UNITED STATES
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, 2018
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)**

2820 Orchard Parkway
San Jose, California 95134
(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	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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark 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 ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $22,262,043,858 as of June 29, 2018 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 22, 2019, 79,989,347 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to its 2019 Annual Stockholders' Meeting to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year end of December 31, 2018 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, 2018
TABLE OF CONTENTS

		Page
PART I		3
Item 1.	Business	3
	Executive Officers of the Registrant	13
Item 1A.	Risk Factors	15
Item 1B.	Unresolved Staff Comments	28
Item 2.	Properties	28
Item 3.	Legal Proceedings	29
Item 4.	Mine Safety Disclosures	30
PART II		31
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	31
Item 6.	Selected Consolidated Financial Data	33
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	34
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	51
Item 8.	Consolidated Financial Statements and Supplementary Data	52
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	94
Item 9A.	Controls and Procedures	95
Item 9B.	Other Information	95
PART III		95
Item 10.	Directors, Executive Officers and Corporate Governance	95
Item 11.	Executive Compensation	95
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	96
Item 13.	Certain Relationships and Related Transactions and Director Independence	96
Item 14.	Principal Accounting Fees and Services	96
PART IV		97
Item 15.	Exhibits, Financial Statement Schedules	97
Item 16.	Form 10-K Summary	99
Signatures		100

Invisalign, Align, the Invisalign logo, ClinCheck, Made to Move, Invisalign Assist, Invisalign Teen, Invisalign Go, Vivera, SmartForce, SmartTrack, SmartStage, iTero, iTero Element, Orthocad, iCast and iRecord, among others, are trademarks and/or service marks of Align Technology, Inc. or one of its subsidiaries or affiliated companies and may be registered in the United States and/or 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 anticipated impact of 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 sales growth of our intra-oral scanner sales in international markets, our expectations regarding the financial and strategic benefits of establishing regional order acquisition, treatment planning and manufacturing facilities, our intention to hire more sales representatives in 2019 and their expected impact on our sales, our expectations regarding the continued expansion of our international markets, the anticipated impact of the Invisalign Experience program on demand creation, our expectation to incur additional costs related to the planned corporate structure reorganization, the level of our operating expenses and gross margins 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 2 "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 ("We", "Our", "Align") is a global medical device company engaged in the design, manufacture and marketing of Invisalign® clear aligners and iTero® intraoral scanners and services for orthodontics, and restorative and aesthetic dentistry. Align's products are intended primarily for the treatment of malocclusion or the misalignment of teeth and are designed to help dental professionals achieve the clinical outcomes that they expect. Align Technology was founded in March 1997 and incorporated in Delaware in April 1997. Our corporate headquarters is located at 2820 Orchard Parkway, San Jose, California, U.S.A., 95134, and our telephone number is 408-470-1000. Our internet address is www.aligntech.com. Our Americas regional headquarters is located in Raleigh, North Carolina; our European regional headquarters is located in Amsterdam, the Netherlands; and our Asia Pacific regional headquarters is located in Singapore.

We have two operating segments: (1) Clear Aligner and (2) Scanners and Services ("Scanner"). For the year ended December 31, 2018, Clear Aligner net revenues represent approximately 86% of worldwide net revenues, while Scanner net revenues represent the remaining 14% of worldwide net revenues. We sell the vast majority of our products directly to our customers: orthodontists and general practitioner dentists ("GPs"), as well as to restorative and aesthetic dentists, including prosthodontists, periodontists, and oral surgeons. In addition, we sell directly to Dental Support Organizations (DSOs) who contract with dental practices to provide critical business management and support including non-clinical operations, and we sell directly to dental laboratories who manufacture or customize a variety of products to assist in the provision of oral health care by a licensed dentist. Our Clear Aligner operating segment includes revenues from non-Invisalign aligners supplied to SmileDirectClub, LLC ("SDC"). Refer to "Supply Agreement with SmileDirectClub, LLC" section.

We received 510(k) clearance from the United States Food and Drug Administration ("FDA") to market the Invisalign System in 1998. The Invisalign System is regulated by the FDA as a Class II medical device. In order to provide Invisalign treatment to their patients, orthodontists and GPs must initially complete an Invisalign training course. The Invisalign System is sold primarily through a direct sales force in North America, Asia Pacific ("APAC"), Europe, Middle East and Africa (EMEA) and Latin America. To date, over 6.1 million people worldwide have been treated with our Invisalign System.

Our iTero scanner is used by dental professionals and/or labs and service providers for restorative and orthodontic digital procedures as well as Invisalign case submission. We received 510(k) clearance from the FDA to market iTero software for expanded indications in 2013. Scanners and computer-aided design/computer-aided manufacturing ("CAD/CAM") services are primarily sold through our direct sales force and a few distributors in North America, Europe and certain Asia Pacific countries, and through distribution partners in smaller non-core international country markets.

Clear Aligner Segment

Malocclusion and Traditional Orthodontic Treatment

Malocclusion, or the misalignment of teeth, is one of the most prevalent clinical dental conditions, affecting billions of people, or approximately 60% to 75% of the population. Annually, approximately 12 million people in major developed countries elect treatment by orthodontists worldwide. Most orthodontic patients are treated with the use of traditional methods such as metal arch wires and brackets, referred to as braces, and may be augmented with elastics, metal expanders, headgear or functional appliances, and other ancillary devices as needed. Upon completion of the treatment, the dental professional may, at his or her discretion, have the patient use a retainer appliance. Of the 12 million annual orthodontic cases started, approximately 75% or 8.4 million are applicable to Invisalign treatment our served market. In addition, approximately 300 million people with malocclusion could benefit from straightening their teeth but are unlikely to seek treatment through a doctor's office. This represents an incremental opportunity for us as we expand the market for orthodontics by educating more consumers about the benefits of straighter teeth using Invisalign clear aligners and connect them with an Invisalign doctor of their choice.

The Invisalign System

The Invisalign System is a proprietary method for treating malocclusion based on a proprietary computer-simulated virtual treatment plan and a series of doctor-prescribed, custom manufactured, clear plastic, removable aligners. The Invisalign System offers a range of treatment options, specialized services, and proprietary software for treatment visualization and is comprised of the following phases:

Orthodontic diagnosis and transmission of treatment data to us. The Invisalign-trained dental professional prepares and sends us a patient's treatment data package which consists of a prescription form, a digital scan or a polyvinyl-siloxane (or "PVS") impression of the relevant dental arches, photographs of the patient and, at the dental professional's election, x-rays of the patient's dentition. Intraoral digital scans may be submitted through either Align's iTero scanner or a few qualified third-party scanners. See "Third Party Scanners and Digital scans for Invisalign treatment submission." More than 63% of Invisalign case submissions are submitted via digital scan instead of a physical PVS impression.

Preparation of computer-simulated treatment plan. Using propriety software which we do not sell, we generate a proposed custom, three-dimensional treatment plan, called a ClinCheck treatment plan. The ClinCheck treatment plan simulates appropriate tooth movement in stages and details timing and placement of any features or attachments that will be used during treatment. Attachments are tooth-colored "buttons" that are sometimes used to increase the biomechanical force on a specific tooth or teeth in order to effect the desired movement(s).

Review and approval of the treatment plan by an Invisalign-trained doctor. The patient's ClinCheck treatment plan is then made available to the prescribing dental professional via the Invisalign Doctor Site which enables the dental professional to project tooth movement with a level of accuracy not previously possible with metal arch wires and brackets. By reviewing, modifying as needed and approving the treatment plan, the dental professional retains control over the treatment plan.

Manufacture of custom aligners. Upon the dental professional's approval of the ClinCheck treatment plan, we use the data underlying the simulation, in conjunction with stereolithography technology (a form of 3D printing 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 stage of the simulated course of treatment. 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 stage of the ClinCheck treatment plan.

Shipment to the dental professional and patient aligner wear. All the aligners for a patient are shipped directly to the dental professional, who then dispenses them to the patient at regular check-up intervals throughout the treatment. Aligners are generally worn for a period of time which correspond to the stages of the approved ClinCheck treatment plan. The patient replaces the aligners with the next pair in the series when prescribed, advancing tooth movement with each aligner stage. Throughout treatment, the doctor may place attachments or use other auxiliaries to achieve desired tooth movements, per the doctor's original prescription and resulting ClinCheck treatment plan. In October 2016, we introduced one-week aligner wear. At the treating doctor's discretion, weekly aligner changes are recommended for all Invisalign treatments for Invisalign Comprehensive, Invisalign First Comprehensive, Invisalign Lite, Invisalign Assist and Invisalign Go packages, thereby reducing treatment time by up to 50% compared to two week aligner wear.

Additional aligners. Should the dental professional determine that the treatment is not tracking for various reasons, such as patient compliance, certain teeth movement not tracking to plan, or they need to extend the treatment a few stages further to

achieve their treatment goals, the dental professional can request additional aligners at any point during the treatment, subject to certain requirements in our terms and conditions.

Clear Aligner Products

Comprehensive Products - Invisalign Treatment Options:

Invisalign Comprehensive. Invisalign Comprehensive Package replaces both Invisalign Full and Invisalign Teen treatments and includes the Mandibular Advancement feature launched in March 2017. Used for a wide range of malocclusion, the Invisalign Comprehensive treatment plans each consist of the number of aligners necessary to achieve the doctor's treatment goals. The Invisalign Comprehensive treatment includes all the features of Invisalign treatment, plus additional features that address the orthodontic needs of teenage patients such as compliance indicators, compensation for tooth eruption. Aligners for Invisalign Comprehensive treatments are manufactured and then delivered to the dental professionals in a single shipment. Invisalign Comprehensive Package is sold in the U.S., Canada and select international countries.

Invisalign Assist. Used for anterior alignment and aesthetically-oriented cases, the Invisalign Assist treatment offers added support to our dental practitioners throughout the treatment process, including progress tracking that allows the dental professional 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 thereby helping to achieve successful treatment outcomes. Predominantly marketed to GPs, Invisalign Assist is intended to make it easier to select appropriate cases for their experience level or treatment approach, submit cases more efficiently and manage appointments with suggested tasks. Invisalign Assist is sold in the U.S. and Canada.

Invisalign First Phase 1 and Invisalign First Comprehensive Phase 2 Package. Designed with features specifically for younger patients with early mixed dentition with a mixture of primary/baby and permanent teeth. Phase 1 treatment is early interceptive orthodontic treatment for young patients, traditionally done through arch expanders, or partial metal braces, before all permanent teeth have erupted - typically at ages 7 through 10 years. Invisalign First clear aligners are designed specifically to address a broad range of younger patients' malocclusions, including shorter clinical crowns, management of erupting dentition, and predictable dental arch expansion. Invisalign First clear aligners became commercially available to Invisalign-trained doctors in the U.S., Canada, Australia, New Zealand, Japan, and certain countries in the EMEA region as of July 1, 2018, and became available in Brazil in January 2019.

Non-Comprehensive Products - Invisalign Treatment Options:

Invisalign Express 10, Invisalign Express 5, Express Package and Lite Package. Lower-cost solutions are used for less complex orthodontic cases, non-comprehensive treatment relapse cases, or straightening prior to restorative or cosmetic treatments such as veneers. *Invisalign Express 10*, *Invisalign Express 5 and Express Package* use up to 10 sets, 5 sets and 7 sets of aligners, respectively. Invisalign Lite use up to 14 sets of aligners. Non-comprehensive products are available in select country markets and delivered to the dental professionals in a single shipment.

Invisalign Go. A simplified and streamlined solution designed for GPs to more easily identify and treat patients with mild malocclusion. Invisalign Go combines case assessment support, a simplified ClinCheck treatment plan and a progress assessment feature for case monitoring. Invisalign Go is available in select country markets.

Non-Case Products:

Clear Aligner non-case products include retention products, Invisalign training fees and sales of ancillary products, such as cleaning material and adjusting tools used by dental professionals during the course of treatment.

Retention. We offer up to four sets of custom clear aligners called Vivera Retainers made with proprietary material strong enough to maintain tooth position and correct minor relapse if necessary. Vivera Retainers are available to both Invisalign and non-Invisalign patients. In select markets, we also offer single arch retainers.

Feature Enhancements

We have consistently introduced enhanced features across the Invisalign System over the past several years to improve treatment outcomes or address broader clinical indications.

Invisalign Comprehensive with Mandibular Advancement (launched in March 2017) is the first clear aligner solution for Class II correction in growing tween and teen patients. This new offering combines the benefits of our clear aligner system with

features for moving the lower jaw forward while simultaneously aligning the teeth without the need for elastics typically used to treat teen Class II patients. In 2017, it was available in Canada, core country markets in EMEA and certain country markets in APAC and Latin America. In October 2018, Invisalign Treatment with mandibular advancement was approved by the FDA and became commercially available in the U.S. in November 2018.

In November 2018, we introduced enhancements designed to improve clinical outcomes and user experience including: wing overlap and engagement in deep bite cases with anterior intrusion, new options to set up mandibular advancement cases beyond edge-to-edge, an option to prescribe symmetrical advancement of the left and right side, new default protocol of 2 mm incremental advancement, and improvements to support leveling the curve of Spee in deep bite cases.

SmartTrack™ Aligner Material

SmartTrack is a patented, custom-engineered Invisalign clear aligner material that delivers gentle, more constant force considered ideal for orthodontic tooth movements. Conventional aligner materials relax and lose a substantial percent of energy in the initial days of aligner wear, but SmartTrack maintains more constant force over the period of time the patient wears the aligners. The flexible SmartTrack material also more precisely conforms to tooth morphology, attachments and interproximal spaces to improve control of tooth movement throughout treatment.

Non-Invisalign Aligners Supplied to SmileDirectClub, LLC:

SmileDirectClub Aligners. On July 25, 2016, we entered into a supply agreement with SmileDirectClub, LLC ("SDC") to manufacture non-Invisalign clear aligners for SDC's doctor-led, at-home program for simple teeth straightening. In October 2016, we became SDC's exclusive third-party supplier and began supplying aligners directly to SDC. SDC aligners include up to 20 stages without attachments or interproximal reduction ("IPR"). Align manufactures the aligners per SDC's specifications for minor tooth movement using EX-30, a non-proprietary aligner material used prior to the introduction of SmartTrack aligner material. Align does not market or sell SDC products and ships supply of aligners directly to SDC when requested. While we are SDC's only third-party supplier, SDC also manufactures their own aligners. The supply agreement terminates by its terms December 31, 2019 and we do not intend on renewing it (*Refer to Note 8 "Legal Proceedings" of the Notes to Consolidated Financial Statements* for details on SDC dispute).

Scanner Segment

Intraoral scanning is an emerging technology that we believe will have substantial impact on the future of dentistry. By enabling the dental practitioner to create a 3D image of the patient's teeth (digital scan) using a handheld intraoral scanner inside the mouth, digital scanning is more efficient and precise and more comfortable for patients, compared to the discomfort and subjective nature of taking physical impressions. The digitally scanned model is more accurate than a physical impression and substantially reduces the rate of restoration "remakes" so patients are recalled less often and the appointment time for the restoration is shorter because of fewer adjustments which results in greater overall patient satisfaction. The digital model file can be used for various procedures and services including fabrication of physical dental models for use by labs to create restorative units such as veneers, inlays, onlays, crowns, bridges and implant abutments; digital records storage; orthodontic diagnosis; orthodontic retainers and appliances; and Invisalign digital impression submission.

iTero Scanner. The iTero Element scanner (launched in September 2015) is available as a single hardware platform with software options for restorative or orthodontic procedures. The expanded portfolio (launched in May 2018) includes the iTero Element 2 and the iTero element Flex scanners. These additions build on the existing high precision, full-color imaging and fast scan times of the iTero Element portfolio. The next-generation iTero Element 2 is designed for greater performance with 2X faster start-up and 25% faster scan processing time compared to the iTero Element. The iTero Element Flex is a wand-only device that transforms compatible laptop computers into a highly portable scanner that works anywhere - it's ideal for practices with multiple locations who need a scanner that is convenient and easy to transport. We market and sell the iTero Element in North America and in select international markets. iTero Element 2 and iTero Element Flex scanners are available in the U.S., Canada, the majority of European countries, including France, Germany, Italy, Spain, and the United Kingdom as well as select Asia Pacific markets. The iTero scanner is interoperable with our Invisalign treatment such that a full arch digital scan can be submitted as part of the Invisalign case submission process. In addition, the Invisalign Outcome Simulator and Invisalign Assessment tool are exclusive to the iTero scanner. Prior to the launch of iTero Element 2 and iTero Element Flex, we sold and continue to sell iTero Element and, prior to that, we sold the iTero 2.9 scanner. On February 18, 2019, we launched the iTero Element 5D Imaging system which provides a new comprehensive approach to clinical applications, workflows and user experience that expands the suite of existing high-precision, full-color imagining and fast scan times of the iTero Element portfolio. In addition to offering all of the features and functionality that doctors have come to expect and rely on with the iTero Element 2 scanner, the iTero

Element 5D scanner is the first integrated dental imaging system that simultaneously records 3D, intra-oral color and near-infrared ("NIRI") imaging and enables comparison over time using iTero TimeLapse. NIRI technology of the iTero Element 5D Imaging System aids in detection and monitoring of interproximal caries lesions above the gingiva without using harmful radiation. The iTero Element 5D Imaging System is commercially available now in Canada, European Union countries accepting CE-Marking (excluding Greece), Switzerland, Norway, Australia, New Zealand, Hong Kong and Thailand. It is not available in the U.S. or Latin America.

Restorative software for iTero. Software designed for GPs, prosthodontists, periodontists, and oral surgeons which includes restorative workflows providing them with the ability to send digital impressions to the lab of choice and communicate seamlessly with external treatment planning, custom implant abutment, chairside milling, and laboratory CAD/CAM systems.

Orthodontic software for iTero. Software designed for orthodontists for digital records storage, orthodontic diagnosis, and for the fabrication of printed models and retainers.

CAD/CAM Services and Ancillary Products

iTero Models and Dies. An accurate physical model and dies are manufactured based on the digital scan and sent to the laboratory of the dentist's choice for completion of the needed restoration. The laboratory also has the option to export the digital file for immediate production of coping and full-contour restorations on their laboratory CAD/CAM systems. The laboratory conducts then completes the ceramic buildup or staining and glazing and delivers the end result - a precisely fitting restoration. iTero prosthetics have a near-zero remake rate.

OrthoCAD iCast. iCast provides a digital alternative to traditional stone cast models which allows for simplified storage and digital record retrieval. The iCast digital model contains a full American Board of Orthodontics ("ABO") base and is available from an iTero scan or from a traditional alginate impression.

OrthoCAD iRecord. iRecord scans provide a digital alternative to traditional stone cast models which allows for simplified storage and digital record retrieval. iRecord scan data may also be exported to orthodontic laboratories for the fabrication of retainers, orthodontic appliances, and hard model fabrication.

Ancillary Products. We also sell other ancillary products for the iTero scanner, such as disposable sleeves for the wand.

Third Party Scanners and Digital scans for Invisalign treatment submission. We support an open systems approach to digital scans and other intraoral scanning companies interested in qualifying their scanners to submit a digital impression in place of a traditional PVS impression as part of the Invisalign case submission process. We have qualified third party scanners for digital scan submission including 3M™ True Definition scanner and the Sirona CEREC Omnicam scanner. Information regarding legal proceedings associated with the scanner may be found in *Item 3* of this Annual Report on Form 10-K under the heading *"Legal Proceedings."*

iTero Applications and Tools

Invisalign Outcome Simulator. The Invisalign Outcome Simulator is an exclusive chair-side and cloud-based application for the iTero scanner that allows doctors to help patients visualize how their teeth may look at the end of Invisalign treatment through a dual view layout that shows a prospective patient an image of his/her own current dentition next to his/her simulated final position after Invisalign treatment.

Invisalign 3D Assessment tool. The Invisalign Progress Assessment tool provides the ability to compare a patient's new scan with a specific stage of their ClinCheck treatment plan to visually assess and communicate Invisalign treatment progress with an easy to read, color-coded tooth movement report that allows the doctor to know how each tooth is tracking.

TimeLapse. TimeLapse technology allows doctors or practitioners to compare a patient's historic 3D scans to the present-day scan, enabling clinicians to identify and measure orthodontic movement, tooth wear, and gingival recession. This highlights areas of diagnostic interest to dental professionals and helps foster a proactive conversation with the patient regarding potential restorative or orthodontic solutions.

Our iTero Element, iTero Element 2 and iTero Element Flex scanners include the Invisalign Outcome Simulator, Invisalign 3D Assessment tool and Timelapse as well as the orthodontic software and/or restorative software. The orthodontic or restorative software may also be purchased subsequently for an upgrade fee. Additional applications such as the Invisalign Outcome Simulator are not available for sale separately.

Other proprietary software mentioned in this Annual Report on Form 10-K such as ClinCheck and ClinCheck Pro software, the Invisalign Doctor Site, and feature enhancements are included as part of the Invisalign System and are not sold separately nor do they contribute as individual items to revenue.

Business Strategy

Our goal is to establish the Invisalign System as the standard method for treating malocclusion and our intraoral scanning platform as the preferred scanning protocol for digital scans. Our technology and innovations are designed to meet the demands of today's patients with treatment options that are convenient, comfortable, affordable, while helping to improve overall oral health. We strive to help our doctors move their practices forward by connecting them with new patients, providing digital solutions to help increase practice efficiency and helping them deliver the best possible treatment outcomes and experiences to millions of people around the world.

We achieve this by continued focus and execution of our strategic growth drivers:

1. *International Expansion.* In order to provide the millions of consumers access to a better smile, we continue increasing our presence globally by making our products available in more countries. We expect to continue to grow and expand our business by investing in resources, infrastructure, and initiatives that will drive Invisalign treatment growth in our current and new international markets. As our core countries within the EMEA and APAC regions continue to grow in both number of new Invisalign trained doctors and customer utilization, we strive to make sure we can support that growth through investments such as headcount, clinical support, education and advertising. We have transitioned most of our smaller country markets from an indirect to a direct sales model, and, while we do not expect a material impact from these countries for some time, in the near term we will leverage our existing infrastructure in adjacent country markets as we build local sales organizations to drive long-term market penetration. In addition, we are scaling and expanding our operations and facilities to better support our customers across the globe. In 2018, we opened new treatment planning facilities in Madrid, Spain to support our customers within this region and we expanded our facilities in Costa Rica to support our growth.

2. *Orthodontist Utilization.* We continue to innovate and increase the product applicability and predictability to address a wide range of cases, from simple to complex, thereby enabling doctors to confidently treat teenagers and adults with the Invisalign System. Over the last several years, we launched clinical innovations such as Invisalign G6 and Invisalign G7. In March 2017, we launched Invisalign Comprehensive with Mandibular Advancement, the first clear aligner solution for Class II correction in growing tween and teen patients in Canada and certain country markets in EMEA and APAC. This offering combines the benefits of our clear aligner system with features for moving the lower jaw forward while simultaneously aligning the teeth. Approximately 30% to 45% of teen cases need Class II correction. In October 2018 we received 510(k) approval for Invisalign with Mandibular Advancement in the U.S. and began its commercial launch in November 2018. We also continue to make improvements to our Invisalign treatment software, ClinCheck Pro, designed to deliver an exceptional user experience and increase treatment control to help our doctors achieve their treatment goals.

