits to the dental professional

- *Ability to visualize the treatment plan and treatment options*. ClinCheck enables dental professionals to preview and modify the intended outcome of treatment in an interactive three-dimensional computer model. ClinCheck allows dental professionals to analyze multiple treatment alternatives before selecting the course of action they feel is most appropriate for the patient.

- *Expanded patient base.* We believe that Invisalign has the potential to transform the practice of orthodontics. Currently, approximately 4 million people annually elect treatment by orthodontists worldwide, of which approximately 2.2 million have mild to moderate malocclusion and are applicable to Invisalign—our served market. As of December 31, 2009, our share of the 2.2 million patients in our served market is approximately 6%. Our market research indicates that the vast majority of people with malocclusion who desire treatment do not elect traditional treatment because of its many limitations. We believe that since Invisalign addresses the primary limitations of braces, adults, who are particularly sensitive to aesthetic limitations of traditional treatment, will be more likely to seek treatment. We therefore believe that Invisalign will allow dental professionals to attract patients who would not otherwise seek orthodontic treatment. In addition, as the primary care provider, GPs have access to a greater number of patients than orthodontists and possess a unique opportunity to introduce Invisalign and expand their practice and patient base.
- *Practice productivity.* We believe that as dental professionals move to a higher volume of Invisalign patients, they will be able to better leverage their existing resources, including staff time and office space resulting in an increase in daily patient appointments and practice productivity.

Benefits to the Patient

- *Excellent aesthetics.* Aligners are nearly invisible when worn, significantly reducing the aesthetic concerns associated with traditional braces.
- *Comfort.* By replacing the six-week adjustment cycle of traditional braces with two-week stages, aligners move teeth more gently. Also, aligners are thin, smooth and low in profile. As a result, aligners are more comfortable and less irritating than traditional braces.
- *Improved oral hygiene.* Patients can remove aligners for tasks that are difficult with traditional braces, such as eating, brushing and flossing. We believe this feature has the potential to reduce enamel decalcification, tooth decay, and periodontal damage during treatment, which may result from traditional fixed braces.
- *Potentially reduced overall treatment time.* Aligners control force by distributing it broadly over the exposed surfaces of the teeth. In addition, the ClinCheck simulation from which aligners are produced is designed to reduce unintended and unnecessary tooth movements. Together, these factors may reduce overall treatment time relative to traditional braces.
- *Potentially reduced root resorption.* We believe that controlling force and shortening treatment time has the potential to reduce the incidence of root resorption, which is the breakdown or destruction of root structure that can occur during orthodontic treatment.
- *Reduced incidence of emergencies.* Typically, a lost or broken aligner is simply replaced with the next aligner in the treatment series, minimizing inconvenience to both the patient and the dental professional.

We believe that these benefits will prove attractive to people who currently do not seek treatment because of the limitations of traditional braces or as an alternative, more aesthetic treatment option for teenagers.

Limitations of Invisalign

In some instances, the Invisalign system may have certain limitations relative to traditional treatment. Aligners cost more to produce than traditional braces, and we charge dental professionals more than they generally pay for the supplies used in traditional treatment. Depending on the individual pricing policies of each dental professional and the treatment selected, the cost of Invisalign treatment to the patient may be greater than for traditional braces. Dental professionals must also incorporate our manufacturing cycle times into their overall treatment plan. Once a dental professional submits a case to us, there are a variety of factors that may impact when the corresponding aligners are delivered, one of which includes the timing of when the dental professional accepts the case. Aligners may not be appropriate for all cases, such as severe malocclusion, which may require aligners to be used in combination with traditional braces for optimal results. In addition, because aligners are removable, treatment using Invisalign depends on patients wearing their aligners as recommended. Some patients may experience a temporary period of adjustment to wearing aligners that may mildly affect speech. In some instances, patients have experienced scratched or irritated gums, cheeks and lips and in some rare instances, allergic reactions have been reported. We believe that these limitations are generally outweighed by the many benefits of Invisalign to both patients and dental professionals.

Our Target Market and Patient Base

Our market research indicates that the majority of people with malocclusion who desire treatment forgo treatment rather than elect traditional treatment due to its many limitations. We believe that since Invisalign addresses the primary limitations of braces, adults, who are particularly sensitive to aesthetic limitations of traditional treatment, will be more likely to seek treatment and therefore represent our most immediate market expansion opportunity. With the launch of Invisalign Teen in July 2008, we now offer a product designed to meet the needs of the non-adult comprehensive, or younger teen, treatment market. Invisalign Teen makes our treatment more applicable to an orthodontist's patient base, which we believe will provide us the opportunity to increase our penetration into and our share of the teen treatment market.

Approximately 4 million people annually elect treatment by orthodontists worldwide of which approximately 2.2 million have mild to moderate malocclusion and are applicable to Invisalign—our served market. Twenty-three percent of these patients, or approximately 510,000, have mature dentition (adults and older teens), with fully-erupted second molars and substantially completed jaw growth. Seventy-seven percent, or approximately 1.7 million, have erupting dentition (non-adult comprehensive, or younger teens), with partially-erupted second molars, cuspid and second bicuspid teeth. As of December 31, 2009, our share of the 2.2 million patients in our served market is approximately 6%.

Published market data for GPs providing treatment for malocclusion is limited, however, as the primary care provider, GPs have access to a greater number of patients than orthodontists and possess a unique opportunity to introduce Invisalign and expand their practice and patient base. We believe GPs represent a significant market expansion opportunity.

As of December 31, 2009, approximately 1,164,695 patients cumulatively worldwide have started treatment using Invisalign. The Invisalign system is sold in North America, Europe, Asia Pacific, Latin America and Japan. International sales accounted for 24%, 21% and 17% of our net revenues in 2009, 2008 and 2007, respectively. A geographic breakdown of our net revenues is summarized in *Note 18 "Segments and Geographical Information" in the Notes to our Consolidated Financial Statements*. We operate as one reportable segment—the design, development, manufacturing and marketing of Invisalign. Additionally, no single customer accounted for 10% or more of our total net revenues in 2009, 2008, and 2007.

Business Strategy

Our goal is to establish Invisalign as the standard method for treating malocclusion ultimately driving increased product adoption by dental professionals by focusing on the following key strategic initiatives:

1. Continue to accelerate product and technology innovation in order to extend clinical effectiveness and treat more patients and achieve better outcomes;
2. Enhance the customer experience for our doctors and for their staff by making it easier and more efficient to adopt Invisalign into their practice and increase utilization;
3. Drive more efficient consumer demand creation, improve conversion rates and re-fresh the Invisalign brand image and positioning; and
4. Continue to drive European growth while opening up additional new markets around the world.

Product innovation and clinical effectiveness. We believe that product performance and innovation is a cornerstone to our future long-term goal to drive and sustain product adoption. Our primary channels—GPs and orthodontists—each have distinct and separate needs. Specifically, orthodontists want a more robust set of tools for greater predictability, wider applicability and more flexibility in the use of the Invisalign system. On the other hand, typical GPs want greater ease of use, more efficient and simplified diagnostic tools, guidance through the case set-up process, minimal treatment intervention and self-help tools designed to simplify treatment of cases of mild to moderate malocclusion. Based on this knowledge we announced two new products in 2008 to address these distinct needs. In July 2008, we released Invisalign Teen which is designed to meet the specific needs of the non-adult comprehensive or younger teen market. Predominantly marketed to the orthodontist, the launch of a teen-specific product makes the Invisalign system more applicable to an orthodontist's patient base, which we believe will increase our penetration into and our share of the teen treatment market over time. Invisalign Teen has grown from 3% of our total case volume when it was introduced in 2008 to 12% of our total case volume in 2009 and we expect that orthodontists will continue to adopt Invisalign Teen slowly, after they experience multiple successful treatment outcomes. In October 2008, we announced the release of Invisalign Assist, which is intended to help newly-trained and lower volume Invisalign GPs accelerate the adoption and frequency of use of Invisalign into their practice. Invisalign Assist features are intended to make it easier for doctors to select appropriate cases for their experience level or treatment approach. In October 2009, additional features were added or enhanced in Invisalign Assist that are intended to expand the capabilities of Invisalign Assist and give doctors the confidence and control necessary to treat a wider range of patients. We also introduced new and enhanced features in all other Invisalign products. The new product line features are designed to overcome barriers to treatment by addressing clinical issues that some orthodontists and GPs have traditionally perceived as challenging in Invisalign treatment, such as extrusion and rotation of teeth, root movements and interproximal reduction (IPR). We believe continuing to introduce new products and product features will keep us at the forefront of the market and increase adoption and frequency of use (what we call utilization or same practice sales) of Invisalign, however, we expect that adoption of these new products will increase gradually over a number of years.

We continue to make significant progress with new products and features for Invisalign, yet total Invisalign case starts are still small relative to our total served market. During 2010, we plan to continue our efforts to demonstrate clinical efficacy and work towards a long term goal of becoming the orthodontic treatment of choice.

Enhancing the customer experience and increasing adoption. We are committed to enhancing the customer experience by focusing on specific customer "touch points", or areas where we interact directly with our customers. Specifically, we provide robust clinical education resources and training programs, improving customer support, providing field sales support and helping doctors with practice development on how to better integrate Invisalign into their practice.

- *Clinical Education and Training*. Ensuring that trained doctors are confident in using the Invisalign system is a key driver toward our ultimate goal of increasing product adoption. We continuously update our training programs to address the needs of our customers. For instance, we developed a pre-training course intended to familiarize doctors with the Invisalign system prior to attending the full training course. In addition, we recently updated our initial training program, Clear Essentials I, by focusing on Invisalign Assist, instead of Invisalign Full, since we believe Invisalign Assist is the right product for newly trained GPs. We anticipate that by using Invisalign Assist, newly trained GPs will exit this initial training program with increased confidence in prescribing Invisalign treatment. Our new doctor training in North America is evolving to identify and focus on practices that are interested in gaining the skills and experience necessary to be successful with Invisalign. In the past, many doctors completed this training course as a means of learning more about Invisalign or leveraging the marketing benefits of Invisalign, but then only sporadically submitted cases. Building on our experience with the Proficiency Requirements, we expect that in the future doctors are more likely to attend our Clear Essentials I training course when they are actually ready to begin using Invisalign in their practices right away. As a result, over time, we believe we are likely to have a more focused, engaged and committed customer base that maintains a baseline of up-to-date Invisalign product knowledge.

We have also incorporated the Invisalign technique into the curriculum of 38 university programs. By educating dental students and orthodontic residents on the benefits of the Invisalign technique, we believe they will be more likely to use this technology in their future practices and offer Invisalign as a treatment option. Other resources that we offer our doctors include the Aligntech Institute program (www.aligntechinstitute.com), which is an interactive website that provides clinical education and practice development training. These clinical education and practice development training opportunities include instructor-led training classes, seminars and workshops, conference calls, web-based videos, case studies, and other clinical resources. Many of these courses and resources are eligible for continuing education (CE) credits. Additionally, our VIP portal (Virtual Invisalign Practice) provides our trained doctors and their staff access to thousands of Invisalign cases and best practices as well as up-to-date support information, programs and marketing materials for continuous support and information access.

- *Customer Support and Practice Development*. Once a doctor is trained, we provide additional services to help our customers increase their confidence in using the Invisalign system through clinical support and continuing education, as well as improving their practice management skills. At our Costa Rica facility, we have over 700 treatment technicians and customer support staff available to help our customers with their cases and treatment plans. Our sales representatives provide additional support and practice development tools such as staff training, ClinCheck software tips and tools, practice marketing guides and marketing materials, as well as any assistance with the Invisalign system process.

- *Becoming a Leading Invisalign provider.* Our goal is to help ensure that every practice that works with Invisalign can achieve great clinical and commercial outcomes and that every patient in Invisalign treatment gets the smile they want.

On June 2, 2009, we announced the implementation of the Invisalign Product Proficiency Requirements (or the Proficiency Requirements) in North America to help ensure that Invisalign-trained doctors have the experience and confidence necessary to achieve high quality treatment outcomes for Invisalign patients. Under the Proficiency Requirements, every Invisalign provider in North America must have 10 Invisalign case starts (measured by ClinCheck acceptance) and complete at least 10 Invisalign-specific continuing education (CE) credits each calendar year. Doctors who met the proficiency requirements of 10 case starts and 10 Invisalign CE hours by the end of 2009 will benefit from a new addition to Align's consumer marketing programs, one that encourages prospective patients to seek out "Invisalign Preferred Providers". Starting in January 2010, this new Invisalign Preferred designation will be highlighted on the Invisalign web site and in television ads as a way to recognize doctors' commitment to continued proficiency with Invisalign. The Invisalign Preferred designation will then be awarded on an annual basis to doctors who meet the proficiency requirements for a given year.

In October 2009, we updated the Proficiency Requirements in order to further support our customers through this significant change and provided a one-time, additional six month qualification period for doctors who were unable to meet the proficiency requirements for 2009, but demonstrated a desire to continue using Invisalign. The additional six month qualification period stipulated that doctors who had at least one case start and at least one Invisalign CE hour at the end of 2009 will be allowed to maintain their active Invisalign provider status through June 30, 2010, provided that they meet half of the annual proficiency requirements (at least 5 case starts and 5 Invisalign CE hours) between January 1 and June 30, 2010. Doctors will still be responsible for meeting the total annual requirements of at least 10 case starts and 10 Invisalign CE hours by the end of 2010 to qualify as providers for the following year.

Doctors with zero case starts or zero Invisalign CE hours at the end of 2009 were not eligible for the additional qualification period. They will be able to continue treating in-progress cases but will not be able to submit new Invisalign cases or use Invisalign branding or marketing resources. Doctors can reactivate their provider status by retaking Invisalign Clear Essentials I training and meeting the proficiency requirements during the new calendar year.

As of January 2010, approximately 6,400 doctors met the Invisalign Proficiency Requirements and another 15,800 doctors met the criteria for the additional six-month qualification period in 2009. We limited the account status of approximately 13,400 doctors who did not meet either Proficiency Requirements or the additional qualification period requirements but can continue treating and finishing in progress patients. In addition, we deactivated approximately 9,600 Invisalign-trained doctors who had never submitted a single Invisalign case. See *Item 1A – Risk Factors of this Annual Report on Form 10-K for risks related to the Proficiency Requirements.*

Increasing the effectiveness of our consumer demand creation and re-freshing the Invisalign brand. Marketing to the consumer and creating demand is one of our key strategic objectives to driving long-term growth. Our market research indicates that the majority of people with malocclusion who desire treatment forgo treatment rather than elect traditional treatment due to its many limitations, such as compromised aesthetics and oral discomfort. By communicating the benefits of Invisalign to both dental professionals and consumers, we intend to increase the number of patients who seek treatment using Invisalign. Historically, our marketing programs have been directed to an adult audience, however, with the introduction of Invisalign Teen, this past year we directed our communication efforts directly to teens and their parents. We continue to be successful with programs that more effectively and efficiently generate demand or "pull" for Invisalign. In 2009, we became more efficient in our approach and grew overall lead generation and awareness on lower total spending. We also shifted our marketing mix from conventional media towards more digital marketing and social networking activity. We introduced a new public relations program for Invisalign Teen, launched a teen specific website and leveraged online and mobile widgets, social media and blogs directly targeted to teens. We believe that consumer demand creation is a key component to our long-term growth. As a result, we will continue to invest in efforts to increase consumer awareness of Invisalign through a variety of media outlets. We will continue to drive consumer demand among the adult population primarily though our conventional media programs, and increasingly leverage digital and event marketing and social networking activity to directly target teens and their parents. Additionally, we are evolving the Invisalign brand strategy while refreshing the Invisalign look and feel. We are introducing a new and more modern logo and new brand positioning focused on treatment outcome and practice growth. As part of this effort, in January 2010, we completely updated our consumer website, *www.invisalign.com, www.aligntechinstitute.com, and www.invisalign.com/teen* and base marketing materials. Preferred Providers will be the first customers to be able to utilize the new Invisalign branding for use in their own marketing.

Growth of international markets. We will continue to focus our efforts towards increasing adoption of Invisalign by dental professionals in our key international markets, Europe and Japan. Similar to the North America market, our objective internationally is to increase the number of doctors that are motivated to become an Invisalign provider and committed to making Invisalign a key part of their practices. Through December 31, 2009, we have trained over 15,700 doctors, predominantly orthodontists in core Europe, our primary international market. Product line expansion is key to providing doctors a solution that addresses a wider range of potential patient needs with greater treatment flexibility. In March 2009, we announced the availability of Invisalign Teen for Invisalign-trained doctors worldwide, except for Japan. As a result, we expect the addressable market for our product to expand and ultimately increase adoption. In addition, we will carry on our efforts to increase brand awareness and consumer demand in Europe by continuing our consumer advertising campaign. Additionally, although the vast majority of our international revenues are from direct sales, approximately 9% of our international sales are through distributors covering smaller international markets, specifically Asia Pacific and Latin America. We will consider selling through distributors in other smaller or less strategic markets as well as consider expanding directly into additional countries on a case-by-case basis. For example, we recently announced the addition of an international distributor for smaller country markets in Europe, the Middle East and Africa. With these efforts, we expect our international revenues to continue to increase in absolute dollars and as a percentage of total net revenues in the foreseeable future. In 2009, our international sales increased from 21% of net revenues to 24% of net revenues.

Manufacturing

To produce our highly customized, highly precise, medical quality products in volume, we have developed a number of proprietary processes and technologies. These technologies include complex software solutions, CT scanning, stereolithography and automated aligner fabrication.

Manufacturing administration is located in Santa Clara, California; however, our digital planning and manufacturing facilities are located outside of the U.S. in San Jose, Costa Rica and Juarez, Mexico. As of December 31, 2009, our digital planning, manufacturing and operations staff in the U.S., Costa Rica and Mexico consisted of 1,271 people. At our facility in Costa Rica, technicians use a sophisticated, internally developed computer-modeling program to prepare digital treatment plans. Upon acceptance of the ClinCheck set-up treatment plan by the dental professional, these plans are then transmitted electronically to Juarez, Mexico. ClinCheck and supporting digital files are used to manufacture SLA (stereolithography) aligner molds. Our order acquisition operations, the manufacturing of aligner molds and aligners, as well as the packaging and shipment of aligners, are conducted in our facility in Juarez, Mexico. In April 2009 we terminated our shelter services arrangements with International Manufacturing Solutions Operaciones, S.R.L., or IMS and became a direct manufacturer of our clear aligners at the facility in Juarez, Mexico. Information regarding risks associated with our manufacturing process and foreign operations may be found in *Item 1A of this Annual Report on Form 10-K under the heading "Risk Factors."*

We rely on two vendors who are each the sole source of the polymer and resin used in our manufacturing process. In the event that either of these vendors becomes unable for any reason to supply us with their respective products, we would experience a manufacturing disruption while we qualify and obtain an alternate source.

Throughput Management

Because we manufacture each case on a build-to-order basis, we must conservatively build manufacturing capacity for anticipated demand. To increase throughput, we must improve the efficiency and increase the scale of our manufacturing processes.

In order to increase the efficiency of our manufacturing processes, we focus our efforts on software development and the improvement of rate-limiting processes, or bottlenecks. We continue to upgrade our proprietary, three-dimensional treatment planning software to enhance computer analysis of treatment data and to reduce time spent on manual and judgmental tasks for each case, thereby increasing the efficiency of our technicians in Costa Rica. We are also continuing the development of automated systems for the fabrication and packaging of aligners manufactured in Juarez, Mexico. In order to scale our manufacturing capacity, we expect that we will continue to invest in capital equipment.

Quality Assurance

Align's quality system is in compliance with Food & Drug Administration's Medical Device regulations, 21CFR Part 820, and Health Canada's Medical Device Regulations. We are certified to EN ISO 13485:2003, internationally recognized standards for Medical Device manufacturing. We have a formal, documented quality system by which quality objectives are defined, understood and achieved. Systems, processes and procedures are implemented to ensure high levels of product and service quality. We monitor the effectiveness of the quality system based on internal data and direct customer feedback and strive to continually improve our systems and processes, taking corrective action, as needed.

Since we custom manufacture aligners on a build-to-order basis, we do not offer refunds on our products. Because each ClinCheck and each aligner is unique, we inspect the product at various points during the manufacturing process, to ensure that the product meets our customers' expectations. Aligners are subject to the Invisalign product warranty, which covers defects in materials and workmanship. Our materials and workmanship warranty is in force until the Invisalign case is completed. In the event aligners fall within the scope of the Invisalign product warranty, we will replace the aligners at our expense. Our warranty is contingent upon proper use of the aligners for the purposes for which they are intended. If a patient chooses not to wear the aligners, and as a result, requests additional Invisalign treatment, the dental professional pays the additional expense of the replacement aligners. Warranty treatment requires that the dental professional submit new impressions of the patient's dentition to us. We use the impressions to create a new ClinCheck treatment plan for the dental professional to approve, from which a successive series of aligners will be produced that will allow the patient to finish treatment.

The Invisalign product warranty does not provide any assurances regarding the outcome of treatment using Invisalign. Actual treatment results may deviate significantly from the approved ClinCheck treatment plan. Deviations not covered under warranty have typically been the result of unpredictable biological factors, such as variations in bone density or tooth topography and abnormal jaw growth.

Sales and Marketing

We market Invisalign by communicating the benefits of the Invisalign system to dental professionals through our training programs, mail campaigns, trade shows, trade journals and print media, and to consumers through advertising, digital media, event marketing and social networking activities. Based on our experience with advertising and commercial sales, we believe that making consumers aware of Invisalign as a new treatment alternative generates significant demand for Invisalign.

Professional Marketing

We provide training, marketing and clinical support to orthodontists and GPs throughout North America and internationally. As of December 31, 2009, we had trained 59,890 dental professionals worldwide to use Invisalign. Of those trained dental professionals, approximately 74% are dental professionals in our North American market. Within our North American market, we have trained 8,935 orthodontists and 35,215 GPs cumulatively through the end of 2009. As part of the Proficiency Requirements, in January 2010, we deactivated approximately 9,600 Invisalign-trained doctors who had never submitted an Invisalign case. In addition, we limited the account status of approximately 13,400 doctors who did not meet either the Proficiency Requirements or the additional qualification period requirements but can continue treating and finishing in progress patients. See discussion of Invisalign Product Proficiency Requirements in *Item 1—Business—Business Strategy—“Becoming A Leading Invisalign Provider.”*

As of December 31, 2009 our North American sales organization consisted of 164 people, of which 150 were direct sales representatives and 14 were sales administration and management. Internationally, we had 45 people engaged in sales and sales support as of December 31, 2009. We continually evaluate cost effective ways to support our customers in smaller markets. For instance, we use distributors for the sale of our products in part of the Asia Pacific and Latin American regions. We have also recently announced the addition of an international distributor in the smaller country markets in Europe, the Middle East and Africa. We will consider selling through a distributor in other smaller markets as well as consider expanding directly into additional countries on a case-by-case basis.

Invisalign relies on the same orthodontic principles that apply to traditional treatment. Our sales and orthodontic teams conduct training primarily in a workshop format. The key topics covered in training include Invisalign applicability, instructions on filling out the Invisalign treatment form, clinical tips and techniques, guidance on pricing and instructions on interacting with our ClinCheck software and the many other features of our website.

After doctors complete their training, sales representatives may follow up with the dental professional to ensure that their staff is prepared to handle Invisalign cases. These practice development activities may include assisting the dental professional in taking dental impressions, treatment planning processes and familiarizing them with our dental online portals and tools. Sales representatives may also provide practice-building assistance, including helping the dental professional to market Invisalign to prospective patients through direct mail or other forms of media. Many dental professionals have commenced promotional activity in their local region with our assistance.

Consumer Marketing

Our experience indicates that prospective patients seek information from these primary sources:

- an orthodontist;
- a GP;
- consumer marketing and advertising;
- our websites, which can be accessed at either *www.invisalign.com, www.invisalignteen.com*, *www.aligntech.com, or www.aligntechinstitute.com;*
- direct-to-consumer mail and digital advertising;
- public relations efforts; and
- other Invisalign patients.

Research and Development

Our research and development effort is focused on extending the range of clinical effectiveness and applicability of Invisalign, enhancing the software used in the manufacturing process and enhancing our Invisalign system product lines, including the development of distinct product platforms for the GPs and orthodontists such as Invisalign Assist and Invisalign Teen. Our research and development expenses were $22.3 million for 2009, $26.2 million for 2008, and $25.7 million for 2007.

In an effort to demonstrate Invisalign's broad treatment capabilities, various clinical case studies and articles have been published that highlight the applicability of Invisalign to malocclusion cases, including those of severe complexity. We are also undertaking post-marketing studies and making additional technological improvements to the product and manufacturing process. As mentioned in our Business Strategy, we are making investments in the development of new products and enhancements of existing products to meet the needs of our customers and increase adoption and utilization of Invisalign.

Intellectual Property

We believe our intellectual property position represents a substantial business advantage. As of December 31, 2009, we had 131 issued U.S. patents, 160 pending U.S. patent applications, and numerous foreign issued patents, as well as 122 pending foreign patent applications. See *Item 3 "Legal Proceedings" for a discussion on Reexamination Proceedings pending with the United States Patent and Trademark Office.*

We continue to pursue further intellectual property protection through U.S. and foreign patent applications and non-disclosure agreements. We also seek to protect our software, documentation and other written materials under trade secret and copyright laws. We cannot be certain that patents will be issued as a result of any patent application or that patents that have been issued to us or that may be issued in the future will be found to be valid and enforceable and sufficient to protect our technology or products. Our intellectual property rights may not be successfully asserted in the future or may be invalidated, circumvented or challenged. In addition, the laws of various foreign countries where Invisalign is distributed do not protect our intellectual property rights to the same extent as U.S. laws. Our inability to protect our proprietary information could harm our business. Information regarding risks associated with failing to protect our proprietary technology and our intellectual property rights may be found in *Item 1A of this Annual Report on Form 10-K under the heading "Risk Factors."*

Seasonal Fluctuations

Seasonal fluctuations in the number of doctors in their offices and available to take appointments have affected, and are likely to continue to affect, our business. Specifically, our customers often take vacation or are on holiday during the summer months and therefore tend to start fewer cases, particularly in Europe. In addition, summer is typically the busiest season for orthodontists with practices that have a high percentage of adolescent and teenage patients. Many parents want to get their teens started in treatment before the start of the school year. As a result, adult appointments, including adult Invisalign patient starts, are often pushed further into late summer or early fall. However, with the availability of Invisalign Teen, 2009 was the first summer we were able to actively compete for a share of teen patient starts. We believe that Invisalign Teen may have helped and may in the future help moderate the historical downward trend we have typically seen for our North American orthodontic customers during the summer months. These seasonal trends have caused and will likely continue to cause, fluctuations in our quarterly results, including fluctuations in sequential revenue growth rates.

Backlog

Due to the nature of our business, we maintain relatively low levels of backlog. The period from which treatment data (or "a case") is received until the acceptance of the digital treatment plan, or ClinCheck, is dependent on the dental professional's discretion to modify, accept or cancel the treatment plan. Therefore, we consider the case a firm order to manufacture aligners once the dental professional has approved ClinCheck. Our backlog consists of ClinCheck- approved cases, which are generally shipped within a short period of time. As a result, we believe that backlog is not a good indicator of future sales, and our quarterly revenues depend largely on the timing of ClinCheck approvals and the impact on cases shipped in that quarter.

Competition

We compete for the attention of dental professionals with manufacturers of traditional orthodontic appliances (or wires and brackets), which include 3M's Unitek, Danaher Corporation's Sybron Dental Specialties, and Dentsply International, Inc. We also compete directly with established companies that manufacture and distribute products that are similar in use to Invisalign, including the products manufactured and distributed by Ormco Orthodontics, a division of Sybron Dental Specialties (a division of Danaher Corporation). In the future, we may face further competition from early stage and more mature companies who enter our target markets to manufacture and distribute products that are similar in use to Invisalign. Information regarding risks associated with increased competition may be found in *Item 1A* of this Annual Report on Form 10-K under the heading "Risk Factors."

We believe that in addition to price, the principal competitive factors in the market for orthodontic appliances include the following:

- aesthetic appeal of the treatment method;
- effectiveness of treatment;
- customer support;
- comfort associated with the treatment method;
- oral hygiene;
- ease of use; and
- dental professionals' chair time.

We believe that Invisalign compares favorably with our competitors' products with respect to each of these factors.

Government Regulation

FDA's Quality System Regulation for Medical Devices. The Invisalign system is classified as a Class II medical device. In 1998, we received pre-market clearance from the FDA pursuant to the 510(k) pre-market notification procedure, allowing us to market the product in the U.S. The Invisalign system was originally cleared for use by the FDA in patients with permanent teeth and contraindicated the device for patients presenting with mixed dentition, severe overbite, severe overjet, tooth malocclusion requiring surgical correction, adolescent patients with a skeletally narrow jaw, and adult patients with dental prosthetics/implants. In 2008, the FDA cleared new labeling for the Invisalign system, by removing the permanent dentition limitation from the indications for use. In addition, certain conditions previously listed as contraindications will now be listed as precautions. We believe our Invisalign system is in compliance in all material respects with applicable quality system regulations, record keeping and reporting requirements in the production and distribution of the Invisalign system. We are subject to routine inspections by the FDA and state agencies to determine compliance with Quality System requirements. We are registered with the State of California as a medical device manufacturer.

If the FDA determines that we failed to comply with the applicable FDA regulations, it can institute a wide variety of enforcement actions against us, ranging from a public Warning Letter to more severe sanctions, including but not limited to financial penalties, withdrawal of our right to market our products and criminal prosecution.

Health Canada's Medical Device Regulations. In Canada, we are required to comply with Health Canada's Medical Device Regulations. Our products are registered with Health Canada. We believe we are in compliance with their regulations and have been granted clearance to market our products in Canada.

European Union's MDD Requirements & ISO 13485:2003. In Europe, Invisalign is regulated as a custom device and as such, we follow the requirements of the Medical Device Directives. We are ISO 13485:2003 certified, which facilitates commercialization of Invisalign outside the United States and especially in Europe.

Health Insurance Portability and Accountability Act of 1996. Under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, Congress mandated a package of interlocking administrative simplification rules to establish standards and requirements for electronic transmission of certain health information. Confidentiality of patient records and the circumstances under which these records may be released are subject to substantial regulations under the HIPAA Standards for Privacy of Individually Identifiable Health Information, referred to as the Privacy Standard, and other state laws and regulations. The Privacy Standard governs both the disclosure and the use of confidential patient medical information. Although compliance is the responsibility of the hospital, physician or other healthcare provider, we understand the importance to our customers and their patients of maintaining the confidentiality of patient information. Accordingly, we have designed our product and service offerings to be consistent with the requirements of the Privacy and Security standards under HIPAA and applicable corresponding state laws and regulations. Maintaining systems that are consistent with these laws and regulations is costly and could require complex changes in the way we do business or provide services to our patients. Additionally, our success may be dependent on the success of healthcare participants in dealing with HIPAA requirements.

Other Federal and State Laws. As a participant in the health care industry we are subject to extensive and frequently changing regulation under many other laws administered by governmental entities at the federal, state and local levels, some of which are, and others of which may be, applicable to our business. We are a medical device manufacturer subject to U.S. Food and Drug Administration regulations. These regulations, among other things, require that we maintain device and facilities registrations and listings as well as promote our products as permitted by our FDA clearances. Furthermore, our health care service provider customers are also subject to a wide variety of laws and regulations that could affect the nature and scope of their relationships with us. Laws regulating medical device manufacturers and health care providers cover a broad array of subjects. For example, the confidentiality of patient medical information and the circumstances under which such information may be used by us, released for inclusion in our databases, or released by us to third parties, are subject to substantial regulation by state governments. These state laws and regulations govern both the disclosure and the use of confidential patient medical information and are evolving rapidly. In addition, provisions under the federal anti-kickback statute prohibit, among other things, paying or offering to pay any remuneration in exchange for the referral of patients to a person participating in, or for the order, purchase or recommendation of items or services that are subject to reimbursement by, Medicare, Medicaid and other similar federal or state health care programs. Most states have also enacted illegal remuneration laws that are similar to the federal laws. These laws, which are evolving at the federal and state levels, are applicable to our financial relationships with, and any marketing or other promotional activities involving, our dental professional customers. Violations of any of these laws or regulations could subject us to a variety of civil and criminal sanctions.

Employees

As of December 31, 2009, we had 1,895 employees, including 1,271 in manufacturing and operations, 281 in sales and marketing, 132 in research and development and 211 in general and administrative functions. We had 411 employees in North America, 766 employees in Costa Rica, 177 employees in Europe, 531 employees in Mexico, and 10 employees in Japan.

Available Information

Our website is located at *www.aligntech.com*, and our investor relations website is located at *http://investor.aligntech.com*. The information on or accessible through our websites is not part of this Annual Report on Form 10-K. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, our proxy statement on Schedule 14A for our annual stockholders' meeting and amendments to such reports are available, free of charge, on our investor relations website as soon as reasonably practicable after we electronically file or furnish such material with the SEC. Further, a copy of this Annual Report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding our filings at *www.sec.gov*.

Executive Officers of the Registrant

The following table sets forth certain information regarding our executive officers as of February 26, 2010:

Name	Age	Position
Thomas M. Prescott	54	President and Chief Executive Officer
Kenneth B. Arola	54	Vice President, Finance and Chief Financial Officer
Dana Cambra	52	Vice President, Research & Development and Information Technology
Dan S. Ellis	58	Vice President, North American Sales
Roger E. George	44	Vice President, Legal and Corporate Affairs General Counsel and Corporate Secretary
Len M. Hedge	52	Senior Vice President, Business Operations
Gil Laks	44	Vice President, International
SheilaTan	46	Vice President, Marketing and Chief Marketing Officer
Emory Wright	40	Vice President, Operations

Thomas M. Prescott has served as our President and Chief Executive Officer and as a member of our Board of Directors since March 2002. Prior to joining us, Mr. Prescott was President and Chief Executive Officer of Cardiac Pathways, Inc., a publicly-traded medical device company, from May 1999 until its acquisition by Boston Scientific in August 2001. Mr. Prescott then worked as a consultant for Boston Scientific Corporation until January 2002. Prior to working at Cardiac Pathways, Mr. Prescott held various sales, general management and executive roles at Nellcor Puritan Bennett, Inc. from April 1994 to May 1999. Mr. Prescott serves as a director of InterPULSE, Inc., a privately held company.

Kenneth B. Arola has served as our Vice President of Finance and Chief Financial Officer since December 2007. He joined us as Vice President of Finance and Corporate Controller in August 2005. Prior to joining us, Mr. Arola served for fourteen years at Adaptec, Inc, an electronic data storage equipment company, where he held various senior finance management positions, most recently as Vice President of Finance and Corporate Controller. His experience also includes positions of increasing responsibility in various financial roles at Varian Associates and Cooper Labs.

Dana C. Cambra our Vice President, Research & Development and Information Technology has been with Align since June 2008. Prior to joining us, Mr. Cambra served as Senior Vice President, Research and Development for Pharsight Corporation, a provider of simulation and modeling software for pharmaceutical and biotechnology companies from March 2007 to June 2008. Prior to his role at Pharsight, Mr. Cambra was Vice President, Engineering at Stentor Inc., a medical image and information management software provider from October 2002 to February 2006. Earlier roles included executive engineering and operations positions at Visto Corporation and iScribe, Inc. Mr. Cambra also spent several years in positions of increasing responsibility at Acuson Corporation, now a Siemens Company.

Dan S. Ellis has served as our Vice President, North American Sales since June 2005. Prior to joining us, Mr. Ellis was Vice President, Sales for privately-held BARRx Medical, a medical device company, from September 2004 to June 2005. From June 1999 to May 2004, Mr. Ellis was at Fusion Medical Technologies, a division of Baxter Healthcare, most recently as Vice President, BioSurgery US. From January 1998 to June 1999, Mr. Ellis served as Vice President, Sales & Marketing for Cardiac Pathways, Inc. Earlier in his career, Mr. Ellis held national sales positions of increasing scope and responsibility at Fusion Medical Technologies and Eli Lilly MDD/Guidant Corporation.

Roger E. George has served as our Vice President, Legal and Corporate Affairs, General Counsel and Corporate Secretary since July 2002. Prior to joining us, Mr. George was the Chief Financial Officer, Vice President of Finance and Legal Affairs and General Counsel of SkyStream Networks, a privately held broadband and broadcast network equipment company. Prior to SkyStream, Mr. George was a partner at Wilson Sonsini Goodrich & Rosati, P.C. in Palo Alto, California.

Len M. Hedge has served as our Senior Vice President, Business Operations since December 2007. He joined us as our Vice President, of Manufacturing in January 1999 and was our Vice President, of Operations from March 2002 to December 2007. Prior to joining us, Mr. Hedge served as Vice President of Operations for Plynetics Express Corporation, a rapid-prototyping and stereolithography services supplier, from December 1996 to December 1998. From October 1991 to December 1996, Mr. Hedge worked at Beckman Instruments Corporation as Manager for Prototype Manufacturing and Process Development.

Gil Laks has served as our Vice President, International since September 2005, and served as our Vice President, Europe since June 2001. Prior to joining us, Mr. Laks was Vice President, Business Development for the diagnostic imaging division of Singapore Technologies, from November 1999 to May 2001. He also served as Director of International for ISIX, Ltd., an educational computing services firm, from October 1996 to October 1999. In January 2010, we announced the addition of an international distributor for smaller country markets in Europe, the Middle East and Africa (EMEA). As part of the distribution agreement for EMEA, Mr. Laks will leave Align and take on a new role as owner of the new distributor in the second quarter of 2010.

Sheila Tan was appointed Vice President, Marketing and Chief Marketing Officer in March 2009. Ms. Tan joined us in September 2008 as Vice President of Product Innovation and Marketing Strategy. Prior to joining us, Ms. Tan was Vice President, Marketing for Moka5, Inc., a provider of virtual desktop technology, from

August 2007 to July 2008. She served as Vice President Marketing of Presto Services Inc., a digital-delivery service that enables families and friends to stay in touch via email, without the need for a computer or Internet connection, from June 2006 to August 2007. Prior to that, Ms. Tan was Senior Director of Marketing, QuickBooks at Intuit from 2000 to 2005. From 1995 to 2000, Ms. Tan held marketing positions of increasing scope and responsibility at The Procter & Gamble Company and its subsidiaries.

Emory M. Wright has served as our Vice President, Operations since December 2007. He has been with us since March 2000, predominantly in manufacturing and operations roles. Previously, Mr. Wright served as Vice President, Manufacturing and most recently was General Manager of New Product Development. Prior to joining us, Mr. Wright was Senior Manufacturing Manager at Metrika, Inc. a medical device manufacturer, from May 1999 to March 2000. From July 1994 to May 1999, Mr. Wright served as Manager of Manufacturing and Process Development for Metra Biosystems Inc.

ITEM 1A. RISK FACTORS

We depend on the sale of the Invisalign system for the vast majority of our revenues, and any decline in sales of Invisalign for any reason, including as a result of the introduction of the Proficiency Requirements or a continued weakness in general economic conditions, or a decline in average selling prices would adversely affect revenues, gross margin and net profits.

We expect that revenues from the sale of the Invisalign system will continue to account for the vast majority of our total revenues for the foreseeable future. Continued and widespread market acceptance of Invisalign by orthodontists, GPs and consumers is critical to our future success. If orthodontists and GPs experience a reduction in consumer demand for orthodontic services, if consumers prove unwilling to adopt Invisalign as rapidly as we anticipate or in the volume that we anticipate, if orthodontists or GPs choose to use a competitive product rather than Invisalign or if the average selling price of our product declines, our operating results would be harmed. Factors that could cause the adoption of Invisalign to occur at a lower rate than we expect, as well as the risk related to declining average selling prices are described more fully below.

Consumers may not adopt Invisalign as rapidly as we anticipate due to a variety of factors including a continued weakness in general economic conditions.

Consumer spending habits are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, gas prices, consumer confidence and consumer perception of economic conditions. A general slowdown in the United States economy and certain international economies or an uncertain economic outlook would adversely affect consumer spending habits which may, among other things, result in a decrease in the number of overall orthodontic case starts or a reduction in the demand for Invisalign generally either of which would have a material adverse effect on our sales and operating results. In addition, Invisalign represents a significant change from traditional orthodontic treatment, and consumers may be reluctant to accept it or may not find it preferable to traditional treatment. We have generally received positive feedback from orthodontists, GPs and consumers regarding Invisalign as both an alternative to braces and as a clinical method for treatment of malocclusion, but a number of dental professionals believe that Invisalign is appropriate for only a limited percentage of their patients. Increased market acceptance will depend in part upon the recommendations of dental professionals, as well as other factors including effectiveness, safety, ease of use, reliability, aesthetics, greater comfort and hygiene compared to traditional orthodontic products and price for Invisalign compared to competing products.

Orthodontists and GPs may not adopt Invisalign in sufficient numbers or as rapidly as we anticipate for a number of reasons, including the introduction of the Proficiency Requirements or continued weakness in general economic conditions.

Our success depends upon increasing acceptance and frequency of use of the Invisalign system by dental professionals (what we refer to as utilization). We have a large number of low volume doctors that make up a large portion of our customer base. We want every Invisalign provider to be one we can comfortably direct a prospective patient to with an expectation of knowledgeable treatment and a great outcome. On June 2, 2009, we announced the implementation of the Invisalign Proficiency Requirements (or the Proficiency Requirements) in North America to help ensure that Invisalign-trained doctors have the experience and confidence necessary to achieve high quality treatment outcomes for Invisalign patients. Under the Proficiency Requirements, every Invisalign provider in North America must have 10 Invisalign case starts (measured by ClinCheck acceptance) and complete at least 10 Invisalign-specific continuing education (CE) credits each calendar year. In October 2009, we updated the Proficiency Requirements in order to further support our customers through this significant change and provided a one-time, additional six month qualification period stipulating that for those doctors who had at least one case start and at least one Invisalign CE hour at the end of 2009 will be allowed to maintain their active Invisalign provider status through June 30, 2010, provided that they meet half of the annual proficiency requirements (at least 5 case starts and 5 Invisalign CE hours) between January 1 and June 30, 2010. Doctors will still be responsible for meeting the total annual requirements of at least 10 case starts and 10 Invisalign CE hours by the end of 2010 to qualify as providers for the following year. Doctors with zero case starts or zero Invisalign CE hours at the end of 2009 were not eligible for the additional qualification period. They will be able to continue treating in-progress cases but will not be able to submit new Invisalign cases or use Invisalign branding or marketing resources. Doctors can reactivate their provider status by retaking Invisalign training and meeting the proficiency requirements.

As of January 2010, approximately 6,400 doctors met the Invisalign Proficiency Requirements and another 15,800 doctors met the criteria for the additional six-month qualification period in 2009. We limited the account status of approximately 13,400 doctors who did not meet either Proficiency Requirements or the additional qualification period requirements. These doctors can continue treating and finishing in progress patients. In addition, we deactivated approximately 9,600 Invisalign-trained doctors who had never submitted a single Invisalign case. Although we want every doctor to achieve and maintain the Proficiency Requirements with Invisalign, we expect that a number of our lower volume doctors may choose not to meet these requirements. As a result, the Proficiency Requirements may result in greater variability among customer activity, particularly in the second half of 2010 after the additional six-month qualification period expires on June 30, 2010. If the number of our customers who fail to maintain and/or increase utilization to meet the Proficiency Requirements is greater than we anticipate, our case volumes will decrease and our revenues will be harmed. In addition, if GPs and Orthos do not attend our training courses in sufficient numbers for any reason, including the introduction of the Proficiency Requirements, or continued weakness in general economic conditions, our revenue may fail to grow as expected. In addition, increased competition from direct competitors could cause us to lose market share and reduce dental professionals' efforts and commitment to expand their Invisalign practice. If adoption and utilization does not increase as we anticipate, our revenues may fail to grow as expected and our operating results may be harmed.

The frequency of use by orthodontists or GPs may not increase at the rate that we anticipate or at all.

One of our key objectives is to continue to increase utilization, or the adoption and frequency of use, of the Invisalign system by new and existing customers. If utilization of Invisalign by our existing and newly trained orthodontists or GPs does not occur or does not occur as quickly as we anticipate, our operating results could be harmed.

We may experience declines in average selling prices of our products.

In response to challenges in our business, including increased competition, we have in the past reduced the list price of our products. We also provide volume based discount programs to our doctors. In addition, we sell a number of products at different list prices. If we introduce any price reductions, expand our discount programs in the future, if participation in these programs increases or if our product mix shifts to lower priced products or newer products that have a higher percentage of deferred revenue, our average selling price would be adversely affected and our revenues, gross margin and net profits (losses) may be reduced. Furthermore, although the U.S. dollar is our reporting currency, a portion of our revenues and profits are generated in foreign currencies. Revenues and profits generated by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period and are affected by changes in exchange rates. As a result, negative movements in currency exchange rates against the U.S. dollar will adversely affect our average selling price and consequently the amount of revenues and profits in our consolidated financial statements.

If we fail to sustain or increase profitability or revenue growth in future periods, the market price for our common stock may decline.

If we are to sustain or increase profitability in future periods, we will need to continue to increase our revenues, while controlling our expenses. While we generated positive operating cash flow in 2008 and in 2009, we cannot be certain that we will be able to achieve positive cash flow from operations, from period to period, in the future. Because our business is evolving, it is difficult to predict our future operating results or levels of growth, and we have in the past not been and may in the future not be able to sustain our historical growth rates. If we do not increase profitability or revenue growth or otherwise meet the expectations of securities analysts or investors, the market price of our common stock will likely decline.

Our financial results have fluctuated in the past and may fluctuate in the future which may cause volatility in our stock price.

Our operating results have fluctuated in the past and we expect our future quarterly and annual operating results to fluctuate as we focus on increasing doctor and consumer demand for our products. These fluctuations could cause our stock price to decline. Some of the factors that could cause our operating results to fluctuate include:

- limited visibility into and difficulty predicting the level of activity in our customers' practices from quarter to quarter;
- disruptions to our business due to the impact of an epidemic, such as the H1N1 virus, that results in changes in consumer spending habits, consumers unable or unwilling to visit the orthodontist or general practitioners office, as well as any impact on workforce absenteeism;
- weakness in consumer spending as a result of the slowdown in the United States economy and global economies;
- changes in the timing of receipt of case product orders during a given quarter which, given our cycle time and the delay between case receipts and case shipments, could have an impact on which quarter revenue can be recognized;
- fluctuations in currency exchange rates against the U.S. dollar;
- changes in product mix;
- seasonal fluctuations in the number of doctors in their offices and their availability to take appointments;
- success of marketing programs from quarter to quarter;
- changes in the timing of when revenue is recognized, including as a result of the introduction of new products or promotions or as a result of changes to critical accounting estimates or new accounting pronouncements;
- changes to our effective tax rate;
- unanticipated delays in production caused by insufficient capacity;
- any disruptions in the manufacturing process, including unexpected turnover in the labor force or the introduction of new production processes or natural or other disasters beyond our control;
- the development and marketing of directly competitive products by existing and new competitors;
- aggressive price competition from competitors;
- costs and expenditures in connection with litigation;
- inaccurate forecasting of revenues, production and other operating costs; and
- investments in research and development to develop new products and enhancements to Invisalign.

To respond to these and other factors, we may need to make business decisions that could adversely affect our operating results such as modifications to our pricing policy, business structure or operations. Most of our expenses, such as employee compensation and lease payment obligations, are relatively fixed in the short term. Moreover, our expense levels are based, in part, on our expectations regarding future revenue levels. As a result, if our revenues for a particular period fall below our expectations, whether caused by changes in consumer spending, consumer preferences, weakness in the U.S. or global economies, changes in customer behavior related to advertising and prescribing our product, or other factors, we may be unable to adjust spending quickly enough to offset any shortfall in revenues. Due to these and other factors, we believe that quarter-to-quarter comparisons of our operating results may not be meaningful. You should not rely on our results for any one quarter as an indication of our future performance.

Our future success may depend on our ability to develop, successfully introduce and achieve market acceptance of new products.

Our future success may depend on our ability to develop, manufacture, market, and obtain regulatory approval or clearance of new products. We launched Invisalign Teen in July 2008 and Invisalign Assist in October 2008. In October 2009, we introduced new and enhanced features in all Invisalign products. There can be no assurance that we will be able to successfully develop, sell and achieve market acceptance of these and other new products and applications and enhanced versions of our existing product. The extent of, and rate at which, market acceptance and penetration are achieved by future products is a function of many variables, which include, among other things, our ability to include functionality and features that address customer requirements, the availability of third-party reimbursement of procedures using our new products, the existence of competing products and general economic conditions affecting purchasing patterns. In addition, even if our new products are successfully introduced, it is unlikely that they will rapidly gain market share and acceptance primarily due to the relatively long period of time it takes to successfully treat a patient. Since it takes approximately 12 to 24 months to treat a patient, our customers may be unwilling to rapidly adopt our new products until they successfully complete at least one case or until more historical clinical results are available.

Our ability to market and sell new products may also be subject to government regulation, including approval or clearance by the United States Food and Drug Administration (“FDA”), and foreign government agencies. Any failure in our ability to successfully develop and introduce or achieve market acceptance of our new products or enhanced versions of existing products could have a material adverse effect on our operating results and could cause our revenues to decline.

A disruption in the operations of our primary freight carrier or higher shipping costs could cause a decline in our revenues or a reduction in our earnings.

We are dependent on commercial freight carriers, primarily UPS, to deliver our products. If the operations of these carriers are disrupted for any reason, we may be unable to deliver our products to our customers on a timely basis. If we cannot deliver our products in an efficient and timely manner, our customers may reduce their orders from us and our revenues and operating profits could materially decline. In a rising fuel cost environment, our freight costs will increase. If freight costs materially increase and we are unable to pass that increase along to our customers for any reason or otherwise offset such increases in our cost of revenues, our gross margin and financial results could be adversely affected.

We are dependent on our international operations, which exposes us to foreign operational, political and other risks that may harm our business.

Our key production steps are performed in operations located outside of the U.S. At our facility in Costa Rica, technicians use a sophisticated, internally developed computer-modeling program to prepare digital treatment plans, which are then transmitted electronically to Juarez, Mexico. These digital files form the basis of ClinCheck and are used to manufacture aligner molds. Our order acquisition, aligner fabrication and shipping operations are conducted in Juarez, Mexico. In addition to the research and development efforts conducted in our Santa Clara, California facility, we also carry out research and development at locations in San Jose, Costa Rica and Moscow, Russia. In addition, our customer-care, accounts receivable, credit and collections and customer event registration organizations are located at our facility in Costa Rica. Our reliance on international operations exposes us to risks and uncertainties that may affect our business or results of operation, including:

- difficulties in hiring and retaining employees generally, as well as difficulties in hiring and retaining employees with the necessary skills to perform the more technical aspects of our operations;
- difficulties in managing international operations;
- fluctuations in currency exchange rates;
- import and export license requirements and restrictions;
- controlling production volume and quality of the manufacturing process;
- political, social and economic instability, including as a result of increased levels of violence in Juarez, Mexico;
- acts of terrorism and acts of war;
- interruptions and limitations in telecommunication services;
- product or material transportation delays or disruption, including as a result of health epidemics such as the outbreak of the H1N1 virus in the event travel to and from Mexico is restricted;
- burdens of complying with a wide variety of local country and regional laws;
- trade restrictions and changes in tariffs; and
- potential adverse tax consequences.

If any of these risks materialize in the future, we could experience production delays and lost or delayed revenue.

A key step in our manufacturing process relies on sophisticated computer technology that requires new technicians to undergo a relatively long training process. If we are unable to accurately predict our volume growth, and fail to hire a sufficient number of technicians in advance of such demand, the delivery time of our products could be delayed which could adversely affect our results of operations.

Training technicians to use our sophisticated computer modeling program that produces the digital treatment plan that forms the basis of ClinCheck takes approximately 90 to 120 days. As a result, if we are unable to accurately predict our volume growth, we may not have a sufficient number of trained technicians to timely create ClinCheck treatment plans within the timeframe our customers expect. Any delay in ClinCheck processing time could delay the ultimate delivery of finished aligners to our customers. Such a delay could cause us to lose existing customers or fail to attract new customers. This could cause a decline in our revenues and net profits and could adversely affect our results of operations.

Our headquarters, digital dental modeling processes, and other manufacturing processes are all principally located in regions that are subject to earthquakes and other natural disasters.

Our digital dental modeling is processed in our facility located in San Jose, Costa Rica. The operations team in Costa Rica creates ClinCheck treatment plans using sophisticated computer software. In addition, our customer facing operations are located in Costa Rica. Our aligner molds and finished aligners are fabricated in Juarez, Mexico. Both Costa Rica and Mexico are in earthquake zones and may be subject to other natural disasters. If there is a major earthquake or any other natural disaster in a region where one of these facilities is located, our ability to create ClinCheck treatment plans, respond to customer inquiries or manufacture and ship our aligners could be compromised which could result in our customers experiencing a significant delay in receiving their completed aligners and a decrease in service levels for a period of time. In addition, our headquarters facility is located in the San Francisco Bay Area. An earthquake or other natural disaster in this region could result in a disruption in our operations. Any such business interruption could materially and adversely affect our business, financial condition and results of operations.