3. *GP Dentist Treat & Refer.* We want to enable GPs, who have access to a large patient base, to more easily identify Invisalign cases they can treat, monitor patient progress or, if needed, help refer cases to an orthodontist while providing high-quality restorative, orthodontic, and dental hygiene care. In 2018, we continued to commercialize Invisalign Go, a simplified and streamlined solution designed for GPs and trained over 3,000 new iGo doctors primarily in EMEA. In the EMEA region, we segmented sales and marketing for certain country markets into two separate organizations to serve each customer segment, orthodontists and GP dentists separately, thereby increasing our focus and effectiveness on GP dentists. In the first quarter of 2019, we plan to add 50 new sales representatives in EMEA to cover the GP dentist channel. The iTero scanner is an important component to that customer experience and is central to a digital approach as well as overall customer utilization of Invisalign treatment. The iTero scanner is optimized for Invisalign treatment with the Invisalign Outcome Simulator and Progress Assessment tool. In June 2017, we launched TimeLapse technology that allows doctors or practitioners to compare a patient's 3D historic scans to the present-day scan, enabling clinicians to identify and measure orthodontic movement, tooth wear, and gingival recession. This highlights areas of diagnostic interest to dental professionals and helps foster a proactive conversation with the patient regarding potential restorative or orthodontic solutions. In 2018, we announced multi-year agreements with Heartland Dental and Aspen Dental, two large dental support organizations, to extend iTero Element intraoral scanners to their supported dentists and teams nationwide.

4. *Patient Demand & Conversion*. Our goal is to make Invisalign a highly recognized name brand worldwide by creating awareness for Invisalign treatment among consumers and motivating potential patients to seek Invisalign treatment. We accomplish this objective through an integrated consumer marketing strategy that includes television, media, social networking and event marketing as well as educating patients on treatment options and directing them to high volume Invisalign doctors. In January 2017, we launched a new Smile Concierge program with the objective to help more U.S. consumers start Invisalign treatment and improve their overall experience by shortening their research cycles and utilizing consumer insights to help our doctors better engage with consumers. Our Smile Concierge program educates consumers on the benefits of Invisalign treatment, answers their questions, and helps them schedule an appointment with an Invisalign doctor. In addition, the Invisalign Experience program reflects the Company's overarching approach to engaging consumers through brand experiences in consumer-based settings and environments. Through the Invisalign Experience program we're learning more than ever about reducing barriers to treatment for potential patients so that they are excited about getting a better smile with an Invisalign doctor. In 2018, we expanded the interactive brand experience that was piloted in 2017 and finished the year with twelve Invisalign Experience locations in major U.S. cities. The program expansion is designed to address the rapidly evolving consumer market for clear aligners and connects consumers interested in Invisalign treatment with Invisalign doctors in their communities. We also partnered with a few Invisalign doctors in select U.S. cities piloting doctor-owned Invisalign Experience centers to test new ways to reach consumers and connect them directly with doctors to start Invisalign treatment. This pilot is intended to help doctors integrate consumer-friendly design and consultation workflow into their practices and test the new Invisalign Experience branding and a consumer-focused approach to consultations and Invisalign treatment starts. It includes an initial digital scan and smile visualization with a scanner and immediate appointments for walk-ins. In addition to providing potential leads to participating Invisalign practices, we are seeing a positive halo effect and increased growth rates for all of the Invisalign practices in the surrounding area whether they participate in the location network or not. While we are still early in the development of our Invisalign Experience locations and the overarching Invisalign Experience program, we believe it will have a positive impact on demand creation for Invisalign practices by engaging directly with consumers (Refer to *Note 8 "Legal Proceedings" of the Notes to Consolidated Financial Statements* for a communication received from SDC on the Invisalign Experience program).

Manufacturing and Suppliers

Our manufacturing facilities are located in Juarez, Mexico, and Ziyang, China, where we conduct our aligner fabrication, distribute and repair our scanners and perform our CAD/CAM services, and in Or Yehuda, Israel where we produce our handheld intraoral scanner wand and perform the final assembly of our iTero scanner. Our Invisalign digital treatment planning and interpretation for iTero restorative cases are conducted at our facilities located in San Jose, Costa Rica, Chengdu, China, Cologne, Germany and Madrid, Spain. 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."*

Our quality system is required to be in compliance with the Quality System regulations enforced by the FDA, and similar regulations enforced by other worldwide regulatory authorities. We are certified to EN ISO 13485:2003, an internationally recognized standard 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 the manufacturing process of our products requires substantial and varied technical expertise, we believe that our manufacturing capabilities are important to our success. In order 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 algorithms and solutions, CT scanning, stereolithography and automated aligner fabrication. To increase the efficiency of our manufacturing processes, we continue to focus our efforts on software development and the improvement of rate-limiting processes or bottlenecks. We continuously 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 addition, to improve efficiency and increase the scale of our operations, we continue to invest in the development of automated systems for the fabrication and packaging of aligners.

We are highly dependent on manufacturers of specialized scanning equipment, rapid prototyping machines, resin and other advanced materials for our aligners, as well as the optics, electronic and other mechanical components of our intraoral scanners. We maintain single supply relationships for many of these machines and materials technologies. In particular, our CT scanning and stereolithography equipment used in our aligner manufacturing and many of the critical components for the optics of our intraoral scanners are provided by single suppliers. We are also committed to purchasing all of our resin and polymer, the primary raw

materials used in our manufacturing process for clear aligners, from a single source. The need to replace one of our single source suppliers could cause a disruption in our ability to timely deliver certain of our products or increase costs. See *Item 1A* Risk Factors — *"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."*

Sales and Marketing

Our sales efforts are focused primarily on the Invisalign System and continuing to increase adoption and utilization by orthodontists and GPs worldwide. In North America, Europe, certain Asia Pacific country markets, and, more recently in Brazil and certain countries in the Middle East and Africa, we have direct sales and support organizations, which includes quota carrying sales representatives, sales management and sales administration. We also have distribution partners that sell the Invisalign System in smaller non-core international country markets. We continued to expand in our existing markets through targeted investments in sales resources, professional marketing and education programs, along with consumer marketing in select country markets.

For the iTero scanner, we have a small team of direct sales representatives and a few distributors in North America who leverage leads generated by our Invisalign sales and marketing resources, including customer events and industry trade-shows. We sell the iTero scanner in select country markets internationally and will expand to additional markets over time to grow the scanner business.

We provide training, marketing and clinical support to orthodontists and GPs. As of December 31, 2018, we had approximately 69,940 active Invisalign trained doctors, which is defined as having submitted at least one case in the prior 12 month period.

Research and Development

We are committed to investing in world-class technology development, which we believe is critical to achieving our goal of establishing the Invisalign System as the standard method for treating malocclusion and our intraoral scanning platform as the preferred scanning protocol for digital scans.

Our research and development activities are directed toward developing the technology innovations that we believe will deliver our next generation of products and platforms. These activities range from accelerating product and clinical innovation to developing manufacturing process improvements to researching future technologies and products.

In an effort to demonstrate Invisalign's broad treatment capabilities, various clinical case studies and articles have been published that highlight the clinical applicability of Invisalign to malocclusion cases, including those of severe complexity. We undertake pre-commercialization trials and testing of our technological improvements to the product and manufacturing process.

Intellectual Property

We believe our intellectual property position represents a substantial business advantage. As of December 31, 2018, we had 449 active U.S. patents, 423 active foreign patents, and 486 pending global patent applications.

Our active U.S. patents expire between 2019 and 2037. When patents expire, we lose the protection and competitive advantages they provided to us, which could negatively impact our operating results; however, 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 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

General economic conditions impact our business and financial results, and we experience seasonal trends within our two operating segments, customer channels and the geographic locations that we serve. Sales of Invisalign treatments are often weaker in Europe during the summer months due to our customers and their patients being on holiday. Similarly, other international holidays like Chinese New Year can also negatively impact our sales. In North America, summer is typically the busiest season for orthodontists with practices that have a high percentage of adolescent and teenage patients as many parents want to get their teenagers started in treatment before the start of the school year; however, many GPs are on vacation during this time and therefore tend to start fewer cases. For our Scanner segment, capital equipment sales are often stronger in the fourth calendar quarter. Consequently, these seasonal trends have caused and may continue to cause fluctuations in our quarterly results, including fluctuations in sequential revenue growth rates.

Backlog

All Invisalign treatments are individually unique and prescribed by a doctor so, no two cases are alike. The period from which a treatment data package (or a "case”) is received until the acceptance of the digital ClinCheck treatment plan 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 the ClinCheck treatment plan. Our Invisalign backlog consists of ClinCheck treatment plans that have been accepted but not yet shipped. Because aligners are shipped shortly after the ClinCheck treatment plan has been accepted, we believe that backlog is not a good indicator of future Invisalign revenues. Our quarterly Invisalign revenues can be impacted by the timing of the ClinCheck treatment plan acceptances and our ability to ship those cases in the same quarter. We define our intraoral scanner backlog as orders where credit and financing is approved and payment is reasonably assured but the scanner has not yet shipped. Our intraoral scanner backlog as of December 31, 2018 was not material to the business as a whole.

Competition

Currently, our products compete directly against products manufactured and distributed by various companies, both within and outside the U.S. Although the number of competitors varies by segment, geography and customer, we encounter a wide variety of competitors, including well-established regional competitors in certain foreign markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research and financial capabilities. Due in part to the expiration of certain key patents owned by us beginning in 2017, we are facing increased competition in the clear aligner market markets as a result of the entry of new, large companies into certain markets who have the ability to leverage their existing channels in the dental market to compete directly with us. In addition, corresponding foreign patents started to expire in 2018 and will likely result in increased competition in some of the markets outside the U.S. Furthermore, we also face competition from companies that now offer clear aligners directly to the consumer and do not require the consumer to see a doctor before or during orthodontic treatment. Unlike these direct to consumer competitors, we are committed to a doctor in the core of everything we do, and Invisalign Treatment requires a doctor's prescription and an in person physical examination of the patients dentition before treatment can begin. 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*.”

Key competitive factors include:

- effectiveness of treatment;
- price;
- software features;
- aesthetic appeal of the treatment method;
- customer support;
- customer online interface;
- brand awareness;
- innovation;
- distribution network;
- comfort associated with the treatment method;
- oral hygiene;

- ease of use; and
- dental professionals' chair time.

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

Government Regulation

In order for us to market our products, we must obtain regulatory authorization and comply with extensive product and quality system regulations both within and outside the U.S. These regulations, including the requirements for approvals or clearance and the time required for regulatory review, vary from country to country. Failure to obtain regulatory approval and to meet all local requirements including language and specific safety standards in any country in which we currently market or plan to market our products could prevent us from marketing products in such countries or subject us to sanctions and fines. The approval by government authorities is unpredictable and uncertain and may not be granted on a timely basis, if at all. Delays in receipt of, or a failure to receive, such approvals or clearances, or the loss of any previously received approvals or clearances, could have a material adverse effect on our business, financial condition, and results of operations.

Certain of our products are classified as medical devices under the U.S. Food, Drug, and Cosmetic Act ("FD&CA"). The FD&CA requires these products, when sold in the U.S., to be safe and effective for their intended use and to comply with the regulations administered by the FDA. Our products may also be regulated by comparable agencies in non-U.S. countries in which they are produced or sold. In the European Union ("EU"), our products are subject to the medical devices laws of the various member states, which are based on a Directive of the European Commission which was updated in April 2017 to the Medical Device Regulation. Such laws generally regulate the safety of the products in a similar way to the FDA regulations.

We believe we are in compliance with all FDA, federal and state laws and international regulatory requirements that are applicable to our products and manufacturing operations.

We are also subject to various laws inside and outside the U.S. concerning our relationships with healthcare professionals and government officials, price reporting and regulation, the promotion, sales and marketing of our products and services, the importation and exportation of our products, the operation of our facilities and distribution of our products. As a global company, we are subject to varying degrees of government regulation in the various countries in which we do business, and the general trend is toward increasingly stringent oversight and enforcement. Initiatives sponsored by government agencies, legislative bodies, and the private sector to limit the growth of healthcare expenses generally are ongoing in markets where we do business. It is not possible to predict at this time the long-term impact of such cost containment measures on our future business.

Our customers are healthcare providers that may be reimbursed by federal funded programs such as Medicaid or a foreign national healthcare program, each of which may offer some degree of oversight. Many government agencies, both domestic and foreign, have increased their enforcement activities with respect to healthcare providers and companies in recent years. Enforcement actions and associated defense can be expensive, and any resulting findings carry the risk of significant civil and criminal penalties.

In addition, we must comply with numerous data protection requirements that span from individual state and national laws in the U.S. to multinational requirements in the EU. In the U.S., final regulations implementing amendments to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") became effective in the latter part of 2013 with the HIPAA Omnibus Rule. Align is also preparing for compliance with the recently passed California Consumer Privacy Act ("CCPA"), scheduled to take effect in January 2020. In the EU, Align must comply with the General Data Protection Regulation ("GDPR"), which serves as a harmonization of European data-privacy laws. The GDPR went into effect May 25, 2018. Further expansion into Latin American markets require Align to prepare for Brazil's Lei Geral de Proteção de Dados ("LGPD"), scheduled to take effect in August 2020. Meanwhile, the Asia Pacific region has also seen rapid development of privacy laws including Russia, China, South Korea, Singapore, Hong Kong, and Australia.

We believe we have designed our product and service offerings to be compliant with the requirements of applicable data protection laws and regulations. Maintaining systems that are compliant with these laws and regulations is costly and could require complex changes in the way we do business or provide services to our customers and their patients. Additionally, our success may be dependent on the success of healthcare providers in managing data protection requirements.

Employees

As of December 31, 2018, we had approximately 11,660 employees, including 7,580 in manufacturing and operations, 2,320 in sales and marketing which includes customer care, 700 in research and development and 1,060 in general and administrative functions.

Available Information

Our website is *www.aligntech.com*, and our investor relations website is *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, the SEC maintains an internet site that contains reports, proxy and information statements and other information regarding our filings at http://*www.sec.gov*.

Executive Officers of the Registrant

The following table sets forth certain information regarding our executive officers as of February 28, 2019:

Name	Age	Position
Joseph M. Hogan	61	President and Chief Executive Officer
John F. Morici	52	Chief Financial Officer and Senior Vice President, Global Finance
Simon Beard	52	Senior Vice President and Managing Director, EMEA
Roger E. George	53	Senior Vice President, Chief Legal and Regulatory Officer
Stuart Hockridge	47	Senior Vice President, Global Human Resources
Sreelakshmi Kolli	44	Senior Vice President, Global Information Technology
Jennifer Olson	41	Senior Vice President and Managing Director, Doctor-Directed Consumer Channel
Raphael S. Pascaud	47	Senior Vice President, Business Development and Strategy
Raj Pudipeddi	46	Senior Vice President and Chief Marketing Officer
Zelko Relic	54	Chief Technology Officer and Senior Vice President, Global Research & Development
Yuval Shaked	45	Senior Vice President and Managing Director, iTero Scanner and Services Business
Julie Tay	52	Senior Vice President and Managing Director, Asia Pacific
Emory M. Wright	49	Senior Vice President, Global Operations

Joseph M. Hogan has served as our President and Chief Executive Officer and as a member of our Board of Directors since June 2015. Prior to joining us, Mr. Hogan was Chief Executive Officer of ABB Ltd., a global power and automation technologies company based in Zurich, Switzerland from 2008 to 2013. Prior to working in ABB, Mr. Hogan worked at General Electric Company (GE) in a variety of executive and management roles from 1985 to 2008, including eight years as Chief Executive Officer of GE Healthcare from 2000 to 2008.

John F. Morici has served as our Chief Financial Officer since November 2016, whose title was changed to Chief Financial Officer and Senior Vice President, Global Finance in February 2018. Prior to joining us, Mr. Morici was at NBC Universal from 2007 to 2016 where he held several senior management positions in their Universal Pictures Home Entertainment U.S. and Canadian business, including Chief Financial Officer, Chief Operating Officer, and most recently, Executive Vice President and Managing Director from 2014 to 2016. Prior to NBC Universal, Mr. Morici was in various senior financial management positions at GE Healthcare from 1999 to 2007, including Chief Financial Officer for its Diagnostic Imaging and Global Products units from 2002 to 2003.

Simon Beard has served as our Vice President and Managing Director, EMEA since October 2015, whose title was changed to Senior Vice President and Managing Director, EMEA in February 2018. Prior to joining us, from 2012 to 2014, Mr. Beard was Regional Director for the South East Asia business of Smith & Nephew, a multinational medical equipment manufacturing company. From 2006 to 2012, Mr. Beard was Director & General Manager for UK and Ireland for Smith & Nephew's Advanced Woundcare business. Prior to Smith & Nephew, Mr. Beard held multiple commercial, strategic, and general management positions in companies such as DePuy International (Johnson & Johnson), Sankyo Pharmaceutical and Sanofi Aventis.

Roger E. George has served as our Vice President, Corporate and Legal Affairs and General Counsel since July 2002, whose title was changed to Senior Vice President, Chief Legal and Regulatory Officer in February 2018. 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.

Stuart Hockridge has served as our Vice President, Global Human Resources since May 2016, whose title was changed to Senior Vice President, Global Human Resources in February 2018. Prior to joining us, Mr. Hockridge was Senior Vice President of Talent at Visa Inc. from 2013 to 2016 where he led all aspects of talent delivery for the company including executive development, succession planning, employee engagement, learning and development, and talent acquisition. Prior to Visa, Mr. Hockridge held a number of human resource management positions at GE Healthcare from 2002 to 2012 leading HR processes both globally and for various divisions.

Sreelakshmi Kolli has served as our Vice President, Information Technology since December 2012, whose title was changed to Senior Vice President, Global Information Technology in February 2018. Ms. Kolli joined us in June 2003 and has held positions leading business operations and engineering for customer-facing applications. Before joining us, she held technical lead positions with Sword CT Space and Accenture.

Jennifer Olson has served as our Vice President and Managing Director, Doctor-Directed Consumer Channel since August 2016, whose title was changed to Senior Vice President and Managing Director, Doctor-Directed Consumer Channel in February 2018. Ms. Olson joined us in 2002 and has held multiple roles in sales, marketing, and business development. Most recently, she was Area Sales Director for the North America region where she led all sales activities in Western Canada and the Western region of the U.S. Prior to joining Align, Ms. Olson was with technology companies including Extreme Networks and PWI Technologies.

Raphael S. Pascaud is our Senior Vice President, Business Development and Strategy. He joined Align in 2010 as Vice President and Managing Director for EMEA and was promoted in January 2014 to Vice President, International. Over his tenure, Mr. Pascaud increased his regional responsibilities and was promoted to Vice President, International in January 2014. In July 2015, he was promoted to Chief Marketing, Portfolio and Business Development Officer assuming global marketing responsibility for the Company's Invisalign product portfolio initially and then adding the iTero product portfolio a year later in 2016. In October 2018, we announced that Mr. Pascaud was transitioning his marketing responsibilities, but would continue as our lead business development and strategy executive. Prior to Align, Mr. Pascaud spent 14 years in various management positions within Johnson & Johnson, including Vice President Orthopedics of EMEA and Vice President Marketing of International.

Raj Pudipeddi joined Align in February 2019 as our Senior Vice President and Chief Marketing Officer. Prior to joining us, Mr. Pudipeddi was the Director, Consumer Business and Chief Marketing Officer at Bharti Airtel, an Indian telecom leader from February 2017 to May 2018. Prior to Bharti Airtel, Mr. Pudipeddi spent 14 years at Procter & Gamble serving in a number of leadership roles across businesses in North America, Asia and Latin America, most recently as Vice President, North America, Oral Care.

Zelko Relic joined Align in 2013 as Vice President, Research & Development. In December 2017, he became Chief Technology Officer, Vice President, Research & Development, which title was changed to Chief Technology Officer, Senior Vice President, Global Research & Development in February 2018. Prior to joining us, Mr. Relic was Vice President, Engineering for Datalogic Automation, a global leader in automatic data capture and industrial automation markets from 2012. Mr. Relic was previously Vice President, Engineering at Danaher Corporation, Accu-Sort Systems business from 2010 to 2012 before it was acquired by Datalogic Automation. From 2005 to 2010, he was at Siemens Medical Solutions USA, most recently as Vice President, and from 2002 to 2004, he held senior management positions in engineering at Kulicke & Soffa Industries, designers and manufactures of semiconductor products. He also held management positions at KLA-Tencor from 1994 to 2000.

Yuval Shaked joined Align in June 2017 as our Vice President, iTero Scanner and Services Business. In August 2018, Mr. Shaked was promoted to Senior Vice President, iTero Scanner and Services with global responsibility for Align's market development and operational execution of the iTero Scanner and Services business. Prior to joining Align, Mr. Shaked spent more than 15 years at GE Healthcare in the U.S. and Israel in a variety of roles at multiple business units. Most recently, he served as General Manager, Diagnostic Cardiology, leading on- and off-shore R&D and marketing teams in the U.S., Germany, India and China. Prior to that, he was General Manager for GE's VersaMed business unit, with responsibility for R&D, innovation, manufacturing, quality and commercial activity. Mr. Shaked was the former CEO of SHL Telemedicine Ltd., an Israel-based advanced personal telemedicine company.

Julie Tay was appointed Vice President and Managing Director, Asia Pacific in March 2013 and became Senior Vice President and Managing Director, Asia Pacific in February 2018. Prior to joining us, Ms. Tay was regional head of Bayer Healthcare (Diabetes

Care) overseeing operations across Asia from 2010 to 2013. From 2006 to 2010, Ms. Tay served as director of marketing and corporate accounts at Sealed Air Corporation (formerly Johnson Diversey), a global provider of food safety and security, facility hygiene and product protection. Prior to that, Ms. Tay spent 15 years with Johnson & Johnson Medical.

Emory M. Wright has served as our Vice President, Operations since December 2007 and became Senior Vice President, Global Operations in February 2018. He has been with us since March 2000 predominantly in manufacturing and operations roles including Vice President, Manufacturing and was General Manager of New Product Development. Prior to joining Align, from 1999 to 2000, Mr. Wright was Senior Manufacturing Manager at Metrika, Inc. a medical device manufacturer. 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 net revenues, and any decline in sales of Invisalign treatment for any reason, or a decline in average selling prices would adversely affect net revenues, gross margin and net income.

We expect that net revenues from the sale of the Invisalign System, primarily our comprehensive products, will continue to account for the vast majority of our total net 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 for any reason, including as a result of a shift in product mix towards lower priced products, our operating results would be harmed.

Competition in the markets for our products is increasing and we expect aggressive competition from existing competitors and other companies that may introduce new technologies in the future.

Currently, our products compete directly against products manufactured and distributed by various companies, both within and outside the U.S. Although the number of competitors varies by segment, geography and customer, we encounter a wide variety of competitors, including well-established regional competitors in certain foreign markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research and financial capabilities. Due in part to the expiration of certain key patents owned by us beginning in 2017, we are facing increased competition in the clear aligner market as a result of the entry of new, large companies into certain markets who have the ability to leverage their existing channels in the dental market to compete directly with us. In addition, corresponding foreign patents started to expire in 2018 and will likely result in increased competition in some of the markets outside the U.S. Large consumer product companies may also enter the orthodontic supply market. Furthermore, we also face competition from companies that now offer clear aligners directly to the consumer and do not require the consumer to see a doctor before or during orthodontic treatment. Unlike these direct to consumer competitors, we are committed to a doctor in the core of everything we do, and Invisalign Treatment requires a doctor's prescription and an in person physical examination of the patients dentition before treatment can begin. In addition, we may also 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, and reduce dental professionals' efforts and commitment to expand their use of our products, any of which could have a material adverse effect on our net revenues, volume growth, net income and stock price. We cannot assure 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.