We experience competition from manufacturers of traditional braces and expect aggressive competition from these and other companies that may introduce new technologies in the future.

Currently, our Invisalign product competes directly against products manufactured and distributed by Ormco Orthodontics, a division of Sybron Dental Specialties (a Danaher Corporation subsidiary), and traditional braces manufactured by 3M's Unitek and Dentsply International. These manufacturers have substantially greater financial resources and manufacturing and marketing experience than we do and may, in the future, attempt to develop an orthodontic system similar to ours or combine technologies that make our product economically unattractive. Large consumer product companies may also enter the orthodontic supply market. Furthermore, we may face competition in the future from new companies that may introduce new technologies. We may be unable to compete with these competitors and one or more of these competitors may render our technology obsolete or economically unattractive. If we are unable to compete effectively with existing products or respond effectively to any products developed by new or existing competitors, our business could be harmed. Increased competition has resulted in the past and may in the future result in volume discounting and price reductions, reduced gross margins, reduced profitability and loss of market share, any of which could have a material adverse effect on our revenues, volume growth, net profit (losses) and stock price. We cannot assure you that we will be able to compete successfully against our current or future competitors or that competitive pressures will not have a material adverse effect on our business, results of operations and financial condition.

Our information technology systems are critical to our business. System integration and implementation issues and system security risks could disrupt our operations, which could have a material adverse impact on our business and operating results.

We rely on the efficient and uninterrupted operation of complex information technology systems. All information technology systems are vulnerable to damage or interruption from a variety of sources. As our business has grown in size and complexity, the growth has placed, and will continue to place, significant demands on our information technology systems. To effectively manage this growth, we will need to continually upgrade and enhance our information systems. In addition, experienced computer programmers and hackers may be able to penetrate our network security and misappropriate our confidential information or that of third parties, create system disruptions or cause shutdowns. Furthermore, sophisticated hardware and operating system software and applications that we either internally develop or procure from third parties may contain defects in design and manufacture, including "bugs" and other problems that can unexpectedly interfere with the operation of the system. The costs to eliminate or alleviate security problems, viruses and bugs could be significant, and the efforts to address these problems could result in interruptions that may have a material adverse impact on our operations, revenues and operating results.

We are currently focused on adding more functionality into our business enterprise systems to more efficiently integrate these systems with our other system applications, such as customer facing and manufacturing tools, and intend to continue this effort for the foreseeable future. System upgrades and enhancements require significant expenditures and allocation of valuable employee resources. Delays in integration or disruptions to our business from implementation of these new or upgraded systems could have a material adverse impact on our financial condition and operating results. Furthermore, we continuously upgrade our customer facing software applications, specifically ClinCheck and VIP. Software applications frequently contain errors or defects, especially when they are first introduced or when new versions are released. The discovery of a defect or error in a new upgraded version or the failure of our primary information systems may result in the following consequences, among others: loss of revenue or delay in market acceptance, damage to our reputation or increased service costs, any of which could have a material adverse effect on our business, financial condition or results of operations.

Our success depends in part on our proprietary technology, and if we are unable to successfully enforce our intellectual property rights, our competitive position may be harmed. Litigating claims of this type is costly and could distract our management and cause a decline in our results of operations and stock price.

Our success will depend in part on our ability to maintain existing intellectual property and to obtain and maintain further intellectual property protection for our products, both in the U.S. and in other countries. Our inability to do so could harm our competitive position. As of December 31, 2009, we had 131 issued U.S. patents, 160 pending U.S. patent applications, and 60 issued foreign patents, and 122 pending foreign patent applications.

We intend to rely on our portfolio of issued and pending patent applications in the U.S. and in other countries to protect a large part of our intellectual property and our competitive position. However, our currently pending or future patent filings may not result in the issuance of patents. Additionally, any patents issued to us may be challenged, invalidated, held unenforceable, circumvented, or may not be sufficiently broad to prevent third parties from producing competing products similar in design to our products. In addition, any protection afforded by foreign patents may be more limited than that provided under U.S. patents and intellectual property laws. We also rely on protection of our copyrights, trade secrets, know-how and proprietary information. We generally enter into confidentiality agreements with our employees, consultants and our collaborative partners upon commencement of a relationship with us. However, these agreements may not provide meaningful protection against the unauthorized use or disclosure of our trade secrets or other confidential information, and adequate remedies may not exist if unauthorized use or disclosure were to occur. Our inability to maintain the proprietary nature of our technology through patents, copyrights or trade secrets would impair our competitive advantages and could have a material adverse effect on our operating results, financial condition and future growth prospects. In particular, a failure to protect our proprietary rights might allow competitors to copy our technology, which could adversely affect our pricing and market share. In addition, in an effort to protect our intellectual property we have in the past been and may in the future be involved in litigation. The potential effects on our business operations resulting from litigation that we may participate in the future, whether or not ultimately determined in our favor or settled by us, are costly and divert the efforts and attention of our management and technical personnel from normal business operations. Any of these results from our litigation could adversely affect our results of operations and stock price.

We are currently a party to various other legal proceedings and claims. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or, in cases where injunctive relief is sought, an injunction prohibiting us from selling our products. Any of these results from our litigation could adversely affect our results of operations and stock price. See *Part I, Item 3 of this Annual Report on Form 10-K for a summary of our material pending legal proceedings.*

While we believe we currently have adequate internal control over financial reporting, we are required to assess our internal control over financial reporting on an annual basis and any future adverse results from such assessment could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Pursuant to the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated by the SEC, we are required to furnish in our Form 10-K an Annual Report by our management regarding the effectiveness of our internal control over financial reporting. The report includes, among other things, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. While we currently believe our internal control over financial reporting is effective, the effectiveness of our internal controls to future periods is subject to the risk that our controls may become inadequate because of changes in conditions, and, as a result, the degree of compliance of our internal control over financial reporting with the policies or procedures may deteriorate. If we are unable to assert that our internal control over financial reporting is effective in any future period (or if our auditors are unable to express an opinion on the effectiveness of our internal controls or conclude that our internal controls are ineffective), we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

If we lose our key personnel or are unable to attract and retain key personnel, we may be unable to pursue business opportunities or develop our products.

We are highly dependent on the key employees in our clinical engineering, technology development, sales and marketing personnel and management teams. The loss of the services provided by those individuals may significantly delay or prevent the achievement of our product development and other business objectives and could harm our business. Our future success will also depend on our ability to identify, recruit, train and retain additional qualified personnel, including orthodontists. Few orthodontists are accustomed to working in a manufacturing environment since they are generally trained to work in private practices, universities and other research institutions. Thus, we may be unable to attract and retain personnel with the advanced qualifications necessary for the further development of our business. Furthermore, we may not be successful in retaining our key personnel or their services. If we are unable to attract and retain key personnel, our business could be materially harmed.

If we infringe the patents or proprietary rights of other parties or are subject to a patent infringement claim, our ability to grow our business may be severely limited.

Extensive litigation over patents and other intellectual property rights is common in the medical device industry. We have been sued for infringement of third party's patents in the past and we may be the subject of patent or other litigation in the future. From time to time, we have received and may in the future receive letters from third parties drawing our attention to their patent rights. While we do not believe that we infringe upon any valid and enforceable rights that have been brought to our attention, there may be other more pertinent rights of which we are presently unaware. The defense and prosecution of intellectual property suits, interference proceedings and related legal and administrative proceedings could result in substantial expense to us and significant diversion of effort by our technical and management personnel. An adverse determination of any litigation or interference proceeding to which we may become a party could subject us to significant liabilities. An adverse determination of this nature could also put our patents at risk of being invalidated or interpreted narrowly or require us to seek licenses from third parties. Licenses may not be available on commercially reasonable terms or at all, in which event, our business would be materially adversely affected.

We maintain single supply relationships for certain of our key machines and materials technologies, and our business and operating results could be harmed if supply is restricted or ends or the price of raw materials used in our manufacturing process increases.

We are highly dependent on manufacturers of specialized scanning equipment, rapid prototyping machines, resin and other advanced materials. We maintain single supply relationships for many of these machines and materials technologies. In particular, our scanning and stereolithography equipment are provided by a single supplier. We are also committed to purchasing all of our resin and polymer, the primary raw materials used in our manufacturing process, from a single source. In addition, technology changes by our vendors could disrupt access to required manufacturing capacity or require expensive, time consuming development efforts to adapt and integrate new equipment or processes. Our growth may exceed the capacity of one or more of these manufacturers to produce the needed equipment and materials in sufficient quantities to support our growth. In the event of technology changes, delivery delays, or shortages of or increases in price for these items, our business and growth prospects may be harmed.

We rely on our direct sales force to sell our products, and any failure to maintain our direct sales force could harm our business.

Our ability to sell our products and generate revenues depends upon our direct sales force within our North American and international markets. As of December 31, 2009, our North American sales organization consisted of 164 people, of which 150 were direct sales representatives and 14 were sales administration. Internationally, we had 45 people engaged in sales and sales support as of December 31, 2009. We do not have any long-term employment contracts with the members of our direct sales force. The loss of the services provided by these key personnel may harm our business. If we are unable to retain our direct sales force personnel or replace them with individuals of equivalent technical expertise and qualifications, or if we are unable to successfully instill such technical expertise or if we fail to establish strong relationships with our customers within a relatively short period of time, our revenues and our ability to maintain market share could be materially harmed. In addition, due to our large and fragmented customer base, we may not be able to provide all of our customers with product support immediately upon the launch of a new product. As a result, adoption of new products by our customers may be slower than anticipated and our ability to grow market share and increase our revenues may be harmed.

Complying with regulations enforced by the FDA and other regulatory authorities is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.

Our products are medical devices and are subject to extensive regulation in the U.S. and internationally. FDA regulations are wide ranging and govern, among other things:

- product design, development, manufacturing and testing;
- product labeling;
- product storage;
- pre-market clearance or approval;
- advertising and promotion; and
- product sales and distribution.

Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA or state agencies, which may include any of the following sanctions:

- warning letters, fines, injunctions, consent decrees and civil penalties;
- repair, replacement, refunds, recall or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing our requests for 510(k) clearance or pre-market approval of new products, new intended uses, or modifications to existing products;
- withdrawing clearance or pre-market approvals that have already been granted; and
- criminal prosecution.

If any of these events were to occur, they could harm our business. We must comply with facility registration and product listing requirements of the FDA and adhere to applicable Quality System regulations. The FDA enforces its Quality System regulations through periodic unannounced inspections. Our failure to take satisfactory corrective action in response to an adverse inspection or the failure to comply with applicable manufacturing regulations could result in enforcement action, and we may be required to find alternative manufacturers, which could be a long and costly process.

Before we can sell a new medical device in the U.S., or market a new use of or claim for an existing product we must obtain FDA clearance or approval, unless an exemption applies. Obtaining regulatory clearances or approvals can be a lengthy and time-consuming process. Even though the devices we market have obtained the necessary clearances from the FDA, we may be unable to maintain such clearances in the future. Furthermore, we may be unable to obtain the necessary clearances for new devices that we intend to market in the future. Our inability to maintain or obtain regulatory clearances or approvals could materially harm our business.

If the security of our customer and patient information is compromised, patient care could suffer, and we could be liable for related damages, and our reputation could be impaired.

We retain confidential customer and patient information in our processing centers. Therefore, it is critical that our facilities and infrastructure remain secure and that our facilities and infrastructure are perceived by the marketplace and our customers to be secure. Despite the implementation of security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. If we fail to meet our clients' expectations regarding the security of healthcare information, we could be liable for damages and our reputation could be impaired. In addition, patient care could suffer, and we could be liable if our systems fail to deliver correct information in a timely manner. Our insurance may not protect us from this risk.

If compliance with healthcare regulations becomes costly and difficult for our customers or for us, we may not be able to grow our business.

Participants in the healthcare industry are subject to extensive and frequently changing regulations under numerous laws administered by governmental entities at the federal, state and local levels, some of which are, and others of which may be, applicable to our business. In response to perceived increases in health care costs in recent years, there have been and continue to be proposals by the Obama administration, members of Congress, state governments, regulators and third-party payors to control these costs and, more generally, to reform the U.S. healthcare system. In December 2010, the United States Senate advanced legislation that included a market-share based excise tax of approximately $2 billion annually on medical device manufacturers beginning in 2011. This legislation compares to a bill previously passed by the House of Representatives that includes a 2.5 percent sales-based excise tax on medical device manufacturers beginning in 2013. At this point in the legislative process, the differences between each version have not yet been reconciled. We cannot predict whether legislation will be enacted, the final form any legislation might take or the effects of such legislation. These taxes, if implemented, would result in a significant increase in the tax burden on our industry, which could have a material, negative impact on our results of operations and our cash flows.

Furthermore, our healthcare provider customers are also subject to a wide variety of laws and regulations that could affect the nature and scope of their relationships with us. The healthcare market itself is highly regulated and subject to changing political, economic and regulatory influences. Regulations implemented pursuant to the Health Insurance Portability and Accountability Act (HIPAA), including regulations affecting the security and privacy of patient healthcare information held by healthcare providers and their business associates may require us to make significant and unplanned enhancements of software applications or services, result in delays or cancellations of orders, or result in the revocation of endorsement of our products and services by healthcare participants. The effect of HIPAA and newly enforced regulations on our business is difficult to predict, and there can be no assurance that we will adequately address the business risks created by HIPAA and its implementation or that we will be able to take advantage of any resulting business opportunities.

Extensive and changing government regulation of the healthcare industry may be expensive to comply with and exposes us to the risk of substantial government penalties.

In addition to medical device laws and regulations, numerous state and federal healthcare-related laws regulate our business, covering areas such as:

- storage, transmission and disclosure of medical information and healthcare records;
- prohibitions against the offer, payment or receipt of remuneration to induce referrals to entities providing healthcare services or goods or to induce the order, purchase or recommendation of our products; and
- the marketing and advertising of our products.

Complying with these laws and regulations could be expensive and time-consuming, and could increase our operating costs or reduce or eliminate certain of our sales and marketing activities or our revenues.

We face risks related to our international sales, including the need to obtain necessary foreign regulatory clearance or approvals.

We currently sell our products in Europe, Asia Pacific, Latin America and Japan and may expand into other countries from time to time. We do not know whether orthodontists, GPs and consumers outside our North American market will adopt Invisalign in sufficient numbers or as rapidly as we anticipate. In addition, sales of our products outside the U.S. are subject to foreign regulatory requirements that vary widely from country to country. The time required to obtain clearances or approvals required by other countries may be longer than that required for FDA clearance or approval, and requirements for such approvals may differ from FDA requirements. We may be unable to obtain regulatory approvals in one or more of the other countries in which we do business or in which we may do business in the future. We may also incur significant costs in attempting to obtain and maintain foreign regulatory approvals. If we experience delays in receipt of approvals to market our products outside of the U.S., or if we fail to receive these approvals, we may be unable to market our products or enhancements in international markets in a timely manner, if at all.

Our business exposes us to potential product liability claims, and we may incur substantial expenses if we are subject to product liability claims or litigation.

Medical devices involve an inherent risk of product liability claims and associated adverse publicity. We may be held liable if any product we develop or any product that uses or incorporates any of our technologies causes injury or is otherwise found unsuitable. Although we intend to continue to maintain product liability insurance, adequate insurance may not be available on acceptable terms, if at all, and may not provide adequate coverage against potential liabilities. A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs. These costs would have the effect of increasing our expenses and diverting management's attention away from the operation of our business, and could harm our business.

Historically, the market price for our common stock has been volatile.

The market price of our common stock could be subject to wide price fluctuations in response to various factors, many of which are beyond our control. The factors include:

- quarterly variations in our results of operations and liquidity;
- changes in recommendations by the investment community or in their estimates of our revenues or operating results;
- speculation in the press or investment community concerning our business and results of operations;
- strategic actions by our competitors, such as product announcements or acquisitions;
- announcements of technological innovations or new products by us, our customers or competitors; and
- general economic market conditions.

In addition, the stock market in general, and the market for technology and medical device companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated to or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. Historically, class action litigation is often brought against an issuing company following periods of volatility in the market price of a company's securities. Recently, a securities class action suit was filed against us on behalf of all persons or entities who purchased our common stock between January 30, 2007 and October 24, 2007. While we believe the lawsuit is without merit and intend to vigorously defend ourselves, we could incur substantial legal fees, and our management's attention and resources may be diverted from operating our business in order to respond to the litigation.

Future sales of significant amounts of our common stock may depress our stock price.

A large percentage of our outstanding common stock is currently owned by a small number of significant stockholders. These stockholders have sold in the past, and may sell in the future, large amounts of common stock over relatively short periods of time. Sales of substantial amounts of our common stock in the public market by our existing stockholders may adversely affect the market price of our common stock. Such sales could create public perception of difficulties or problems with our business and may depress our stock price.

Changes in, or interpretations of, accounting rules and regulations, could result in unfavorable accounting charges.

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in these policies can have a significant effect on our reported results and may even retroactively affect previously reported transactions. Our accounting policies that recently have been or may be affected by changes in the accounting rules are as follows:

- revenue recognition;
- accounting for share-based payments; and
- accounting for income taxes.

If we fail to manage our exposure to global financial and securities market risk successfully, our operating results and financial statements could be materially impacted.

The primary objective of most of our investment activities is to preserve principal. To achieve this objective, a majority of our marketable investments are investment grade, liquid, short-term fixed-income securities and money market instruments denominated in U.S. dollars. If the carrying value of our investments exceeds the fair value, and the decline in fair value is deemed to be other-than-temporary, we will be required to write down the value of our investments, which could materially harm our results of operations and financial condition. Moreover, the performance of certain securities in our investment portfolio correlates with the credit condition of the U.S. financial sector. With the current unstable credit environment, we might incur significant realized, unrealized or impairment losses associated with these investments.

We have adopted a shareholders rights' plan to limit the possibility that we are acquired, which may mean that a transaction that shareholders are in favor of or are benefited by may be prevented.

Our board of directors has the authority to issue up to 5,000,000 shares of preferred stock and to determine the rights, preferences, privileges and restrictions of such shares without any further vote or action by our shareholders. To date, our board of directors has designated 200,000 shares as Series A participating preferred stock in connection with our shareholder rights' plan. The issuance of preferred stock under certain circumstances could have the effect of delaying or preventing an acquisition of the company or otherwise adversely affecting the rights of the holders of our stock. The shareholder rights' plan may have the effect of rendering more difficult or discouraging an acquisition of our company which is deemed undesirable by our board of directors. The shareholder rights' plan may cause substantial dilution to a person or group attempting to acquire us on terms or in a manner not approved by our board of directors, except pursuant to an offer conditioned on the negation, purchase or redemption of the rights issued under the shareholder rights' plan.

Our effective tax rate may vary significantly from period to period.

Various internal and external factors may have favorable or unfavorable effects on our future effective tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, the future levels of tax benefits of stock option deductions relating to incentive stock options and employee stock purchase plans and changes in overall levels of pretax earnings. In June 2009, the Costa Rica Ministry of Foreign Trade, an agency of the Government of Costa Rica, granted a twelve year extension of the tax incentives which were previously granted in 2002. Under these incentives, all of the income we earn in Costa Rica during these twelve year incentive periods is subject to reduced rates of Costa Rica income tax. The incentive tax rates will expire in various years beginning in 2017. The Costa Rica corporate income tax rate that would apply, absent the incentives, is 30% for 2009. Because Costa Rica incurred a net loss in 2009, no tax benefit was realized from these incentives in 2009. In order to receive the benefit of the incentives, we must hire specified numbers of employees and maintain minimum levels of fixed asset investment in Costa Rica. If we do not fulfill these conditions for any reason, our incentive could lapse and our income in Costa Rica would be subject to taxation at higher rates, which could have a negative impact on our operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We occupy approximately four facilities with a total office and manufacturing area of over 274,000 square feet of leased properties. At December 31, 2009, these facilities were occupied as follows:

Location	Property / Approximate Size	Use	Expiration of lease
Santa Clara, CA	Buildings/127,000 sq. feet	Leased office for headquarters, reasearch & development, administrative personnel	June 2010
San Jose, Costa Rica	Building/63,000 sq. feet	Leased office for administrative personnel and customer care	September 2013
Juarez, Mexico	Building/68,000 sq. feet	Leased manufacturing and office for manufacturing and administrative personnel	July 2013
Amsterdam, Netherlands	Building/16,000 sq. feet	Leased office for European headquarters and administrative personnel	June 2012

On January 26, 2010, we entered into an agreement for new corporate headquarters to lease approximately 129,024 square feet in San Jose, California. The lease agreement commences on the earlier of August 1, 2010 or the date we first commence conducting business in the premises, which is expected to be on or about June 28, 2010 and will continue for an initial term of seven years and two months. The lease agreement for our current office headquarters in Santa Clara, California expires on June 30, 2010.

We believe that our existing facilities are adequate to meet current requirements and that additional or substitute space will be available as needed to accommodate any expansion of operations.

ITEM 3. LEGAL PROCEEDINGS

Consumer Class Action

On May 18, 2007, Debra A. Weber filed a consumer class action lawsuit against us, OrthoClear, Inc. and OrthoClear Holdings, Inc. (d/b/a OrthoClear, Inc.) in Syracuse, New York, U.S. District Court. The complaint alleges two causes of action against the OrthoClear defendants and one cause of action against us for breach of contract. The cause of action against us titled "Breach of Third Party Benefit Contract" references our agreement to make Invisalign treatment available to OrthoClear patients, alleging that we failed "to provide the promised treatment to Plaintiff or any of the class members."

On July 3, 2007, we filed our answer to the complaint and asserted 17 affirmative defenses. On July 20, 2007, we filed a motion for summary judgment on the Third Cause of Action (the only cause of action alleged against us). On August 24, 2007, Weber filed a motion for class certification. On October 1, 2007, we filed an opposition to the motion of class certification and we are currently awaiting rulings from the Court. OrthoClear has filed a motion to dismiss. The initial case management conference and all discovery has been stayed pending the Court's decision on the motion for class certification, OrthoClear's motion to dismiss and our motion for summary judgment. We believe the lawsuit to be without merit and intend to vigorously defend ourselves.

Securities Litigation

In August 2009, Plaintiff Charles Wozniak filed a lawsuit against the Company and our Chief Executive Officer and President, Thomas M. Prescott ("Mr. Prescott"), in District Court for the Northern District of California on behalf of a claimed class consisting of all persons or entities who purchased the common stock of

Align between January 30, 2007 and October 24, 2007. The complaint alleges that Align and Mr. Prescott violated Section 10(b) of the Securities Exchange Act of 1934 and that Mr. Prescott violated Section 20(a) of the Securities Exchange Act of 1934. Specifically, the complaint alleges that during the class period we failed to disclose that we had shifted the focus of our sales force to clearing backlog, causing a significant decrease in the number of new case starts. The Court has recently selected a lead plaintiff. We believe the lawsuit to be without merit and intend to vigorously defend ourselves.

Litigating claims of the types discussed in this Annual Report on Form 10-K, whether or not ultimately determined in our favor or settled by us, is costly and diverts the efforts and attention of our management and technical personnel from normal business operations. Any of these results from litigation could adversely affect our results of operations and stock price. From time to time, we have received, and may again receive, letters from third parties drawing our attention to their patent rights. While we do not believe that we infringe any such rights that have been brought to our attention, there may be other more pertinent proprietary rights of which we are presently unaware.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of 2009.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock is listed on the NASDAQ Global Market under the symbol "ALGN." Public trading of our common stock commenced on January 26, 2001. Prior to that date, there was no public market for our common stock. The following table shows, for the periods indicated, the high and low per share closing prices of our common stock, as reported by the NASDAQ Global Market:

	High	Low
Year Ended December 31, 2009:		
Fourth quarter	$18.85	$14.18
Third quarter	$14.91	$ 9.15
Second quarter	$12.91	$ 7.62
First quarter	$ 9.67	$ 6.10
Year Ended December 31, 2008:		
Fourth quarter	$10.48	$ 5.00
Third quarter	$13.48	$10.01
Second quarter	$13.19	$ 9.84
First quarter	$16.55	$10.34

On February 19, 2010, the closing price of our common stock on the NASDAQ Global Market was $17.94 per share. As of February 19, 2010 there were approximately 172 holders of record of our common stock. Because the majority of our shares of outstanding common stock is held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings to fund the development and growth of our business and do not anticipate paying any cash dividends in the foreseeable future. Our credit facility contains certain restrictive loan covenants, including restrictions on our ability to pay dividends. See *Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."*

Performance Graph

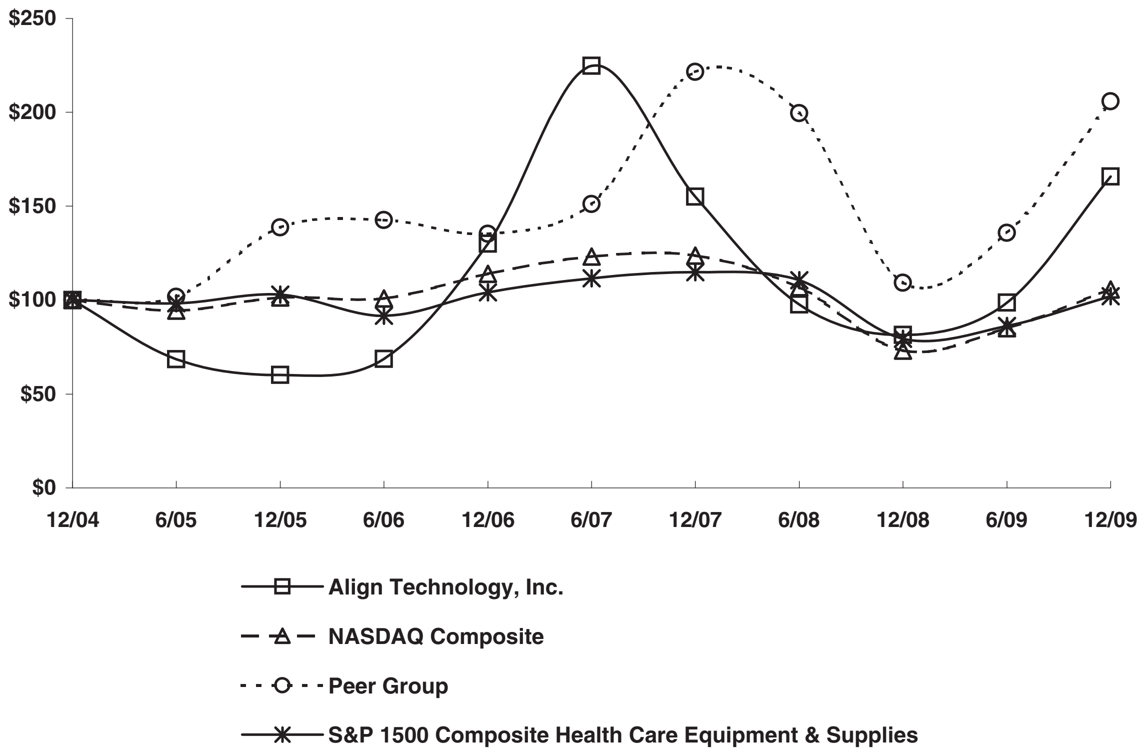
Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, the following information relating to the price performance of our common stock shall not be deemed "filed" with the SEC or "Soliciting Material" under the Securities Exchange Act of 1934, as amended, or subject to Regulation 14A or 14C, or to liabilities of Section 18 of the Exchange Act except to the extent we specifically request that such information be treated as soliciting material or to the extent we specifically incorporate this information by reference.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

The following graph compares the cumulative total stockholder return on our common stock with that of the NASDAQ Stock Market US Index, a broad market index published by the National Association of Securities Dealers, Inc., a peer group that we used from August 2007 until August 2009 and S&P 1500 Composite Health Care Equipment & Supplies Index. The comparison for each of the periods assumes that $100 was invested on January 1, 2005 in our common stock, the stocks in the NASDAQ Stock Market US Index, and the stocks in the former peer group and the S&P Index, and that all dividends were reinvested.

The former peer group consisted of 13 companies listed below.

American Medical Systems Holdings, Inc.
Ansys Inc.
ArthroCare
Integra Lifesciences Hldgs.
Intuitive Surgical.
Natus Medical Inc.
Nektar Therapeutics.
Nuvasive Inc.
Sirona Dental Systems Inc.
Sonosite.
Vital Images Inc.



ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth the selected consolidated financial data for each of the years in the five-year period ended December 31, 2009. The selected consolidated financial data is qualified in its entirety and should be read in conjunction with the Consolidated Financial Statements and related Notes thereto set forth on pages 65 to 90 and *Management's Discussion and Analysis of Financial Condition and Results of Operations* beginning on page 40. We have derived the statement of operations data for the years ended December 31, 2009, 2008 and 2007 and the balance sheet data as of December 31, 2009 and 2008 from the consolidated audited financial statements included elsewhere in this Annual Report on Form 10-K. The statement of operations data for the years ended December 31, 2006 and 2005 and the balance sheet data as of December 31, 2007, 2006 and 2005 were derived from the consolidated audited financial statements that are not included in this Annual Report on Form 10-K.

SELECTED CONSOLIDATED FINANCIAL DATA
(in thousands, except per share data)

	Years Ended December 31,				
	2009	2008	2007	2006	2005
Consolidated Statement of Operations Data:					
Net revenues	$312,333	$303,976	$284,332	$206,354	$207,125
Gross profit(4)	$233,492	$225,126	$209,297	$141,579	$143,341
Profit (loss) from operations(1)(2)(4)	(34,012)	15,514	33,855	(37,536)	2,446
Other income (expense), net	119	1,562	3,095	3,401	283
Net profit (loss) before provision for (benefit from) income taxes(1)(2)(4)	(33,893)	17,076	36,950	(34,135)	2,729
Provision for (benefit from) income taxes	(2,624)	(62,911)	1,226	828	1,316
Net profit (loss)(1)(2)(3)(4)	$ (31,269)	$ 79,987	$ 35,724	$ (34,963)	$ 1,413
Net profit (loss) per share					
Basic	$ (0.45)	$ 1.20	$ 0.53	$ (0.55)	$ 0.02
Diluted	$ (0.45)	$ 1.18	$ 0.50	$ (0.55)	$ 0.02
Shares used in computing net profit (loss) per share:					
Basic	69,094	66,812	67,176	63,246	61,644
Diluted	69,094	68,064	71,444	63,246	63,152

	December 31,				
	2009	2008	2007	2006	2005
Consolidated Balance Sheet Data:					
Working capital	$180,056	$117,335	$123,058	$ 40,306	$ 62,978
Total assets	355,240	279,341	222,761	151,558	142,110
Total long-term liabilities	961	229	148	219	64
Stockholders' equity	$273,036	$218,540	$161,154	$ 83,556	$ 93,438

(1) Profit (loss) from operations, net profit (loss) before provision for income taxes and net profit (loss) for the years ended December 31, 2007 and 2006 included a $1.8 million credit and a $14.3 million charge, respectively, for the Patients First Program and settlement costs. See *Note 5 "Patients First Program and settlement costs" in the Notes to Consolidated Financial Statements* for additional information.

(2) Profit from operations and net profit before benefit from income taxes included a $6.2 million restructuring charge for the year ended December 31, 2008. In addition, 2008 net profit included a $6.1 million

restructuring charge net of taxes of $129,000. See *Note 19 "Restructurings" in the Notes to Consolidated Financial Statements* for additional information.

(3) Net profit for the year ended December 31, 2008 included a $64.6 million benefit to income taxes as a result of the release of a tax valuation allowance on most of the deferred tax assets. See *Note 14 "Income Taxes" in the Notes to Consolidated Financial Statements* for additional information.

(4) Gross profit for the year ended December 31, 2009 included the amortization of prepaid royalties of $6.2 million related to the litigation settlement with Ormco. In addition, loss from operations, net loss before benefit from income taxes, and net loss included a litigation settlement charge of $69.7 million. See *Note 7 "Ormco Litigation Settlement" in the Notes to Consolidated Financial Statements* for additional information.

ITEM 7. 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 "Selected Consolidated Financial Data" and our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

Overview

Align Technology, Inc. designs, manufactures and markets the Invisalign system, a proprietary method for treating malocclusion, or the misalignment of teeth. Invisalign corrects malocclusion using a series of clear, nearly invisible, removable appliances that gently move teeth to a desired final position. Because it does not rely on the use of metal or ceramic brackets and wires, Invisalign significantly reduces the aesthetic and other limitations associated with metal arch wires and brackets, commonly referred to as braces. We received the United States Food and Drug Administration ("FDA") clearance to market Invisalign in 1998. The Invisalign system is regulated by the FDA as a Class II medical device.

Each Invisalign treatment plan is unique to the individual patient. Our Invisalign Full treatment consists of as many aligners as indicated by ClinCheck in order to achieve the doctors' treatment goals. Our Invisalign Express is a dual arch orthodontic treatment for cases that meet certain predetermined clinical criteria and consist of up to ten sets of aligners. Invisalign Express treatment is intended to assist dental professionals to treat a broader range of patients by providing a lower-cost option for adult relapse cases, for minor crowding and spacing, or as a pre-cursor to restorative or cosmetic treatments such as veneers. Invisalign Teen is designed to meet the specific needs of the non-adult comprehensive or teen treatment market. Invisalign Assist is intended to help newly-trained and lower volume Invisalign GPs accelerate the adoption and frequency of use of Invisalign into their practice. Upon completion of an Invisalign or non-Invisalign treatment, the patient may be prescribed our traditional retainer product, or our Vivera retainers, a clear aligner set designed for ongoing retention.

Our goal is to establish Invisalign as the standard method for treating malocclusion ultimately driving increased product adoption by dental professionals by focusing on the four key objectives: driving product innovation and clinical effectiveness, enhancing the customer experience, generating consumer demand and expanding into international markets. Each of these four key objectives is described more fully in *Item I—Business—Business Strategy* of this Annual Report on Form 10-K and is incorporated herein by this reference. In addition to whether we successfully execute our business strategy, a number of other factors, the most important of which are set forth below, may affect our results in 2010 and beyond.

- *Proficiency Requirements.* Our success depends upon increasing acceptance and frequency of use of the Invisalign system by dental professionals (what we refer to as utilization). We have a large number of low volume doctors that make up a large portion of our customer base. We want every Invisalign provider to be one we can comfortably direct a prospective patient to with an expectation of knowledgeable treatment and a great outcome. On June 2, 2009, we announced the implementation of the Invisalign Product Proficiency Requirements (or the Proficiency Requirements) in North America to help ensure that Invisalign-trained doctors have the experience and confidence necessary to achieve high quality treatment outcomes for Invisalign patients. Under the Proficiency Requirements, every Invisalign provider in North America must have 10 Invisalign case starts (measured by ClinCheck acceptance) and complete at least 10 Invisalign-specific continuing education (CE) credits each calendar year. Doctors who met the proficiency requirements of 10 case starts and 10 Invisalign CE hours by the end of 2009 will benefit from a new addition to Align's consumer marketing programs, one that encourages prospective patients to seek out "Invisalign Preferred Providers." Starting in January 2010, this new Invisalign Preferred designation will be highlighted on the Invisalign web site and in television ads as a way to recognize doctors' commitment to continued proficiency with Invisalign. The Invisalign Preferred designation will then be awarded on an annual basis to doctors who meet the proficiency requirements for a given year.

In October 2009, we updated the Proficiency Requirements in order to further support our customers through this significant change and provided a one-time, additional six month qualification period for doctors who were unable to meet the proficiency requirements for 2009, but demonstrated a desire to continue using Invisalign. The additional six month qualification period stipulated that for those doctors who had at least one case start and at least one Invisalign CE hour at the end of 2009 will be allowed to maintain their active Invisalign provider status through June 30, 2010, provided that they meet half of the annual proficiency requirements (at least 5 case starts and 5 Invisalign CE hours) between January 1 and June 30, 2010. Doctors will still be responsible for meeting the total annual requirements of at least 10 case starts and 10 Invisalign CE hours by the end of 2010 to qualify as providers for the following year.

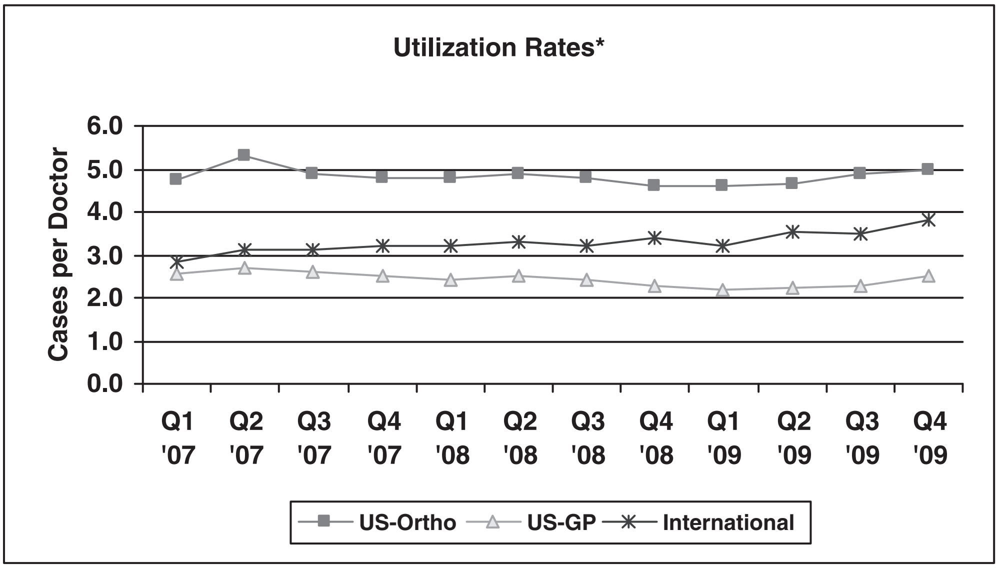
Doctors with zero case starts or zero Invisalign CE hours at the end of 2009 were not eligible for the additional qualification period. They will be able to continue treating in-progress cases but will not be able to submit new Invisalign cases or use Invisalign branding or marketing resources. Doctors can reactivate their provider status by retaking Invisalign training and meeting the proficiency requirements.

As of January 2010, approximately 6,400 doctors met the Invisalign Proficiency Requirements and another 15,800 doctors met the criteria for the additional six-month qualification period in 2009. We limited the account status of approximately 13,400 doctors who did not meet either Proficiency Requirements or the additional qualification period requirements. These doctors can continue treating and finishing in progress patients. In addition, we deactivated approximately 9,600 Invisalign-trained doctors who had never submitted a single Invisalign case.

Although approximately 15,800 doctors met the criteria for the additional six-month qualification period, the Proficiency Requirements may result in greater variability among customer activity, particularly in the second half of 2010 after the additional six-month qualification period expires. There can be no assurance on the number of doctors that ultimately meet the criteria for the additional six-month qualification period. If the number of our customers who fail to maintain and/or increase utilization to meet the additional qualification requirements on June 30, 2010 is greater than expected, our case volumes in the second half of 2010 will decrease and our revenues will be harmed. We want every doctor to achieve and maintain the Proficiency Requirements with Invisalign, we expect, however, that a number of our lower volume doctors may choose not to meet these requirements. In addition, if GPs and Orthos do not attend our training courses in sufficient numbers for any reason, including the introduction of the Proficiency Requirements, or declining general economic conditions, our revenue may fail to grow as expected.

- *Number of new doctors trained.* Prior to 2009, we historically have trained at least 5,000 new dentists per year in North America. With the introduction of the Proficiency Requirements and a renewed focus on attracting the right kind of customer, we trained approximately 2,825 new doctors in North America in 2009. Our new doctor training in North America is evolving to identify and focus on practices that are interested in gaining the skills and experience necessary to be successful with Invisalign. In the past, many doctors completed this training course as a means of learning more about Invisalign or leveraging the marketing benefits of Invisalign, but then only sporadically submitted cases. Building on our experience with the Proficiency Requirements, going forward, we expect that doctors are more likely to attend our training course when they are actually ready to begin using Invisalign in their practices right away. As a result, over time, although we are likely to have a more focused, engaged and committed customer base that maintains a baseline of up-to-date Invisalign product knowledge, we expect that the number of new doctors trained in North America will be relatively comparable to 2009.

• *Utilization Rates.* Our goal is to establish Invisalign as the treatment of choice for treating malocclusion ultimately driving increased product adoption and frequency of use by dental professionals, or utilization. Our quarterly utilization rates from the years ended December 31, 2009, 2008, and 2007 are as follows:



* Utilization rates = # of cases shipped divided by # of doctors cases were shipped to

Although utilization rates in the fourth quarter of 2009 for each of our Ortho, GP, and International channels were higher than the same quarter last year, we expect to see fluctuation in our utilization rates as practices adjust to the Proficiency Requirements. As a result of the Proficiency Requirements, we expect that in 2010, we will ship cases to fewer doctors each quarter compared to prior years. This will likely result in greater variability in utilization rates, particularly in the second half of 2010 after the additional qualification period expires. Due to this and other factors, we believe that quarter-to-quarter comparisons of utilization rates may not be as meaningful in 2010.

• *Impact of new products on deferred revenue.* Many of our products launched in 2008 (Vivera retainers, Invisalign Teen, Invisalign Assist) include features of staged delivery or the option to receive replacement aligners during the course of treatment. As a result of these features, these products have a significantly higher amount of deferred revenue as a percentage of their average selling prices compared to Invisalign Full. Vivera retainers are delivered in four shipments over the course of a year, and revenue is initially deferred and then recognized as each shipment occurs. Invisalign Teen which includes up to six replacement aligners, is delivered in a single shipment except for the replacement aligners. Currently, the revenue for the six replacement aligners is 100 percent deferred based on the fair market value and recognized as the replacement aligners are used or when the case is completed. Although Invisalign Teen has been available since July 2008, we do not have sufficient evidence to support a usage rate less than 100 percent for the six replacement aligners at this time, however, we are continually gathering and evaluating our historical experience. If and when we gather sufficient historical experience to support a usage rate for the six replacement aligners less than 100 percent, we would adjust our deferred revenue balance to the estimated usage rate and prospectively apply this rate to future Invisalign Teen shipments. For Invisalign Assist, when the progress tracking feature is selected, aligners are shipped every nine stages. As a result, revenue for these cases is deferred upon the first shipment and will be recognized upon the final shipment. Depending on customers' adoption of these products, our mix of products may continue to gradually shift towards these products, which will result in an increase in deferred revenue on our balance sheet.

- *Impact on consumer spending due to continued weakness in general economic conditions*. Consumer spending habits are affected by among other things, prevailing economic conditions, levels of employment, salaries and wage rates, gas prices, consumer confidence, and consumer perception of economic conditions. Continued weakness in the United States economy and certain international economies in 2009 and into 2010 has adversely affected consumer spending habits. As a result of the uncertain economic outlook for 2010, our case volumes from quarter to quarter are difficult to predict with certainty, and our revenue may fail to grow as expected.
- *International expansion.* We will continue to focus our efforts towards increasing adoption of Invisalign by dental professionals in our key international markets, Europe and Japan. With the availability of Invisalign Teen in March 2009 for Invisalign-trained doctors worldwide, we expect the addressable market for our product internationally to expand and ultimately increase adoption. In addition, we will continue to focus on increasing brand awareness and consumer demand in Europe by continuing our consumer advertising campaign. Additionally, although the vast majority of our international revenues are from direct sales, approximately 9% of our international sales are through distributors covering smaller international markets, specifically Asia Pacific and Latin America. We recently announced the addition of an international distributor for smaller country markets in Europe, the Middle East and Africa. We will continue to consider selling through distributors in other smaller or less strategic markets as well as consider expanding directly into additional countries on a case-by-case basis. With these efforts, we expect our international revenues to continue to increase in absolute dollars and as a percentage of total net revenues in the foreseeable future. In 2009, our international sales increased from 21% of net revenues to 24% of net revenues.
- *Seasonal fluctuations*. Seasonal fluctuations in the number of doctors in their offices and available to take appointments have affected, and are likely to continue to affect our business. Specifically, our customers often take vacation during the summer months and therefore tend to start fewer cases, especially in Europe. In addition, summer is typically the busiest season for orthodontists with practices that have a high percentage of adolescent and teenage patients. Many parents want to get their teens started in treatment before the start of the school year. As a result, adult appointments, including adult Invisalign patient starts, are often pushed further into late summer or early fall. In 2009, we did not experience the normal seasonality in our business and had sequential case growth in the North American orthodontic from second quarter to the third quarter. With the availability of Invisalign Teen, 2009 was the first summer we were able to actively compete for a share of teen patient starts and believe that Invisalign Teen may have helped moderate the historical downward trend we have typically seen for our North American orthodontic customers during the summer months. However, there can be no assurance that our historical seasonal trends will not continue to cause, fluctuations in our quarterly results, including fluctuations in sequential revenue growth rates.
- *Foreign Exchange Rates.* Although the U.S. dollar is our reporting currency, a portion of our revenues and profits are generated in foreign currencies. Revenues and profits generated by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period and as a result are affected by changes in exchange rates. We have generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this risk. Therefore, both positive and negative movements in currency exchanges rates against the U.S. dollar will continue to affect the reported amount of revenues and profits in our consolidated financial statements.
- *Ormco Litigation Settlement*. On August 16, 2009, the Company and Ormco entered into a Settlement Agreement, pursuant to which the Company (1) paid Ormco a cash amount equal to approximately $13.2 million, and (2) agreed to issue to Danaher Corporation (“Danaher”), an affiliate of Ormco, 7.6 million fully paid and non-assessable shares of the Company’s Common Stock, 5.6 million and 2.0 million of which were issued to Danaher on August 16, 2009 and September 22, 2009, respectively, pursuant to the Stock Purchase Agreement entered into between the Company and Danaher on August 16, 2009.

Joint Development, Marketing and Sales Agreement. In connection with the settlement reached with Ormco, on August 16, 2009, Align and Ormco entered into the Joint Development, Marketing and Sales Agreement, pursuant to which the parties have agreed to an exclusive collaboration over the next seven years to jointly develop and commercialize a combination orthodontic treatment system involving the use of both Align's clear aligner system and Ormco's brackets and arch wire system, which system will be capable of treating even the most complex orthodontic cases.

See *Note 7 "Ormco Litigation Settlement" for additional information about the settlement accounting.*

- *2010 Operating Expenses.* During 2010, we expect our research and development as well as selling and general administrative expenses to be higher as we continue to invest in our international operations, although we expect there will be quarterly fluctuations based on the timing of media spend, significant trade shows and industry events.
- *Tax Valuation Allowance.* We continually evaluate both the positive and negative evidence in assessing our need for a tax valuation allowance. As a result of our analysis, we released the tax valuation allowance on most of the deferred tax assets with the exception of certain capital loss and foreign net operating loss carryforwards as of December 31, 2008. However, should there be a change in our ability to recover these deferred tax assets, the tax provision would increase in the period in which it is more likely than not that the we cannot recover our deferred tax assets.
- *Effective Tax Rate*. Our effective tax rate may vary significantly from period to period. Various internal and external factors may have favorable or unfavorable effects on our future effective tax rate. These factors include, but are not limited to, changes in tax laws, regulations and /or rates, changing interpretations of existing tax laws or regulations, the future levels of tax benefits of stock option deductions relating to incentive stock options and employee stock purchase plans and changes in overall levels of pretax earnings.

Results of Operations

Comparison of Years Ended December 31, 2009, 2008 and 2007:

Net revenues and case volume by channel and product:

Invisalign product revenues by channel and other non-case revenues, which represents training, retainer and ancillary products, for the years ended December 31, 2009, 2008, and 2007 are as follows (in millions):

	Years Ended December 31,						
Net revenues	**2009**	**Net Change**	**% Change**	**2008**	**Net Change**	**% Change**	**2007**
North America:							
Ortho	$ 90.4	$ 2.1	2.4%	$ 88.3	$ (1.2)	(1.3%)	$ 89.5
GP	132.8	(2.7)	(2.0%)	135.5	3.7	2.8%	131.8
Total North American Invisalign	223.2	(0.6)	(0.3%)	223.8	2.5	1.1%	$221.3
International Invisalign	72.0	10	16.1%	62.0	15.4	33.0%	46.6
Total Invisalign revenues	295.2	9.4	3.3%	285.8	17.9	6.7%	$267.9
Other non-case revenues	17.1	(1.1)	(6.0%)	18.2	1.8	11.0%	16.4
Total net revenues	$312.3	$ 8.3	2.7%	$304.0	$19.7	6.9%	$284.3

Case volume data which represents Invisalign case shipments by channel, for the years ended December 31, 2009, 2008, and 2007 are as follows (in thousands):

	Years Ended December 31,						
Invisalign case volume	**2009**	**Net Change**	**% Change**	**2008**	**Net Change**	**% Change**	**2007**
North America:							
Ortho	73.0	2.4	3.4%	70.6	(2.3)	(3.2%)	72.9
GP	100.1	(3.4)	(3.3%)	103.5	1.5	1.5%	102.0
Total North American Invisalign	173.1	(1.0)	(0.6%)	174.1	(0.8)	(0.5%)	174.9
International Invisalign	47.5	9.6	25.3%	37.9	9.9	35.4%	28.0
Total Invisalign case volume	220.6	8.6	4.1%	212.0	9.1	4.5%	202.9

Invisalign revenues by product and other non-case revenues, which represents training, retainer and ancillary products, for the years ended December 31, 2009, 2008, and 2007 are as follows (in millions):

	Years Ended December 31,						
Net revenues	**2009**	**Net Change**	**% Change**	**2008**	**Net Change**	**% Change**	**2007**
Invisalign Full	$234.8	$(20.7)	(8.1%)	$255.5	$ 9.8	4.0%	$245.7
Invisalign Express	29.0	5.5	23.4%	23.5	1.3	5.9%	22.2
Invisalign Teen	25.9	19.7	317.7%	6.2	6.2	100.0%	—
Invisalign Assist	5.5	4.9	816.7%	0.6	0.6	100.0%	—
Other non-case revenues	17.1	(1.1)	(6.0%)	18.2	1.8	11.0%	16.4
	$312.3	$ 8.3	2.7%	$304.0	$19.7	6.9%	$284.3

Case volume data which represents Invisalign case shipments by product, for the years ended December 31, 2009, 2008, and 2007 are as follows (in thousands):

	Years Ended December 31,						
Invisalign case volume	**2009**	**Net Change**	**% Change**	**2008**	**Net Change**	**% Change**	**2007**
Invisalign Full	155.3	(17.1)	(9.9%)	172.4	0.4	0.2%	172.0
Invisalign Express	33.0	1.0	3.1%	32.0	1.1	3.6%	30.9
Invisalign Teen	25.9	19.1	280.9%	6.8	6.8	100.0%	—
Invisalign Assist	6.4	5.6	700.0%	0.8	0.8	100.0%	—
	220.6	8.6	4.1%	212.0	9.1	4.5%	202.9

Total net revenues increased in 2009 compared to 2008 primarily as a result of revenue growth in our International and North American Orthodontic channels and partially offset by a slight decline in North American GP revenues.

Overall, 2009 North American Invisalign revenues were comparable to 2008 and reflect a full year impact of product mix shifting from Invisalign Full towards Invisalign Teen and Invisalign Assist, both of which have higher amounts of deferred revenue than Invisalign Full. Additionally, 2009 North American revenues also include the full year impact of North American price increases that were effective in the beginning of the year. The North American orthodontic channel experienced an increase in revenue and case volume primarily driven by the full year availability of Invisalign Teen. North American GP revenues declined in 2009 compared to 2008 as a result of the product mix shift towards Invisalign Assist combined with an overall slightly lower case volume. We believe that, as a result of the economic downturn and continued economic uncertainty, many GPs focused their efforts on traditional dental procedures, and as a result, sales of Invisalign to these customers were negatively impacted compared to 2008. Depending on the customers' adoption of these products, our product mix may continue to gradually shift towards these newer products that have higher deferred revenues. Our International Invisalign revenues grew in 2009 compared to 2008 as a result of increased Invisalign Full case volumes and was supplemented by a partial year impact of Invisalign Teen, which was launched in March 2009. This increase was offset by unfavorable exchange rates.

Total net revenues increased in 2008 compared to 2007 primarily as a result of increased growth in our international Invisalign revenue and our North American GP revenue.

Net revenues from our North American Invisalign orthodontic channel decreased in 2008 compared to 2007 due to decreased case volume and higher revenue deferrals related to new products introduced in 2008 partially offset by lower participation in volume-based discount program rebates. Net revenues from our North American Invisalign GP channel increased due to higher case volume and lower participation in volume-based discount rebate programs. The increase in our International Invisalign revenues in 2008 compared to 2007 was predominately due to higher case volumes partially offset by unfavorable exchange rates and increased participation in volume-based discount programs.