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. Technicians use a sophisticated, internally developed computer-modeling program to prepare digital treatment plans, which are then transmitted electronically to our aligner fabrication facilities. These digital files form the basis of the ClinCheck treatment plan and are used to manufacture aligner molds and aligners. Our digital treatment planning and aligner fabrication are performed in multiple international locations. We will continue to establish treatment planning and aligner fabrication facilities closer to our international customers in order to improve our operational efficiency. In addition to the research and development efforts conducted in our North America facilities, we also carry out research and development in Moscow, Russia. We also have operations in Israel where we design and assemble wands,

and our intraoral scanner is manufactured. 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, including any travel restrictions to or from our facilities;
- fluctuations in currency exchange rates;
- import and export controls, license requirements and restrictions;
- controlling production volume and quality of the manufacturing process;
- political, social and economic instability, including increased levels of violence in Juarez, Mexico or the Middle East. We cannot predict the effect on us of any future armed conflict, political instability or violence in these regions. In addition, some of our employees in Israel are obligated to perform annual reserve duty in the Israeli military and are subject to being called for additional active duty under emergency circumstances. We cannot predict the full impact of these conditions on us in the future, particularly if emergency circumstances or an escalation in the political situation occurs. If many of our employees are called for active duty, our operations in Israel and our business may not be able to function at full capacity;
- acts of terrorism and acts of war;
- general geopolitical instability and the responses to it, such as the possibility of additional sanctions against China and Russia which continue to bring uncertainty to these regions;
- interruptions and limitations in telecommunication services;
- product or material transportation delays or disruption, including as a result of customs clearance, increased levels of violence, acts of terrorism, acts of war or health epidemics restricting travel to and from our international locations or as a result of natural disasters, such as earthquakes or volcanic eruptions;
- burdens of complying with a wide variety of local country and regional laws, including the risks associated with the Foreign Corrupt Practices Act and local anti-bribery compliance;
- trade restrictions and changes in tariffs, including the recent tariffs imposed by the U.S. and China and the possibility of additional tariffs or other trade restrictions related to trade between the two countries; and
- potential adverse tax consequences.

If any of these risks materialize in the future, we could experience production delays and lost or delayed revenue.

We earn an increasingly larger portion of our total revenues from international sales and face risks attendant to those operations.

We earn an increasingly larger portion of our total revenues from international sales generated through our foreign direct and indirect operations. Since our growth strategy depends in part on our ability to further penetrate markets outside the U.S. and increase the localization of our products and services, we expect to continue to increase our sales and presence outside the U.S., particularly in the high-growth markets. Our international operations are subject to risks that are customarily encountered in non-U.S. operations, including:

- local political and economic instability;
- the engagement of activities by our employees, contractors, partners and agents, especially in countries with developing economies, that are prohibited by international and local trade and labor laws and other laws prohibiting corrupt payments to government officials, including the Foreign Corrupt Practices Act, the United Kingdom (“UK”) Bribery Act of 2010 and export control laws, in spite of our policies and procedures designed to ensure compliance with these laws;
- fluctuations in currency exchange rates; and
- increased expense of developing, testing and making localized versions of our products.

Any of these factors, either individually or in combination, could materially impact our international operations and adversely affect our business as a whole.

We face risks related to our international sales, including the need to obtain necessary foreign regulatory clearance or approvals.

We currently sell our products outside of North America. As a result, we 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 U.S. Food and Drug Administration ("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, which could materially impact our international operations and adversely affect our business as a whole.

Demand for our products may not increase as rapidly as we anticipate due to a variety of factors including a 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 U.S. 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, reduced patient traffic in dentists' offices, reduction in consumer spending on elective or higher value procedures or a reduction in the demand for dental services generally, each of which would have a material adverse effect on our sales and operating results. Weakness in the global economy results in a challenging environment for selling dental technologies and dentists may postpone investments in capital equipment, such as intraoral scanners. In addition, Invisalign treatment, which currently accounts for the vast majority of our net revenues, represents a significant change from traditional orthodontic treatment, and customers 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 treatment as both an alternative to braces and as a clinical method for the treatment of malocclusion, but a number of dental professionals believe that the Invisalign treatment is appropriate for only a limited percentage of their patients. Increased market acceptance of all of our products will depend in part upon the recommendations of dental professionals, as well as other factors including effectiveness, safety, ease of use, reliability, aesthetics, and price compared to competing products.

Our future success may depend on our ability to develop, successfully introduce and achieve market acceptance of new products or product offerings.

Our future success may depend on our ability to develop, manufacture, market and obtain regulatory approval or clearance of new products or product offerings. 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 or software. The extent of, and rate at which, market acceptance and penetration are achieved by new or future products or offerings is a function of many variables, which include, among other things, our ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- include functionality and features that address customer requirements;
- ensure compatibility of our computer operating systems and hardware configurations with those of our customers;
- allocate our research and development funding to products with higher growth prospects;
- anticipate and respond to our competitors' development of new products. product offerings and technological innovations;
- differentiate our products and product offerings from our competitors;
- innovate and develop new technologies and applications;
- the availability of third-party reimbursement of procedures using our products;
- obtain adequate intellectual property rights; and
- encourage customers to adopt new technologies.

If we fail to accurately predict customer needs and preferences or fail to produce viable technologies, we may invest heavily in research and development of products that do not lead to significant revenue. Even if we successfully innovate and develop new products and product enhancements, we may incur substantial costs in doing so and our profitability may suffer. 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 with Invisalign. Since it typically 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 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 net revenues to decline.

The frequency of use of the Invisalign System 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 the Invisalign System 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 which may decrease our net revenues.

We provide volume-based discount programs to our doctors. In addition, we sell a number of products at different list prices. If we change the volume-based discount programs affecting our average selling prices; if we introduce any price reductions or consumer rebate programs; if we expand our discount programs in the future or participation in these programs increases; or if our product mix shifts to lower priced products or to products that have a higher percentage of deferred revenue, our average selling prices would be adversely affected and our net revenues, gross profit, gross margin and net income may be reduced.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations.

Although the U.S. dollar is our reporting currency, a portion of our net revenues and net income are generated in foreign currencies. Net revenues and net income generated by subsidiaries operating outside of the U.S. 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 net revenues and net income in our consolidated financial statements. The exchange rate between the U.S. dollar and foreign currencies has fluctuated substantially in recent years and may continue to fluctuate substantially in the future. As a result, we enter into currency forward contract transactions in an effort to cover some of our exposure to foreign currency exchange fluctuations. These transactions may not operate to fully or effectively hedge our exposure to currency fluctuations, and, under certain circumstances, these transactions could have an adverse effect on our financial condition.

As we continue to grow, we are subject to growth related risks, including risks related to excess or constrained capacity and operational efficiencies at our manufacturing and treat facilities.

We are subject to growth related risks, including excess or constrained capacity and pressure on our internal systems and personnel. In order to manage current operations and future growth effectively, we will need to continue to implement and improve our operational, financial and management information systems and to hire, train, motivate, manage and retain employees. We may be unable to manage such growth effectively. Any such failure could have a material adverse impact on our business, operations and prospects. We are establishing additional order acquisition, treatment planning and manufacturing facilities closer to our international customers in order to improve our operational efficiency and provide doctors with a better experience to further improve their confidence in using Invisalign to treat more patients, more often. Our ability to plan, construct and equip additional order acquisition, treatment planning and manufacturing facilities is subject to significant risk and uncertainty, including risks inherent in the establishment of a facility, such as hiring and retaining employees and delays and cost overruns as a result of a number of factors, any of which may be out of our control and may negatively impact our gross margin. In addition, these new facilities are located in higher cost regions compared to Mexico and Costa Rica, which may negatively impact our gross margin. If the transition into these additional facilities is significantly delayed or demand for our product exceeds our current expectations, we may not be able to fulfill orders timely, which may negatively impact our financial results and overall business. In addition, because we cannot immediately adapt our production capacity and related cost structures to changing market conditions, our facility capacity may at times exceed or fall short of our production requirements. In addition, if product demand decreases or we fail to forecast demand

accurately, we could be required to write off inventory or record excess capacity charges, which would lower our gross margin. Production of our intraoral scanners may also be limited by capacity constraints due to a variety of factors, including our dependency on third party vendors for key components in addition to limited production yields. Any or all of these problems could result in the loss of customers, provide an opportunity for competing products to gain market acceptance and otherwise harm our business and financial results**.**

We are subject to risks associated with leasing retail space subject to long-term and non-cancelable leases. We may be unable to renew leases at the end of their terms. If we close a leased retail space, we remain obligated under the applicable lease.

We have recently increased the number of retail locations leased by us as we continue to expand our Invisalign Experience program. We do not own any of our retail locations. We currently lease the majority of our Invisalign locations under long-term, non-cancelable leases, which usually have initial terms ranging from three to ten years. We believe that the majority of the leases we enter into in the future will likely be long-term and non-cancelable. Generally, our leases are "net" leases, which require us to pay our proportionate share of the cost of insurance, taxes, maintenance and utilities. If we determine that it is no longer economical to operate a retail location subject to a lease and decide to, or are otherwise required to, close it for any reason, including as a result of an adverse ruling in the SDC dispute (see "Item 3 Legal Proceedings - SDC Dispute"), we may remain obligated under the applicable lease for, among other things, payment of the base rent for the balance of the lease term. In addition, as each of our leases expire, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close retail spaces in desirable locations. Our inability to secure desirable retail space or favorable lease terms could impact our ability to grow our Invisalign Experience program as desired. Likewise, our obligation to continue making lease payments in respect of leases for closed retail spaces could have a material adverse effect on our business, financial condition and results of operations.

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 net revenues, while controlling our expenses. Because our business is evolving, it is difficult to predict our future operating results or levels of growth, and we have not in the past and may not in the future be able to sustain our historical growth rates. If we do not increase profitability, Invisalign volume and 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 or significantly fluctuate. Some of the factors that could cause our operating results to fluctuate include:

- limited visibility into and difficulty predicting from quarter to quarter, the level of activity in our customers' practices including limited visibility into the number of aligners purchased by SmileDirectClub, LLC ("SDC") under the supply agreement;
- weakness in consumer spending as a result of a slowdown in the global, U.S. or other economies;
- changes in product mix;
- higher manufacturing costs driven by an increase in the numbers of aligners per case;
- changes in relationships with our dental support organizations, including timing of orders;
- changes in the timing of receipt of Invisalign 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 revenues can be recognized;
- fluctuations in currency exchange rates against the U.S. dollar;
- our inability to scale production of our iTero Element scanner to meet customer demand;
- if participation in our customer rebate or discount programs increases, our average selling price will be adversely affected;
- seasonal fluctuations in the number of doctors in their offices and their availability to take appointments;
- success of or changes to our marketing programs from quarter to quarter;

- our reliance on our contract manufacturers for the production of sub-assemblies for our intraoral scanners;
- timing of industry tradeshows;
- changes in the timing of when revenues are recognized, including as a result of the introduction of new products, product offerings or promotions, modifications to our terms and conditions 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 or availability of raw materials;
- any disruptions in the manufacturing process, including unexpected turnover in the labor force or the introduction of new production processes, power outages or natural or other disasters beyond our control;
- underutilization of manufacturing and treat facilities;
- the development and marketing of directly competitive products by existing and new competitors;
- changes in relationships with our distributors;
- impairments in the value of our investments in SDC and other privately held companies could be material;
- major changes in available technology or the preferences of customers may cause our current product offerings to become less competitive or obsolete;
- aggressive price competition from competitors;
- costs and expenditures in connection with litigation;
- costs and expenditures in connection with establishment of treatment planning and Aligner fabrication in international locations;
- costs and expenditures in connection with hiring and deployment of direct sales force personnel;
- the timing of new product introductions by us and our competitors, as well as customer order deferrals in anticipation of enhancements or new products;
- unanticipated delays in our receipt of patient records made through an intraoral scanner for any reason;
- disruptions to our business due to political, economic or other social instability, including the impact of an epidemic any of which 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;
- inaccurate forecasting of net revenues, production and other operating costs,
- investments in research and development to develop new products and enhancements;
- disruptions to our business as a result of our agreement to manufacture clear aligners for SDC, including market acceptance of the SDC business model and product, possible adverse customer reaction and negative publicity about us and our products;
- changes in accounting standards, policies and estimates including changes made by our equity investee; and
- our ability to successfully hedge against a portion of our foreign currency-denominated assets and liabilities.

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 net 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 net 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.

A disruption in the operations of our primary freight carrier or higher shipping costs could cause a decline in our net revenues or a reduction in our earnings.

We are dependent on commercial freight carriers, primarily UPS, to deliver our products to our customers. 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 net revenues and gross margin could materially decline. In a rising fuel cost environment, our freight costs will increase. In addition, we earn an increasingly larger portion of our total revenues from international sales. International sales carry higher shipping costs which could negatively impact our gross margin and results of operations. 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 net revenues, our gross margin and financial results could be adversely affected.

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.

Treatment planning is a key step leading to our manufacturing process which relies on sophisticated computer technology requiring new technicians to undergo a relatively long training process. Training production technicians 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 deliver our products within the time frame our customers expect. Such a delay could cause us to lose existing customers or fail to attract new customers. This could cause a decline in our net revenues and net income and could adversely affect our results of operations.

Our headquarters, digital dental modeling processes, and other manufacturing processes are principally located in regions that are subject to earthquakes and other natural disasters.

Our digital dental modeling is primarily 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 locations in 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 corporate headquarters in California 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.

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, our information systems and applications require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards and changing customer preferences. We are continuing to transform certain business processes, extend established processes to new subsidiaries and/or implement additional functionality in our enterprise resource planning (“ERP”) software system which entails certain risks, including difficulties with changes in business processes that could disrupt our operations, such as our ability to track orders and timely ship products, manage our supply chain and aggregate financial and operational data.

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.

Additionally, we continuously upgrade our customer facing software applications, specifically the ClinCheck and MyAligntech software. 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 or the incompatibility with the computer operating system and hardware configurations

of customers in a new upgraded version or the failure of our primary information systems may result in the following consequences, among others: loss of revenues 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.

If the information we rely upon to run our businesses were to be found to be inaccurate or unreliable, if we fail to properly maintain our information systems and data integrity, or if we fail to develop new capabilities to meet our business needs in a timely manner, we could have operational disruptions, have customer disputes, lose our ability to produce timely and accurate reports, have regulatory or other legal problems, have increases in operating and administrative expenses, lose existing customers, have difficulty in attracting new customers or in implementing our growth strategies, or suffer other adverse consequences. In addition, experienced computer programmers and hackers may be able to penetrate our network security or our cloud-based software servers hosted by third party 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 which we depend upon 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, net revenues and operating results.

Furthermore, our business requires the secure transmission of confidential information over public networks. Because of the confidential health information we store and transmit, security breaches could expose us to a risk of regulatory action, litigation, possible liability and loss. We have experienced breaches in the past and our security measures may be inadequate to prevent security breaches, and our business operations and profitability would be adversely affected by, among other things, loss of customers and potential criminal and civil sanctions if they are not prevented.

There can be no assurance that our process of improving existing systems, developing new systems to support our expanding operations, integrating new systems, protecting confidential patient information, and improving service levels will not be delayed or that additional systems issues will not arise in the future. Failure to adequately protect and maintain the integrity of our information systems and data may result in a material adverse effect on our financial position, results of operations and cash flows.

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 are also perceived by the marketplace and our customers to be secure. Despite the implementation of security measures, we have experienced breaches in the past and our infrastructure may be vulnerable to physical break-ins, computer viruses, programming errors or other technical malfunctions, hacking or phishing attacks by third parties, employee error or malfeasance or similar disruptive problems. If we fail to meet our customer and patient’s expectations regarding the security of healthcare information, we could be liable for damages and our reputation and competitive position could be impaired. Affected parties could initiate legal or regulatory action against us, which could cause us to incur significant expense and liability or result in orders forcing us to modify our business practices. Concerns over our privacy practices could adversely affect others’ perception of us and deter customers, advertisers and partners from using our products. In addition, patient care could suffer, and we could be liable if our systems fail to deliver correct information in a timely manner. We have cybersecurity insurance related to a breach event covering expenses for notification, credit monitoring, investigation, crisis management, public relations and legal advice. The policy also provides coverage for regulatory action defense including fines and penalties, potential payment card industry fines and penalties and costs related to cyber extortion; however, damage and claims arising from such incidents may not be covered or may exceed the amount of any insurance available.

We are also subject to several federal, state and foreign laws and regulations, including ones relating to privacy, data protection, content regulation, and consumer protection. These laws and regulations are constantly evolving and may be interpreted, applied, created or amended in a manner that could adversely affect our business.

In addition, we must comply with numerous data protection requirements that span from individual state and national laws in the U.S. to multinational requirements in the EU. In the EU, Align must comply with the General Data Protection Regulation (“GDPR”), which became effective on May 25, 2018 and serves as a harmonization of European data-privacy laws. We believe we have designed our product and service offerings to be compliant with the requirements of applicable data protection laws and regulations. Maintaining systems that are compliant with these laws and regulations is costly and could require complex changes in the way we do business or provide services to our customers and their patients. Additionally, our success may be dependent on the success of healthcare providers in managing data protection requirements.

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, 2018, we had 449 active U.S. patents, 423 active foreign patents, and 486 pending global 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. Certain of our key patents began to expire in 2017, which may result in increased competition or less expensive alternatives to our products. 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.

Litigation, interferences, oppositions, re-exams, inter partes reviews, post grant reviews or other proceedings are, have been and may in the future be necessary in some instances to determine the validity and scope of certain of our proprietary rights, and in other instances to determine the validity, scope or non-infringement of certain patent rights claimed by third parties to be pertinent to the manufacture, use or sale of our products. Litigation, interference, oppositions, re-exams, inter partes reviews, post grant reviews, administrative challenges or other similar types of proceedings are unpredictable and may be protracted, expensive and distracting to management. The outcome of such proceedings could adversely affect the validity and scope of our patent or other proprietary rights, hinder our ability to manufacture and market our products, require us to seek a license for the infringed product or technology or result in the assessment of significant monetary damages. 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.

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 a 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 believe our internal control over financial reporting is currently effective, the effectiveness of our internal controls in future periods is subject to the risk that our controls may become inadequate because of changes in conditions including our transition of further business operations into our ERP software system, and, as a result, the degree of compliance of our internal control over financial reporting with the existing policies or procedures may become ineffective. Establishing, testing and maintaining an effective system of internal control over financial reporting requires significant resources and time commitments on the part of our management and our finance staff, may require additional staffing and infrastructure investments and would increase our costs of doing business. 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, training 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 and production technicians in our treat facilities. 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, as well as the optics, electronic and other mechanical components of our intraoral scanners. We maintain single supply relationships for many of these machines and materials technologies. In particular, our CT scanning and stereolithography equipment used in our aligner manufacturing and many of the critical components for the optics of our scanners are provided by single suppliers. We are also committed to purchasing the vast majority of our resin and polymer, the primary raw materials used in our manufacturing process for clear aligners, from a single source. If these or other suppliers encounter financial, operating or other difficulties or if our relationship with them changes, we might not be able to quickly establish or qualify replacement sources of supply and could face production interruptions, delays and inefficiencies. 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. Conversely, in order to secure supplies for production of products, we sometimes enter into non-cancelable minimum purchase commitments with vendors, which could impact our ability to adjust our inventory to reflect declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges and our profitability may suffer. 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 depend on a single contract manufacturer and supplier of parts used in our iTero scanner and any disruption in this relationship may cause us to fail to meet the demands of our customers and damage our customer relationships.

We rely on a third party manufacturer to supply key sub-assemblies for our iTero Element scanner. As a result, if this third party manufacturer fails to deliver its components, if we lose its services or if we fail to negotiate acceptable terms, we may be unable to deliver our products in a timely manner and our business may be harmed. Any difficulties encountered by the third party manufacturer with respect to hiring personnel and maintaining acceptable manufacturing standards, controls, procedures and policies could disrupt our ability to deliver our products in a timely manner. Finding a substitute manufacturer may be expensive, time-consuming or impossible and could result in a significant interruption in the supply of our intraoral scanning products. Any failure by our contract manufacturer that results in delays in our fulfillment of customer orders may cause us to lose revenues and suffer damage to our customer relationships.

We primarily 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 primarily depends upon our direct sales force within our Americas and International markets. 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. We recently hired approximately 100 sales personnel in the Americas and plan on hiring 50 in the EMEA region in the first quarter of 2019. To adequately train and successfully deploy new representatives into these regions and to establish strong customer relationships takes approximately six to twelve months. As a result, 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 in recently hired sales representatives or if we fail to establish and maintain strong relationships with our customers within a relatively short period of time, our net 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 net 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 considered 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;
- complaint handling and corrective actions;
- 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. Any FDA enforcement action could have a material adverse effect on us.

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.

In addition, as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted disclosure requirements regarding the use of certain minerals, known as conflict minerals, which are mined from the Democratic Republic of Congo and adjoining countries, as well as procedures regarding a manufacturer's efforts to identify and discourage the sourcing of such minerals and metals produced from those minerals. Additional reporting obligations are being proposed by the European Union. The U.S. requirements and any additional requirements in Europe could affect the sourcing and availability of metals used in the manufacture of a limited number of parts (if any) contained in our products. For example, these disclosure requirements may decrease the number of suppliers capable of supplying our needs for certain metals, thereby negatively affecting our ability to obtain products in sufficient quantities or at competitive prices. Our material sourcing is broad based and multi-tiered, and we may be unable to conclusively verify the origins for all metals used in our products. We may suffer financial and reputational harm if customers require, and we are unable to deliver, certification that our products are conflict free. Regardless, we will incur additional costs associated with compliance with these disclosure requirements, including time-consuming and costly efforts to determine the source of any conflict minerals used in our products.

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.

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.

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 net 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 or product offerings by us, our customers or competitors;
- key decisions in pending litigation; 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.

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.

We are subject to risks associated with our strategic investments. Impairments in the value of our investments and receivables could negatively impact our financial results.

We have invested in SDC and other privately held companies for strategic reasons and to support key business initiatives, and we may not realize a return on our strategic investments. Many of such companies generate net losses and the market for their products, services or technologies may be slow to develop. Further, valuations of privately held companies are inherently complex due to the lack of readily available market data. If we determine that our investments and receivables in SDC or investments in other privately held companies have experienced a decline in value, we may be required to record impairments which could be material and could have an adverse impact on our financial results. In addition, SDC is seeking through the arbitration described below under "Item 3 Legal Proceedings - SDC Dispute," the right to repurchase all of the Company's SDC membership interests for a purchase price equal to the current capital account balance as defined by the Internal Revenue Service which likely is significantly below the current fair market value of such investment.

Changes in, or interpretations of, accounting rules and regulations, could result in unfavorable accounting charges.

We prepare our consolidated financial statements in conformity with Generally Accepted Accounting Principles in the U.S. ("GAAP"). 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 relate to revenue recognition and leases.

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 our investment activities is to preserve principal. To achieve this objective, a majority of our marketable investments are investment grade, liquid, 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. In an unstable credit environment, we might incur significant realized, unrealized or impairment losses associated with these investments.

If our goodwill or long-lived assets become impaired, we may be required to record a significant charge to earnings.

Under GAAP, we review our goodwill and long-lived asset group for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Additionally, goodwill is required to be tested for impairment at least annually. The qualitative and quantitative analysis used to test goodwill are dependent upon various assumptions and reflect management's best estimates. Changes in certain assumptions including revenue growth rates, discount rates, earnings multiples and future cash flows may cause a change in circumstances indicating that the carrying value of goodwill or the asset group may be impaired. We may be required to record a significant charge to earnings in the financial statements during the period in which any impairment of goodwill or asset group are determined.

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 such as the TCJA enacted into law on December 22, 2017, regulations and/or rates, new or changes to accounting pronouncements, non-deductible goodwill impairments, changing interpretations of existing tax laws or regulations, changes in the relative proportions of revenues and income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates, the future levels of tax benefits of stock-based compensation, settlement of income tax audits, and changes in overall levels of pretax earnings. As a result of the adoption of Accounting Standards Update ("ASU") 2016-09 in 2017, we anticipate our effective tax rate to vary significantly in our first quarter due to the timing of when the majority of our equity compensation vests each year. Other quarters can also be impacted depending on the timing of equity vests.

Changes in tax laws or tax rulings could negatively impact our income tax provision and net income.

As a U.S. multinational corporation, we are subject to changing tax laws both within and outside of the U.S. Changes in tax laws or tax rulings, or changes in interpretations of existing tax laws, could affect our income tax provision and net income or require us to change the manner in which we operate our business. In addition, governmental tax authorities are increasingly scrutinizing the tax positions of companies. Many countries in Europe, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws or have enacted new laws. For example, the Organization for Economic Cooperation and Development ("OECD") has been working on a "Base Erosion and Profit Shifting Project," which is focused on a number of issues, including the shifting of profits between affiliated entities in different tax jurisdictions. In 2015, the OECD issued and is expected to continue to issue, guidelines and proposals that may change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We occupy several leased and owned facilities. At December 31, 2018, the significant facilities occupied were as follows:

Location	Lease/Own	Primary Use	Expiration of Lease
San Jose, California	Own	Office for corporate headquarters, research & development and administrative personnel	N/A
Juarez, Mexico	Own	Manufacturing and office for administrative personnel	N/A
San Jose, Costa Rica	Own	Office for administrative personnel, treatment personnel, and customer care	N/A
Or Yehuda, Israel	Lease	Manufacturing and office for research & development and administrative personnel	February 2022
Amsterdam, The Netherlands	Lease	Office for European headquarters, sales and marketing and administrative personnel	March 2020
Moscow, Russia	Lease	Office for research & development	March 2024
Raleigh, North Carolina	Lease	Office for research & development and administrative personnel	March 2026
Ziyang, China	Lease	Manufacturing and office for administrative personnel	May 2021

ITEM 3. LEGAL PROCEEDINGS

Securities Class Action Lawsuit

On November 5, 2018, a class action lawsuit against Align, and three of our executive officers, was filed in the U.S. District Court for the Northern District of California on behalf of a purported class of purchasers of our common stock between July 25, 2018 and October 24, 2018. The complaint generally alleges claims under the federal securities laws and seeks monetary damages in an unspecified amount and costs and expenses incurred in the litigation. On December 12, 2018, a similar lawsuit was filed in the same court on behalf of a purported class of purchasers of our common stock between April 25, 2018 and October 24, 2018 (together with the first lawsuit, the "Securities Actions"). Motions for appointment as lead plaintiff were filed on January 4, 2019. Align believes the plaintiffs' claims are without merit and intends to vigorously defend itself. Align is currently unable to predict the outcome of these lawsuits and therefore cannot determine the likelihood of loss nor estimate a range of possible loss.

Shareholder Derivative Lawsuit

In January 2019, three derivative lawsuits were also filed in the U.S. District Court for the Northern District of California, purportedly on behalf of Align, naming as defendants the members of our Board of Directors along with certain of our executive officers. The allegations in the complaints are similar to those presented in the Securities Action, but the complaints assert various state law causes of action, including for breaches of fiduciary duty, insider trading, and unjust enrichment, among others. The complaints seek unspecified monetary damages on behalf of Align, which is named solely as a nominal defendant against whom no recovery is sought, as well as disgorgement and the costs and expenses associated with the litigation, including attorneys' fees. Align is currently unable to predict the outcome of these lawsuits and therefore cannot determine the likelihood of loss nor estimate a range of possible loss.

Patent Infringement and Related Lawsuits

On November 14, 2017, Align filed six patent infringement lawsuits asserting 26 patents against 3Shape, a Danish corporation, and a related U.S. corporate entity, asserting that 3Shape's Trios intraoral scanning system and Dental System software infringe Align patents. Align filed two Section 337 complaints with the U.S. International Trade Commission ("ITC") alleging that 3Shape violates U.S. trade laws by selling for importation and importing its infringing Trios intraoral scanning system and Dental System software. Align's ITC complaints seek cease and desist orders and exclusion orders prohibiting the importation of 3Shape's Trios scanning system and Dental System software products into the U.S. Align also filed four separate complaints in the U.S. District Court for the District of Delaware alleging patent infringement by 3Shape's Trios intraoral scanning system and Dental System software.

On May 9, 2018, 3Shape filed a complaint in the U.S. District Court for the District of Delaware alleging patent infringement by Align's iTero Element scanner of a single 3Shape patent. On June 14, 2018, 3Shape filed another complaint in the U.S. District Court for the District of Delaware alleging patent infringement by Align's iTero Element scanner of a single 3Shape patent.

On August 28, 2018, 3Shape filed a complaint against Align in the U.S. District Court for the District of Delaware alleging antitrust violations and seeking monetary damages and injunctive relief relating to Align's market activities, including Align's assertion of its patent portfolio, in the clear aligner and intraoral scanning markets.

On December 10, 2018, Align filed three additional patent infringement lawsuits asserting 10 additional patents against 3Shape. Align filed one Section 337 complaint with the ITC alleging that 3Shape violates U.S. trade laws through unfair competition by selling for importation and importing the infringing TRIOS intraoral scanning system, Trios Lab Scanners and TRIOS software, TRIOS Module software, Dental System software, and Ortho System Software. On December 11, 2018, Align filed two separate complaints in the U.S. District Court for the District of Delaware alleging patent infringement by 3Shape's Trios intraoral scanning system, Lab Scanners and Dental and Ortho System Software.

Except for 3Shape's antitrust complaint, each of the District Court complaints seek monetary damages and injunctive relief against further infringement. We are currently unable to predict the outcome of this dispute and therefore cannot determine the likelihood of loss, if any, nor estimate a range of possible loss.

SDC Dispute

In February 2018, we received a communication on behalf of SDC Financial LLC, SmileDirectClub LLC, and the Members of SDC Financial LLC other than the Company (collectively, the SDC Entities) alleging that the launch and operation of the

Invisalign locations pilot program constitutes a breach of non-compete provisions applicable to the members of SDC Financial LLC, including Align. As a result of this alleged breach, SDC Financial LLC notified us that its members (other than Align) seek to exercise a right to repurchase all of Align's SDC Financial LLC membership interests for a purchase price equal to the current capital account balance. The SDC Entities' communication also alleged that we breached confidentiality provisions applicable to the SDC Financial LLC members and demanded that we cease all activities related to the Invisalign pilot project, close existing Invisalign locations and cease using SDC's confidential information. In April 2018, the SDC Entities served a Demand for Arbitration alleging that we breached the non-compete clause and confidentiality clause, misused the SDC Entities' alleged trade secrets, and violated fiduciary duties to SDC Financial LLC. The SDC Entities seek through the arbitration the rights to repurchase all of Align's SDC Financial LLC membership interests for a purchase price equal to the current capital account balance as defined by the Internal Revenue Service which likely is significantly below the current fair market value of such investment, an injunction requiring us to close our Invisalign locations and to cease using the SDC Entities' confidential information, and financial damages in an unspecified amount. We filed a response in which we denied the SDC Entities' allegations and denied that the SDC Entities are entitled to any relief. In April 2018 the SDC Entities also filed a motion for preliminary injunction in the Tennessee Court of Chancery seeking to enjoin Align from opening additional Invisalign locations until the arbitration is completed. In June 2018, the Tennessee court denied the SDC Entities' motion for a preliminary injunction. In December 2018, the parties participated in binding arbitration proceedings and presented closing arguments on January 23, 2019. The arbitrator's decision is due on or before March 4, 2019. This dispute does not impact Align's existing supply agreement with SDC which remains in place through 2019. We do not intend to renew this agreement. We are currently unable to predict the outcome of this dispute and therefore cannot determine the likelihood of loss, if any, nor estimate a range of possible loss.

In addition, in the course of Align's operations, Align is involved in a variety of claims, suits, investigations, and proceedings, including actions with respect to intellectual property claims, patent infringement claims, government investigations, labor and employment claims, breach of contract claims, tax, and other matters. Regardless of the outcome, these proceedings can have an adverse impact on us because of defense costs, diversion of management resources, and other factors. Although the results of complex legal proceedings are difficult to predict and Align's view of these matters may change in the future as litigation and events related thereto unfold; Align currently does not believe that these matters, individually or in the aggregate, will materially affect Align's financial position, results of operations or cash flows (*Refer to Note 8 "Legal Proceedings" of the Notes to the Consolidated Financial Statement*s for details on legal proceedings).

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

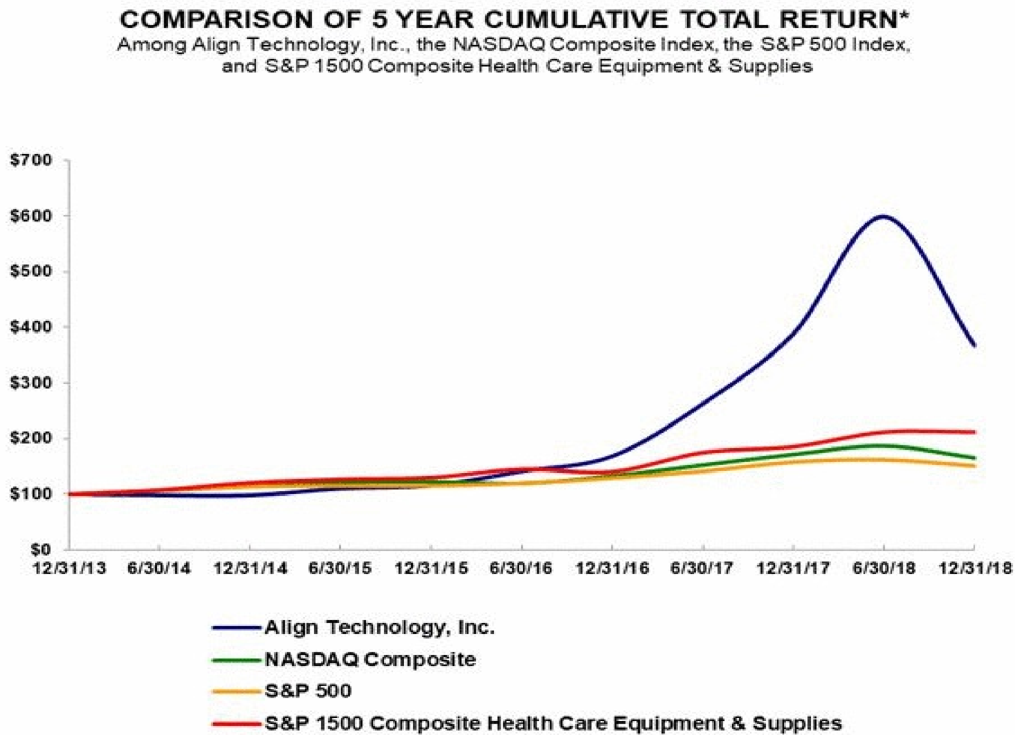
Market Information

Our common stock trades on the NASDAQ Global Market under the symbol "ALGN". As of February 22, 2019, there were approximately 73 holders of record of our common stock. Because the majority of our shares of outstanding common stock are 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.

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.

The graph below matches our cumulative 5-year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index, the S&P 500 and the S&P 1500 Composite Health Care Equipment & Supplies index. The graph tracks the performance of a $100 investment in our common stock, in the peer group, and the index (with the reinvestment of all dividends) from December 31, 2013 to December 31, 2018.



UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Following is a summary of stock repurchases for the three months ended December 31, 2018:

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Repurchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Repurchased Under the Program [1]
October 1, 2018 through October 31, 2018	—	$ —	—	$ 550,000,000
November 1, 2018 through November 30, 2018	142,677	$ 245.31	142,677	$ 500,000,000
December 1, 2018 through December 31, 2018	91,865	$ 163.28	91,865	$ 500,000,000

[1] ***Stock Repurchase Program***

- *May 2018 Repurchase Program*. In May 2018, we announced that our Board of Directors had authorized a plan to repurchase up to $600.0 million of our common stock. In August 2018, we repurchased $50.0 million of our common stock on the open market. In November 2018, we entered into an accelerated share repurchase ("2018 ASR") to repurchase $50.0 million of our common stock which was completed in December 2018. As of December 31, 2018, we have $500.0 million remaining under the May 2018 Repurchase Program (*Refer to Note 11 "Common Stock Repurchase Programs" of the Notes to Consolidated Financial Statements* for details on common stock repurchase programs).

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, 2018. The selected consolidated financial data should be read in conjunction with the consolidated financial statements and accompanying notes and *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

SELECTED CONSOLIDATED FINANCIAL DATA
(in thousands, except per share data)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Consolidated Statements of Operations Data:					
Net revenues	$ 1,966,492	$ 1,473,413	$ 1,079,874	$ 845,486	$ 761,653
Gross profit	$ 1,447,867	$ 1,116,947	$ 815,294	$ 640,110	$ 578,443
Income from operations	466,564	353,611	248,921	188,634	193,576
Interest income	8,576	6,948	4,213	2,938	1,818
Other income (expense), net	(8,489)	4,240	(10,568)	(5,471)	(5,025)
Net income before provision for income taxes and equity in losses of investee	466,651	364,799	242,566	186,101	190,369
Provision for income taxes	57,723	130,162	51,200	42,081	44,537
Equity in losses of investee, net of tax	8,693	3,219	1,684	—	—
Net income	$ 400,235	$ 231,418	$ 189,682	$ 144,020	$ 145,832
Net income per share:					
Basic	$ 5.00	$ 2.89	$ 2.38	$ 1.80	$ 1.81
Diluted	$ 4.92	$ 2.83	$ 2.33	$ 1.77	$ 1.77
Shares used in computing net income per share:					
Basic	80,064	80,085	79,856	79,998	80,754
Diluted	81,357	81,832	81,484	81,521	82,283

	December 31,				
	2018	2017 (2)	2016 (2)	2015	2014
Consolidated Balance Sheet Data:					
Working capital (1)	$ 610,406	$ 658,316	$ 597,772	$ 460,338	$ 455,349
Total assets	2,052,458	1,784,009	1,402,305	1,158,633	987,997
Total long-term liabilities	107,494	129,670	46,427	39,035	33,415
Stockholders' equity	$ 1,252,891	$ 1,154,288	$ 999,307	$ 847,926	$ 752,771

(1) Working capital is calculated as the difference between total current assets and total current liabilities.

(2) Balances have been recast to reflect the adoption of new revenue accounting standard (*Refer to Note 1 "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements* for details).

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

Our goal is to establish Invisalign clear aligners as the standard method for treating malocclusion and to establish the iTero intraoral scanner as the preferred scanning device for 3D digital scans, ultimately driving increased product adoption by dental professionals. We intend to achieve this by continued focus and execution of our strategic growth drivers set forth in the *Business Strategy* section in this Annual Report on Form 10-K.

The successful execution of our business strategy in 2019 and beyond may be affected by a number of other factors including:

- *New Invisalign Product Portfolio and Pricing*. In July 2018, we launched a new expanded Invisalign product portfolio which includes new options and greater flexibility to treat a broader range of patients. The new Invisalign product portfolio offers doctors more choices by extending desirable features across the entire portfolio and creating new Invisalign treatment packages, as well as new options to treat young patients with early mixed dentition (with a mixture of primary/baby and permanent teeth). The new end-to-end Invisalign product portfolio includes clear aligner product offerings for almost every patient age group and case complexity to make it easier for our doctors to tailor treatment planning to the needs of each patient. Pricing and availability for the new Invisalign product offerings and the associated terms and conditions vary by region.

- *New Invisalign Products and Feature Enhancements*. Product innovation drives greater treatment predictability, clinical applicability and ease of use for our customers which supports adoption of Invisalign treatment in their practices. Our focus is to develop solutions and features to treat a wide range of cases from simple to complex.

  - In March 2017, we announced Invisalign treatment with Mandibular Advancement, the first clear aligner solution for Class II correction in growing tween and teen patients. This offering combines the benefits of our clear aligner system with features for moving the lower jaw forward while simultaneously aligning the teeth. Invisalign treatment with Mandibular Advancement is available in Canada, select Europe, Middle East and Africa ("EMEA"), Asia Pacific ("APAC") and Latin America ("LATAM") countries and, in the U.S. starting November 2018 as we received 510(k) clearance from the United States ("U.S.") Food and Drug Administration in October 2018.

  - Beginning July 2018, Invisalign First clear aligners, a treatment option designed with features specifically for younger patients with early mixed dentition, are available to Invisalign-trained doctors in the U.S., Canada, Australia, New Zealand, Japan, and the EMEA region. Invisalign First clear aligners are designed specifically to address a broad range of younger patients' malocclusions, including shorter clinical crowns, management of erupting dentition and predictable dental arch expansion. Phase 1 treatment is an early interceptive orthodontic treatment for young patients, traditionally done through arch expanders, or partial metal braces, before all permanent teeth have erupted, typically at ages seven through ten years.

  - In April 2018, we announced a new Invisalign Go product with more user-friendly iTero digital chairside experience and greater flexibility to treat a wider range of mild to moderate cases, such as crowded or gap teeth that require teeth straightening prior to restorative treatments. Invisalign Go is available to Invisalign-trained doctors in the U.S., the majority of European countries as well as in select APAC markets. Invisalign Go also incorporates new data-driven clinical protocols for predictable tooth movement and automated case assessments that leverages our Invisalign patients treated to date. These improvements make it easier for general practitioner dentists to tailor their treatment plans to the individual needs of each patient.

- *New iTero Products and Technology Innovation.* The iTero scanner is an important component to our customer experience and is central to a digital approach as well as overall customer utilization of Invisalign.

  - In April 2018, we expanded the iTero Element portfolio with the launch of the iTero Element 2 and the iTero Element Flex scanners, building on the existing high precision, full-color imaging and fast scan times of the

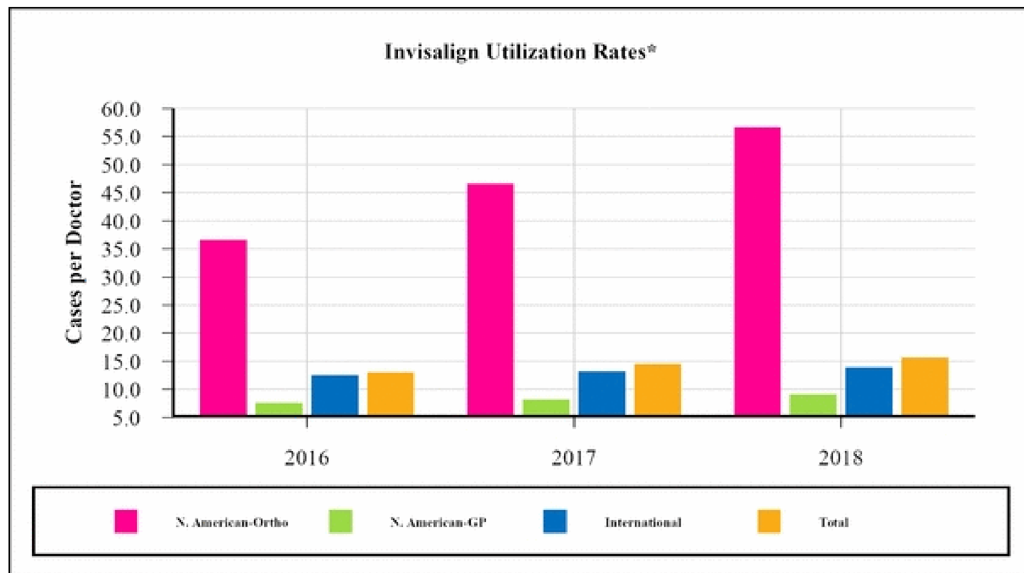
iTero Element portfolio while streamlining orthodontic and restorative workflows. The next-generation iTero Element 2 is designed for greater performance with 2X faster start-up and 25% faster scan processing time compared to the iTero Element. The new iTero Element Flex wand-only configuration is a portable scanner for easy transport from office to office. iTero Element 2 and iTero Element Flex scanners are available in the U.S., Canada, the majority of European countries as well as in select APAC markets. The existing iTero Element scanner continues to be available in all markets.

- In April 2018, we announced that we received market approval for the iTero Element intra-oral scanner from the China Food and Drug Administration, and we began offering this scanner in China. The iTero Element scanner launch in China not only supports growth of our base Invisalign clear aligner business but also represents a major milestone for digital dentistry in China. As we continue to expand into markets where we sell our intra-oral scanners, we expect continued growth for the foreseeable future due to the size of the market opportunities and our relatively low market penetration in these regions.

We believe that over the long-term, clinical solutions and treatment tools will increase adoption of Invisalign and increase sales of our intraoral scanners; however, it is difficult to predict the rate of adoption which may vary by region and channel.

The use of iTero and other digital scanners for Invisalign case submission in place of PVS impressions continues to grow and remains a positive catalyst for Invisalign utilization. For the fourth quarter of 2018, total Invisalign cases submitted with a digital scanner in the Americas increased to 72.6%, up from 71.0% in the third quarter of 2018. International scans increased to 57.5%, up from 53.9% in the third quarter of 2018. In China, Invisalign cases submitted using a digital scanner increased to 45.9% from close to 0% in only one year. We believe that over the long-term, technology innovation and added features and functionality of our iTero scanners will increase adoption of Invisalign and increase sales of our intraoral scanners; however, it is difficult to predict the rate of adoption which may vary by region and channel.

- *Invisalign Adoption*. 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, also known as "utilization rates." Our annual utilization rates for the last three fiscal years are as follows:



* Invisalign utilization rates = # of cases shipped divided by # of doctors cases were shipped to. Beginning in the first quarter of 2018, we report International region to include EMEA and APAC. LATAM is excluded from above chart as it is not material. Our historical utilization numbers have been recast to reflect this new classification.

- Total utilization in 2018 increased to 15.7 cases per doctor compared to 14.5 cases in 2017.

  - *North America:* Utilization among our North American orthodontist customers increased in 2018 to 56.7 cases per doctor compared to 46.6 cases per doctor in 2017. The increase in North American

orthodontist utilization in 2018 reflects improvements in product and technology which continues to strengthen our doctors' clinical confidence such that they now utilize Invisalign more often and on more complex cases, including their teenage patients.

- *International:* International doctor utilization was 13.9 cases per doctor in 2018 compared to 13.2 cases in 2017. The increase in International utilization reflects increased utilization and continued expansion of our customer base in both EMEA and APAC regions due to increasing adoption of the product due in part to its ability to treat more complex cases.

We expect that over the long-term, our utilization rates will gradually improve as a result of advancements in product and technology, which continue to strengthen our doctors' clinical confidence in the use of Invisalign. In addition, since the teenage and younger market makes up 75% of the approximately 12 million total orthodontic case starts each year, and as we continue to drive adoption of teenage and younger patients through sales and marketing programs, we expect our utilization rate to improve. Our utilization rates, however, may fluctuate from period to period due to a variety of factors, including seasonal trends in our business along with adoption rates of new products and features.

- *Number of New Invisalign Doctors Trained.* We continue to expand our Invisalign customer base through the training of new doctors. In 2018, we trained approximately 19,655 new Invisalign doctors of which 7,885 were trained in the Americas region and 11,770 in the International region.