Other revenues, consisting of training fees and sales of ancillary products, were lower in 2009 compared to 2008 primarily due to a decreased number of doctors trained year over year. Other revenues were lower in 2008 compared to 2007 due to North American training discount programs.

For 2010, we expect our total net revenues to grow compared to 2009 primarily due to the expected increases in case volumes from both the North American and International Invisalign channels. Quarterly revenues may be impacted by changes in product mix, the levels of promotional discounts, foreign exchange rates and other factors.

Cost of revenues and gross margin (in millions):

	Years Ended December 31,				
	2009	Change	2008	Change	2007
Cost of revenues	$ 78.8	$(0.1)	$ 78.9	$ 3.9	$ 75.0
% of net revenues	25.2%		25.9%		26.4%
Gross profit	$233.5	$ 8.4	$225.1	$15.8	$209.3
Gross margin %	74.8%		74.1%		73.6%

Cost of revenues includes salaries for staff involved in the production process, the cost of materials, packaging, shipping costs, depreciation on capital equipment used in the production process, training costs and stock-based compensation expense.

Gross margin improved slightly in 2009 compared to 2008 primarily due to an increase in case volume over our relatively fixed cost structure, continued improvement in operating efficiencies, and the cost savings from the commencement of direct fabrication of our aligners partially offset by $6.2 million of amortization of prepaid royalties relating to the Ormco litigation settlement.

Gross margin improved in 2008 compared to 2007 primarily due to an increase in case volume over our relatively fixed cost structure and improved operating efficiencies.

We believe that gross margin in 2010 will be higher than in 2009 due to an increase in revenue year over year as well as the cessation of the amortization of Ormco prepaid royalties. However, with our relatively fixed manufacturing cost structure, quarterly gross margin will fluctuate based on case volume and product mix. Additionally, the levels of promotional discounts, foreign exchange rates and several other factors can impact average selling prices, revenues, and gross margins.

Sales and marketing (in millions):

	Years Ended December 31,				
	2009	Change	2008	Change	2007
Sales and marketing	$112.5	$(2.6)	$115.1	$16.9	$98.2
% of net revenues	36.0%		37.9%		34.5%

Sales and marketing expense includes sales force compensation (including travel-related costs), marketing personnel-related costs, media and advertising, clinical education, product marketing and stock-based compensation expense.

Sales and marketing expense decreased during 2009 compared to 2008 due to a $4.8 million reduction in employee-related costs as a result of the restructuring plans implemented in 2008 as well as lower marketing, media and clinical education expenses of $1.5 million associated with our 2008 product launches. These costs were partially offset by higher sales commission expenses of $4.3 million.

Sales and marketing expense increased during 2008 compared to 2007 due to higher payroll-related expenses of $7.0 million, including stock-based compensation of $1.1 million, as a result of the full year effect of additional headcount hired in the fourth quarter of 2007. We also incurred higher product marketing expenses of $9.0 million, associated with our new product launches and commercialization, professional marketing programs, clinical education and media costs.

General and administrative (in millions):

	Years Ended December 31,				
	2009	Change	2008	Change	2007
General and administrative	$61.7	$(0.5)	$62.2	$8.9	$53.3
% of net revenues	19.8%		20.5%		18.7%

General and administrative expense includes salaries for administrative personnel, outside consulting services, legal expenses and stock-based compensation expense.

General and administrative expenses decreased slightly during 2009 compared to 2008 primarily due to lower outside services relating to legal fees of $2.5 million. These costs were partially offset by higher payroll-related costs.

General and administrative expenses increased during 2008 compared to 2007 primarily due to higher payroll-related expenses of $4.5 million, including increased stock-based compensation expense of $2.6 million, resulting from additional headcount. Management decided to no longer invest in an internally developed software tool for business process management resulting in an asset impairment charge of $1.7 million in the fourth quarter of 2008. In addition, legal and other professional fees were higher by $3.4 million compared to 2007 primarily due to a $1.6 million credit in 2007 from an insurance reimbursement we received associated with the OrthoClear litigation.

Research and development (in millions):

	Years Ended December 31,				
	2009	Change	2008	Change	2007
Research and development	$22.3	$(3.9)	$26.2	$0.5	$25.7
% of net revenues	7.1%		8.6%		9.0%

Research and development expense includes the personnel-related costs and outside consulting expenses associated with the research and development of new products and enhancements to existing products, conducting clinical and post-marketing trials and stock-based compensation expense.

Research and development expenses decrease in 2009 compared to the same period in 2008 primarily due to lower payroll-related expenses of approximately $2.4 million as well as lower outside consulting expenses of approximately $1.0 million.

Research and development expenses increased slightly in 2008 compared to the same period in 2007 primarily due to higher payroll-related expenses, including stock-based compensation, as a result of increased headcount in the first half of 2008, partially offset by lower consulting fees.

Restructurings (in millions):

	Years Ended December 31,				
	2009	Change	2008	Change	2007
Restructurings	$1.3	$(4.9)	$6.2	$6.2	$—
% of net revenues	0.4%		2.1%	n/a	

During 2008, we announced restructuring plans in July and October to increase efficiencies across the organization and with the expectation of lowering the overall cost structure by approximately $3.5 million per quarter. In July 2008, we implemented a restructuring plan to reduce our full time headcount by 67 employees including a phased-consolidation of order acquisition operations from our corporate headquarters in Santa Clara, California to Juarez, Mexico, which was completed by the end of 2008. The October restructuring plan included a total reduction of 111 full time headcount in Santa Clara, California by July 2009 when we moved our customer care, accounts receivable, credit and collections, and customer event registration organizations in Santa Clara, California to our existing facilities in Costa Rica.

We incurred approximately $1.3 million during 2009 of cost related to severance and termination benefits, where in 2008, we incurred approximately $6.2 million in restructuring expenses that included $0.7 million related to the acceleration of stock option vesting and $5.5 million related to severance and termination benefits.

Litigation settlement (in millions):

	Years Ended December 31,				
	2009	Change	2008	Change	2007
Litigation settlement	$69.7	$69.7	$—	$—	$—
% of net revenues	22.3%		0.0%	n/a	0.0%

On August 16, 2009, we entered into a litigation settlement with Ormco that ended all pending litigation between the parties and we agreed to make a cash payment of $13.2 million and issue a total of 7.6 million non-assessable shares of common stock. The shares issued to Danaher (an affiliate of Ormco) may not be resold except pursuant to an effective registration statement under the Securities Act or an available exemption from registration. We are not obligated to affect any such registration prior to August 16, 2010. The fair value of the unregistered shares was determined as of the market closing price on the dates the shares were issued less a 25% non-marketability discount, for a total value of $76.7 million, including the cash payment. The determination of the discount applied to the restricted stock is highly subjective and is based primarily on an analysis utilizing the Black-Scholes model to value a hypothetical put option to approximate the cost of hedging the restricted stock over the expected period of non-marketability. The table below provides for a sensitivity analysis if the discount rates were 1% and 5% higher or lower (in thousands, except percentages).

	20% (-5%)	24% (-1%)	25%	26% (+1%)	30% (+5%)
Total fair value of stock and cash consideration	80,899	77,512	76,665	75,818	72,430
Variance $	4,234	847	—	(847)	(4,234)
Variance %	5.5%	1.1%	0.0%	(1.1%)	(5.5%)

The value attributed to past infringement claims was recorded as litigation settlement costs and was based on case shipments from September 9, 2003 through August 16, 2009, totaling $69.7 million, which was recorded in operating expenses and $6.2 million was amortized to cost of sales for the year ended December 31, 2009. The remaining $0.8 million will be amortized based on case shipments during first quarter of 2010.

See *Note 7 "Ormco Litigation Settlement"* for additional information about the settlement accounting.

Patients First Program and settlement costs (in millions):

	Years Ended December 31,				
	2009	Change	2008	Change	2007
Patients First Program	$—	$—	$—	$ 1.8	$(1.8)
Settlement costs	—	—	—	—	—
Total Patients First Program and settlement costs	$—	$—	$—	$ 1.8	$(1.8)
% of net revenues	—		—		(0.6%)

As part of the OrthoClear Agreement in October 2006, OrthoClear agreed to stop the importation of aligners into the United States and discontinue all aligner business operations worldwide. As a result, most OrthoClear patients were unable to complete their orthodontic treatment with OrthoClear. In an attempt to help minimize treatment disruptions for the OrthoClear patients and their doctors, we committed to make treatment available to these patients at no additional cost under the "Patients First Program." In the fourth quarter of 2006, we recorded an $8.3 million charge for the anticipated costs of completing this program. Subsequently, in the first quarter of 2007, we reduced our Patients First Program accrual by $1.8 million to reflect a reduction of our initial estimate to the number of cases actually received by the case submission deadline. We shipped all Patients First Program cases by June 30, 2007. There were no costs related to the Patients First Program in 2008 and 2009.

Interest and other income (expense), net (in millions):

	Years Ended December 31,				
	2009	Change	2008	Change	2007
Interest income	$ 0.6	$(2.5)	$ 3.1	$(1.1)	$ 4.2
Interest (expense)	(0.1)	(0.1)	—	0.3	(0.3)
Other income (expense), net	(0.4)	1.1	(1.5)	(0.7)	(0.8)
Total interest and other income (expense), net	$ 0.1	$(1.5)	$ 1.6	$(1.5)	$ 3.1

Interest and other income (expense), net, includes interest income earned on cash balances, interest expense, foreign currency translation gains and losses and other miscellaneous charges.

Interest income net in 2009 decreased by $2.5 million compared to 2008 primarily due to lower returns on our investments. Interest rates for investments throughout the marketplace were lower due to the low Federal Funds Rate established by the Federal Reserve during 2009. Other expense, net, decreased in 2009 compared to 2008 reflecting increases in foreign exchange gains during 2009.

Interest income, net in 2008 decreased by $1.1 million compared to 2007 primarily due to lower average cash, cash equivalents and marketable securities balances resulting from the $50.0 million stock repurchase program and lower interest rates. In 2008, we shifted our investments into more conservative instruments principally, U.S. government securities, which bear lower interest rates. We incurred no interest expense in 2008 compared to 2007. In 2007 we incurred interest expense on the outstanding balance of our line of credit during 2007 which was repaid during 2007. We had no outstanding borrowings as of December 31, 2009 and December 31, 2008.

Provision for (benefit from) income taxes (in millions):

	Years Ended December 31,				
	2009	Change	2008	Change	2007
Provision for (benefit from) income taxes	$(2.6)	$60.4	$(63.0)	$(64.2)	$1.2

We recorded income tax benefits of $2.6 million and $63.0 million for 2009 and 2008, respectively and an income tax provision of $1.2 million for 2007. These represented effective tax rates of (7.7%), (368.4%), and 3.3%, in 2009, 2008 and 2007, respectively. Our income tax provision is based upon our operating results for each taxable jurisdiction in which we operate and the amount of statutory tax that we incur in each jurisdiction.

We exercised significant judgment in regards to estimates of future market growth, forecasted earnings and projected taxable income, in determining the provision for income taxes, and for purposes of assessing our ability to utilize any future benefit from deferred tax assets. At December 31, 2008, based on an evaluation of the available positive and negative evidence, we determined that most of our deferred tax assets would be realized with the exception of certain capital loss and foreign net operating loss carryforwards. In making that determination, we considered the historical and projected pretax operating profit, excluding stock-based compensation, as well as the cyclical nature of our business and the uncertainty as to the impact of new product launches. Specifically, at December 31, 2008, the Company considered the following positive evidence:

- cumulative seven quarters of pretax operating profitability plus permanent items
- the then-projected pretax book income for 2009 and beyond suggesting that deferred tax assets will be utilized

The Company also considered the following negative evidence:

- history of operating losses in 2006 and prior to 2003
- cyclical nature of the business and price volatility

We believe that the positive evidence is of sufficient quality and quantity to overcome the negative evidence and as a result, we released our tax valuation allowance of $64.6 million in the fourth quarter of 2008. The remaining valuation allowance of approximately $6.2 million is related to capital loss and foreign net operating loss carryforwards as of December 31, 2008 because we cannot forecast sufficient future capital gains or foreign source income to realize these deferred tax assets. These net operating loss carryforwards will result in an income tax benefit if and when we conclude it is more likely than not that the related deferred tax assets will be realized.

In February 2009, the California 2009-2010 budget legislation was signed into law. One of the major components of this legislation is the ability to elect to apply a single sales factor apportionment for years beginning after January 1, 2011. As a result of our anticipated election of the single sales factor, we are required to re-measure our deferred taxes taking into account the reversal pattern and the expected California tax rate under the elective single sales factor. We have determined that by electing a single sales factor apportionment, our deferred tax assets will decrease by approximately $0.6 million (net of federal benefit). The tax impact of $0.6 million has been recorded as a discrete item in the first quarter of 2009.

At December 31, 2009, we had net operating loss carryforwards of approximately $187.7 million for federal tax purposes and $68.1 million for California state tax purposes. If not utilized, these carryforwards will begin to expire in 2020 for federal purposes and 2011 for California purposes. The Internal Revenue Code imposes an annual limitation on the use of a corporation's tax attributes if a corporation undergoes an ownership change for tax purposes. If an ownership change is determined to have occurred, our ability to use the net operating loss carryforwards would be subject to an annual limitation. However, based on our current estimate of the total net operating losses at December 31, 2009 and our current estimate of the annual limitation, we do not expect our net operating loss carryforwards to be limited. At December 31, 2009, we had research credit carryforwards of approximately $4.4 million for federal purposes and $5.4 million for California state tax purposes. If not utilized, the federal credit carryforwards will begin to expire in 2017. The California state credit can be carried forward indefinitely.

Financial Accounting Standard Board ("FASB") Accounting Standard Codification ("ASC") 718 prohibits recognition of a deferred income tax asset for excess tax benefits due to stock option exercises that have not yet been realized through a reduction in income taxes payable. Such unrecognized deferred tax benefits totaled $8.8 million as of December 31, 2009 and will be accounted for as a credit to additional paid-in capital, if and when realized through a reduction in income taxes payable.

We have not provided additional U.S. income taxes on undistributed earnings from non-U.S. operations as of December 31, 2009 because such earnings are intended to be reinvested indefinitely outside of the United States.

Liquidity and Capital Resources

We fund our operations from product sales, the proceeds of the sale of our common stock, and from occasional borrowings under our available credit facility. As of December 31, 2009, 2008 and 2007, we had the following cash and cash equivalents, restricted cash and short-term investments (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Cash and cash equivalents	$166,487	$ 87,100	$ 89,119
Restricted cash	—	—	21
Short-term investments	19,978	23,066	38,771
Total	$186,465	$110,166	$127,911

Net cash provided by operating activities for the year ended December 31, 2009 was $74.2 million, resulting primarily from our net loss of $31.3 million adjusted for non-cash items including the litigation settlement with Ormco of $62.7 million and other non-cash expenses totaling $28.1 million, which included depreciation, amortization of intangibles, and stock-based compensation expense. The $34.4 million increase in cash provided by operating activities compared to the prior year was driven primarily by higher sales volume which also resulted in an increase in deferred revenue of $15.5 million due to increased sales of newer products that have higher deferred revenues.

Net cash provided by operating activities for the year ended December 31, 2008 was $39.7 million, resulting primarily from our net profit of $80.0 million and non-cash items totaling $32.7 million, which included depreciation, amortization of intangibles, option acceleration charges for terminated executives and stock-based compensation expense. Also included in non-cash items was an asset impairment charge of $1.7 million relating to management's decision to no longer invest in an internally developed software tool for business process management. These increases were offset by the release of a non-cash tax valuation allowance of $64.6 million on most of the deferred tax assets. Cash flows from operating activities also resulted from a $4.6 million increase in deferred revenue and a $0.9 million decrease in inventories. These increases in cash flows were offset by an $8.0 increase in accounts receivable and a decrease of $6.1 million in accounts payable and accrued liabilities.

Net cash provided by operating activities for the year ended December 31, 2007 was $52.8 million, resulting primarily from our net income of $35.7 million and non-cash items such as depreciation and amortization, stock-based compensation, and amortization of intangibles totaling $25.6 million. Additionally, a $2.7 million increase in accounts payable also contributed to the increase in net cash provided by operating activities. These increases in cash flows from operating activities were partially offset by a $10.7 million increase in accounts receivable.

Net cash used in investing activities was $1.6 million for the year ended December 31, 2009. The primary driver was $7.2 million used for the purchase of property and equipment in 2009 compared $14.3 million in 2008 offset by $6.0 million of net maturities from marketable securities as compared to $12.9 million in 2008. Although we believe our current investment portfolio has very little risk of impairment, we cannot predict future market conditions or market liquidity and can provide no assurance that our investment portfolio will remain unimpaired.

Net cash used in investing activities was $1.1 million for the year ended December 31, 2008 and consisted of $14.3 million for the purchase of property and equipment offset by $12.9 million of net maturities of marketable securities.

Net cash used in investing activities was $36.8 million for the year ended December 31, 2007, which largely consisted of $29.9 million of net purchases of short-term marketable securities and $7.4 million used for the purchase of capital assets.

Net cash provided in financing activities was $6.8 million for the year ended December 31, 2009, which resulted primarily from $8.1 million in proceeds from the issuance of our common stock. These proceeds were partially offset from the tax benefit excess of shared-based payments and taxes paid on vesting restricted stock units of $1.1 million.

Net cash used in financing activities was $40.4 million for the year ended December 31, 2008 and resulted primarily from our $50.1 million stock repurchase including commissions offset by $10.5 million in proceeds from the issuance of our common stock, principally from exercises of employee stock options and purchases under the employee stock purchase plan.

Net cash provided by financing activities was $17.5 million for the year ended December 31, 2007 and consisted of $29.0 million in proceeds from the issuance of our common stock, primarily from exercises of employee stock options. This increase was partially offset by the repayment of $11.5 million against the outstanding balance on our line of credit. Net cash provided by financing activities was $27.7 million for the year ended December 31, 2006 and consisted of $16.2 million in proceeds from the issuance of our common stock, primarily from exercises of employee stock options and $11.5 million in net borrowings from our line of credit.

Net proceeds from the issuance of our common stock related to the exercise of employee stock options have historically been a significant component of our liquidity. However, in 2006, we began granting restricted stock units ("RSUs") which, unlike stock options, do not generate cash from exercise. As a result, we will likely generate less cash from the proceeds of the sale of our common stock in future periods. In addition, because RSUs are taxable to the individuals when they vest, the number of shares we issue to each of our executive officers will be net of applicable withholding taxes which will be paid by us on their behalf. During 2009, 2008, and 2007, we paid $0.5 million, $0.5 million, and $0.4 million of taxes related to RSUs that vested during the period for executive officers, respectively.

On December 5, 2008, we renegotiated and amended our existing credit facility with Comerica Bank. Under this revolving line of credit, we have $25.0 million of available borrowings with a maturity date of December 31, 2010. This credit facility requires a quick ratio covenant and also requires us to maintain a minimum unrestricted cash balance of $10.0 million. As of December 31, 2009, we had no outstanding borrowings and we were in compliance with the financial covenants of this credit facility.

On April 29, 2008, we announced that our Board of Directors had approved a stock repurchase program of up to $50 million. During the year ended December 31, 2008, we repurchased 4.7 million shares of common stock at an average price of $10.76 per share for an aggregate purchase price of $50.1 million including commissions. As of December 31, 2008, we had completed repurchases under the stock repurchase authorization. There were no stock repurchases in 2009.

Contractual Obligations/Off Balance Sheet Arrangements

The impact that our contractual obligations as of December 31, 2009 are expected to have on our liquidity and cash flows in future periods is as follows (in thousands):

		Payments Due by Period			
	Total	Less than 1 Year	1-2 Years	3-5 Years	More than 5 Years
Operating lease obligations	$8,574	$3,339	$4,229	$1,006	$—

On January 26, 2010, we entered into an agreement for new corporate headquarters to lease approximately 129,024 square feet in San Jose, California. The lease agreement commences on the earlier of August 1, 2010 or the date we first commence conducting business in the premises, which is expected to be on or about June 28, 2010 and will continue for an initial term of seven years and two months. The lease agreement for our current office headquarters in Santa Clara, California, expires on June 30, 2010. See *Note 20 "Subsequent Event."*

We had no off-balance sheet arrangements as defined in Regulation S-K Item 303(a) (4) as of December 31, 2009.

We believe that our current cash and cash equivalents combined with our existing borrowing capacity will be sufficient to fund our operations for at least the next 12 months. If we are unable to generate adequate operating cash flows, we may need to seek additional sources of capital through equity or debt financing, collaborative or other arrangements with other companies, bank financing and other sources in order to realize our objectives and to continue our operations. There can be no assurance that we will be able to obtain additional debt or equity financing on terms acceptable to us, or at all. If adequate funds are not available, we may need to make business decisions that could adversely affect our operating results such as modifications to our pricing policy, business structure or operations. Accordingly, the failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on our business, results of operations and financial condition.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures at the date of the financial statements. We evaluate our estimates on an on-going basis, including those related to revenue recognition, stock-based compensation and income taxes. We use authoritative pronouncements, historical experience and other assumptions as the basis for making estimates. Actual results could differ from those estimates.

We believe the following critical accounting policies and estimates affect our more significant judgments used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. Product is considered delivered to the customer once it has been shipped and title and risk of loss have been transferred. Revenues are recognized from product sales, net of discounts and rebates. Service revenues related to the training of dental professionals and staff on the Invisalign treatment processes are recorded when the services are completed.

We enter into arrangements that involve multiple future deliverables. Included in the price of Invisalign Full, Invisalign Teen and Invisalign Assist, we offer case refinement, which is a finishing tool used to adjust a patient's teeth to the desired final position. Case refinement may be elected by the dental professional at any time during treatment however it is generally ordered in the last stages of orthodontic treatment. We use vendor specific objective evidence of fair value to allocate revenue to the case refinement deliverable and recognize the residual revenue upon shipment. We defer the fair value of case refinement upon shipment based on a breakage factor, which is determined by sufficient historical experience of case refinement usage. Actual usage rates could differ from the historical breakage factor requiring future adjustments to revenue.

Revenues are deferred for certain products that include staged delivery. Depending on the product, revenues are recognized based on usage, case completion, ratably over a delivery period, or upon shipment of the final staged shipment. Invisalign Teen, which includes up to six replacement aligners, is delivered in a single shipment except for the replacement aligners. Currently, the revenue for Invisalign Teen is recognized upon shipment except for the six replacement aligners for which the fair market value is 100 percent deferred and recognized as the replacement aligners are shipped or when the case is completed. Although Invisalign Teen has been available since July 2008, we do not have sufficient evidence to support a usage rate less than 100 percent for the six replacement aligners at this time, however, we are continually gathering and evaluating our historical experience. If and when we gather sufficient historical experience to support a usage rate for the six replacement aligners less than 100 percent, we would adjust our deferred revenue balance to the estimated usage rate and prospectively apply this rate to future Invisalign Teen shipments. The Vivera retainer includes four shipments per year, and revenue is deferred upon the first shipment and recognized ratably over the one year delivery period. For Invisalign Assist, when the progress tracking feature is selected, aligners are shipped to the dental professional after every nine stages. For these cases, revenue is deferred upon the first staged shipment and will be recognized upon shipment of the final staged shipment.

We estimate and record a provision for amounts of estimated losses on sales, if any, in the period such sales occur. Provisions for discounts and rebates to customers are provided for in the same period that the related product sales are recorded based upon historical discounts and rebates.

Stock-based Compensation Expense

We recognize stock-based compensation cost for only those shares ultimately expected to vest on a straight-line basis over the requisite service period of the award, net of an estimated forfeiture rate. We estimate the fair value of stock options using a Black-Scholes valuation model, which requires the input of highly subjective assumptions, including the option's expected term and stock price volatility. In addition, judgment is also required in estimating the number of stock-based awards that are expected to be forfeited. Forfeitures are estimated based on historical experience at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. See *Note 11 "Stockholders' Equity" in the Notes to Consolidated Financial Statements* for additional information.

Long-lived assets, including finite lived purchased intangible assets

Long-lived assets, including intangible assets other than goodwill are amortized over their useful lives, unless these lives are determined to be indefinite. Intangible assets are carried at cost less accumulated amortization. We perform an impairment test whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Examples of such events or circumstances include significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for its business, significant negative industry or economic trends, or a significant decline in our stock price for a sustained period. Impairments are recognized based on the difference between the fair value of the asset and its carrying value, and fair value is generally measured based on discounted cash flow analyses. Management decided to no longer invest in an internally developed software tool for business process management resulting in an asset impairment charge of $1.7 million which was recorded in general and administrative expense in the fourth quarter of 2008. No intangible asset impairment was recorded for the periods presented.

Deferred Tax Valuation Allowance

We consider all available evidence, both positive and negative including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the fourth quarter of 2008, with the exception of certain capital loss and foreign net operating loss carryforwards, we determined that it was more likely than not the deferred tax assets would be realized. Accordingly, we released the tax valuation allowance on most of the deferred tax assets and recorded an income tax benefit of $64.6 million for the year ended December 31, 2008.

As of December 31, 2009, we believed that the amount of deferred tax assets recorded on our balance sheet would ultimately be realized. However, should there be a change in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determine that it is more likely than not that we cannot recover our deferred tax assets.

Recent Accounting Pronouncements

See *Note 1* "*Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements* in *Item 8* for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition, which is incorporated herein.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to foreign currency exchange rate and interest rate risks that could impact our financial position and results of operations.

Interest Rate Risk

Changes in interest rates could impact our anticipated interest income on our cash equivalents and investments in marketable securities. Our cash equivalents and investments are in fixed-rate, short-term securities. Fixed-rate securities may have their fair market value adversely impacted due to a rise in interest rates, and as a result, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities which have declined in market value due to changes in interest rates. As of December 31, 2009, we had approximately $20.0 million invested in available-for-sale marketable securities. An immediate 10% increase in interest rates would not have a material adverse impact on our future operating results and cash flows.

We do not have interest bearing liabilities as of December 31, 2009 and therefore, we are not subject to risks from immediate interest rate decreases.