- *International Invisalign Growth.* We continue to focus our efforts towards increasing Invisalign clear aligner adoption by dental professionals in the EMEA and APAC markets. On a year-over-year basis, our international Invisalign volume increased 45.3% driven primarily by increased adoption as well as expansion of our customer base in both the EMEA and APAC regions. We continue to see growth from our international orthodontists and general practitioner ("GP") customers and are seeing more positive traction in the GP channel from segmenting our sales and marketing resources and programs specifically around each customer channel. In addition, we believe that continuous product introductions and feature improvements, such as Invisalign treatment with mandibular advancement, provide our customers with continued confidence in treating complex cases as well as teen-aged patients with Invisalign clear aligners. In 2019, we are continuing to expand in our existing markets through targeted investments in sales coverage and professional marketing and education programs, along with consumer marketing in select country markets. We expect International revenues to continue to grow at a faster rate than the Americas for the foreseeable future due to our continued investment in international market expansion, the size of the market opportunities, and our relatively low market penetration of these regions. Our future growth is dependent upon the continued growth of Invisalign adoption and international market penetration (Refer to *Item 1A Risk Factors - "We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations."* for information on related risk factors).

- *Establish Regional Order Acquisition, Treatment Planning and Manufacturing Operations.* We will continue to establish and expand additional order acquisition, treatment planning and manufacturing operations closer to our international customers in order to improve our operational efficiency and to provide doctors confidence in using Invisalign clear aligners to treat more patients and more often. In the fourth quarter of 2018, we began fabricating our aligners in our new manufacturing facility in Ziyang, China, our first aligner fabrication facility outside of Juarez, Mexico. We expect that it will take several quarters to ramp this facility up to full capacity and as a result manufacturing labor and overhead in this facility will be underutilized during this transition period. (Refer to *Item 1A Risk Factors - "As we continue to grow, we are subject to growth related risks, including risks related to excess or constrained capacity at our existing facilities."* for information on related risk factors).

- *Invisalign Experience Program.* In 2018, we expanded the interactive brand experience that was piloted in 2017 and finished the year with a total of twelve Invisalign locations in major U.S. cities. The program expansion is designed to address the rapidly-evolving consumer market for clear aligners and connects consumers interested in Invisalign treatment with Invisalign doctors in their communities (Refer to *Item 3 "Legal Proceedings" for details on SDC dispute which may impact the Invisalign locations).*

- *Increased Sales Force.* In order to provide more comprehensive sales and service coverage, in the fourth quarter of 2018, we increased our sales force in the Americas by adding approximately 100 sales team members. In the first quarter of 2019, we plan to add 50 new sales representatives in EMEA to cover GP dentist channel. (Refer to *Item 1A Risk Factors - "We primarily rely on our direct sales force to sell our products, and any failure to maintain our direct sales force could harm our business"* for information on related risk factors).

- *Expenses.* We expect expenses to increase in 2019 due in part to:
  - Investments in manufacturing capacity and facilities to enhance our regional capabilities;
  - Investments in international expansion in new country markets;
  - Investments in expansion of number of direct sales force personnel;
  - Increases in sales, marketing and customer support resources;
  - Product and technology innovation to enhance product efficiency and operational productivity;
  - Increases in legal expenses, primarily related to the continued protection of our intellectual property rights including our patents along with the additional costs related to the planned corporate structure reorganization.

  We believe that these investments will position us to increase our revenues and continue to grow our market share, but will negatively impact results of operations, particularly in the near term.

- *Stock Repurchases:*
  - *April 2016 Repurchase Program.* In 2018, we repurchased approximately $200.0 million of our common stock on the open market, completing the April 2016 Repurchase Program.
  - *May 2018 Repurchase Program.* In May 2018, we announced that our Board of Directors had authorized a plan to repurchase up to $600.0 million of our common stock. In August 2018, we repurchased $50.0 million of our common stock on the open market. In November 2018, we entered into an accelerated share repurchase ("2018 ASR") to repurchase $50.0 million of our common stock which was completed in December 2018. As of December 31, 2018, we have $500.0 million remaining under the May 2018 Repurchase Program. In February 2019, we repurchased $50.0 million of our common stock on the open market (*Refer to Note 11 "Common Stock Repurchase Programs" of the Notes to Consolidated Financial Statements* for details on common stock repurchase programs).

- *SmileDirectClub.* In February 2018, we received a communication on behalf of SDC Financial LLC, SmileDirectClub LLC, and the Members of SDC Financial LLC other than the Company (collectively, the SDC Entities) alleging that the launch and operation of the Invisalign locations pilot program constitutes a breach of non-compete provisions applicable to the members of SDC Financial LLC, including Align. As a result of this alleged breach, SDC Financial LLC notified us that its members (other than Align) seek to exercise a right to repurchase all of Align's SDC Financial LLC membership interests for a purchase price equal to the current capital account balance. The SDC Entities' communication also alleged that we breached confidentiality provisions applicable to the SDC Financial LLC members and demanded that we cease all activities related to the Invisalign pilot project, close existing Invisalign locations and cease using SDC's confidential information. In April 2018, the SDC Entities served a Demand for Arbitration alleging that we breached the non-compete clause and confidentiality clause, misused the SDC Entities' alleged trade secrets, and violated fiduciary duties to SDC Financial LLC. The SDC Entities seek through the arbitration the rights to repurchase all of Align's SDC Financial LLC membership interests for a purchase price equal to the current capital account balance as defined by the Internal Revenue Service which likely is significantly below the current fair market value of such investment, an injunction requiring us to close our Invisalign locations and to cease using the SDC Entities' confidential information, and financial damages in an unspecified amount. We filed a response in which we denied the SDC Entities' allegations and denied that the SDC Entities are entitled to any relief. In April 2018 the SDC Entities also filed a motion for preliminary injunction in the Tennessee Court of Chancery seeking to enjoin Align from opening additional Invisalign locations until the arbitration is completed. In June 2018, the Tennessee court denied the SDC Entities' motion for a preliminary injunction. In December 2018, the parties participated in binding arbitration proceedings and presented closing arguments on January 23, 2019. The arbitrator's decision is due on or before March 4, 2019. This dispute does not impact Align's existing supply agreement with SDC which remains in place through 2019. We do not intend to renew this agreement. We are currently unable to predict the outcome of this dispute and therefore cannot determine the likelihood of loss, if any, nor estimate a range of possible loss. (*Refer to Note 8 "Legal Proceedings" of the Notes to Consolidated Financial Statements* for details on SDC dispute).

Results of Operations

We group our operations into two reportable segments: Clear Aligner segment and Scanner segment

- Our Clear Aligner segment consists of Comprehensive Products, Non-Comprehensive Products and Non-Case revenues as defined below:
    - Comprehensive Products include, but not limited to, Invisalign Comprehensive (formerly known as Invisalign Full and Invisalign Teen), Invisalign Assist and Invisalign First.
    - Non-Comprehensive Products include, but not limited to, Invisalign Express 10, Invisalign Express 5, Express Package, Lite Package and Invisalign Go in addition to revenues from the sale of aligners to SmileDirectClub ("SDC") under our supply agreement.
    - Non-Case includes, but not limited to, Vivera retainers along with our training and ancillary products for treating malocclusion.
- Our Scanner segment consists of intraoral scanning systems, additional services and ancillary products available with the intraoral scanners that provide digital alternatives to the traditional cast models. This segment includes our iTero scanner and OrthoCAD services.

Effective in the first quarter of 2018, Americas region includes North America and LATAM. International region includes EMEA and APAC. Historical data has been recasted to reflect the change.

Net Revenues for Reportable Segments by Region

Net revenues for our Clear Aligner and Scanner segments by region for the year ended December 31, 2018, 2017 and 2016 are as follows (in millions):

	Year Ended				Year Ended			
Net Revenues	**December 31, 2018**	**December 31, 2017**	**Change**		**December 31, 2017**	**December 31, 2016**	**Change**	
Clear Aligner revenues:								
Americas	$ 903.3	$ 754.1	$ 149.2	19.8%	$ 754.1	$ 571.6	$ 182.5	31.9%
International	684.2	473.5	210.7	44.5%	473.5	323.7	149.8	46.3%
Non-Case	104.0	81.7	22.3	27.3%	81.7	63.0	18.7	29.7%
Total Clear Aligner net revenues	$ 1,691.5	$ 1,309.3	$ 382.2	29.2%	$ 1,309.3	$ 958.3	$ 351.0	36.6%
Scanner net revenues	275.0	164.1	110.9	67.6%	164.1	121.5	42.6	35.1%
Total net revenues	$ 1,966.5	$ 1,473.4	$ 493.1	33.5%	$ 1,473.4	$ 1,079.8	$ 393.6	36.5%

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Clear Aligner Case Volume by Region

Case volume data which represents Clear Aligner case shipments by region, for the year ended December 31, 2018, 2017 and 2016 is as follows (in thousands):

	Year Ended				Year Ended			
Region	**December 31, 2018**	**December 31, 2017**	**Change**		**December 31, 2017**	**December 31, 2016**	**Change**	
Americas	780.7	631.6	149.1	23.6%	631.6	469.4	162.2	34.6%
International	499.9	344.8	155.1	45.0%	344.8	239.8	105.0	43.8%
Total case volume	1,280.6	976.4	304.2	31.2%	976.4	709.2	267.2	37.7%

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Fiscal Year 2018 compared to Fiscal Year 2017

Total net revenues increased by $493.1 million in 2018 as compared to 2017 primarily as a result of Clear Aligner case and scanner volume growth across all regions.

Clear Aligner - Americas

Americas net revenues increased by $149.2 million in 2018 as compared to 2017, primarily due to case volume growth across all channels and products which increased net revenues by $177.9 million. This increase was offset in part by lower average selling prices ("ASP"), which was mainly the result of higher promotional discounts, which reduced net revenues by $44.7 million, and increased net revenue deferrals by $3.0 million. This decline was partially offset by higher prices from the new products introduced in July 2018, which increased net revenues by $19.2 million.

Clear Aligner - International

International net revenues increased by $210.7 million in 2018 as compared to 2017, primarily driven by case volume growth across all channels and products which increased net revenues by $213.0 million. This increase was slightly offset by lower ASP which reduced net revenues by $2.3 million. The ASP decline was mainly the result of increased net revenue deferrals mostly for additional aligners, which reduced net revenues by $20.1 million, and higher promotions discounts, which reduced net revenues by $17.4 million. These were partially offset by the favorable foreign exchange rates of $20.8 million and the higher prices of $18.3 million related to our new products effective July 2018.

Clear Aligner - Non-Case

Non-case net revenues, consisting of Vivera Retainers, training fees and other product revenues, increased by $22.3 million in 2018 compared to 2017. This was primarily due to increased Vivera volume across all regions, which increased revenue by $14.4 million, and training revenues across all regions, which increased revenue by $6.5 million.

Scanner

Scanner and services net revenues increased by $110.9 million in 2018 as compared to 2017. This increase is primarily due to an increase in the number of scanners recognized, which increased revenues $87.8 million. Additionally, a larger scanner install base resulted in higher computer-aided design/computer-aided manufacturing ("CAD/CAM") services which increased net revenues by $21.3 million and higher disposable sleeve volume which increased net revenue by $6.9 million. These factors were offset in part by a decrease in scanner ASP mostly due to increased promotional discounts, which reduced net revenues by $5.5 million.

Fiscal Year 2017 compared to Fiscal Year 2016

Total net revenues increased by $393.6 million in 2017 as compared to 2016 primarily as a result of Clear Aligner case volume growth across all regions and products as well as increased non-case revenue.

Clear Aligner - Americas

Americas net revenues increased by $182.5 million in 2017 compared to 2016 primarily due to case volume growth across all channels and most products which increased net revenues by $195.5 million. This increase was offset in part by lower ASP which decreased net revenues by $13.1 million. The ASP decline was a result of a shift in product mix towards Non-Comprehensive Products, primarily driven by increased SDC revenues which carry a lower ASP and higher Invisalign promotional discounts, which collectively reduced revenues by $58.4 million. These factors contributing to the decline in ASP were partially offset in part by price increases on our Comprehensive Products effective on April 1, 2017 which contributed $28.4 million to net revenues as well as an increase in additional aligner revenue which contributed $10.8 million to net revenues, among other factors.

Clear Aligner - International

International net revenues increased by $149.8 million in 2017 compared to 2016 primarily driven by case volume growth across all channels and products which increased net revenues by $142.9 million and, to a lesser extent, higher ASP which contributed approximately $6.8 million to the increase in net revenues. The increase in ASP was primarily due to price increases in our Comprehensive Products effective on July 1, 2017, as well as the impact from acquiring certain distributors as we now recognize direct sales at full ASP rather than the discounted ASP, which collectively contributed $24.4 million to net revenues. The factors contributing to an increase in ASP were partially offset in part by higher promotional discounts which decreased net revenues by $13.7 million as well as an increase in net revenue deferrals of $3.0 million, among other factors.

Clear Aligner - Non-Case

Non-case net revenues, consisting of Vivera Retainers, training fees and ancillary product revenues, increased by $18.7 million in 2017 compared to 2016 primarily due to increased Vivera volume both in Americas and International.

Scanner

Scanner net revenues increased by $42.6 million in 2017 compared to 2016 primarily as a result of an increase in the number of scanners recognized which increased net revenues by $29.7 million as well as higher CAD/CAM services resulting from a larger installed base of scanners which contributed $16.2 million to net revenues. These increases were offset in part by a decrease in scanner ASP which reduced net revenues by $3.3 million.

Cost of net revenues and gross profit (in millions):

	Year Ended			Year Ended		
	December 31, 2018	December 31, 2017	Change	December 31, 2017	December 31, 2016	Change
Clear Aligner						
Cost of net revenues	$ 411.0	$ 289.7	$ 121.3	$ 289.7	$ 210.8	$ 78.9
% of net segment revenues	*24.3%*	*22.1%*		*22.1%*	*22.0%*	
Gross profit	$ 1,280.5	$ 1,019.6	$ 260.9	$ 1,019.6	$ 747.5	$ 272.1
Gross margin %	*75.7%*	*77.9%*		*77.9%*	*78.0%*	
Scanner						
Cost of net revenues	$ 107.7	$ 66.8	$ 40.9	$ 66.8	$ 53.7	$ 13.1
% of net segment revenues	*39.1%*	*40.7%*		*40.7%*	*44.2%*	
Gross profit	$ 167.4	$ 97.4	$ 70.0	$ 97.4	$ 67.8	$ 29.6
Gross margin %	*60.9%*	*59.3%*		*59.3%*	*55.8%*	
Total cost of net revenues	$ 518.6	$ 356.5	$ 162.1	$ 356.5	$ 264.6	$ 91.9
% of net revenues	*26.4%*	*24.2%*		*24.2%*	*24.5%*	
Gross profit	$ 1,447.9	$ 1,116.9	$ 331.0	$ 1,116.9	$ 815.3	$ 301.6
Gross margin %	*73.6%*	*75.8%*		*75.8%*	*75.5%*	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Cost of net revenues for our Clear Aligner and Scanner segments includes personnel-related costs including payroll and stock-based compensation for staff involved in the production process, the cost of materials, packaging, shipping costs, depreciation on capital equipment and facilities used in the production process, amortization of acquired intangible assets and training costs.

Fiscal Year 2018 compared to Fiscal Year 2017

Clear Aligner

The gross margin percentage decreased in 2018 compared to 2017 primarily due to higher manufacturing spend driven by operational expansion activities and an increase in aligners per case driven by additional aligners.

Scanner

The gross margin percentage increased in 2018 compared to 2017 primarily driven by manufacturing efficiencies offset in part by a lower ASP.

Fiscal Year 2017 compared to Fiscal Year 2016

Clear Aligner

The gross margin percentage declined slightly in 2017 compared to 2016 primarily due to an increase in aligners per case driven by additional aligners which was partially offset by higher absorption as a result of increased production volumes.

Scanner

The gross margin percentage increased in 2017 compared to 2016 primarily due to a favorable product mix shift to our lower cost iTero Element scanner. This was partially offset by a lower ASP.

Selling, general and administrative (in millions):

	Year Ended			Year Ended		
	December 31, 2018	December 31, 2017	Change	December 31, 2017	December 31, 2016	Change
Selling, general and administrative	$ 852.4	$ 665.8	$ 186.6	$ 665.8	$ 490.7	$ 175.1
% of net revenues	*43.3%*	*45.2%*		*45.2%*	*45.4%*	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Selling, general and administrative expense includes personnel-related costs including payroll, commissions and stock-based compensation for our sales force, marketing and administration in addition to media and advertising expenses, clinical education, trade shows and industry events, product marketing, equipment and maintenance costs, outside service costs, legal costs, depreciation and amortization expense and allocations of corporate overhead expenses including facilities and Information Technology ("IT").

Fiscal Year 2018 compared to Fiscal Year 2017

Selling, general and administrative expense increased in 2018 compared to 2017 primarily due to higher compensation related costs of $110.9 million mainly from increased headcount resulting in higher salaries expense, incentive bonuses and fringe benefits as a result of investments in sales coverage and international expansion. We also incurred higher expenses from equipment, software and maintenance costs of $27.0 million from investments in facilities to enhance our regional capabilities, advertising and marketing of $24.3 million and $22.3 million of legal and outside services costs.

Fiscal Year 2017 compared to Fiscal Year 2016

Selling, general and administrative expense increased in 2017 compared to 2016 primarily due to higher compensation related costs of $85.6 million mainly from increased headcount resulting in higher salaries expense, incentive bonuses and fringe benefits. We also incurred higher expenses from advertising and marketing of $34.2 million, equipment and maintenance costs of $21.9 million and outside services costs of $20.3 million.

Research and development (in millions):

	Year Ended			Year Ended		
	December 31, 2018	December 31, 2017	Change	December 31, 2017	December 31, 2016	Change
Research and development	$ 128.9	$ 97.6	$ 31.3	$ 97.6	$ 75.7	$ 21.9
% of net revenues	*6.6%*	*6.6%*		*6.6%*	*7.0%*	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Research and development expense includes the personnel-related costs including payroll and stock-based compensation and outside consulting expenses associated with the research and development of new products and enhancements to existing products and allocations of corporate overhead expenses including facilities and IT.

Research and development expense increased for both periods primarily due to higher compensation costs mainly from increased headcount resulting in higher salaries expense, incentive bonuses and fringe benefits.

Income from operations (in millions):

	Year Ended			Year Ended		
	December 31, 2018	December 31, 2017	Change	December 31, 2017	December 31, 2016	Change
Clear Aligner						
Income from operations	$ 712.4	$ 564.6	$ 147.8	$ 564.6	$ 411.8	$ 152.8
Operating margin %	*42.1%*	*43.1%*		*43.1%*	*43.0%*	
Scanner						
Income from operations	$ 99.0	$ 49.6	$ 49.4	$ 49.6	$ 37.5	$ 12.1
Operating margin %	*36.0%*	*30.2%*		*30.2%*	*30.9%*	
Total income from operations [1]	$ 466.6	$ 353.6	$ 113.0	$ 353.6	$ 248.9	$ 104.7
Operating margin %	*23.7%*	*24.0%*		*24.0%*	*23.1%*	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

[1] *Refer to Note 16 "Segments and Geographical Information" of the Notes to Consolidated Financial Statements* for details on unallocated corporate expenses and the reconciliation to Consolidated Income from Operations.

Fiscal Year 2018 compared to Fiscal Year 2017

Clear Aligner

Operating margin percentage decreased in 2018 compared to 2017 due to higher manufacturing spend driven by operational expansion activities and an increase in aligners per case driven by additional aligners partially offset by leveraged spend of operating expenses on higher Clear Aligner revenues.

Scanner

Operating margin percentage increased in 2018 compared to 2017 due to leveraged spend of operating expenses on higher Scanner revenues and manufacturing efficiencies partially offset by a lower ASP.

Fiscal Year 2017 compared to Fiscal Year 2016

Clear Aligner

Operating margin percentage increased slightly in 2017 compared to 2016 due to leveraged spend of operating expenses on higher Clear Aligner revenues.

Scanner

Operating margin percentage decreased in 2017 compared to 2016 due to higher operating expenses and, to a lesser extent, lower ASP. This was partially offset by a favorable product mix shift to our lower cost iTero Element scanner.

Interest income (in millions):

	Year Ended			Year Ended		
	December 31, 2018	December 31, 2017	Change	December 31, 2017	December 31, 2016	Change
Interest income	$ 8.6	$ 6.9	$ 1.7	$ 6.9	$ 4.2	$ 2.7

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Interest includes interest income earned on cash, cash equivalents and investment balances.

Fiscal Year 2018 compared to Fiscal Year 2017

Interest income increased in 2018 compared to 2017 mainly due to higher interest rates.

Fiscal Year 2017 compared to Fiscal Year 2016

Interest income increased in 2017 compared to 2016 mainly due to a larger investment portfolio.

Other income (expense), net (in millions):

	Year Ended			Year Ended		
	December 31, 2018	December 31, 2017	Change	December 31, 2017	December 31, 2016	Change
Other income (expense), net	$ (8.5)	$ 4.2	$ (12.7)	$ 4.2	$ (10.6)	$ 14.8

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Other income (expense), net, includes foreign exchange gains and losses, gains and losses on foreign currency forward contracts, interest expense and other miscellaneous charges.

Fiscal Year 2018 compared to Fiscal Year 2017

Other income (expense), net, decreased in 2018 compared to 2017 mainly due to foreign exchange losses partially offset by gains on foreign currency forward contracts.

Fiscal Year 2017 compared to Fiscal Year 2016

Other income (expense), net, increased in 2017 compared to 2016 mainly due to higher foreign exchange gains as a result of the Euro strengthening to the U.S. dollar.

Equity in losses of investee, net of tax (in millions):

	Year Ended			Year Ended		
	December 31, 2018	December 31, 2017	Change	December 31, 2017	December 31, 2016	Change
Equity in losses of investee, net of tax	$ 8.7	$ 3.2	$ 5.5	$ 3.2	$ 1.7	$ 1.5

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Fiscal Year 2018 compared to Fiscal Year 2017

Equity in losses of investee, net of tax increased in 2018 compared to 2017 due to higher losses attributable from our equity method investments including a higher proportional share of the losses due to our additional investment made in the third quarter of 2017.

Fiscal Year 2017 compared to Fiscal Year 2016

Equity in losses of investee, net of tax increased in 2017 compared in 2016 due to a full year of losses attributable to equity method investments as well as a higher share due to our additional investment made in the third quarter of 2017 (*Refer to Note 4 "Equity Method Investments" of the Notes to Consolidated Financial Statements* for details on equity method investments).

Provision for income taxes (in millions):

	Year Ended			Year Ended		
	December 31, 2018	**December 31, 2017**	**Change**	**December 31, 2017**	**December 31, 2016**	**Change**
Provision for income taxes	$ 57.7	$ 130.2	$ (72.5)	$ 130.2	$ 51.2	$ 79.0
Effective tax rates	*12.4%*	*35.7%*		*35.7%*	*21.1%*	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Our provision for income taxes was $57.7 million, $130.2 million and $51.2 million for the year ended December 31, 2018, 2017 and 2016, respectively, representing effective tax rates of 12.4%, 35.7% and 21.1%, respectively.

The decrease in effective tax rate for the year ended December 31, 2018 compared to the same period in 2017 is mainly driven by the provisional amounts recorded in 2017 related to the TCJA that did not recur in 2018, the recognition of tax benefits related to a statute of limitations expiration and the increase in excess tax benefits related to stock-based compensation, offset in part by the unfavorable tax impact of the TCJA including non-deductible officers' compensation and reduced tax benefits from foreign earnings being taxed at a lower rate. For the year ended December 31, 2018, the excess tax benefits related to stock-based compensation we recognized in our provision for income taxes was $26.5 million.