Currency Rate Risk

We operate in North America, Europe, Asia-Pacific, Costa Rica and Japan. As a result of our international business activities, our financial results could be affected by factors such as changes in foreign currency exchange rates or economic conditions in foreign markets, and there is no assurance that exchange rate fluctuations will not harm our business in the future. We sell our products in the local currency for the respective countries. This provides some natural hedging because most of the subsidiaries' operating expenses are denominated in their local currencies as discussed further below. Regardless of this natural hedging, our results of operations may be adversely impacted by the exchange rate fluctuation. Although we will continue to monitor our exposure to currency fluctuations, and, where appropriate, may use financial hedging techniques in the future to minimize the effect of these fluctuations, we are not currently engaged in any financial hedging transactions. The impact of an aggregate decline of 10% in foreign currency exchange rates relative to the U.S. dollar on our results of operations and financial position could be material.

Prior to January 1, 2007, the functional currency of Align and our subsidiaries was the U.S. dollar, and accordingly, gains and losses resulting from the remeasurement of monetary assets and liabilities denominated in Euros, Costa Rican Colones, and other currencies were reflected in other income (expense). During the first quarter of 2007, we analyzed the various economic factors of our international subsidiaries and determined that there had been a significant change in facts and circumstances to warrant a change in the functional currency for some of our European subsidiaries from the U.S. dollar to the local currency. Effective January 1, 2007, the adjustment from translating certain European subsidiaries' financial statements from the local currency into the U.S. dollar was recorded as a separate component of accumulated other comprehensive income, net in the stockholder's equity section of our Consolidated Balance Sheets.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Quarterly Results of Operations

	Three Months Ended							
	2009				2008			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
	(in thousands, except per share data) (unaudited)							
Net revenues	$86,616	$ 79,269	$76,316	$70,132	$74,125	$75,173	$79,902	$74,776
Gross profit(3)	63,806	59,001	57,978	52,707	53,892	56,407	59,659	55,168
Profit (loss) from operations(1)(3)	14,645	(60,194)	6,253	5,284	1,325	5,691	3,872	4,626
Net profit (loss)(1)(2)(3)	$11,492	$(49,942)	$ 4,545	$ 2,636	$65,496	$ 5,157	$ 4,030	$ 5,304
Net profit per share:								
Basic	$ 0.15	$ (0.72)	$ 0.07	$ 0.04	$ 0.99	$ 0.08	$ 0.06	$ 0.08
Diluted	$ 0.15	$ (0.72)	$ 0.07	$ 0.04	$ 0.98	$ 0.08	$ 0.06	$ 0.07
Shares used in computing net profit per share:								
Basic	74,482	69,528	66,285	65,983	66,440	67,367	68,581	69,053
Diluted	76,831	69,528	67,373	66,447	66,816	68,704	69,916	70,860

(1) March 2009 and June 2009 profit from operations and net profit included restructuring charges of $0.9 million and $0.4 million, respectively. September and December 2008 profit from operations and net profit included $2.2 million and $4.0 million, respectively, for restructuring charges. See *Note 19 "Restructurings" in the Notes to Consolidated Financial Statements* for additional information.

(2) December 2008 net profit included a $64.6 million benefit to income taxes as a result of the release of a tax valuation allowance on most of the deferred tax assets. See *Note 14 "Income Taxes" in the Notes to Consolidated Financial Statements* for additional information.

(3) Gross profit for the quarters ended September 30, 2009 and December 31, 2009 included the amortization of prepaid royalties of $1.9 million and $4.3 million, respectively, related to the litigation settlement with Ormco. In addition, loss from operations and net loss included a litigation settlement charge of $69.7 million, which was recorded in the third quarter of 2009. See *Note 7 "Ormco Litigation Settlement" in the Notes to Consolidated Financial Statements* for additional information.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Invisalign, Align, ClinCheck, Invisalign Assist, Invisalign Teen and Vivera, amongst others, are trademarks belonging to Align Technology, Inc. and are pending or registered in the United States and other countries.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Align is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Align's internal control over financial reporting is designed 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. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Align's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on its assessment and those criteria, management has concluded that, as of December 31, 2009, Align's internal control over financial reporting was effective 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.

The Company's internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2009.

/s/ THOMAS M. PRESCOTT

Thomas M. Prescott
President and Chief Executive Officer

February 26, 2010

/s/ KENNETH B. AROLA

Kenneth B. Arola
Vice President, Finance and Chief Financial Officer

February 26, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Align Technology, Inc. and subsidiaries:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15 (a)(1) present fairly, in all material respects, the financial position of Align Technology, Inc. and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15 (a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Jose, CA
February 26, 2010

ALIGN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Years Ended December 31,		
	2009	**2008**	**2007**
Net revenues:			
Invisalign	$295,215	$285,798	$267,869
Non-case	17,118	18,178	16,463
Total net revenues	312,333	303,976	284,332
Cost of revenues:			
Invisalign	71,530	69,536	65,095
Non-case	7,311	9,314	9,940
Total cost of revenues	78,841	78,850	75,035
Gross profit	233,492	225,126	209,297
Operating expenses:			
Sales and marketing	112,542	115,062	98,231
General and administrative	61,718	62,154	53,280
Research and development	22,252	26,165	25,727
Patients First Program and settlement costs	—	—	(1,796)
Litigation settlement costs	69,673	—	—
Restructurings	1,319	6,231	—
Total operating expenses	267,504	209,612	175,442
Profit (loss) from operations	(34,012)	15,514	33,855
Interest income	579	3,052	4,195
Interest expense	(85)	(24)	(342)
Other expense	(375)	(1,466)	(758)
Net profit (loss) before provision for income taxes	(33,893)	17,076	36,950
Provision for (benefit from) income taxes	(2,624)	(62,911)	1,226
Net profit (loss)	$ (31,269)	$ 79,987	$ 35,724
Net profit (loss) per share:			
Basic	$ (0.45)	$ 1.20	$ 0.53
Diluted	$ (0.45)	$ 1.18	$ 0.50
Shares used in computing net profit (loss) per share:			
Basic	69,094	66,812	67,176
Diluted	69,094	68,064	71,444

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

ALIGN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 166,487	$ 87,100
Marketable securities, short-term	19,978	23,066
Accounts receivable, net of allowance for doubtful accounts of $1,033 and $612, respectively	54,537	52,362
Inventories, net	2,046	1,965
Prepaid expenses and other current assets	18,251	13,414
Total current assets	261,299	177,907
Property and equipment, net	24,971	26,979
Goodwill	478	478
Intangible assets, net	4,988	7,788
Deferred tax asset	61,535	61,696
Other assets	1,969	4,493
Total assets	$ 355,240	$ 279,341
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,122	$ 5,580
Accrued liabilities	42,822	38,282
Deferred revenues	32,299	16,710
Total current liabilities	81,243	60,572
Other long-term liabilities	961	229
Total liabilities	82,204	60,801
Commitments and contingencies (Notes 8 and 10)		
Stockholders' equity:		
Preferred stock, $0.0001 par value (5,000 shares authorized; none issued)	—	—
Common stock, $0.0001 par value (200,000 shares authorized; 74,568 and 65,633 shares issued, respectively; 74,568 and 65,633 shares outstanding, respectively)	7	7
Additional paid-in capital	525,073	439,494
Accumulated other comprehensive income, net	455	269
Accumulated deficit	(252,499)	(221,230)
Total stockholders' equity	273,036	218,540
Total liabilities and stockholders' equity	$ 355,240	$ 279,341

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

ALIGN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31, 2009, 2008 and 2007
(in thousands)

	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balances at December 31, 2006	64,859	$ 6	$408,921	$ 3	$(325,374)	$ 83,556
Net profit					35,724	35,724
Net change in cumulative translation adjustment	—	—	—	703	—	703
Net change in unrealized loss from available-for sale securities	—	—	—	(49)	—	(49)
Comprehensive net income						36,378
Issuance of common stock relating to employee stock purchase plan	580	—	3,434	—	—	3,434
Issuance of common stock upon exercise of stock options	3,048	1	25,558	—	—	25,559
Issuance of common stock in settlement of restricted stock units, net of shares withheld for employees' taxes	155	—	(433)	—	—	(433)
Excess tax benefit from share based payment arrangements	—	—	449	—	—	449
Stock based compensation	—	—	12,211	—	—	12,211
Balances at December 31, 2007	68,642	7	450,140	657	(289,650)	161,154
Net profit					79,987	79,987
Net change in unrealized gain from available-for sale securities	—	—	—	33	—	33
Net change in cumulative translation adjustment	—	—	—	(421)	—	(421)
Comprehensive net income						79,599
Issuance of common stock relating to employee stock purchase plan	523	—	4,457	—	—	4,457
Issuance of common stock upon exercise of stock options	912	—	6,049	—	—	6,049
Issuance of common stock in settlement of restricted stock units, net of shares withheld for employees' taxes	216	—	(460)	—	—	(460)
Common stock repurchased	(4,660)		(38,571)		(11,567)	(50,138)
Excess tax benefit from share based payment arrangements	—	—	144	—	—	144
Stock based compensation	—	—	17,057	—	—	17,057
Acceleration of stock based compensation	—	—	678	—	—	678
Balances at December 31, 2008	65,633	7	439,494	269	(221,230)	218,540
Net loss	—	—	—	—	(31,269)	(31,269)
Net change in unrealized gain from available-for sale securities	—	—	—	18	—	18
Net change in cumulative translation adjustment	—	—		168	—	168
Comprehensive net loss						(31,083)
Issuance of common stock relating to employee stock purchase plan	545	—	3,676	—	—	3,676
Issuance of common stock upon exercise of stock options	586	—	4,421	—	—	4,421
Issuance of common stock in settlement of restricted stock units, net of shares withheld for employees' taxes	218	—	(487)	—	—	(487)
Shares issued for litigation settlement	7,586	—	63,518	—	—	63,518
Excess tax provision from share based payment arrangements	—	—	(637)	—	—	(637)
Stock based compensation	—	—	15,088	—	—	15,088
Balances at December 31, 2009	74,568	$ 7	$525,073	$ 455	$(252,499)	$273,036

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

ALIGN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2009	**2008**	**2007**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit (loss)	$ (31,269)	$ 79,987	$ 35,724
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:			
Deferred taxes	(2,612)	(64,608)	—
Depreciation and amortization	10,204	9,964	10,176
Stock-based compensation	15,088	17,057	12,211
Acceleration of stock-based compensation	—	678	—
Amortization of intangibles	2,800	2,827	3,209
Litigation settlement costs and amortization of prepaid royalties	62,688	—	—
Provision for doubtful accounts	708	71	46
Loss on retirement and disposal of fixed assets	37	513	24
Loss on impairment of fixed assets	—	1,712	—
Excess tax provision for (benefit from) share-based payment arrangements	637	(144)	(449)
Changes in assets and liabilities, net of acquisition effect:			
Accounts receivable	(2,586)	(7,951)	(10,703)
Inventories	(85)	943	186
Prepaid expenses and other current assets	306	276	(1,480)
Accounts payable	(614)	(2,651)	2,738
Accrued and other long-term liabilities	3,336	(3,487)	(295)
Deferred revenues	15,527	4,559	1,390
Net cash provided by operating activities	74,165	39,746	52,777
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(7,192)	(14,334)	(7,429)
Proceeds from sale of property and equipment	—	189	—
Restricted cash	—	21	77
Purchase of marketable securities	(42,923)	(75,050)	(64,686)
Maturities of marketable securities	48,893	87,926	34,797
Other assets	(334)	193	462
Net cash used in investing activities	(1,556)	(1,055)	(36,779)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	8,097	10,506	28,993
Payments on line of credit	—	—	(11,500)
Payments on short-term obligations	(136)	(407)	
Repurchases of common stock	—	(50,138)	—
Excess tax provision for (benefit from) share-based payment arrangements	(637)	144	449
Employees' taxes paid upon the vesting of restricted stock units	(487)	(460)	(433)
Net cash provided by (used in) financing activities	6,837	(40,355)	17,509
Effect of foreign exchange rate changes on cash and cash equivalents	(59)	(355)	499
Net increase (decrease) in cash and cash equivalents	79,387	(2,019)	34,006
Cash and cash equivalents, beginning of year	87,100	89,119	55,113
Cash and cash equivalents, end of year	$166,487	$ 87,100	$ 89,119

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

ALIGN TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Business Description

Align Technology, Inc. ("Align" or the "Company") was incorporated in April 1997 and designs, manufactures and markets the Invisalign system, a proprietary method for treating malocclusion, or the misalignment of teeth. Invisalign corrects malocclusion using a series of clear, nearly invisible, removable appliances that gently move teeth to a desired final position.

Basis of presentation and preparation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of intercompany transactions and balances. Revenues and cost of revenues in prior period amounts have been reclassified to conform with the current period presentation. These reclassifications had no impact on previously reported gross profit or financial position.

In connection with the preparation of the consolidated financial statements, the Company evaluated events subsequent to the balance sheet date of December 31, 2009 through the financial statement issuance date and determined that all material transactions have been recorded and disclosed properly.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

Fair value of financial instruments

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate the fair value.

Cash equivalents and marketable securities

Cash equivalents consist of highly liquid instruments purchased with an original maturity of three months or less. The Company invests primarily in money market funds, commercial paper, and United States government securities, accordingly, these investments are subject to minimal credit and market risks.

Marketable securities are classified as available-for-sale and are carried at fair value. Marketable securities classified as current assets have maturities of less than one year. Unrealized gains or losses on such securities are included in accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses from maturities of all such securities are reported in earnings and computed using the specific identification cost method. Realized gains or losses and charges for other-than-temporary declines in value, if any, on available-for-sale securities are reported in other income (expense) as incurred. The Company periodically evaluates these investments for other-than-temporary impairment.

The Company measures its cash equivalents and marketable securities at fair value. Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Foreign currency

The Company analyzes the functional currency for each of its international subsidiaries on an annual basis, or more often if necessary, to determine if a significant change in facts and circumstances indicate that the primary economic currency has changed. During the first quarter of 2007, the Company analyzed the various economic factors of its international subsidiaries and determined that some of its European subsidiaries had established a sufficient history of independent profitability and cash collections to warrant a change in the functional currency from the U.S. dollar to the local currency. Effective January 1, 2007, the adjustment from translating certain European subsidiaries' financial statements from the local currency to the U.S. dollar was recorded as a separate component of accumulated other comprehensive income (loss), net in the stockholders' equity section of the Consolidated Balance Sheets. This foreign currency translation adjustment reflects the translation of the balance sheet at period end exchange rates, and the income statement at an average exchange rate in effect during the period. As of December 31, 2009 and 2008, the Company had $0.5 million and $0.3 million, respectively, in accumulated other comprehensive income, net related to the translation of its foreign subsidiaries' financial statements. See *Note 16 "Comprehensive Income (Loss)"* for additional disclosures.

Align's other international entities operate in a U.S. dollar functional currency environment, and therefore, the foreign currency assets and liabilities are remeasured into the U.S. dollar at current exchange rates except for non-monetary assets and liabilities which are remeasured at historical exchange rates. Revenues and expenses are generally remeasured at an average exchange rate in effect during each period. Gains or losses from foreign currency remeasurement are included in other income (expense). Prior to January 1, 2007, all of Align's subsidiaries used the U.S. dollar as its functional currency, and accordingly, gains and losses resulting from remeasurement were included in other income (expense).

For the years ended December 31, 2009, 2008, and 2007, the Company included in other income (expense) a gain of $0.2 million, a loss of $0.4 million and a loss of $0.1 million, respectively.

Certain risks and uncertainties

The Company's operating results depend to a significant extent on the Company's ability to market and develop its products. The life cycles of the Company's products are difficult to estimate due in part to the effect of future product enhancements and competition. The inability of the Company to successfully develop and market its products as a result of competition or other factors would have a material adverse effect on the Company's business, financial condition and results of operations.

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash equivalents, marketable securities and accounts receivable. The Company invests excess cash primarily in money market funds of major financial institutions, commercial paper and notes and government securities. If the carrying value of the Company's investments exceeds the fair value, and the decline in fair value is deemed to be other-than-temporary, the Company will be required to write down the value of its investments, which could materially harm the Company's results of operations and financial condition. Moreover, the performance of certain securities in the Company's investment portfolio correlates with the credit condition of the U.S. financial sector. With the current unstable credit environment, the Company might incur significant realized, unrealized or impairment losses associated with these investments. The Company provides credit to customers in the normal course of business. Collateral is not required for accounts receivable, but ongoing evaluations of customers' credit worthiness are performed. The Company maintains reserves for potential credit losses and such losses have been within management's expectations. No individual customer accounted for 10% or more of the Company's accounts receivable at December 31, 2009 and 2008, or net revenues in 2009, 2008 and 2007.

In the United States of America, the Food and Drug Administration ("FDA") regulates the design, manufacture, distribution, preclinical and clinical study, clearance and approval of medical devices. Products developed by the Company may require approvals or clearances from the FDA or other international regulatory agencies prior to commercialized sales. There can be no assurance that the Company's products will receive any of the required approvals or clearances. If the Company was denied approval or clearance or such approval was delayed, it may have a material adverse impact on the Company.

The Company has manufacturing operations located outside the United States of America. The Company currently relies on its manufacturing facilities in Costa Rica to prepare digital treatment plans using a sophisticated, internally developed computer-modeling program. In addition, the Company manufacturers its clear aligners at its facility in Juarez, Mexico. The Company's reliance on international operations exposes it to related risks and uncertainties, including difficulties in staffing and managing international operations, including difficulties in hiring and retaining qualified personnel; controlling production volume and quality of manufacture; political, social and economic instability, particularly as a result of increased levels of violence in Juarez, Mexico; interruptions and limitations in telecommunication services; product and material transportation delays or disruption; trade restrictions and changes in tariffs; import and export license requirements and restrictions; fluctuations in foreign currency exchange rates; and potential adverse tax consequences. If any of these risks materialize, the Company's international manufacturing operations, as well as its operating results, may be harmed.

The Company purchases certain inventory from sole suppliers. Additionally, the Company relies on a limited number of hardware manufacturers. The inability of any supplier or manufacturer to fulfill supply requirements of the Company could materially and adversely impact future operating results.

Inventories

Inventories are valued at the lower of cost or market, with cost computed on a first-in, first-out basis.

Property, equipment, long-lived assets, and finite purchased intangible assets

Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Upon sale or retirement, the asset's cost and related accumulated depreciation are removed from the general ledger and any related gains or losses are reflected in the Consolidated Statements of Operations. Maintenance and repairs are expensed as incurred.

Other intangible assets primarily consist of intangible assets purchased as part of the OrthoClear Agreement. These assets are amortized using the straight-line method over their estimated useful lives of three to five years, reflecting the period in which the economic benefits of the assets are expected to be realized.

The Company evaluates long-lived assets (including intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the future net cash flows the asset is expected to generate. If an asset is considered to be impaired, the impairment to be recognized is calculated as the amount by which the carrying amount of the asset exceeds its fair market value which is estimated based on projected discounted future net cash flows. There were no impairments for long-lived and intangible assets as of December 31, 2009.

Development costs for internal use software

Costs relating to internal use software are accounted for in accordance with the provisions of accounting for the costs of computer software developed or obtained for internal use. As of December 31, 2009 and 2008, capitalized internal use software at cost was $7.0 million and $5.3 million, respectively. The associated accumulated amortization was $5.3 million and $4.7 million as of December 31, 2009 and 2008, respectively. Capitalized software costs are amortized over the estimated useful lives of three years.

Goodwill

Goodwill represents the excess of the purchase price paid over the fair value of tangible and identifiable intangible net assets acquired in business combinations. Goodwill is reviewed annually in the fourth quarter and whenever events or circumstances occur which indicate that goodwill might be impaired. The Company completed its annual evaluation of goodwill during the fourth quarter of 2009 and determined that there was no impairment.

Product Warranty

The Company warrants its products against material defects until the Invisalign cases are completed. The Company accrues for product warranty in cost of revenues upon shipment of products. Product warranty costs are primarily based on historical experience as to product failures as well as current information on repair costs. Actual warranty costs could differ materially from the estimated amounts. The Company regularly reviews the accrued balances and updates these balances based on historical warranty cost trends. Actual warranty costs incurred have not materially differed from those accrued.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the Company's customers to make payments. The Company periodically reviews these allowances, including an analysis of the customers' payment history and information regarding the customers' creditworthiness. Actual write-offs have not been materially differed from the estimated allowance.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. Revenues are recognized from product sales, net of discounts and rebates. Service revenues related to the training of dental professionals and staff on the Invisalign treatment process are recorded when the services are completed.

Align enters into arrangements that involve multiple future product deliverables. Included in the price of Invisalign Full, Invisalign Teen and Invisalign Assist, the Company offers case refinement, which is a finishing tool used to adjust a patient's teeth to the desired final position. Case refinement may be elected by the dental professional at any time during treatment however it is generally ordered in the last stages of orthodontic treatment. The Company uses vendor specific objective evidence of fair value to allocate revenue to the case refinement deliverable and recognizes the residual revenue upon shipment. The Company defers the fair value of case refinement upon shipment based on a breakage factor, which is determined by sufficient historical experience of case refinement usage. Actual usage rates could differ from the historical breakage factor requiring future adjustments to revenue.

Revenues are deferred for certain products that include staged delivery. Depending on the product, revenues are recognized based on usage, case completion, ratably over a subscription period or upon shipment of the final staged shipment. Invisalign Teen which includes up to six replacement aligners, is delivered in a single shipment except for the replacement aligners. Currently, the revenue for Invisalign Teen is recognized upon shipment except for the six replacement aligners for which the fair market value is 100 percent deferred and recognized as the replacement aligners are shipped or when the case is completed. Although Invisalign Teen has been available since July 2008, the Company does not have sufficient evidence to support a usage rate less than 100 percent for the six replacement aligners at this time, however, the Company is continually gathering and evaluating our historical experience. If and when Align gathers sufficient historical experience to support a usage rate for the six replacement aligners less than 100 percent, Align would adjust the deferred revenue balance to the estimated usage rate and prospectively apply this rate to future Invisalign Teen shipments. The Vivera retainer includes four shipments per year, and revenue is deferred upon the first shipment and recognized as each shipment occurs. For Invisalign Assist, when the progress tracking feature is selected, aligners are shipped to the dental professional after every nine stages. For these cases, revenue is deferred upon the first staged shipment and will be recognized upon shipment of the final staged shipment.

The Company estimates and records a provision for amounts of estimated losses on sales, if any, in the period such sales occur. Provisions for discounts and rebates to customers are provided for in the same period that the related product sales are recorded based upon historical discounts and rebates.

Shipping and Handling Costs

Shipping and handling charges to customers are included in net revenues, and the associated costs incurred are recorded in cost of revenues.

Research and development

Research and development costs are expensed as incurred.

Advertising costs

The cost of advertising and media is expensed as incurred. For the years ended December 31, 2009, 2008 and 2007 advertising costs totaled $18.1 million, $18.3 million, and $15.9 million, respectively.

Income taxes

The Company estimates income taxes based on the various jurisdictions where business is conducted. Significant judgment is required in determining the income tax provision. Deferred tax assets and liabilities are recognized for differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. The Company must then assess the likelihood that its deferred tax assets will be realized. To the extent the Company believes that realization is not likely, it will establish a valuation allowance.

The Company accounts for the impact of an uncertain income tax position on the income tax return by recognizing the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority under the guidance of Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) 740-10. Uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

Stock-based compensation

The Company recognizes stock-based compensation cost for only those shares ultimately expected to vest on a straight-line basis over the requisite service period of the award, net of an estimated forfeiture rate. The Company estimates the fair value of stock options using a Black-Scholes valuation model, which requires the input of highly subjective assumptions, including the option’s expected term and stock price volatility. In addition, judgment is also required in estimating the number of stock-based awards that are expected to be forfeited. Forfeitures are estimated based on historical experience at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, its stock-based compensation expense could be materially different in the future. See *Note 11 "Stockholders' Equity"* for additional information.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity during a period from non-owner sources. Comprehensive income (loss), including unrealized gains and losses on available-for-sale securities and foreign currency translation adjustments, are reported net of their related tax effect.

Recent Accounting Pronouncements

In April 2009, the FASB issued an update to ASC 820, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," which provides guidance on determining fair value when there is no active market or where the price inputs being used represent distressed sales. This update to ASC 820 was effective for interim and annual periods ending after June 15, 2009 and was adopted by the Company in the second quarter of 2009. The adoption did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued ASC 320, "Recognition and Presentation of Other-Than-Temporary Impairments," which was effective for the Company for the quarterly period beginning April 1, 2009. ASC 320 amends existing guidance for determining whether an other than temporary impairment of debt securities has occurred. Among other changes, the FASB replaced the existing requirement that an entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert (a) it does not have the intent to sell the security, and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. The adoption of this pronouncement did not have a material effect on the Company's consolidated financial statements.

In April 2009, the FASB issued ASC 825, "Interim Disclosures about Fair Value of Financial Instruments." This pronouncement requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements and also requires those disclosures in summarized financial information at interim reporting periods. The disclosure requirements of ASC 825 were effective for interim and annual reporting periods ending after June 15, 2009. The Company has provided the required disclosures in *Note 2*.

In April 2009, the FASB issued ASC 805, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies." ASC 805 requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If fair value of such an asset or liability cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with ASC 450, "Accounting for Contingencies," and FASB Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss." This pronouncement is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of ASC 805 did not have a material effect on the Company's consolidated financial statements.

In May 2009, the FASB issued ASC 855, "Subsequent Events." ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855, which includes a new required disclosure of the date through which an entity has evaluated subsequent events, was effective for interim or annual periods ending after June 15, 2009. The Company adopted this standard as of June 30, 2009; however, the adoption of ASC 855 had no impact to the Company's consolidated financial statements.

In June 2009, the FASB issued Accounting Standards Update ("ASU") 2009-16, "Transfers and Servicing (ASC 860): Accounting for Transfers of Financial Assets," which amends previous guidance to remove the concept of a qualifying special-purpose entity and its exemption from consolidation in the transferor's financial statements. This new standard also establishes conditions for reporting a transfer of a portion of a financial asset as a sale, modifies the financial-asset derecognition criteria, revises how interests retained by the transferor in a sale of financial assets are initially measured, removes the guaranteed mortgage securitization recharacterization provisions, and requires additional disclosures. The Company will adopt this pronouncement on January 1, 2010 and expects that there will be no significant impact on its consolidated financial statements.

In June 2009, the FASB issued ASU 2009-17, Consolidation (ASC 810) "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities," which eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and requires ongoing qualitative reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This new standard also requires additional disclosures about an enterprise's involvement in variable interest entities. The Company will adopt this pronouncement on January 1, 2010 and expects that there will be no significant impact on its consolidated financial statements.