In June 2017, the Costa Rica Ministry of Foreign Trade, an agency of the Government of Costa Rica, granted an extension of certain income tax incentives for an additional twelve year period. Under these incentives, all of the income in Costa Rica is subject to a reduced tax rate. In order to receive the benefit of these incentives, we must hire specified numbers of employees and maintain certain 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. The Costa Rica corporate income tax rate that would apply, absent the incentives, is 30% for 2018, 2017 and 2016. As a result of these incentives, our income taxes were reduced by $2.4 million, $1.8 million and $19.1 million in the year ended December 31, 2018, 2017 and 2016, respectively, representing a benefit to diluted net income per share of $0.03, $0.02 and $0.23 in the year ended December 31, 2018, 2017 and 2016, respectively (*Refer to Note 13 "Accounting for Income Taxes" of the Notes to Consolidated Financial Statements* for details on income taxes).

Liquidity and Capital Resources

We fund our operations from product and services sales. As of December 31, 2018 and 2017, we had the following cash and cash equivalents, and short-term and long-term marketable securities (in thousands):

	Year Ended December 31,	
	2018	**2017**
Cash and cash equivalents	$ 636,899	$ 449,511
Marketable securities, short-term	98,460	272,031
Marketable securities, long-term	9,112	39,948
Total	$ 744,471	$ 761,490

As of December 31, 2018, we had $744.5 million in cash, cash equivalents, and short-term and long-term marketable securities. Cash equivalents and marketable securities are comprised of money market funds and highly liquid debt instruments which primarily include commercial paper, corporate bonds, U.S. government agency bonds, U.S. government treasury bonds and certificates of deposit.

As of December 31, 2018, approximately $312.0 million of cash, cash equivalents and short-term and long-term marketable securities was held by our foreign subsidiaries. We repatriated $360.0 million to the U.S. during the year ended December 31, 2018 and we may further repatriate funds in the future to invest in market expansion opportunities, provide additional working capital, and have greater flexibility to fund our stock repurchase programs (*Refer to Note 13 "Income Taxes" of the Notes to Consolidated Financial Statements* for details).

Cash flows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Net cash provided by (used in):			
Operating activities	$ 554,681	$ 438,539	$ 247,654
Investing activities	6,927	(251,477)	73,028
Financing activities	(369,434)	(135,500)	(95,524)
Effects of foreign exchange rate changes on cash, cash equivalents, and restricted cash	(4,733)	5,544	(3,374)
Net increase in cash, cash equivalents, and restricted cash	$ 187,441	$ 57,106	$ 221,784

Operating Activities

For the year ended December 31, 2018, cash flows from operations of $554.7 million resulted primarily from our net income of approximately $400.2 million as well as the following:

Significant non-cash activities

- Stock-based compensation was $70.8 million related to equity incentive compensation granted to employees and directors;
- Depreciation and amortization of $54.7 million related to our investments in property, plant and equipment and intangible assets; and
- Net change in deferred tax assets of $15.7 million.

Significant changes in working capital

- Increase of $136.4 million in deferred revenues corresponding to the increase in case volume;
- Increase of $109.2 million in accounts receivable which is primarily a result of the increase in net revenues; and
- Decrease of $36.5 million in long-term income tax payable due to timing of payments made to IRS.

For the year ended December 31, 2017, cash flows from operations of $438.5 million resulted primarily from our net income of approximately $231.4 million as well as the following:

Significant non-cash activities

- Stock-based compensation was $58.9 million related to equity incentive compensation granted to employees and directors;
- Depreciation and amortization of $37.7 million related to our investments in property, plant and equipment and intangible assets; and
- Net change in deferred tax assets of $17.6 million.

Significant changes in working capital

- Increase of $91.0 million in accounts receivable which is a result of the increase in net revenues;
- Increase of $79.7 million in deferred revenues corresponding to the increases in case volume;
- Increase of $69.0 million in long-term income tax payable due to the new TCJA enacted on December 22, 2017; and
- Increase of $24.2 million in accrued and other long-term liabilities due to timing of payments and activities.

For the year ended December 31, 2016, cash flows from operations of $247.7 million resulted primarily from our net income of approximately $189.7 million as well as the following:

Significant non-cash activities

- Stock-based compensation was $54.1 million related to our equity incentive compensation granted to employees and directors;

- Depreciation and amortization of $24.0 million related to our investments in property, plant and equipment and intangible assets;
- Excess tax benefits from our share-based compensation arrangements of $16.8 million;
- Net change in deferred tax assets of $16.4 million; and
- Net tax benefits from stock-based compensation of $15.9 million.

Significant changes in working capital

- Increase of $95.8 million in accounts receivable which is a result of the increase in net revenues;
- Increase of $60.7 million in deferred revenues corresponding to the increases in case volume and full year effect of our additional aligner product policy effective in July 2015; and
- Increase of $31.4 million in accrued and other long-term liabilities due to timing of payments and activities.

Investing Activities

Net cash provided by investing activities was $6.9 million for the year ended December 31, 2018, which primarily consisted of maturities and sales of our marketable securities of $384.7 million and loan repayment from equity investee of $30.0 million. These inflows were partially offset by purchases property, plant and equipment of $223.3 million, purchases of marketable securities of $180.2 million and purchases of investments in privately held companies of $5.0 million.

For 2019, we expect to invest $250.0 million to $260.0 million on capital expenditures primarily related to operational expansion and ongoing growth of the business.

Net cash used in investing activities was $251.5 million for the year ended December 31, 2017, which primarily consisted of purchases of marketable securities of $390.2 million, property, plant and equipment purchases of $195.7 million for additional manufacturing capacity and to purchase our new headquarters, $30.0 million of loan advances to equity investee, net of repayments and $12.8 million related to our equity interest investment in SDC. These outflows were partially offset by maturities and sales of marketable securities of $388.8 million.

Net cash provided by investing activities was $73.0 million for the year ended December 31, 2016, which primarily consisted of maturities and sales of our marketable securities of $604.0 million. These inflows were partially offset by purchases of marketable securities of $405.6 million, property, plant and equipment purchases of $70.6 million including the implementation of our new ERP system and $46.7 million related to our equity interest investment in SDC.

Financing Activities

Net cash used in financing activities was $369.4 million for the year ended December 31, 2018 primarily consisted of common stock repurchases of $300.0 million (*Refer to Note 11 "Common Stock Repurchase Programs" of the Notes to Consolidated Financial Statements* for details on stock repurchase programs) and payroll taxes of $86.1 million paid for vesting of restricted stock units ("RSUs") through share withholdings. These outflows were offset in part by $16.6 million from proceeds from the issuance of common stock.

Net cash used in financing activities was $135.5 million for the year ended December 31, 2017 primarily resulting from common stock repurchases of $103.8 million (*Refer to Note 11 "Common Stock Repurchase Programs" of the Notes to Consolidated Financial Statements* for details on stock repurchase programs) and payroll taxes of $46.2 million paid for vesting of RSUs through share withholdings. These outflows were offset in part by $14.5 million from proceeds from the issuance of common stock.

Net cash used in financing activities was $95.5 million for the year ended December 31, 2016 primarily resulting from common stock repurchases of $96.2 million (*Refer to Note 11 "Common Stock Repurchase Programs" of the Notes to Consolidated Financial Statements* for details on stock repurchase programs) and payroll taxes of $29.9 million paid for vesting of RSUs through share withholdings, partially offset by excess tax benefit from our share-based compensation arrangements of $16.8 million and proceeds from issuance of common stock of $13.8 million.

Common Stock Repurchases

Refer to Note 11 "Common Stock Repurchase Programs" of the Notes to Consolidated Financial Statements for details on stock repurchase programs.

◦ *April 2016 Repurchase Program.* In 2018, we repurchased approximately $200.0 million of our common stock on the open market, completing the April 2016 Repurchase Program.

◦ *May 2018 Repurchase Program.* In May 2018, we announced that our Board of Directors had authorized a plan to repurchase up to $600.0 million of our common stock. In August 2018, we repurchased $50.0 million of our common stock on the open market. In November 2018, we entered into an accelerated share repurchase ("2018 ASR") to repurchase $50.0 million of our common stock which was completed in December 2018. As of December 31, 2018, we have $500.0 million remaining under the May 2018 Repurchase Program

We believe that our current cash, cash equivalents and short-term marketable securities 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 and need more funds beyond our available liquid investments and those available under our credit facility, we may need to suspend our stock repurchase programs or 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.

Credit Facility

On February 27, 2018, we entered into a new credit facility for a $200.0 million revolving line of credit, with a $50.0 million letter of credit sublimit, and a maturity date of February 27, 2021, replacing the existing credit facility which provided for a $50.0 million revolving line of credit with a $10.0 million letter of credit. As of December 31, 2018, we had no outstanding borrowings under this credit facility (*Refer to Note 7 "Credit Facility" of the Notes to Consolidated Financial Statements* for details of the credit facility).

Contractual Obligations/Off Balance Sheet Arrangements

The impact that our contractual obligations as of December 31, 2018 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**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Operating lease obligations [1]	$ 106,676	$ 21,429	$ 39,380	$ 27,496	$ 18,371
Unconditional purchase obligations	476,904	166,701	189,523	120,680	—
Total contractual cash obligations	$ 583,580	$ 188,130	$ 228,903	$ 148,176	$ 18,371

[1] Sublease income is not material and excluded from the table above.

Our contractual obligations table above excludes approximately $28.2 million of non-current uncertain tax benefits which are included in other long-term obligations and deferred tax assets on our balance sheet as of December 31, 2018. We have not included this amount because we cannot make a reasonably reliable estimate regarding the timing of settlements with taxing authorities, if any.

We had no material off-balance sheet arrangements as defined in Regulation S-K Item 303(a) (4) as of December 31, 2018 other than certain items disclosed in *Note 9 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements*.

Indemnification Provisions

In the normal course of business to facilitate transactions in our services and products, we indemnify customers, vendors, lessors, and other parties with respect to certain matters, including, but not limited to, services to be provided by us and intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain of our officers that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. Several of these agreements limit the time within which an indemnification claim can be made and the amount of the claim.

It is not possible to make a reasonable estimate of the maximum potential amount under these indemnification agreements due to the unique facts and circumstances involved in each particular agreement. Additionally, we have a limited history of prior indemnification claims and the payments we have made under such agreements have not had a material adverse effect on our results of operations, cash flows, or financial position. However, to the extent that valid indemnification claims arise in the future, future payments by us could be significant and could have a material adverse effect on our results of operations or cash flows in a particular period. As of December 31, 2018, we did not have any material indemnification claims that were probable or reasonably possible.

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 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, goodwill and finite-lived assets and related impairment, 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. For further information on all of our significant accounting policies, see *Note 1 "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements* under Item 8.

Revenue Recognition

Our revenues are derived primarily from the sale of aligners, scanners, and services from our Clear Aligner and Scanner segments. We enter into sales contracts that may consist of multiple distinct performance obligations where certain performance obligations of the sales contract are not delivered in one reporting period. We measure and allocate revenues according to ASC 606-10, "*Revenues from Contracts with Customers.*"

We identify a performance obligation as distinct if both of the following criteria are true: the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. Determining the standalone selling price ("SSP") and allocation of consideration from a contract to the individual performance obligations, and the appropriate timing of revenue recognition, is the result of significant qualitative and quantitative judgments. Management considers a variety of factors such as historical sales, usage rates (the number of times a customer is expected to order additional aligners), costs, and expected margin, which may vary over time depending upon the unique facts and circumstances related to each performance obligation in making these estimates. Further, our process for estimating usage rates require significant judgment and evaluation of inputs, including historical data and forecasted usages. While changes in the allocation of the SSP between performance obligations will not affect the amount of total revenues recognized for a particular contract, any material changes could impact the timing of revenue recognition, which would have a material effect on our financial position and result of operations. This is because the contract consideration is allocated to each performance obligation, delivered or undelivered, at the inception of the contract based on the SSP of each distinct performance obligation.

Clear Aligner

We enter into contracts ("treatment plan(s)") that involve multiple future performance obligations. Invisalign Comprehensive, Invisalign Full, Invisalign Teen, Invisalign First, Invisalign Express 10, Invisalign Express 5, Express Package, Lite Package and Invisalign Assist products include optional additional aligners at no charge for a certain period of time ranging from one to five years after initial shipment, and Invisalign Go includes optional additional aligners at no charge for a period of up to two years after initial shipment.

We determined that our treatment plans comprise the following performance obligations that also represent distinct deliverables: initial aligners, additional aligners, case refinement, and replacement aligners. We elected to take the practical expedient to consider shipping and handling costs as activities to fulfill the performance obligation. We allocate revenues for each treatment plan based on each unit's SSP and recognize the revenues upon shipment, as the customers obtain physical possession and we have enforceable rights to payment. As we collect most consideration upfront, we considered whether a significant financing component exists; however, as the delivery of the performance obligations are at the customer's discretion, we concluded that no significant financing component exists.

Scanner

We sell intraoral scanners and CAD/CAM services through both our direct sales force and distribution partners. The intraoral scanner sales price includes one year of warranty and unlimited scanning services. The customer may also select, for additional fees, extended warranty and unlimited scanning services for periods beyond the initial year. When intraoral scanners are sold with an unlimited scanning service agreement and/or extended warranty, we allocate revenues based on the respective SSPs of the scanner and the subscription service. We estimate the SSP of each element, taking into consideration historical prices as well as our discounting strategies. Revenues are then recognized over time as the monthly services are rendered and upon shipment for the scanner, as that is when we deem the customer to have obtained control. Most consideration is collected upfront and in cases where there are payment plans, consideration is collected by the one year mark and, therefore, there are no significant financing components.

Warranties

For both Clear Aligner and Scanner segments, we offer an assurance warranty which provides the customer assurance that the product will function as the parties intended because it complies with agreed-upon specifications, and thus is not treated as a separate performance obligation and will continue to be accrued in accordance with the Financial Accounting Standards Board guidance on guarantees.

Volume Discounts

In certain situations, we offer promotions in which the discount will increase depending upon the volume purchased over time. We concluded that in these situations, the promotions can represent either variable consideration or options, depending upon the specifics of the promotion. In the event the promotion contains an option, the option is considered a material right and, therefore, included in the accounting for the initial arrangement. We estimate the average anticipated discount over the lifetime of the promotion or contract, and apply that discount to each unit as it is sold. On a quarterly basis, we review our estimates and, if needed, updates are made and changes are applied prospectively.

Accrued Sales Return Reserve

We accrue for sales return reserve based on historical sales returns as a percentage of revenue.

Costs to Obtain a Contract

We offer a variety of commission plans to our salesforce; each plan has multiple components. To match the costs to obtain a contract to the associated revenue, we evaluate the individual components and capitalize the eligible components, recognizing the costs over the treatment period.

Unfulfilled Performance Obligations for Clear Aligners and Scanners

Our unfilled performance obligations as of December 31, 2018 and the estimated revenues expected to be recognized in the future related to these performance obligations are $431.8 million. This includes performance obligations from the Clear Aligner segment, primarily the shipment of additional aligners, which are fulfilled over one to five years, and performance obligations from the iTero scanner segment, primarily support, and contracted deliveries of additional scanners, which are fulfilled over one to five years. The estimate includes both product and service unfulfilled performance obligations and the time range reflects our best estimate of when we will transfer control to the customer and may change based on customer usage patterns, timing of shipments, readiness of customers' facilities for installation, and manufacturing availability.

Contract Balances

The timing of revenue recognition results in deferred revenues being recognized on our Consolidated Balance Sheet. For both aligners and scanners, we usually collect the total consideration owed prior to all performance obligations being performed with payment terms varying from net 30 to net 180 days. Contract liabilities are recorded as deferred revenue balances, which are generated based upon timing of invoices and recognition patterns, not payments. If the revenue recognition exceeds the billing, the exceeded amount is considered unbilled receivable and a contract asset. Conversely, if the billing occurs prior to the revenue recognition, the amount is considered deferred revenue and a contract liability.

Goodwill and Finite-Lived Acquired Intangible Assets and Long-Lived Assets

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 and is allocated to the respective reporting units based on relative synergies generated.

We evaluate goodwill for impairment at least annually on November 30th or more frequently if indicators are present, an event occurs or changes in circumstances suggest an impairment may exist and that it would more likely than not reduce the fair value of a reporting unit below its carrying amount. The allocation of goodwill to the respective reporting unit is based on relative synergies generated as a result of an acquisition.

We perform an initial assessment of qualitative factors to determine whether the existence of events and circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In performing the qualitative assessment, we identify and consider the significance of relevant key factors, events, and circumstances that affect the fair value of our reporting units. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as our actual and planned financial performance. We also give consideration to the difference between the reporting unit fair value and carrying value as of the most recent date a fair value measurement was performed. If, after assessing the totality of relevant events and circumstances, we determine that it is more likely than not that the fair value of the reporting unit exceeds its carrying value and there is no indication of impairment, no further testing is performed; however, if we conclude otherwise, the first step of the two-step impairment test is performed by estimating the fair value of the reporting unit and comparing it with its carrying value, including goodwill. Refer to *Note 6 "Goodwill and Intangible Assets" of Notes to Consolidated Financial Statements* for details on goodwill.

Finite-Lived Intangible Assets and Long-Lived Assets

Our intangible assets primarily consist of intangible assets acquired as part of acquisitions and are amortized using the straight-line method over their estimated useful lives, reflecting the period in which the economic benefits of the assets are expected to be realized.

We evaluate long-lived assets (including finite-lived intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. An asset or asset group is considered impaired if its carrying amount exceeds the future undiscounted net cash flows the asset or asset group is expected to generate. If an asset or asset group is considered to be impaired, the impairment to be recognized is calculated as the amount by which the carrying amount of the asset or asset group exceeds its fair market value. Our estimates of future cash flows attributable to our long-lived assets require significant judgment based on our historical and anticipated results and are subject to many factors. Factors we consider important which could trigger an impairment review include significant negative industry or economic trends, significant loss of customers and changes in the competitive environment. The estimation of fair value utilizing a discounted cash flow approach includes numerous uncertainties which require our significant judgment when making assumptions of expected growth rates and the selection of discount rates, as well as assumptions regarding general economic and business conditions, and the structure that would yield the highest economic value, among other factors. Refer to *Note 6 "Goodwill and Intangible Assets" of Notes to Consolidated Financial Statements* for details of the impairment analysis.

Accounting for Income Taxes

We make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our current tax exposure under the applicable tax laws and assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities which are included in our Consolidated Balance Sheet.

We account for uncertainty in income taxes pursuant to authoritative guidance based on a two-step approach to recognize and measure uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit based on its technical merits, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We adjust reserves for our uncertain tax positions due to changing facts and circumstances, such as the closing of a tax audit or refinement of estimates due to new information. To the extent that the final outcome of these matters is different than the amounts recorded, such differences will impact our tax provision in our Consolidated Statement of Operation in the period in which such determination is made.

We assess the likelihood that we will be able to realize our deferred tax assets. Should there be a change in our ability to realize 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 realize our deferred tax assets. 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. If it is more likely than not that we will not realize our deferred tax assets, we will increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be realized.

The U.S. Tax Cuts and Jobs Act was enacted into law on December 22, 2017 which included provisions for certain foreign-sourced earnings referred to as Global Intangible Low-Taxed Income (“GILTI”). GILTI imposes a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. FASB guidance issued in January 2018 allows companies to make an accounting policy election to either (i) account for GILTI as a component of tax expense in the period in which the tax is incurred (the “period cost method”), or (ii) account for GILTI in the measurement of deferred taxes (the “deferred method”). We have made the election to record GILTI tax using the period cost method.

Recent Accounting Pronouncements

See *Note 1* “*Summary of Significant Accounting Policies” of the Notes to Consolidated Financial Statements* in *Item 8* for a discussion 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 investments include fixed-rate short-term and long-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, 2018, we had approximately $107.6 million invested in available-for-sale marketable securities. An immediate 10% change in interest rates would not have a material adverse impact on our future operating results and cash flows.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We do not have material interest bearing liabilities as of December 31, 2018, and, therefore, we are not subject to risks from immediate interest rate increases.

Currency Rate Risk

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 generally sell our products in the local currency of the respective countries. This provides some natural hedging because most of the subsidiaries' operating expenses are generally denominated in their local currencies. Regardless of this natural hedging, our results of operations may be adversely impacted by exchange rate fluctuations.

In March 2018, we started entering into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on cash and certain trade and intercompany receivables and payables. These forward contracts are not designated as hedging instruments and do not subject us to material balance sheet risk due to fluctuations in foreign currency exchange rates. The gains and losses on these forward contracts are intended to offset the gains and losses in the underlying foreign currency denominated monetary assets and liabilities being economically hedged. These instruments are marked to market through earnings every period and generally are one month in original maturity. We do not enter into foreign currency forward contracts for trading or speculative purposes. As our international operations grow, we will continue to reassess our approach to managing the risks relating to fluctuations in currency rates. It is difficult to predict the impact forward contracts could have on our results of operations. The fair value of foreign exchange forward contracts outstanding as of December 31, 2018 was not material.

Although we will continue to monitor our exposure to currency fluctuations, and, where appropriate, may use forward contracts to minimize the effect of these fluctuations, the impact of an aggregate change of 10% in foreign currency exchange rates relative to the U.S. dollar on our results of operations and financial position could be material.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Quarterly Results of Operations

	Three Months Ended							
	2018				2017			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	(in thousands, except per share data) (unaudited)							
Net revenues	$ 534,020	$ 505,289	$ 490,259	$ 436,924	$ 421,323	$ 385,267	$ 356,482	$ 310,341
Gross profit	383,096	371,781	365,582	327,408	317,917	292,488	270,917	235,625
Income from operations	120,473	125,208	122,691	98,192	109,606	98,763	83,569	61,673
Net income	97,392	100,872	106,105	95,866	10,264	82,555	69,179	69,420
Net income per share:								
Basic	$ 1.22	$ 1.26	$ 1.32	$ 1.20	$ 0.13	$ 1.03	$ 0.86	$ 0.87
Diluted	$ 1.20	$ 1.24	$ 1.30	$ 1.17	$ 0.13	$ 1.01	$ 0.85	$ 0.85
Shares used in computing net income per share:								
Basic	79,891	80,111	80,216	80,036	80,080	80,163	80,188	79,904
Diluted	80,943	81,359	81,471	81,628	81,863	81,789	81,631	81,534

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Management on Internal Control over Financial Reporting	54
Report of Independent Registered Public Accounting Firm	55
Consolidated Statements of Operations for the year ended December 31, 2018, 2017 and 2016	57
Consolidated Statements of Comprehensive Income for the year ended December 31, 2018, 2017 and 2016	58
Consolidated Balance Sheets as of December 31, 2018 and 2017	59
Consolidated Statements of Stockholders' Equity for the year ended December 31, 2018, 2017 and 2016	60
Consolidated Statements of Cash Flows for the year ended December 31, 2018, 2017 and 2016	61
Notes to Consolidated Financial Statements	62

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. Our internal control over financial reporting is designed by, or under supervision of, our CEO and CFO, and effected by the board of directors, management and other personnel 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 Align;
- 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 Align are being made only in accordance with authorizations of management and directors of Align; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Align'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 or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment, management has concluded that, as of December 31, 2018, our internal control over financial reporting was effective based on criteria in *Internal Control - Integrated Framework (2013) issued by the COSO*.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/S/ JOSEPH M. HOGAN

Joseph M. Hogan
President and Chief Executive Officer
February 28, 2019

/S/ JOHN F. MORICI

John F. Morici
Chief Financial Officer and Senior Vice President, Global Finance
February 28, 2019

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Align Technology, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Align Technology, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for certain elements of its employee share-based payments in 2017.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, 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 the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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, California
February 28, 2019

We have served as the Company's auditor since 1997.