In June 2009, the FASB issued ASC 105, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." ASC 105 establishes the FASB Accounting Standards Codification ("Codification"), as the single source of authoritative accounting and reporting standards in the United States for all non-government entities, with the exception of the Securities and Exchange Commission and its staff. It does not include any new guidance or interpretations of US GAAP, but merely eliminates the existing hierarchy and codifies the previously issued standards and pronouncements into specific topic areas. The Codification was adopted on July 1, 2009 for the Company's consolidated financial statements for the year ended December 31, 2009.

In September 2009, FASB amended the ASC as summarized in ASU 2009-13, "Revenue Recognition (ASC 605): Multiple-Deliverable Revenue Arrangements." Guidance in ASC 605-25 on revenue arrangements with multiple deliverables has been amended to require an entity to allocate revenue to deliverables in an arrangement using its best estimate of selling prices if the vendor does not have vendor-specific objective evidence or third-party evidence of selling prices, and to eliminate the use of the residual method and require the entity to allocate revenue using the relative selling price method. The new guidance also requires expanded quantitative and qualitative disclosures about revenue from arrangements with multiple deliverables. The update is effective for fiscal years beginning on or after June 15, 2010, with early adoption permitted. Adoption may either be on a prospective basis for new revenue arrangements entered into after adoption of the update, or by retrospective application. The Company is assessing the potential impact of the update on its consolidated financial statements and is planning to adopt the update effective January 1, 2011.

In January 2010, the FASB issued ASU 2010-06, "Fair Value Measurements and Disclosures (ASC 820): Improving Disclosures about Fair Value Measurements." This update will require (1) an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (2) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This guidance clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. The new disclosures and clarifications of existing disclosure are effective for fiscal years beginning after December 15, 2009, except for the disclosure requirements for related to the purchases, sales, issuances and settlements in the rollforward activity of Level 3 fair value measurements. Those disclosure requirements are effective for fiscal years ending after December 31, 2010. The Company is still assessing the impact on this guidance and does not believe the adoption of this guidance will have a material impact to its consolidated financial statements.

Management does not believe that other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants or the SEC have a material impact on the Company's present or future consolidated financial statements.

Note 2. Marketable Securities and Fair Value Measurements

The Company has the following short-term investments as of December 31, 2009 and 2008 (in thousands):

December 31, 2009	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government notes and bonds	$18,972	$ 6	$—	$18,978
Corporate bonds	1,000	—	—	1,000
Total	$19,972	$ 6	$—	$19,978

December 31, 2008	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government notes and bonds	$ 9,971	$ 25	$—	$ 9,996
Corporate bonds and certificates of deposit	3,774	1	(24)	3,751
Agency bonds and discount notes	8,499	20	—	8,519
Commercial paper	800	—	—	800
Total	$23,044	$ 46	$ (24)	$23,066

As of December 31, 2009, all short-term investments have maturity dates of less than one year. For the years ended December 31, 2009 and 2008, realized losses were immaterial.

The Company had the following long-term investments as of December 31, 2008 (in thousands):

December 31, 2008	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Agency bonds	$1,000	$ 1	$—	$1,001
Corporate bonds	1,897	—	(35)	1,862
Total	$2,897	$ 1	$ (35)	$2,863

The long-term marketable securities are included in Other assets in the consolidated balance sheets. As of December 31, 2009, the Company did not hold any long-term marketable securities.

Fair Value Measurements

The Company measures the fair value of its cash equivalents and marketable securities as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses the GAAP fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value:

Level 1—Quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Company's Level 1 assets consist of U.S. government debt securities and money market funds. The Company did not hold any Level 1 liabilities as of December 31, 2009.

Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Company's Level 2 assets consist of corporate bonds. The Company did not hold any Level 2 liabilities as of December 31, 2009.

Level 3—Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The Company did not hold any Level 3 assets or liabilities as of December 31, 2009.

The following table summarizes the Company's financial assets measured at fair value on a recurring basis as of December 31, 2009 (in thousands):

Description	Balance as of December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash equivalents:			
Money market funds	$ 96,266	$ 96,266	$ —
Short-term investments:			
U.S. government debt securities	18,978	18,978	—
Corporate bonds	1,000	—	1,000
	$116,244	$115,244	$1,000

Note 3. Balance Sheet Components

Inventories consist of the following (in thousands):

	December 31, 2009	December 31, 2008
Raw materials	$1,079	$1,066
Work in process	460	416
Finished goods	507	483
	$2,046	$1,965

Work in process includes costs to produce the Invisalign product. Finished goods primarily represent ancillary products that support the Invisalign system.

Property and equipment consist of the following (in thousands):

	Useful Life (in years)	December 31, 2009	December 31, 2008
Clinical and manufacturing equipment	5	$ 46,620	$ 45,125
Computer hardware	3	13,895	13,548
Computer software	3	12,511	10,092
Furniture and fixtures	5	5,468	5,584
Leasehold improvements	Term of the lease	10,046	9,918
Construction in progress		6,437	4,075
		$ 94,977	$ 88,342
Less: Accumulated depreciation and amortization		(70,006)	(61,363)
		$ 24,971	$ 26,979

As of December 31, 2009, construction in progress consisted primarily of costs for capital equipment expected to be placed in service in the next year. Depreciation and amortization was $10.2 million, $10.0 million, and $10.2 million, for the years ended December 31, 2009, 2008 and 2007, respectively.

Accrued liabilities consist of the following (in thousands):

	December 31, 2009	December 31, 2008
Accrued payroll and benefits	$25,847	$17,795
Accrued income taxes	2,920	2,492
Accrued sales and marketing expenses	1,954	2,449
Accrued sales rebate	2,610	2,205
Accrued sales tax and value added tax	2,392	1,823
Accrued warranty	2,376	2,031
Accrued professional fees	516	922
Accrued restructuring	—	2,501
Other	4,207	6,064
	$42,822	$38,282

Warranty accrual as of December 31, 2009 and 2008 consists of the following activity (in thousands):

Warranty accrual, December 31, 2007	$ 2,035
Charged to cost of revenues	2,484
Actual warranty expenditures	(2,488)
Warranty accrual, December 31, 2008	$ 2,031
Charged to cost of revenues	2,926
Actual warranty expenditures	(2,581)
Warranty accrual, December 31, 2009	$ 2,376

Note 4. Impairment of Long-Lived Assets

The Company evaluates the recoverability of property and equipment whenever events or changes in circumstances indicate that the carrying value of a long-lived asset may not be recoverable. The Company's management decided to cease further investment in an internally developed software tool for business process management resulting in an asset impairment charge of $1.7 million which was recorded in general and administrative expense in the fourth quarter of 2008. The impairment indicators which management considered included the fact that this internally developed software tool was not completed and management concluded that no market participant would be willing to purchase an unfinished customized application, therefore the fair value was determined to be zero, and the capitalized amount of the software tool was written off. There were no impairment charges during 2009.

Note 5. Patients First Program and Settlement Costs

In October 2006, the Company entered into a formal agreement with OrthoClear, Inc., OrthoClear Holdings, Inc., and OrthoClear Pakistan Pvt. Ltd. ("OrthoClear"), together with certain individuals associated with OrthoClear (the "OrthoClear Agreement") to end all pending litigation between the parties. In addition, OrthoClear agreed to stop the importation of aligners into the United States and discontinue all aligner business operations worldwide. As a result, most OrthoClear patients were unable to complete their orthodontic treatment with OrthoClear. OrthoClear also agreed to assign and transfer to Align all intellectual property rights with application to the correction of malocclusion and certain OrthoClear principals also signed five year non-compete agreements. The Company evaluated this transaction under the provisions of FASB ASC 805 and concluded that this transaction was not a business acquisition and was accounted for as an asset purchase.

In an attempt to help minimize treatment disruptions for the OrthoClear patients and their doctors, the Company committed to make treatment available to these patients at no additional cost under the "Patients First Program." In 2006, the Company recorded an $8.3 million charge for the anticipated costs of completing this program. Subsequently, in the first quarter of 2007, the Company reduced its Patients First Program accrual by $1.8 million to reflect a reduction of its initial estimate of the number of cases actually received by the case submission deadline. During 2007, the Company shipped virtually all Patients First Program cases. The accrued Patients First Program balance as of December 31, 2008 was $0.1 million, which principally consisted of estimated future warranty and case refinement costs. There was no remaining balance related to the Patients First Program as of December 31, 2009.

The Company paid $20.0 million to OrthoClear in 2006 in accordance with the terms of the OrthoClear Agreement, of which $14.0 million was capitalized on the Company's balance sheet representing the fair value of the non-compete agreements and is being amortized over 5 years. The Company recorded the remaining $6.0 million as settlement costs in 2006.

Note 6. Intangible Assets

The intangible assets represent non-compete agreements received in conjunction with the October 2006 OrthoClear Agreement at gross value of $14 million. These assets are amortized on a straight-line basis over the expected useful life of five years. As of December 31, 2009 and December 31, 2008, the net carrying value of these non-compete agreements was $5.0 million (net of $9.0 million of accumulated amortization) and $7.8 million (net of $6.2 million of accumulated amortization), respectively.

For the years ended December 31, 2009, 2008 and 2007, total amortization expense for intangible assets was $2.8 million, $2.8 million and $3.2 million respectively. The total estimated annual future amortization expense for these intangible assets is as follows (in thousands):

Fiscal Year	
2010	$2,800
2011	2,188
Total	$4,988

Note 7. Ormco Litigation Settlement

On August 16, 2009, Align entered into three agreements with Ormco Corporation ("Ormco"), an affiliate of Danaher Corporation ("Danaher"): a Settlement Agreement, a Stock Purchase Agreement, and a Joint Development, Marketing and Sales agreement ("Collaboration Agreement"). The Settlement Agreement ended all pending litigation between the parties, and Align agreed to (1) make a cash payment of $13.2 million upon the execution of the agreement and (2) issue a total of 7.6 million non-assessable shares of common stock pursuant to the Stock Purchase Agreement. Under the Collaboration Agreement, Align and Ormco agreed to jointly develop and market an orthodontic product for the most complex orthodontic cases that combine the Invisalign system with Ormco's orthodontic brackets and arch wire systems over the next seven years. Because the Company entered into several agreements with Ormco on the same date, the guidance related to multiple element arrangements was considered in determining the allocation of the total settlement amount to the various elements of this arrangement.

In accordance with the Collaboration Agreement, each party will retain ownership of its pre-existing intellectual property, and each party will be granted intellectual property licenses in their respective field for jointly-developed combination products. The Collaboration Agreement, among other things, ensures mutual and equal participation, and equal share of the risks, costs, and benefits associated with developing the combination product. With the assistance of a third party valuation firm, Align concluded there was no value on the execution date of this agreement, as the Company has not contributed any assets or tendered any consideration. In addition, as part of its long-term strategic plan, the Company had the intention of collaborating with other orthodontic industry leaders to offer Invisalign in combination with traditional wires and brackets therapy, and it believes that the terms of such an agreement would have been similar to those it reached with Ormco.

Upon execution of the Settlement Agreement, 5.6 million shares were issued to Danaher and the remaining 2.0 million shares were issued upon the expiration of the waiting period under the provisions of the Hart-Scott-Rodino Antitrust Improvements Act, which occurred on September 21, 2009. In addition to other provisions of the Settlement Agreement, these shares may not be resold except pursuant to an effective registration statement under the Securities Act or an available exemption from registration. The Company is not obligated to affect any such registration prior to the one year anniversary of this agreement. The fair value of the shares should reflect the value that market participants would demand because of the risk relating to the inability to access a public market for these securities for the specified period. The fair value of the unregistered shares was determined as of the market closing price on the dates the shares were issued less a 25% non-marketability discount, for a total value of $76.7 million, including the cash payment.

Align has concluded that 25% is an appropriate discount based primarily on an analysis utilizing the Black-Scholes model to value a hypothetical put option to approximate the cost of hedging the restricted stock over the expected period of non-marketability. This approach calculates the amount required to buy the right to sell the presently restricted stock at the then-current market price on the date the holder can count on the shares becoming salable on the public exchange. The assumptions input into the Black-Scholes option pricing model were based on the stock price on the dates of the share issuances, an expected term of 1 year, expected volatility of 70%, risk-free interest rate of 4.38% to 4.90% and no expected dividends.

The Company corroborated the conclusion indicated by the Black-Scholes model by assessing that the discount was generally consistent with the ranges noted from published restricted stock studies and comparable to discounts on restricted stock transactions completed by other companies operating in similar industries as Align.

In accordance with the Settlement Agreement, Ormco released Align from any and all past and future claims of infringement for the period September 9, 2003 through the expiration of the patent on January 19, 2010 ("infringement period"). In order to determine how to allocate the settlement value between past infringement and the future use of the patent, Align considered both past and estimated future case shipment volumes during the infringement period, and allocated the total settlement value across all case shipments. The value attributed to past infringement claims was recorded as litigation settlement costs and was based on case shipments from September 9, 2003 through August 16, 2009, totaling $69.7 million, which was recorded in operating expenses and $6.2 million in cost of sales for the year ended December 31, 2009. The remaining $0.8 million will be amortized based on case shipments during first quarter of 2010.

Note 8. Legal Proceedings

Consumer Class Action

On May 18, 2007, Debra A. Weber filed a consumer class action lawsuit against Align, OrthoClear, Inc. and OrthoClear Holdings, Inc. (d/b/a OrthoClear, Inc.) in Syracuse, New York, U.S. District Court. The complaint alleges two causes of action against the OrthoClear defendants and one cause of action against Align for breach of contract. The cause of action against the Company, titled "Breach of Third Party Benefit Contract" references Align's agreement to make Invisalign treatment available to OrthoClear patients, alleging that the Company failed "to provide the promised treatment to Plaintiff or any of the class members."

On July 3, 2007, the Company filed an answer to the complaint and asserted 17 affirmative defenses. On July 20, 2007, the Company filed a motion for summary judgment on the Third Cause of Action (the only cause of action alleged against Align). On August 24, 2007, Weber filed a motion for class certification. On October 1, 2007, the Company filed an opposition to the motion for class certification and it is currently awaiting rulings from the Court. OrthoClear has filed a motion to dismiss. The initial case management conference and all discovery has been stayed pending the Court's decision on the motion for class certification, OrthoClear's motion to dismiss and the Company's motion for summary judgment. The Company believes the lawsuit to be without merit and intends to vigorously defend itself. Accordingly, the Company believes there is not sufficient evidence to conclude that a reasonable possibility exists that a loss had been incurred as of December 31, 2009.

Securities Litigation

In August 2009, Plaintiff Charles Wozniak filed a lawsuit against the Company and its Chief Executive Officer and President, Thomas M. Prescott ("Mr. Prescott"), in District Court for the Northern District of California on behalf of a claimed class consisting of all persons or entities who purchased the common stock of Align between January 30, 2007 and October 24, 2007. The complaint alleges that Align and Mr. Prescott violated Section 10(b) of the Securities Exchange Act of 1934 and that Mr. Prescott violated Section 20(a) of the

Securities Exchange Act of 1934. Specifically, the complaint alleges that during the class period Align failed to disclose that it had shifted the focus of the sales force to clearing backlog, causing a significant decrease in the number of new case starts. The Court has recently selected a lead plaintiff. The Company believes the lawsuit to be without merit and intends to vigorously defend itself. Accordingly, the Company believes there is not sufficient evidence to conclude that a reasonable possibility exists that a loss had been incurred as of December 31, 2009.

Note 9. Credit Facilities

On December 5, 2008, the Company renegotiated and amended its existing credit facility with Comerica Bank. Under this revolving line of credit, the Company has $25.0 million of available borrowings with a maturity date of December 31, 2010. This credit facility requires a quick ratio covenant and also requires the Company to maintain a minimum unrestricted cash balance of $10.0 million. The interest rate on borrowings will range from Libor plus 1.5% to 2.0% depending upon the amount of unrestricted cash the Company maintains at Comerica Bank above the $10.0 million minimum. As of December 31, 2009, the Company had no outstanding borrowings under this credit facility and is in compliance with the financial covenants.

Note 10. Commitments and Contingencies

Operating leases

Align rents its facilities and certain equipment and automobiles under non-cancelable operating lease arrangements. Facility leases expire at various dates through 2013 and thereafter and provides for pre-negotiated fixed rental rates during the terms of the lease.

In February 2005, the Company renewed its Santa Clara headquarters lease allowing it to utilize the security deposit of $1.3 million paid at the inception of the lease on July 1, 2000, to reduce the monthly rent payment by $11,000. By the end of the lease term on June 30, 2010, the security deposit balance will be reduced to $0.6 million.

The Company has a facility in San Jose, Costa Rica. The facility comprises approximately 63,000 square feet of manufacturing and office space. The monthly rent for the Costa Rica facility is approximately $84,000. The Company renewed the lease in March 2008 for an additional five year term, which commenced in October 2008 and expires in September 2013.

The Company also has a facility in Juarez, Mexico used to manufacture clear aligners. This facility comprises of approximately 68,000 square feet of manufacturing and office space with a monthly rent of approximately $30,000. This lease was assumed by the Company from IMS in December 2008 and will expire in July 2013.

The Company's European headquarters are located in Amsterdam, The Netherlands. On August 3, 2007, the original lease agreement was amended to expand its Amsterdam facility to approximately 16,000 square feet of office space. This lease will expire in June 2012, with an option to renew for an additional five year term. The Company may also terminate this lease in June 2012 for a fee of approximately $125,000. The monthly rent for the Amsterdam facility is approximately $51,000.

The Company recognizes rent expense on a straight-line basis over the lease period, and has accrued for rent expense incurred but not paid. Total rent expense was $3.8 million, $3.8 million, and $3.4 million, for the years ended December 31, 2009, 2008 and 2007, respectively.

Minimum future lease payments for non-cancelable leases as of December 31, 2009, are as follows (in thousands):

Fiscal Year	
2010	$3,339
2011	2,449
2012	1,780
2013	1,006
Total	$8,574

On January 26, 2010, the Company entered into an agreement for new corporate headquarters. See *Note 20 "Subsequent Event."*

Note 11. Stockholders' Equity

Preferred Stock Rights Agreement

The Preferred Stock Rights Agreement (the "Rights Agreement") is intended to protect stockholders from unfair or coercive takeover practices. In accordance with the Rights Agreement, the Board of Directors declared a dividend distribution of one preferred stock purchase right (a "Right") for each outstanding share of Align's common stock to stockholders of record on November 22, 2005. Each Right entitles stockholders to buy one one-thousandth of a share of Align's Series A Participating Preferred Stock, par value $0.0001 per share, at an exercise price of $37.00, subject to adjustment. Rights will become exercisable upon the occurrence of certain events, including a person or group acquiring or the announcing the intention to acquire beneficial ownership of 15% or more of the then outstanding common stock without the approval of the Board of Directors. Each holder of a Right will have the right to receive, upon exercise, shares of common stock having a value equal to two times the purchase price. The Rights will expire on November 22, 2015 or upon the exercise of the Rights, whichever occurs earlier.

Common Stock

The holders of common stock are entitled to receive dividends whenever funds are legally available and when and if declared by the Board of Directors. The Company has never declared or paid dividends on its common stock.

Employee Stock Purchase Plan

Align's Employee Stock Purchase Plan (the "Purchase Plan") consists of overlapping twenty-four month offering periods with four six-month purchase periods in each offering period, and expires on January 31, 2011. Employees purchase shares at 85% of the fair market value of the common stock at either the beginning of the purchase period or the end of the purchase period, whichever price is lower. The Purchase Plan provides that the number of shares of the Company's common stock reserved for issuance thereunder will automatically increase on the first trading day of January in each calendar year by an amount equal to three percent (3%) of the total number of shares of common stock outstanding on the last trading day in December of the immediately preceding calendar year, with this annual increase not to exceed 1,500,000 shares. The maximum number of shares that can be granted under the Purchase Plan in any one year is 800,000 shares of common stock.

During the year ended December 31, 2009, 545,151 shares were issued under the Purchase Plan. As of December 31, 2009, the Company had reserved 13,433,456 shares of common stock for future issuance and 10,124,732 shares remain available for future issuance.

As of December 31, 2009, there was $1.4 million of total unamortized compensation costs related to employee stock purchases. These costs are expected to be recognized over a weighted average period of 0.3 years.

Stock Option Plans

In May 2005, the 2005 Incentive plan ("2005 Plan") replaced the 2001 stock incentive Plan ("2001 Plan"). The 2005 Plan, which expires December 31, 2010, provides for the granting of incentive stock options, non-statutory stock options, restricted stock units, stock appreciation rights, performance units and performance shares. Employees, non-employee directors and consultants are eligible to receive grants under the 2005 Plan. The options are granted for periods not exceeding ten years and generally vest over 4 years with 25% vesting one year from the date of grant and 1/48th each month thereafter. The Plan Administrator may, however, grant options with different vesting schedules.

The 2005 Plan has 9,983,379 shares of the Company's common stock reserved for issuance, plus up to an aggregate of 5,000,000 shares that have been or will be returned to the 2001 Plan as a result of termination of outstanding options or repurchase of shares granted under the 2001 Plan on or after March 28, 2005. As of December 31, 2009, 2,360,766 shares have been transferred to the 2005 Plan and 2,747,759 shares remain available for issuance under the 2005 Plan.

Activity for the years ended December 31, 2009, 2008 and 2007 under the stock option plans are set forth below (in thousands, except per share data):

	Stock Options			
	Number of Shares Underlying Stock Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2006	9,178	$ 8.86		
Granted	1,517	18.97		
Exercised	(3,048)	8.52		
Cancelled or expired	(514)	11.13		
Outstanding at of December 31, 2007	7,133	$10.99		
Granted	2,182	12.78		
Exercised	(912)	6.5		
Cancelled or expired	(1,094)	14.02		
Outstanding at December 31, 2008	7,309	$11.63		
Granted	1,134	8.62		
Exercised	(586)	7.05		
Cancelled or expired	(369)	12.45		
Outstanding at of December 31, 2009	7,488	$11.49	6.43	$48,825
Vested and expected to vest at December 31, 2009	7,325	$11.50	6.38	$47,747
Exercisable at December 31, 2009	4,875	$11.38	5.34	$32,689

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Align's closing stock price on the last trading day in 2009 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on the last day of each fiscal year. This amount will fluctuate based on the fair market value of Align's stock. The total intrinsic value of stock options exercised for the years ended December 31, 2009, 2008 and 2007 was $3.2 million, $5.2 million, and $43.1 million, respectively. The Company issues new shares upon the exercise of options.

As of December 31, 2009, there was $16.2 million of total unamortized compensation costs related to stock options and these costs are expected to be recognized over a weighted average period of 2.2 years. For the year ended December 31, 2009, the total recognized tax affect from exercised options was $0.6 million.

The options outstanding and exercisable by exercise price at December 31, 2009 are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Term (in years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 1.06 - $ 7.35	1,642,354	4.04	$ 6.17	1,631,253	$ 6.17
7.40 - 8.38	1,945,161	7.35	7.98	1,000,854	8.10
8.39 - 13.00	1,927,530	7.87	12.57	688,416	12.42
13.04 - 18.73	1,682,750	6.24	17.88	1,286,022	18.03
18.81 - 27.06	289,965	5.31	20.94	268,103	20.68
$ 1.06 - $27.06	7,487,760	6.43	$11.49	4,874,648	$11.38

Restricted Stock Units

In 2006, the Compensation Committee of the Board of Directors approved the grant of restricted stock units (contracts that give the recipients the right to receive shares as the units vest) to its employees and director(s) in addition to stock options. Each restricted stock unit award generally vests over 4 years with 25% on the one year anniversary of the date of grant and 6.25% vesting quarterly thereafter. Each grant of a restricted stock unit will reduce shares available for grant by two shares. In October 2007, the Compensation Committee of the Board of Directors approved a change in vesting for prospective grants of restricted stock units to 25% annually.

The fair value of restricted stock units is based on the Company's closing stock price on the date of grant. A summary of the nonvested shares for the years ended December 31, 2009, 2008 and 2007 is as follows (in thousands, except per share amounts):

	Number of Shares Underlying RSUs (in thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Nonvested as of December 31, 2006	419	$ 8.71		
Granted	480	19.17		
Vested and released	(178)	9.27		
Forfeited	(70)	13.31		
Nonvested as of December 31, 2007	651	15.78		
Granted	685	12.78		
Vested and released	(258)	15.55		
Forfeited	(206)	15.00		
Nonvested as of December 31, 2008	872	13.68		
Granted	326	8.56		
Vested and released	(257)	13.39		
Forfeited	(65)	12.44		
Nonvested as of December 31, 2009	876	$11.95	1.2	$15,617

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (calculated by multiplying Align's closing stock price on the last trading day of 2009 by the number of non-vested RSUs) that would have been received by the unit holders had all RSUs been vested and released on the last day of each fiscal year. This amount will fluctuate based on the fair market value of Align's stock. During 2009, of the 257,536 shares vested and released, approximately 40,028 vested shares were withheld for executive RSU tax payments, resulting in a net issuance of 217,508 shares.

The total intrinsic value of RSUs vested and released during 2009, 2008 and 2007 was $2.9 million, $2.9 million and $3.4 million, respectively. As of December 31, 2009, there was $9.6 million of total unamortized compensation costs related to RSUs, and these costs are expected to be recognized over a weighted average period of 2.1 years.

Stock-based compensation

The Company measures and recognizes compensation expense for all share-based payment awards based on estimated fair values over the requisite service period. The fair value of stock options granted and the option component of the Purchase Plan shares were estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	2008	2007
Stock options:			
Expected term (in years)	4.4	4.4	4.5
Expected volatility	62.0%	60.0%	68.0%
Risk-free interest rate	1.6%	2.8%	4.4%
Expected dividend	—	—	—
Weighted average fair value at grant date	$4.32	$6.40	$10.82
Employee stock purchase plan:			
Expected term (in years)	1.3	1.2	1.2
Expected volatility	74.6%	67.2%	55.8%
Risk-free interest rate	0.6%	2.2%	4.8%
Expected dividend	—	—	—
Weighted average fair value at grant date	$3.78	$4.89	$ 9.42

The expected term of stock options represents the weighted-average period the stock options are expected to remain outstanding. The Company used a mid-point model to determine the expected term of stock options based on the Company's historical exercise, post-vesting cancellation experience, and the remaining contractual term of its outstanding options.

The Company uses its own historical volatility.

The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option.

The dividend yield reflects that the Company has not paid any cash dividends since inception and does not anticipate paying cash dividends in the foreseeable future.