ALIGN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Net revenues	$ 1,966,492	$ 1,473,413	$ 1,079,874
Cost of net revenues	518,625	356,466	264,580
Gross profit	1,447,867	1,116,947	815,294
Operating expenses:			
Selling, general and administrative	852,404	665,777	490,653
Research and development	128,899	97,559	75,720
Total operating expenses	981,303	763,336	566,373
Income from operations	466,564	353,611	248,921
Interest income	8,576	6,948	4,213
Other income (expense), net	(8,489)	4,240	(10,568)
Net income before provision for income taxes and equity in losses of investee	466,651	364,799	242,566
Provision for income taxes	57,723	130,162	51,200
Equity in losses of investee, net of tax	8,693	3,219	1,684
Net income	$ 400,235	$ 231,418	$ 189,682
Net income per share:			
Basic	$ 5.00	$ 2.89	$ 2.38
Diluted	$ 4.92	$ 2.83	$ 2.33
Shares used in computing net income per share:			
Basic	80,064	80,085	79,856
Diluted	81,357	81,832	81,484

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

ALIGN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2018	**2017**	**2016**
Net income	$ 400,235	$ 231,418	$ 189,682
Net change in foreign currency translation adjustment	(3,631)	1,741	(670)
Change in unrealized gains (losses) on investments, net of tax	286	(232)	712
Other comprehensive income (loss)	(3,345)	1,509	42
Comprehensive income	$ 396,890	$ 232,927	$ 189,724

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,	
	2018	**2017**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 636,899	$ 449,511
Marketable securities, short-term	98,460	272,031
Accounts receivable, net of allowance for doubtful accounts of $2,378 and $5,814, respectively	439,009	324,189
Inventories	55,641	31,688
Prepaid expenses and other current assets	72,470	80,948
Total current assets	1,302,479	1,158,367
Marketable securities, long-term	9,112	39,948
Property, plant and equipment, net	521,329	348,793
Equity method investments	45,913	54,606
Goodwill and intangible assets, net	81,949	89,068
Deferred tax assets	64,689	49,334
Other assets	26,987	43,893
Total assets	$ 2,052,458	$ 1,784,009
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 64,256	$ 36,776
Accrued liabilities	234,679	195,562
Deferred revenues	393,138	267,713
Total current liabilities	692,073	500,051
Income tax payable	78,008	114,091
Other long-term liabilities	29,486	15,579
Total liabilities	799,567	629,721
Commitments and contingencies (*Notes 8 and 9*)		
Stockholders' equity:		
Preferred stock, $0.0001 par value (5,000 shares authorized; none issued)	—	—
Common stock, $0.0001 par value (200,000 shares authorized; 79,778 and 80,040 issued and outstanding, respectively)	8	8
Additional paid-in capital	877,514	886,435
Accumulated other comprehensive income (loss), net	(2,774)	571
Retained earnings	378,143	267,274
Total stockholders' equity	1,252,891	1,154,288
Total liabilities and stockholders' equity	$ 2,052,458	$ 1,784,009

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

ALIGN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss), Net	Retained Earnings	Total
	Shares	Amount				
Balances at December 31, 2015	79,500	$ 8	$ 821,507	$ (980)	$ 27,391	$ 847,926
Cumulative effect adjustment from adoption of ASU 2014-09	—	—	—	—	3,918	3,918
Net income	—	—	—	—	189,682	189,682
Net change in unrealized gains (losses) from investments	—	—	—	712	—	712
Net change in foreign currency translation adjustment	—	—	—	(670)	—	(670)
Issuance of common stock relating to employee equity compensation plans	1,163	—	13,778	—	—	13,778
Tax withholdings related to net share settlements of restricted stock units	—	—	(29,857)	—	—	(29,857)
Common stock repurchased and retired	(1,110)	—	(10,593)	—	(85,625)	(96,218)
Net tax benefits from stock-based awards	—	—	15,888	—	—	15,888
Stock-based compensation	—	—	54,148	—	—	54,148
Balances at December 31, 2016	79,553	8	864,871	(938)	135,366	999,307
Cumulative effect adjustment from adoption of ASU 2016-16	—	—	—	—	(1,300)	(1,300)
Net income	—	—	—	—	231,418	231,418
Net change in unrealized gains (losses) from investments	—	—	—	(232)	—	(232)
Net change in foreign currency translation adjustment	—	—	—	1,741	—	1,741
Issuance of common stock relating to employee equity compensation plans	1,073	—	14,461	—	—	14,461
Tax withholdings related to net share settlements of restricted stock units	—	—	(46,168)	—	—	(46,168)
Common stock repurchased and retired	(586)	—	(5,583)	—	(98,210)	(103,793)
Stock-based compensation	—	—	58,854	—	—	58,854
Balances at December 31, 2017	80,040	8	886,435	571	267,274	1,154,288
Net income	—	—	—	—	400,235	400,235
Net change in unrealized gains (losses) from investments	—	—	—	286	—	286
Net change in foreign currency translation adjustment	—	—	—	(3,631)	—	(3,631)
Issuance of common stock relating to employee equity compensation plans	795	—	16,635	—	—	16,635
Tax withholdings related to net share settlements of restricted stock units	—	—	(86,067)	—	—	(86,067)
Common stock repurchased and retired	(1,057)	—	(10,252)	—	(289,750)	(300,002)
Stock-based compensation	—	—	70,763	—	—	70,763
Other	—	—	—	—	384	384
Balances at December 31, 2018	79,778	$ 8	$ 877,514	$ (2,774)	$ 378,143	$ 1,252,891

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

ALIGN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2018	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 400,235	$ 231,418	$ 189,682
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred taxes	(15,680)	17,572	(16,401)
Depreciation and amortization	54,727	37,739	24,002
Stock-based compensation	70,763	58,854	54,148
Net tax benefits from stock-based awards	—	—	15,888
Excess tax benefit from share-based payment arrangements	—	—	(16,773)
Equity in losses of investee	8,693	3,219	1,684
Other non-cash operating activities	17,252	13,847	12,031
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(109,224)	(90,990)	(95,808)
Inventories	(24,109)	(5,481)	(7,663)
Prepaid expenses and other assets	(9,122)	(8,669)	(9,390)
Accounts payable	25,045	8,175	(3,395)
Accrued and other long-term liabilities	36,250	24,235	31,371
Long-term income tax payable	(36,548)	68,958	7,622
Deferred revenues	136,399	79,662	60,656
Net cash provided by operating activities	554,681	438,539	247,654
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(223,312)	(195,695)	(70,576)
Purchase of marketable securities	(180,191)	(390,244)	(405,612)
Proceeds from maturities of marketable securities	375,105	349,240	387,873
Proceeds from sales of marketable securities	9,560	39,536	216,119
Purchases of investments in privately held companies	(5,000)	(12,764)	(46,745)
Loan advances to equity investee	—	(36,000)	—
Loan repayment from equity investee	30,000	6,000	—
Acquisition, net of cash acquired	—	(8,953)	—
Other investing activities	765	(2,597)	(8,031)
Net cash provided by (used in) investing activities	6,927	(251,477)	73,028
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	16,635	14,461	13,778
Common stock repurchases	(300,002)	(103,793)	(96,218)
Excess tax benefit from share-based payment arrangements	—	—	16,773
Employees’ taxes paid upon the vesting of restricted stock units	(86,067)	(46,168)	(29,857)
Net cash used in financing activities	(369,434)	(135,500)	(95,524)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	(4,733)	5,544	(3,374)
Net increase in cash, cash equivalents, and restricted cash	187,441	57,106	221,784
Cash, cash equivalents, and restricted cash at beginning of year	450,125	393,019	171,235
Cash, cash equivalents, and restricted cash at end of year	$ 637,566	$ 450,125	$ 393,019

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. (“We”, “Our”, or “Align”) was incorporated in April 1997 in Delaware. Align is a global medical device company engaged in the design, manufacture and marketing of Invisalign® clear aligners and iTero® intraoral scanners and services for orthodontics and restorative and aesthetic dentistry. Align’s products are intended primarily for the treatment of malocclusion or the misalignment of teeth and are designed to help dental professionals achieve the clinical outcomes that they expect. We are headquartered in San Jose, California with offices worldwide. Our Americas regional headquarters is located in Raleigh, North Carolina; our European regional headquarters is located in Amsterdam, the Netherlands; and our Asia Pacific regional headquarters is located in Singapore. We have two operating segments: (1) Clear Aligner, known as the Invisalign System, and (2) Scanners and Services ("Scanner"), known as the iTero intraoral scanner and OrthoCAD services.

Basis of Presentation and Preparation

The consolidated financial statements include the accounts of Align and our wholly-owned subsidiaries after elimination of intercompany transactions and balances.

During fiscal year 2018, we adopted Accounting Standards Codification (“ASC”) 606, “*Revenues from Contracts with Customers,*” using the full retrospective method and Accounting Standards Update (“ASU”) 2016-18, “*Statement of Cash Flows - Restricted Cash,*” on a retrospective basis. The Consolidated Balance Sheet as of December 31, 2017, Consolidated Statements of Cash Flow for the year ended December 31, 2017 and 2016, and Consolidated Statements of Stockholders' Equity for the year ended December 31, 2017 and 2016 have been recast to comply with the adoption of these standards.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the U.S. requires our 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. On an ongoing basis, we evaluate our estimates, including those related to the fair values of financial instruments, valuation of investments in privately held companies, useful lives of intangible assets and property and equipment, revenue recognition, stock-based compensation, long-lived assets and goodwill, income taxes and contingent liabilities, among others. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Fair Value of Financial Instruments

We measure the fair value of financial assets 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. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities.

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.

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

Cash and Cash Equivalents

We consider currency on hand, demand deposits, time deposits, and all highly liquid investments with an original or remaining maturity of three months or less at the date of purchase to be cash and cash equivalents. Cash and cash equivalents are held in various financial institutions in the U.S. and internationally.

Restricted Cash

The restricted cash primarily consists of funds reserved for legal requirements. Restricted cash balances are included in other current assets and other assets within our Consolidated Balance Sheet.

Marketable Securities

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), net 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), net, as incurred. We periodically evaluate these investments for other-than-temporary impairment.

Variable Interest Entities

We evaluate whether an entity in which we have made an investment is considered a variable interest entity ("VIE"). If we determine we are the primary beneficiary of a VIE, we would consolidate the VIE into our financial statements. In determining if we are the primary beneficiary, we evaluate whether we have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our evaluation includes identification of significant activities and an assessment of our ability to direct those activities based on governance provisions and arrangements to provide or receive product and process technology, product supply, operations services, equity funding, financing, and other applicable agreements and circumstances. Our assessments of whether we are the primary beneficiary of a VIE require significant assumptions and judgments. We have concluded that we are not the primary beneficiary of our VIE investments; therefore, we do not consolidate their results into our consolidated financial statements.

Investments in Privately Held Companies

Investments in privately held companies in which we can exercise significant influence but do not own a majority equity interest or otherwise control are accounted for under ASC 323, "*Investments -Equity Method and Joint Ventures*." Equity securities qualified as equity method investments are reported on our Consolidated Balance Sheet as a single amount, and we record our share of their operating results within equity in losses of investee, net of tax, in our Consolidated Statement of Operations. Investments in privately held companies in which we cannot exercise significant influence and do not own a majority equity interest or otherwise control are accounted for under ASC 321, "*Investments -Equity Securities*." The equity securities without readily determinable fair values are recorded at cost and adjusted for impairments and observable price changes with a same or similar security from the same issuer ("Measurement Alternative"). Equity securities under ASC 321 are reported on our Consolidated Balance Sheet as other assets, and we record a change in carrying value of our equity securities, if any, in other income (expense), net in our Consolidated Statement of Operations.

Equity securities are evaluated for impairment as events or circumstances indicate that there is an other-than-temporary loss in value. The decrease in value is recognized in the period the impairment occurs and recorded in other income (expense), net in the Consolidated Statement of Operations.

Derivative Financial Instruments

We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations associated with certain assets and liabilities. These forward contracts are not designated as hedging instruments and do not subject us to material balance sheet risk due to fluctuations in foreign currency exchange rates. The gains and losses on these forward contracts are intended to offset the gains and losses in the underlying foreign currency denominated monetary assets

and liabilities being economically hedged. We do not enter into foreign currency forward contracts for trading or speculative purposes. The net gain or loss from the settlement of these foreign currency forward contracts is recorded in other income (expense), net in the Consolidated Statement of Operations.

Foreign Currency

For our international subsidiaries, we analyze on an annual basis or more often if necessary, if a significant change in facts and circumstances indicate that the functional currency has changed. For international subsidiaries where the local currency is the functional currency, adjustments from translating financial statements from the local currency to the U.S. dollar reporting currency are recorded as a separate component of accumulated other comprehensive income (loss), net in the stockholders' equity section of the Consolidated Balance Sheet. 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. The foreign currency revaluation that are derived from monetary assets and liabilities stated in a currency other than functional currency are included in other income (expense), net. For the year ended December 31, 2018, 2017 and 2016, we had foreign currency net gains (losses) of $(5.6) million, $9.0 million and $(8.0) million, respectively.

Certain Risks and Uncertainties

Our operating results depend to a significant extent on our ability to market and develop our products. The life cycles of our products are difficult to estimate due, in part, to the effect of future product enhancements and competition. Our inability to successfully develop and market our products as a result of competition or other factors would have a material adverse effect on our business, financial condition and results of operations.

Our cash and investments are held primarily by three financial institutions. Financial instruments which potentially expose us to concentrations of credit risk consist primarily of cash equivalents and marketable securities. We invest excess cash primarily in money market funds, commercial paper, corporate bonds, U.S. government agency bonds, U.S. government treasury bonds and certificates of deposits. 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 adversely affect 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. economy.

We provide 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. We maintain reserves for potential credit losses and such losses have been within management's expectations. No individual customer accounted for 10% or more of our accounts receivable at December 31, 2018 or 2017, or net revenues for the year ended December 31, 2018, 2017 or 2016.

In the U.S., the Food and Drug Administration ("FDA") regulates the design, manufacture, distribution, pre-clinical and clinical study, clearance and approval of medical devices. Products developed by us may require approvals or clearances from the FDA or other international regulatory agencies prior to commercialized sales. There can be no assurance that our products will receive any of the required approvals or clearances. If we were denied approval or clearance or such approval was delayed, it may have a material adverse impact on us.

We have manufacturing facilities located outside the U.S. In Juarez, Mexico and Ziyang, China, we manufacture our clear aligners, distribute and repair our scanners and perform our computer-aided design/computer-aided manufacturing ("CAD/CAM") services. In Or Yehuda, Israel, we produce our handheld intraoral scanner wand and perform the final assembly of our iTero scanner. Our digital treatment plans using a sophisticated, internally developed computer-modeling program are located in multiple international locations to support our customers within the regions. Our reliance on international operations exposes us to related risks and uncertainties, including difficulties in staffing and managing international operations such as hiring and retaining qualified personnel; controlling production volume and quality of manufacture; political, social and economic instability; 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, our international manufacturing operations, as well as our operating results, may be harmed.

We purchase certain inventory from sole suppliers. Additionally, we rely on a limited number of hardware manufacturers. The inability of any supplier or manufacturer to fulfill our supply requirements could materially and adversely impact our future operating results.

Inventories

Inventories are valued at the lower of cost or net realizable value, with cost computed using either standard cost, which approximates actual cost, or average cost on a first-in-first-out basis. Excess and obsolete inventories are determined primarily based on future demand forecasts, and write-downs of excess and obsolete inventories are recorded as a component of cost of net revenues.

Property, Plant and Equipment

Property, plant 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. Construction in progress ("CIP") is related to the construction or development of property (including land) and equipment that have not yet been placed in service for their intended use. Upon sale or retirement, the asset's cost and related accumulated depreciation are removed from the balance sheet and any related gains or losses are reflected in income from operations. Maintenance and repairs are expensed as incurred. *Refer to Note 3 "Balance Sheet Components" of the Notes of Consolidated Financial Statements* for details on estimated useful lives.

Goodwill and Finite-Lived Acquired Intangible Assets

Goodwill represents the excess of the purchase price paid over the fair value of tangible and identifiable intangible net assets acquired in business combinations and is allocated to the respective reporting units based on relative synergies generated.

Our intangible assets primarily consist of intangible assets acquired as part of our acquisitions. These assets are amortized using the straight-line method over their estimated useful lives ranging from one to fifteen years, reflecting the period in which the economic benefits of the assets are expected to be realized.

Impairment of Goodwill and Long-Lived Assets

Goodwill

We evaluate goodwill for impairment at least annually on November 30th or more frequently if indicators are present, an event occurs or changes in circumstances suggest an impairment may exist and that it would more likely than not reduce the fair value of a reporting unit below its carrying amount. The allocation of goodwill to the respective reporting units is based on relative synergies generated as a result of an acquisition.

We perform an initial assessment of qualitative factors to determine whether the existence of events and circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In performing the qualitative assessment, we identify and consider the significance of relevant key factors, events, and circumstances that affect the fair value of our reporting units. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as our actual and planned financial performance. We also give consideration to the difference between the reporting unit fair value and carrying value as of the most recent date a fair value measurement was performed. If, after assessing the totality of relevant events and circumstances, we determine that it is more likely than not that the fair value of the reporting unit exceeds its carrying value and there is no indication of impairment, no further testing is performed; however, if we conclude otherwise, the first step of the two-step impairment test is performed by estimating the fair value of the reporting unit and comparing it with its carrying value, including goodwill.

Step one of the goodwill impairment test consists of a comparison of the fair value of a reporting unit against its carrying amount, including the goodwill allocated to each reporting unit. We determine the fair value of our reporting units based on the present value of estimated future cash flows under the income approach of the reporting units as well as various price or market multiples applied to the reporting unit's operating results along with the appropriate control premium under the marketing approach, both of which are classified as level 3 within the fair value hierarchy as described in *Note 2 "Marketable Securities and Fair Value*

Measurements" of the Notes of Consolidated Financial Statements. If the carrying amount of the reporting unit is in excess of its fair value, step two requires the comparison of the implied fair value of the reporting unit's goodwill against the carrying amount of the reporting unit's goodwill. Any excess of the carrying value of the reporting unit's goodwill over the implied fair value of the reporting unit's goodwill is recorded as an impairment loss in the Consolidated Statements of Operations.

Finite-Lived Intangible Assets and Long-Lived Assets

We evaluate long-lived assets (including finite-lived intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. An asset or asset group is considered impaired if its carrying amount exceeds the future undiscounted net cash flows that the asset or asset group is expected to generate. Factors we consider important which could trigger an impairment review include significant negative industry or economic trends, significant loss of customers and changes in the competitive environment. If an asset or asset group is considered to be impaired, the impairment to be recognized is calculated as the amount by which the carrying amount of the asset or asset group exceeds its fair market value. Our estimates of future cash flows attributable to our long-lived assets require significant judgment based on our historical and anticipated results and are subject to many assumptions. The estimation of fair value utilizing a discounted cash flow approach includes numerous uncertainties which require our significant judgment when making assumptions of expected growth rates and the selection of discount rates, as well as assumptions regarding general economic and business conditions, and the structure that would yield the highest economic value, among other factors. *Refer to Note 6 "Goodwill and Intangible Assets" of the Notes of Consolidated Financial Statements* for details on intangible long-lived assets.

Development Costs for Internal Use Software

Internally developed software includes enterprise-level business software that we customize to meet our specific operational needs. Such capitalized costs include external direct costs utilized in developing or obtaining the applications and payroll and payroll-related costs for employees, who are directly associated with the development of the applications. During the year ended December 31, 2018, we capitalized approximately $2.7 million of internally developed software costs. Internally developed software costs capitalized during the year ended December 31, 2017 was not material.

The costs to develop software that is marketed externally have not been capitalized as we believe our current software development process is essentially completed concurrent with the establishment of technological feasibility. As such, all related software development costs are expensed as incurred and included in research and development expense in our Consolidated Statement of Operations.

Product Warranty

Clear Aligner

We warrant our Invisalign products against material defects until the treatment plan is complete. We warrant clear aligners manufactured for SmileDirectClub, LLC ("SDC") against material defects for one year. We accrue for warranty costs in cost of net revenues upon shipment of products. The estimated warranty costs liability is primarily based on historical experience as to product failures as well as current information on replacement costs. Actual warranty costs could differ materially from the estimated amounts. We regularly review our warranty liability and update these balances based on historical warranty cost trends.

Scanners and Services

We warrant our intraoral scanners for a period of one year, which include materials and labor. We accrue for these warranty costs based on average historical repair costs. An extended warranty may be purchased for additional fees.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for customers that are not able to make payments. We periodically review these balances, including an analysis of the customers' payment history and information regarding the customers' creditworthiness. Actual write-offs have not materially differed from the estimated allowances.

Revenue Recognition

Our revenues are derived primarily from the sale of aligners, scanners, and services from our Clear Aligner and Scanner segments. We enter into sales contracts that may consist of multiple distinct performance obligations where certain performance obligations of the sales contract are not delivered in one reporting period. We measure and allocate revenues according to ASC 606-10, "*Revenues from Contracts with Customers.*"

We identify a performance obligation as distinct if both of the following criteria are true: the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. Determining the standalone selling price ("SSP") and allocation of consideration from a contract to the individual performance obligations, and the appropriate timing of revenue recognition, is the result of significant qualitative and quantitative judgments. Management considers a variety of factors such as historical sales, usage rates (the number of times a customer is expected to order additional aligners), costs, and expected margin, which may vary over time depending upon the unique facts and circumstances related to each performance obligation in making these estimates. Further, our process for estimating usages rates require significant judgment and evaluation of inputs, including historical data and forecasted usages. While changes in the allocation of the SSP between performance obligations will not affect the amount of total revenues recognized for a particular contract, any material changes could impact the timing of revenue recognition, which would have a material effect on our financial position and result of operations. This is because the contract consideration is allocated to each performance obligation, delivered or undelivered, at the inception of the contract based on the SSP of each distinct performance obligation.

Clear Aligner

We enter into contracts ("treatment plan(s)") that involve multiple future performance obligations. Invisalign Comprehensive, Invisalign Full, Invisalign Teen, Invisalign First, Invisalign Express 10, Invisalign Express 5, Express Package, Lite Package and Invisalign Assist products include optional additional aligners at no charge for a certain period of time ranging from one to five years after initial shipment, and Invisalign Go includes optional additional aligners at no charge for a period of up to two years after initial shipment.

We determined that our treatment plans comprise the following performance obligations that also represent distinct deliverables: initial aligners, additional aligners, case refinement, and replacement aligners. We elected to take the practical expedient to consider shipping and handling costs as activities to fulfill the performance obligation. We allocate revenues for each treatment plan based on each unit's SSP and recognize the revenues upon shipment, as the customers obtain physical possession and we have enforceable rights to payment. As we collect most consideration upfront, we considered whether a significant financing component exists; however, as the delivery of the performance obligations are at the customer's discretion, we concluded that no significant financing component exists.

Scanner

We sell intraoral scanners and CAD/CAM services through both our direct sales force and distribution partners. The intraoral scanner sales price includes one year of warranty and unlimited scanning services. The customer may also select, for additional fees, extended warranty and unlimited scanning services for periods beyond the initial year. When intraoral scanners are sold with an unlimited scanning service agreement and/or extended warranty, we allocate revenues based on the respective SSPs of the scanner and the subscription service. We estimate the SSP of each element, taking into consideration historical prices as well as our discounting strategies. Revenues are then recognized over time as the monthly services are rendered and upon shipment for the scanner, as that is when we deem the customer to have obtained control. Most consideration is collected upfront and in cases where there are payment plans, consideration is collected by the one year mark and, therefore, there are no significant financing components.

Warranties

For both Clear Aligner and Scanner segments, we offer an assurance warranty which provides the customer assurance that the product will function as the parties intended because it complies with agreed-upon specifications, and thus is not treated as a separate performance obligation and will continue to be accrued in accordance with the Financial Accounting Standards Board ("FASB") guidance on guarantees.