Summary of Stock-based Compensation Expense

Stock-based compensation expense recognized in the Consolidated Statements of Operations for the years ended December 31, 2009, 2008 and 2007 is based on awards ultimately expected to vest, net of estimated forfeitures. Estimated forfeitures are based on historical experience at the time of grant and may be revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The stock-based compensation expense related to all of the Company's stock-based awards and employee stock purchases for the years ended December 31, 2009, 2008, 2007 is as follows (in thousands):

	For the Years Ended December 31,		
	2009	2008	2007
Cost of revenues	$ 1,502	$ 1,753	$ 994
Sales and marketing	4,308	5,289	4,225
General and administrative	7,641	8,011	5,443
Research and development	1,637	2,004	1,549
Total stock-based compensation	$15,088	$17,057	$12,211

Note 12. Common Stock Repurchase Program

In April 2008, the Company's Board of Directors approved a common stock repurchase program authorizing management to repurchase up to $50 million of the Company's outstanding common stock. During 2008, the Company purchased approximately 4.7 million shares of common stock at an average price of $10.76 per share for an aggregate purchase price of $50.1 million including commissions and completed the stock repurchase program. The common stock repurchases reduced additional paid-in capital by $38.6 million and increased accumulated deficit by $11.6 million. All repurchased shares were retired, and there were no stock repurchases during 2009.

Note 13. Employee Benefit Plan

In January 1999, the Company adopted a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. In 2009, the Company's Board of Directors authorized the Company to match equal 50% of the employee's salary deferral contributions up to a 6% based on the employee's eligible compensation effective 2010.

Note 14. Income Taxes

Deferred tax assets and liabilities were as follows (in thousands):

	Years Ended December 31, 2009	2008
Deferred tax assets, net:		
Net operating loss and capital loss carryforwards	$47,607	$48,583
Credit carryforwards	7,583	6,836
Reserves & accruals	8,947	4,807
Depreciation and amortization	6,196	6,100
Stock-based compensation	5,606	3,944
Other	785	2,433
	76,724	72,703
Deferred tax liabilities:		
Prepaid expenses	1,739	1,752
Translation gains	239	143
Other	1,344	—
	3,322	1,895
Net deferred tax assets before valuation allowance	73,402	70,808
Valuation allowance	(6,182)	(6,200)
Net deferred tax assets	$67,220	$64,608

With the exception of certain capital loss and foreign net operating loss carryforwards, the Company released the tax valuation allowance on most of the deferred tax assets and recorded an income tax benefit of $64.6 million for the year ended December 31, 2008. As of December 31, 2009, the Company believed, except for the items noted above that it was more likely than not, that the amount of deferred tax assets recorded on the balance sheet will be realized. However, should there be a change in the Company's ability to recover its deferred tax assets, the tax provision would increase in the period in which it is more likely than not that the Company cannot recover its deferred tax assets.

At December 31, 2009, the Company had net operating loss carryforwards of approximately $187.7 million for federal purposes and $68.1 million for California state tax purposes. If not utilized, these carryforwards will begin to expire beginning in 2020 for federal purposes and 2011 for California purposes.

The Company has research credit carryforwards of approximately $4.4 million for federal purposes and $5.4 million for California state tax purposes. If not utilized, the federal credit carryforwards will begin to expire in 2017. The California state credit can be carried forward indefinitely.

Effective January 1, 2007, the Company adopted FASB ASC 740 (formerly referenced as FASB Financial Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109"). This interpretation clarifies the criteria for recognizing income tax benefits under the accounting provisions for income taxes, and requires additional disclosures about uncertain tax positions. The financial statement recognition of the benefit for a tax position is dependent upon the benefit being more-likely-than-not to be sustainable upon audit by the applicable taxing authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement.

The following is a rollforward of the Company's total gross unrecognized tax benefit for 2009 (in thousands):

Balance as of January 1, 2009	$2,878
Tax positions related to current year:	
Additions for uncertain tax positions	1,691
Tax positions related to prior year:	
Additions for uncertain tax positions	1,738
Reductions for uncertain tax positions	(378)
Balance as of December 31, 2009	$5,929

During fiscal year 2009, the amount of unrecognized tax benefits was increased by $3.1 million. The total amount of unrecognized tax benefits was $5.9 million as of December 31, 2009, which would impact the Company's effective tax rate if recognized. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. Interest and penalties are immaterial at the date of adoption and are included in the unrecognized tax benefits.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. All of the Company's tax years will be open to examination by the U.S. federal and most state tax authorities due to the Company's net operating loss and overall credit carryforward position. With few exceptions, the Company is no longer subject to examination by foreign tax authorities for years before 2005.

The differences between income taxes using the federal statutory income tax rate of 35% and the Company's effective tax rate were as follows:

	Years Ended December 31,		
	2009	2008	2007
U.S. federal statutory income tax rate	35.00%	35.00%	35.00%
State income taxes, net of federal tax benefit	1.89	7.74	5.04
Deferred tax benefits utilized	—	(67.04)	(44.53)
Foreign losses not benefited	—	4.16	2.40
Impact of differences in foreign tax rates	(14.99)	(8.13)	(7.23)
Amortization of stock-based compensation	(6.53)	32.30	7.89
Non-deductible foreign exchange losses	—	(0.91)	—
Non-deductible meals & entertainment charges	(1.31)	3.21	1.21
Valuation allowance release	—	(378.34)	—
Other items not individually material	(6.40)	3.57	3.54
	7.66%	(368.44%)	3.32%

The domestic and foreign components of income (loss) before provision for income taxes were as follows (in thousands):

	Years ended December 31,		
	2009	2008	2007
Domestic	$(23,075)	$13,333	$30,928
Foreign	(10,818)	3,743	6,022
Total	$(33,893)	$17,076	$36,950

In June 2009, the Costa Rica Ministry of Foreign Trade, an agency of the Government of Costa Rica, granted a twelve year extension of the tax incentives which were previously granted in 2002. Under these incentives, all of the income in Costa Rica during these twelve year incentive periods is subject to reduced rates of Costa Rica income tax. The incentive tax rates will expire in various years beginning in 2017. The Costa Rica corporate income tax rate that would apply, absent the incentives, is 30% for 2009. Because Costa Rica incurred a net loss in 2009, no tax benefit was realized from these incentives in 2009. In order to receive the benefit of the incentives, the Company must hire specified numbers of employees and maintain minimum levels of fixed asset investment in Costa Rica. If the Company does not fulfill these conditions for any reason, our incentive could lapse and its income in Costa Rica would be subject to taxation at higher rates, which could have a negative impact on the Company's operating results.

The provision for (benefit from) income taxes consisted of the following (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Federal			
Current	$(1,196)	$ 268	$ 276
Deferred	(1,437)	(56,934)	—
	(2,633)	(56,666)	276
State			
Current	(96)	784	309
Deferred	(1,115)	(7,674)	—
	(1,211)	(6,890)	309
Foreign			
Current	1,280	645	641
Deferred	(60)	—	—
	1,220	645	641
Provision for (benefit from) income taxes	$(2,624)	$(62,911)	$1,226

The Company has not provided additional U.S. income taxes on undistributed earnings from non- U.S. operations as of December 31, 2009 because such earnings are intended to be reinvested indefinitely outside of the United States.

Note 15. Net Profit (Loss) per Share

Basic net profit (loss) per share is computed using the weighted average number of shares of common stock during the year less unvested common shares subject to repurchase. Diluted net profit (loss) per share is computed using the weighted average number of shares of common stock, adjusted for the dilutive effect of potential common stock. Potential common stock, computed using the treasury stock method, includes options, restricted stock units, and the dilutive component of Purchase Plan shares.

The following table sets forth the computation of basic and diluted net profit (loss) per share attributable to common stock (in thousands, except per share amounts):

	Years Ended December 31,		
	2009	2008	2007
Numerator:			
Net profit (loss)	$(31,269)	$79,987	$35,724
Denominator:			
Weighted-average common shares outstanding, basic	69,094	66,812	67,176
Dilutive effect of potential common stock	—	1,252	4,268
Total shares, diluted	69,094	68,064	71,444
Net profit (loss) per share, basic	$ (0.45)	$ 1.20	$ 0.53
Net profit (loss) per share, diluted	$ (0.45)	$ 1.18	$ 0.50

For the years ended December 31, 2009, 2008, and 2007, stock options, restricted stock units, and employee stock purchases totaling 9.3 million, 5.1 million, and 1.0 million, respectively, were excluded from diluted net profit (loss) per share because of their anti-dilutive effect.

Note 16. Comprehensive Income (Loss)

Comprehensive income (loss) includes net profit (loss), foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities. The components of comprehensive income (loss) are as follows (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Net profit (loss)	$(31,269)	$79,987	$35,724
Foreign currency translation adjustments	168	(421)	703
Change in unrealized gain/(loss) on available-for-sale securities	18	33	(49)
Comprehensive income (loss)	$(31,083)	$79,599	$36,378

Note 17. Supplemental Cash Flow Information

The supplemental cash flow information consists of the following (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Taxes paid	$ 2,004	$1,510	$1,632
Interest paid	$ 84	$ —	$ 415
Non-cash investing and financing activities:			
Fixed assets acquired with accounts payable, accrued liabilities, or through financing	$ 1,790	$1,322	$1,135
Stock component of litigation settlement costs	$63,518	$ —	$ —

Note 18. Segments and Geographical Information

Segments

The Company reports segment data based on the management approach which designates the internal reporting that is used by management for making operating decisions and assessing performance as the source of the Company's reportable operating segments. During all periods presented, the Company operated as a single business segment.

Geographical Information

Net revenues and long-lived assets are presented below by geographic area (in thousands):

	For the Years Ended December 31,		
	2009	2008	2007
Net revenues:			
North America	$237,033	$240,210	$236,758
Europe	72,245	61,652	45,047
Other international	3,055	2,114	2,527
Total net revenues	$312,333	$303,976	$284,332

	As of December 31,		
	2009	2008	2007
Long-lived assets:			
North America	$ 91,548	$ 99,086	$ 35,632
Europe	1,018	960	1,081
Other international	1,375	1,388	1,531
Total long-lived assets	$ 93,941	$101,434	$ 38,244

Note 19. Restructurings

During 2008, the Company announced restructuring plans in July and October to increase efficiencies across the organization and lower the overall cost structure. In July 2008, the Company implemented a restructuring plan to reduce its full time headcount by 67 employees including a phased-consolidation of order acquisition operations from its corporate headquarters in Santa Clara, California to Juarez, Mexico, which was completed by the end of 2008. The October restructuring plan included a total reduction of 111 full time headcount in Santa Clara, California by July 2009 as the Company moves its customer care, accounts receivable, credit and collections, and customer event registration organizations, in Santa Clara, California to existing facilities in Costa Rica.

In 2008, the Company incurred approximately $6.2 million in restructuring expenses relating to these actions which included $0.7 million related to the acceleration of stock option vesting and $5.5 million related to severance and termination benefits, of which $3.0 million was paid during the year.

In 2009, the Company incurred approximately $1.3 million of costs related to severance and termination benefits.

Activity and liability balances related to restructuring activity for the year ended December 31, 2009 are as follows (in thousands):

	Severance and Benefits
Balance at January 1, 2009	$ 2,501
Restructuring accrual	1,319
Cash payments	(3,820)
Balance at December 31, 2009	$ —

Note 20. Subsequent Event

On January 26, 2010, the Company entered into an agreement to lease new corporate headquarters of approximately 129,024 square feet in San Jose, California. The lease agreement commences on the earlier of August 1, 2010 or the date the Company first commences conducting business in the premises, which is expected to be on or about June 28, 2010 and will continue for an initial term of seven years and two months. The agreement for the Company's current corporate headquarters in Santa Clara, California, expires on June 30, 2010. The expected future cash payments for the new property are presented in the following table (in thousands):

Fiscal Year	
2010	$ 519
2011	1,572
2012	1,619
2013	1,716
2014 and thereafter	7,100
Total	$12,526

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of December 31, 2009 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Management's annual report on internal control over financial reporting.

See "Report of Management on Internal Control over Financial Reporting" on page 52 of this Annual Report on Form 10-K, which is incorporated herein by reference.

Changes in internal control over financial reporting.

There have been no changes in our internal control over financial reporting during the year ended December 31, 2009 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this Form 10-K because we intend to file a definitive Proxy Statement for our 2010 Annual Meeting of Stockholders (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and certain information to be included therein is incorporated herein by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 401 of Regulation S-K concerning our directors is incorporated by reference to the Proxy Statement under the section captioned "Election of Directors." The information required by Item 401 of Regulation S-K concerning our executive officers is set forth in *Item 1—"Business" of this Annual Report on Form 10-K*. The information required by Item 405 of Regulation S-K is incorporated by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" contained in the Proxy Statement. The information required by Item 407(d)(5) of Regulation S-K is incorporated by reference to the Proxy Statement under the section entitled "Corporate Governance—Board of Directors & Committee Meetings—Audit Committee."

Code of Ethics

We have a code of ethics that applies to all of our employees, including our principal executive officer, principal financial officer and principal accounting officer. This code of ethics is posted on our Internet website. The Internet address for our website is *www.aligntech.com*, and the code of ethics may be found on the "Corporate Governance" section of our "Investor Relations" webpage.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address and location specified above, or as otherwise required by the NASDAQ Global Market.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K is incorporated by reference to the Proxy Statement under the section captioned "Executive Compensation." The information required by Items 407(e)(4) and (e)(5) is incorporated by reference to the Proxy Statement under the section captioned "Corporate Governance—Compensation Committee Interlocks" and "Compensation Committee Report," respectively.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 403 of Regulation S-K is incorporated by reference to the Proxy Statement under the section captioned "Security Ownership of Certain Beneficial Owners and Management."

Equity Compensation Plan Information

The following table provides information as of December 31, 2009 about our common stock that may be issued upon the exercise of options and rights granted to employees, consultants or members of our Board of Directors under all existing equity compensation plans, including the 1997 Equity Incentive Plan, the Employee Stock Purchase Plan, the 2001 Stock Incentive Plan and the 2005 Incentive Plan, each as amended, and certain individual arrangements.

Plan Category	Number of securities to be issued upon exercise of outstanding options and restricted stock units(a)	Weighted average exercise price of outstanding options(b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))
Equity compensation plans approved by security holders	8,364,135(1)(2)	$11.49	2,747,759(3)
Equity compensation plans not approved by security holders	—	—	—
Total	8,364,135	$11.49	2,747,759

(1) This number reflects the number of securities to be issued upon exercise of outstanding options and restricted stock units under the 1997 Equity Incentive Plan, the 2001 Stock Incentive Plan, and the 2005 Incentive Plan. The 876,375 restricted stock units included in this number have an exercise price of zero.

(2) We are unable to ascertain with specificity the number of securities to be issued upon exercise of outstanding rights under the Employee Stock Purchase Plan or the weighted average exercise price of outstanding rights under the Employee Stock Purchase Plan.

(3) This number reflects securities available for future issuance under the 2005 Stock Incentive Plan and the Employee Stock Purchase Plan. In January 2001, all outstanding options under the 1997 Equity Incentive Plan were subsumed under the 2001 Stock Incentive Plan. Since that date no options have been granted under the 1997 Equity Incentive Plan. In May 2005, stockholder approval was obtained for the 2005 Incentive Plan and the 2001 Stock Incentive Plan was terminated. Since that date, no further options have been granted under the 2001 Stock Incentive Plan. The 2005 Incentive Plan has 9,983,379 shares of common stock reserved for issuance, plus up to an aggregate of 5,000,000 shares that are or would have been returned to the 2001 Stock Incentive Plan as a result of termination of outstanding options or repurchase of shares granted under the 2001 Stock Incentive Plan after March 28, 2005. As of December 31, 2009, 2,360,766 shares have been transferred to the 2005 Incentive Plan. As of December 31, 2009, the number of shares available for future issuance under the 2005 Incentive Plan was 2,747,759. Any grants of restricted stock units will reduce shares available for grant at a 2:1 ratio. The Employee Stock Purchase Plan provides that the number of shares of our common stock reserved for issuance thereunder will automatically increase on the first trading day of January in each calendar year by an amount equal to three percent (3%) of the total number of shares of common stock outstanding on the last trading day in December of the immediately preceding calendar year, with this annual increase not to exceed 1,500,000 shares. The maximum number of shares that can be granted under the Employee Stock Purchase Plan in any one year is 800,000 shares of common stock. As of December 31, 2009, the total number of shares of our common stock available for future issuance under the Employee Stock Purchase Plan was 10,124,732.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 404 and Item 407 of Regulation S-K is incorporated by reference to the Proxy Statement under the sections captioned "Certain Relationships and Related Party Transactions" and "Corporate Governance—Director Independence," respectively.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 9(e) of Schedule 14A of the Securities Act of 1934, as amended, is incorporated by reference to the Proxy Statement under the section captioned "Ratification of Appointment of Independent Registered Public Accountants."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

1. Consolidated Financial Statements

The following documents are filed as part of this Annual Report on Form 10-K:

2. The following financial statement schedule is filed as part of this Annual Report on Form 10-K:

Schedule II—Valuation and Qualifying Accounts and Reserves

All other schedules have been omitted as they are not required, not applicable, or the required information is otherwise included.

SCHEDULE II: VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

	Balance at Beginning of Period	Additions (reductions) to Costs and Expenses	Write offs	Reclass from Other Accounts	Balance at End of Period
	(in thousands)				
Allowance for doubtful accounts:					
Year ended December 31, 2007	$ 844	$ 46	$(184)	$ 54	$ 760
Year ended December 31, 2008	$ 760	$ 71	$(184)	$ (35)	$ 612
Year ended December 31, 2009	$ 612	$ 708	$(305)	$ 18	$ 1,033
Allowance for deferred tax assets:					
Year ended December 31, 2007	$102,153	$ (8,996)	$ —	$—	$93,157
Year ended December 31, 2008	$ 93,157	$(86,957)	$ —	$—	$ 6,200
Year ended December 31, 2009	$ 6,200	$ (18)	$ —	$—	$ 6,182
Allowance for excess and obsolete inventory and abandoned product:					
Year ended December 31, 2007	$ 188	$ 47	$ (19)	$—	$ 216
Year ended December 31, 2008	$ 216	$ 110	$(188)	$—	$ 138
Year ended December 31, 2009	$ 138	$ 73	$(107)	$—	$ 104

(b) The following Exhibits are included in this Annual Report on Form 10-K:

Exhibit Number	Description	Form	Date	Exhibit Number Incorporated by reference herein	Filed herewith
3.1	Amended and Restated Certificate of Incorporation of registrant.	Form S-1, as amended (File No. 333-49932)	12/28/2000	3.1	
3.2	Amended and Restated Bylaws of registrant.	Form S-1, as amended (File No. 333-49932)	12/28/2000	3.2	
3.2A	Amendment to Amended and Restated Bylaws of registrant.	Form 8-K (item 5.03 only)	12/18/2007	3.1	
3.3	Certificate of Designations of Rights, Preferences and Privileges of Series A Participating Preferred Stock registrant.	Form 8-K	10/27/2005	3.1	
4.1	Form of Specimen Common Stock Certificate.	Form S-1, as amended (File No. 333-49932)	01/17/2001	4.1	
4.2	Preferred Stock Rights Agreement dated October 25 between the registrant and EquiServe Trust Company, N.A.	Form 8-K	10/27/2005	4.1	
10.1	Lease Agreement by and between James Lindsey and registrant, dated June 20, 2000, for office space located at 881 Martin Avenue, Santa Clara, CA.	Form S-1, as amended (File No. 333-49932)	11/14/2000	10.4	
10.2	First Amendment to Lease Agreement dated February 2, 2005 for office space located at 881 Martin Avenue, Santa Clara, CA.	Form 8-K	02/09/2005	10.1	
10.3	Lease Agreement dated August 30, 2001 by and between James S. Lindsey and registrant for office space located at 821 Martin Avenue, Santa Clara, CA.	Form 10-K	03/27/2003	10.28	
10.4	First Amendment to Lease Agreement dated February 2, 2005 for office space located at 821 Martin Avenue, Santa Clara, CA.	Form 8-K	02/09/2005	10.3	
10.5	Lease Agreement dated March 4, 2004 by and between James S. Lindsey and registrant for office space located at 831 Martin Avenue, Santa Clara, CA.	Form 10-Q	05/06/2004	10.40	
10.6	First Amendment to Lease Agreement dated February 2, 2005 for office space located at 831 Martin Avenue, Santa Clara, CA.	Form 8-K	02/09/2005	10.2	
10.8	Amended and Restated Loan and Security Agreement dated December 16, 2005 between registrant and Comerica Bank.	Form 8-K	12/19/2005	10.1	

Exhibit Number	Description	Form	Date	Exhibit Number Incorporated by reference herein	Filed herewith
10.8A	Amendment to Amended and Restated Loan and Security Agreement dated March 7, 2007 between registrant and Comerica Bank.	Form 10-K	03/12/2007	10.8A	
10.8B	Amendment to Amended and Restated Loan and Security Agreement dated March 7, 2007 between registrant and Comerica Bank.	Form 8-K	04/29/2008	10.1	
10.8C	Amendment to Amended and Restated Loan and Security Agreement dated March 7, 2007 between registrant and Comerica Bank.	Form 8-K	01/13/2009	10.1	
10.10†	Registrant's 2001 Stock Incentive Plan.	Form S-1 as amended (File No. 333-49932)	12/28/2000	10.13	
10.11†	Form of option agreement under Align's 2001 Stock Incentive Plan.	Form 10-Q	11/05/2004	10.13.1	
10.12†	Registrant's Employee Stock Purchase Plan.	Form S-8	02/05/2001	99.2	
10.13†	Form of Indemnification Agreement by and between registrant and its Board of Directors and its executive officers.	Form S-1 as amended (File No. 333-49932)	01/17/2001	10.15	
10.14†	Amended and restated 2005 Incentive Plan.	Form 10-K	03/12/2007	10.14	
10.14A†	Form of restricted stock unit award agreement under registrant's 2005 Incentive Plan (General Form; Officer Form: Director Form).	Form 10-Q	11/05/2007	10.1A, 10.1B, 10.1C	
10.14B†	Form of option award agreement under registrant's 2005 Incentive Plan.	Form 10-Q	08/04/2005	10.4	
10.14C†	Form of restricted stock unit award agreement under registrant's 2005 Incentive Plan with Thomas M. Prescott.	Form 10-K	03/12/2007	10.14C	
10.14D†	Form of restricted stock unit award agreement amendment under registrant's 2005 Incentive Plan with Thomas M. Prescott.	Form 10-K	03/12/2007	10.14D	
10.15†	Amended and Restated Employment Agreement dated May 5, 2008 between Thomas M. Prescott and registrant.	Form 10-Q	04/08/2008	10.4	
10.16†	Form of Employment Agreement entered into by and between registrant and each of executive officer (other than CEO).	Form 10-Q	05/08/2008	10.3	

Exhibit Number	Description	Form	Date	Exhibit Number Incorporated by reference herein	Filed herewith
10.17†	Amended and Restated Employment Agreement between registrant and Thomas M. Prescott dated May 5, 2008.	Form 10-Q	05/08/2008	10.4	
10.20	Lease Agreement dated February 26, 2003 between KPMG FIDES (Costa Rica) S.A., Parque Global S.A.A. and registrant.	Form 10-Q	05/13/2003	10.36	
10.20A	Omnibus Amendment to Lease and Service Agreement between KPMG FIDES (Costa Rica) S.A., Parque Global S.A. and Align dated June 24, 2008.	Form 8-K	06/26/2008	10.1	
10.21	Lease Agreement between Schootsepoort Onroerendgoed Beheer, for Stichting Philips Pensioenfonds and Align.	Form 10-Q	08/05/2004	10.41	
10.21A	Amendment to Lease Agreement between Align Technology, B.V. and TT Amsterdam Project Company (formerly Stichting Philips Pensioenfonds).	Form 10-Q	08/03/2007	10.4	
10.22	Lease Agreement between International Manufacturing Solutions Operaciones, S.R.L. and Elamex de Juarez, S.A. de C.V. dated July 31, 2008 (assigned to Align as Lessee effective April 1, 2009).	Form 8-K	12/22/2008	10.1	
10.23†	Summary of 2009 Incentive Awards for Named Executive Officers.	Form 8-K	02/08/2010	Item 5.02 only	
10.24†	Summary of Executive Officer Annual Incentive Plan.	Form 8-K/A Form 8-K	05/27/2009 08/08/2010	Item 5.02 only	
10.25	Lease Agreement between Align and Carr N.P. Properties, L.L.C. dated January 26, 2010.	Form 8-K	01/29/2010		
10.26	Settlement Agreement dated as if August 16, 2009 between Align Technology, Inc. and Ormco Corporation.	Form 10-Q/A	02/24/2010		
10.27	Stock Purchase Agreement dated as of the 16th day of August by and between Align Technology, Inc. and Danaher Corporation.	Form 10-Q	11/05/2009		
10.28††	Joint Development, Marketing and Sales Agreement entered in as of August 16, 2009 by and between Align Technology, Inc. and Ormco Corporation.	Form 10-Q/A	02/24/2010		

Exhibit Number	Description	Form	Date	Exhibit Number Incorporated by reference herein	Filed herewith
21.1	Subsidiaries of Align Technology, Inc.				*
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.				*
31.1	Certifications of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2003.				*
31.2	Certifications of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2003.				*
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2003.				*

† Management contract or compensatory plan or arrangement filed as an Exhibit to this form pursuant to Items 14(a) and 14(c) of Form 10-K.

†† Portions of the exhibit have been omitted pursuant to a request for confidential treatment. The confidential portions have been filed with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 26, 2010.

ALIGN TECHNOLOGY, INC.

By: /s/ THOMAS M. PRESCOTT

Thomas M. Prescott
President and Chief Executive Officer

Know All Men By These Presents, that each person whose signature appears below constitutes and appoints Thomas M. Prescott, his or her attorney-in-fact, with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ THOMAS M. PRESCOTT **Thomas M. Prescott**	President and Chief Executive Officer (Principal Executive Officer)	February 26, 2010
/s/ KENNETH B. AROLA **Kenneth B. Arola**	Chief Financial Officer and Vice President, Finance (Principal Financial Officer and Principal Accounting Officer)	February 26, 2010
/s/ DAVID E. COLLINS **David E. Collins**	Director	February 26, 2010
/s/ JOSEPH LACOB **Joseph Lacob**	Director	February 26, 2010
/s/ C. RAYMOND LARKIN **C. Raymond Larkin**	Director	February 26, 2010
/s/ GEORGE J. MORROW **George J. Morrow**	Director	February 26, 2010
/s/ DAVID C. NAGEL **David C. Nagel**	Director	February 26, 2010
/s/ GREG J. SANTORA **Greg J. Santora**	Director	February 26, 2010
/s/ WARREN S. THALER **Warren S. Thaler**	Director	February 26, 2010

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