Volume Discounts

In certain situations, we offer promotions in which the discount will increase depending upon the volume purchased over time. We concluded that in these situations, the promotions can represent either variable consideration or options, depending upon the specifics of the promotion. In the event the promotion contains an option, the option is considered a material right and, therefore, included in the accounting for the initial arrangement. We estimate the average anticipated discount over the lifetime of the promotion or contract, and apply that discount to each unit as it is sold. On a quarterly basis, we review our estimates and, if needed, updates are made and changes are applied prospectively.

Accrued Sales Return Reserve

We accrue for sales return reserve based on historical sales returns as a percentage of revenue.

Costs to Obtain a Contract

We offer a variety of commission plans to our salesforce; each plan has multiple components. To match the costs to obtain a contract to the associated revenue, we evaluate the individual components and capitalize the eligible components, recognizing the costs over the treatment period.

Unfulfilled Performance Obligations for Clear Aligners and Scanners

Our unfilled performance obligations as of December 31, 2018 and the estimated revenues expected to be recognized in the future related to these performance obligations are $431.8 million. This includes performance obligations from the Clear Aligner segment, primarily the shipment of additional aligners, which are fulfilled over one to five years, and performance obligations from the iTero scanner segment, primarily support, and contracted deliveries of additional scanners, which are fulfilled over one to five years. The estimate includes both product and service unfulfilled performance obligations and the time range reflects our best estimate of when we will transfer control to the customer and may change based on customer usage patterns, timing of shipments, readiness of customers' facilities for installation, and manufacturing availability.

Contract Balances

The timing of revenue recognition results in deferred revenues being recognized on our Consolidated Balance Sheet. For both aligners and scanners, we usually collect the total consideration owed prior to all performance obligations being performed with payment terms varying from net 30 to net 180 days. Contract liabilities are recorded as deferred revenue balances, which are generated based upon timing of invoices and recognition patterns, not payments. If the revenue recognition exceeds the billing, the exceeded amount is considered unbilled receivable and a contract asset. Conversely, if the billing occurs prior to the revenue recognition, the amount is considered deferred revenue and a contract liability.

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 net revenues.

Legal Proceedings and Litigations

We are involved in legal proceedings on an ongoing basis. If we believe that a loss arising from such matters is probable and can be reasonably estimated, we accrue the estimated loss in our consolidated financial statements. If only a range of estimated losses can be determined, we accrue an amount within the range that, in our judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, we accrue the low end of the range.

Research and Development

Research and development expense is expensed as incurred and includes the costs associated with the research and development of new products and enhancements to existing products. These costs primarily include personnel-related costs, including payroll and stock-based compensation, outside consulting expenses and allocations of corporate overhead expenses including facilities and information technology (“IT”).

Advertising Costs

The cost of advertising and media is expensed as incurred. For the year ended December 31, 2018, 2017 and 2016, we incurred advertising costs of $88.4 million, $70.1 million and $36.0 million, respectively.

Common Stock Repurchase

We repurchase our own common stock from time to time in the open market when our Board of Directors approve a stock repurchase program. We account for these repurchases under the accounting guidance for equity where we allocate the total repurchase value that is in excess over par value between additional paid-in capital and retained earnings. All shares repurchased are retired.

Operating Leases

We lease office spaces, vehicles and equipment under operating leases with original lease periods of up to 10 years. Certain of these leases have free or escalating rent payment provisions and lease incentives provided by the landlord. We recognize rent expense under such leases on a straight-line basis over the term of the lease.

Income Taxes

We make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our current tax exposure under the applicable tax laws and assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities which are included in our Consolidated Balance Sheet.

We account for uncertainty in income taxes pursuant to authoritative guidance based on a two-step approach to recognize and measure uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit based on its technical merits, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We adjust reserves for our uncertain tax positions due to changing facts and circumstances, such as the closing of a tax audit or refinement of estimates due to new information. To the extent that the final outcome of these matters is different than the amounts recorded, such differences will impact our tax provision in our Consolidated Statement of Operation in the period in which such determination is made.

We assess the likelihood that we will be able to realize our deferred tax assets. Should there be a change in our ability to realize 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 realize our deferred tax assets. 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. If it is more likely than not that we will not realize our deferred tax assets, we will increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be realizable. The available positive evidence at December 31, 2018 included historical operating profits and a projection of future income sufficient to realize most of our remaining deferred tax assets. As of December 31, 2018,

it was considered more likely than not that our deferred tax assets would be realized with the exception of certain foreign loss carryovers as we are unable to forecast sufficient future profits to realize the deferred tax assets.

The U.S. Tax Cuts and Jobs Act was enacted into law on December 22, 2017 which included provisions for certain foreign-sourced earnings referred to as Global Intangible Low-Taxed Income ("GILTI"). GILTI imposes a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. FASB guidance issued in January 2018 allows companies to make an accounting policy election to either (i) account for GILTI as a component of tax expense in the period in which the tax is incurred (the "period cost method"), or (ii) account for GILTI in the measurement of deferred taxes (the "deferred method"). We have made the election to record GILTI tax using the period cost method.

Stock-Based Compensation

We recognize stock-based compensation cost for shares expected to vest on a straight-line basis over the requisite service period of the award, net of estimated forfeitures. We use the Black-Scholes option pricing model to determine the fair value of stock awards and employee stock purchase plan shares. We estimate the fair value of market-performance based restricted stock units using a Monte Carlo simulation model which requires the input of assumptions, including expected term, stock price volatility and the risk-free rate of return. 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.

Comprehensive Income

Comprehensive income includes all changes in equity during a period from non-owner sources including unrealized gains and losses on investments and foreign currency translation adjustments, net of their related tax effect.

Recent Accounting Pronouncements

(i) New Accounting Updates Recently Adopted

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, "*Improvements to Employee Share-Based Payment Accounting*" (Topic 718). We adopted the standard in the first quarter of fiscal year 2017. With this adoption, excess tax benefits related to stock-based compensation expense are reflected in our consolidated statement of operations as a component of the provision for income taxes instead of additional paid-in capital in our consolidated balance sheet. In addition, we elected to continue to estimate expected forfeitures rather than as they occur to determine the amount of compensation cost to be recognized in each period. During the fiscal year ended December 31, 2017, we recognized excess tax benefits of $30.0 million in our provision for income taxes. Excess tax benefits from share-based payment arrangements are classified as an operating activity in our consolidated statement of cash flows.

In May 2014, FASB released ASU 2014-09, "*Revenue from Contracts with Customers,*" (Topic 606) to supersede nearly all existing revenue recognition guidance under GAAP. The core principle of the standard is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for the goods or services. We adopted the guidance in the first quarter of fiscal year 2018 by applying the full retrospective method. The impact of adoption was primarily related to the Clear Aligner segment. Our disaggregation of revenues can be found in Note 16 "Segments and Geographical Information." We elected to take the practical expedient to exclude from the transaction price all taxes assessed by a governmental authority. Prior periods have been retrospectively adjusted, and we recognized a $3.9 million cumulative effect of adopting the guidance as an adjustment to our opening balance of retained earnings as of January 1, 2016 in our Consolidated Statements of Stockholders' Equity.

The adoption of ASU 2014-09 did not have a material impact on our Consolidated Statement of Operations, Consolidated Statements of Comprehensive Income or Consolidated Statements of Cash Flows. Consolidated Balance Sheet line items, which reflect the adoption of the ASU 2014-09 are as follows (in thousands):

	December 31, 2017		
	As Previously Reported	Adjustment	As Adjusted
Asset Accounts:			
Accounts receivable, net	$ 322,825	$ 1,364	$ 324,189
Deferred tax assets	50,059	(725)	49,334
Other assets	38,379	5,514	43,893
Liability and Stockholders' Equity Accounts:			
Accrued liabilities	$ 194,198	$ 1,364	$ 195,562
Deferred revenues	266,842	871	267,713
Retained earnings	263,356	3,918	267,274

In August 2016, the FASB issued ASU 2016-15, *"Classification of Certain Cash Receipts and Cash Payments,"* which clarifies the presentation and classification of certain cash receipts and cash payments in the statements of cash flows. The amendments are effective for fiscal years and interim periods within those years beginning after December 15, 2017. We adopted the standard in the first quarter of fiscal year 2018 on a retrospective basis, and it did not have an impact on our Consolidated Statements of Cash Flows.

In November 2016, the FASB issued ASU 2016-18, *"Statement of Cash Flows—Restricted Cash,"* which provides guidance to address the classification and presentation of changes in restricted cash in the statements of cash flows. The amendments are effective for fiscal years and interim periods within those years beginning after December 15, 2017 on a retrospective basis. We adopted the guidance in the first quarter of fiscal year 2018 on a retrospective basis and presented the changes in the total of cash, cash equivalents, and restricted cash in the Consolidated Statements of Cash Flows. Consolidated Statement of Cash Flows line items, which reflect the adoption of the ASU 2016-18, are as follows (in thousands):

	December 31, 2017		
	As Previously Reported	Adjustment	As Adjusted
Cash Flows from Investing Activities			
Other investing activities	$ 567	$ (3,164)	$ (2,597)
Net cash used in investing activities	(248,313)	(3,164)	(251,477)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	5,510	34	5,544
Net increase in cash, cash equivalents, and restricted cash	60,236	(3,130)	57,106
Cash, cash equivalents, and restricted cash at beginning of the period	389,275	3,744	393,019
Cash, cash equivalents, and restricted cash at end of the period	$ 449,511	$ 614	$ 450,125

	December 31, 2016		
	As Previously Reported	Adjustment	As Adjusted
Cash Flows from Investing Activities			
Other investing activities	$ (8,211)	$ 180	$ (8,031)
Net cash provided by investing activities	72,848	180	73,028
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	(3,417)	43	(3,374)
Net increase in cash, cash equivalents, and restricted cash	221,561	223	221,784
Cash, cash equivalents, and restricted cash at beginning of the period	167,714	3,521	171,235
Cash, cash equivalents, and restricted cash at end of the period	$ 389,275	$ 3,744	$ 393,019

In May 2017, the FASB issued ASU 2017-09, "*Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting,"* to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. The amendments are effective for fiscal years and interim periods within those years beginning after December 15, 2017 on a prospective basis. We adopted the standard in the first quarter of fiscal year 2018 on a prospective basis which did not have an impact on our consolidated financial statements and related disclosures.

(ii) Recent Accounting Updates Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, "*Leases*" (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The updated guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. In July 2018, the FASB issued ASU 2018-11, "*Leases-Targeted Improvements,*" which provides an additional transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings. We will adopt this standard in the first quarter of fiscal year 2019 by electing the transition method issued in ASU 2018-11 and the package of practical expedients available in the standard. We are finalizing our implementation efforts related to policies, processes and internal controls to comply with the guidance. Upon adoption, based on our lease portfolio as of December 31, 2018, we anticipate recognizing right-of-use assets in the range of $67 million to $74 million and related lease liabilities in the range of $77 million to $86 million on our Consolidated Balance Sheet, with no material impact to our Consolidated Statement of Operations.

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments - Credit Losses*" (Topic 326). The FASB issued this update to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this update replace the existing guidance of incurred loss impairment methodology with an approach that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2018, the FASB issued ASU 2018-19, "*Codification Improvements to Topic 326, Financial Instruments - Credit Losses*" which clarifies the scope of guidance in the ASU 2016-13. The updated guidance is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption of the update is permitted in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact of this guidance on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *"Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,"* to simplify the subsequent measurement of goodwill by eliminating step two from the goodwill impairment test. Under the amendments, an entity will recognize an impairment charge for the amount by which the carrying value exceeds the fair value. The amendments are effective for fiscal years and interim periods within those years beginning after December 15, 2019 on a prospective basis and early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02, *"Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,"* which gives entities the option to reclassify to retained earnings the tax effects resulting from the U.S. Tax Cuts and Jobs Act (the "TCJA") related to items in

accumulated other comprehensive income. The amendments are effective for fiscal years and interim periods within those years beginning after December 15, 2018 on a retrospective basis and early adoption is permitted. We do not expect that the guidance will have a material impact on our consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement,*" to modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are effective for fiscal years and interim periods within those years beginning after December 15, 2019 on a prospective basis and early adoption is permitted. We are currently evaluating the impact of this guidance on our related disclosures.

In August 2018, the FASB issued ASU 2018-15, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40) Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,*" to clarify the guidance on the costs of implementing a cloud computing hosting arrangement that is a service contract. Under the amendments, the entity is required to follow the guidance in Subtopic 350-40, *Internal-Use Software*, to determine which implementation costs under the service contract to be capitalized as an asset and which costs to expense. The amendments are effective for fiscal years and interim periods within those years beginning after December 15, 2019 either on a retrospective or prospectively basis and early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements and related disclosures.

Note 2. Investments and Fair Value Measurements

As of December 31, 2018 and 2017, the estimated fair value of our short-term and long-term marketable securities, classified as available for sale, are as follows (in thousands):

Short-term

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Commercial paper	$ 17,793	$ —	$ —	$ 17,793
Corporate bonds	45,100	—	(48)	45,052
U.S. government agency bonds	19,981	—	(77)	19,904
U.S. government treasury bonds	15,292	—	(1)	15,291
Certificates of deposit	420	1	(1)	420
Total marketable securities, short-term	$ 98,586	$ 1	$ (127)	$ 98,460

Long-term

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	$ 4,957	$ 5	$ (2)	$ 4,960
U.S. government agency bonds	1,399	8	—	1,407
U.S. government treasury bonds	2,235	9	—	2,244
Certificates of deposit	500	1	—	501
Total marketable securities, long-term	$ 9,091	$ 23	$ (2)	$ 9,112

Short-term

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Commercial paper	$ 58,503	$ —	$ (1)	$ 58,502
Corporate bonds	145,728	3	(174)	145,557
U.S. government agency bonds	3,013	—	(7)	3,006
U.S. government treasury bonds	60,650	—	(70)	60,580
Certificates of deposit	4,386	—	—	4,386
Total marketable securities, short-term	$ 272,280	$ 3	$ (252)	$ 272,031

Long-term

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency bonds	$ 15,023	$ —	$ (68)	$ 14,955
Corporate bonds	25,067	2	(76)	24,993
Total marketable securities, long-term	$ 40,090	$ 2	$ (144)	$ 39,948

Cash equivalents are not included in the tables above as the gross unrealized gains and losses are not material. We have no short-term or long-term investments that have been in a continuous material unrealized loss position for greater than twelve months as of December 31, 2018 and 2017. Amounts reclassified to earnings from accumulated other comprehensive income (loss), net related to unrealized gains or losses were not material in 2018 and 2017. For the year ended December 31, 2018, 2017 and 2016, realized gains or losses were not material.

Our fixed-income securities investment portfolio consists of investments that have a maximum effective maturity of 40 months on any individual security. The securities that we invest in are generally deemed to be low risk based on their credit ratings from the major rating agencies. The longer the duration of these securities, the more susceptible they are to changes in market interest rates and bond yields. As interest rates increase, those securities purchased at a lower yield show a mark-to-market unrealized loss. The unrealized losses are due primarily to changes in credit spreads and interest rates. We expect to realize the full value of all these investments upon maturity or sale. The weighted average remaining duration of these securities was approximately four months and six months as of December 31, 2018 and 2017, respectively.

As the carrying value approximates the fair value for our short-term and long-term marketable securities shown in the tables above, the following table summarizes the fair value of our short-term and long-term marketable securities classified by contractual maturity as of December 31, 2018 and 2017 (in thousands):

	December 31,	
	2018	2017
One year or less	$ 98,460	$ 272,031
Due in greater than one year	9,112	39,948
Total marketable securities	$ 107,572	$ 311,979

Investments in Privately Held Companies

Our investments in privately held companies as of December 31, 2018 and December 31, 2017 are as follows (in thousands):

	December 31,	
	2018	2017
Equity securities under the equity method investment [1]	$ 45,913	$ 54,606
Equity securities without readily determinable fair values [2]	$ 9,862	$ —

[1] *Refer to Note 4 "Equity Method Investments" of the Notes to Consolidated Financial Statements* for more information

[2] In April 2018, $4.9 million of convertible short term notes receivable (recurring Level 3 investment) was converted into equity securities as a result of qualified financing secured by the private company in accordance with ASC 321, *"Investments—Equity Securities."* The equity securities issued upon conversion are reported as a nonrecurring investment within other assets in our Consolidated Balance Sheet. During the year ended December 31, 2018, there were no fair value adjustments to equity securities without readily determinable fair values.

Fair Value Measurements

We measure the fair value of financial assets 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. We use 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.

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. We obtain fair values for our Level 2 investments. Our custody bank and asset managers independently use professional pricing services to gather pricing data which may include quoted market prices for identical or comparable financial instruments, or inputs other than quoted prices that are observable either directly or indirectly, and we are ultimately responsible for these underlying estimates.

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 following tables summarize our financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017 (in thousands):

Description	Balance as of December 31, 2018	Level 1	Level 2
Cash equivalents:			
Money market funds	$ 431,081	$ 431,081	$ —
Commercial paper	4,681	—	4,681
U.S. government treasury bonds	2,195	2,195	—
Corporate bonds	3,880	—	3,880
Short-term investments:			
Commercial paper	17,793	—	17,793
Corporate bonds	45,052	—	45,052
U.S. government agency bonds	19,904	—	19,904
U.S. government treasury bonds	15,291	15,291	—
Certificates of deposit	420	—	420
Long-term investments:			
U.S. government agency bonds	1,407	—	1,407
Corporate bonds	4,960	—	4,960
U.S. government treasury bonds	2,244	2,244	—
Certificate of deposit	501	—	501
Prepaid expenses and other current assets:			
Israeli funds	3,047	—	3,047
	$ 552,456	$ 450,811	$ 101,645

Description	Balance as of December 31, 2017	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	$ 253,155	$ 253,155	$ —	$ —
Commercial paper	7,246	—	7,246	—
Corporate bonds	2,016	—	2,016	—
Short-term investments:				
Commercial paper	58,502	—	58,502	—
Corporate bonds	145,557	—	145,557	—
U.S. government agency bonds	3,006	—	3,006	—
U.S. government treasury bonds	60,580	60,580	—	—
Certificates of deposit	4,386	—	4,386	—
Long-term investments:				
U.S. government agency bonds	14,955	—	14,955	—
Corporate bonds	24,993	—	24,993	—
Prepaid expenses and other current assets:				
Israeli funds	3,075	—	3,075	—
Short-term notes receivable	4,476	—	—	4,476
	$ 581,947	$ 313,735	$ 263,736	$ 4,476

Derivative Financial Instruments

In March 2018, we began entering into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on certain trade and intercompany receivables and payables. These forward contracts are classified within Level 2 of the fair value hierarchy. The gain from the settlement of foreign currency forward contracts during 2018 was $9.9 million. As of December 31, 2018, the fair value of foreign exchange forward contracts outstanding was not material.

The following table presents the gross notional value of all our foreign exchange forward contracts outstanding as of December 31, 2018 (in thousands):

	December 31, 2018	
	Local Currency Amount	**Notional Contract Amount (USD)**
Euro	€62,000	$ 71,095
Chinese Yuan	¥375,000	54,515
Brazilian Real	R$81,000	20,858
Canadian Dollar	C$27,000	19,808
British Pound	£13,000	16,635
Japanese Yen	¥1,700,000	15,357
Australian Dollar	A$3,000	2,114
		$ 200,382

Note 3. Balance Sheet Components

Inventories

Inventories consist of the following (in thousands):

	December 31,	
	2018	**2017**
Raw materials	$ 26,119	$ 12,721
Work in process	13,784	12,157
Finished goods	15,738	6,810
Total inventories	$ 55,641	$ 31,688

Other Assets

Other assets consist of the following (in thousands):

	December 31,	
	2018	**2017**
Capitalized commissions [1]	$ 9,185	$ 5,514
Equity securities	9,862	—
Security deposits	5,162	3,557
Loan receivable from equity investee	—	30,000
Other long-term assets	2,778	4,822
Total other assets	$ 26,987	$ 43,893

(1) December 31, 2017 balance has been recasted to reflect the adoption of ASU 2014-09 (*Refer to Note 1"Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements* for more information).

Property, Plant and Equipment, Net

Property, plant and equipment consist of the following (in thousands):

	Generally Used Estimated Useful Life	December 31, 2018	December 31, 2017
Clinical and manufacturing equipment	Up to 10 years	$ 236,179	$ 183,392
Computer hardware	3 years	34,297	24,933
Computer software	3 years	59,617	54,756
Furniture and fixtures	5 years	33,436	16,271
Leasehold improvements	Lease term [(1)]	77,168	37,756
Building	20 years	139,315	63,887
Land	—	17,630	17,630
CIP	—	95,414	85,976
Total		693,056	484,601
Less: Accumulated depreciation and amortization and impairment charges		(171,727)	(135,808)
Total property, plant and equipment, net		$ 521,329	$ 348,793

[(1)] Shorter of remaining lease term or estimated useful lives of asset

Depreciation and amortization was $54.7 million, $37.7 million and $24.0 million for the year ended December 31, 2018, 2017 and 2016, respectively.

Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Accrued payroll and benefits	$ 127,109	$ 103,004
Accrued expenses	39,323	27,318
Accrued customer credits and deposits	12,439	5,373
Accrued warranty	8,551	5,929
Accrued property, plant and equipment	8,193	11,362
Accrued professional fees	6,752	6,316
Accrued sales return reserve [1]	6,534	1,364
Accrued sales tax and value added tax	6,276	5,503
Accrued income taxes	5,752	12,405
Accrued sales rebate	5,668	11,209
Other accrued liabilities	8,082	5,779
Total accrued liabilities	$ 234,679	$ 195,562

[(1)] December 31, 2017 balance has been reclassified from accounts receivable, net to reflect the adoption of ASU 2014-09 (*Refer to Note 1 "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements* for more information).

Warranty

We regularly review the balance for accrued warranty and update based on historical warranty trends. Actual warranty costs incurred have not materially differed from those accrued; however, future actual warranty costs could differ from the estimated amounts.

Warranty as of December 31, 2018 and 2017 consists of the following activity (in thousands):

Accrued warranty as of December 31, 2016	$	3,841
Charged to cost of net revenues		7,195
Actual warranty expenditures		(5,107)
Accrued warranty as of December 31, 2017		5,929
Charged to cost of net revenues		15,059
Actual warranty expenditures		(12,437)
Accrued warranty as of December 31, 2018	$	8,551

Deferred Revenues

Deferred revenues consist of the following (in thousands):

	December 31,	
	2018	2017
Deferred revenues - current	$ 393,138	$ 267,713
Deferred revenues - long-term [1]	17,051	4,588

[1] Included in other long-term liabilities within our Consolidated Balance Sheet

During the year ended December 31, 2018 and 2017, we recognized $2.0 billion and $1.5 billion of revenue, respectively, of which $180.6 million and $119.0 million was included in the deferred revenues balance at December 31, 2017 and December 31, 2016, respectively.

Note 4. Equity Method Investments

On July 25, 2016, we acquired a 17% equity interest[1], on a fully diluted basis, in SDC for $46.7 million. The investment is accounted for under an equity method investment, and the investee, SDC, is considered a related party. The investment is reported in our Consolidated Balance Sheet under equity method investments, and we record our proportional share of SDC's losses within equity in losses of investee, net of tax, in our Consolidated Statement of Operations. On July 24, 2017, we purchased an additional 2% equity interest in SDC for $12.8 million. As of December 31, 2018 and 2017, the balance of our equity method investments was $45.9 million and $54.6 million, respectively.

Concurrently with the investment on July 25, 2016, we also entered into a supply agreement with SDC to manufacture clear aligners for SDC's doctor-led, at-home program for simple teeth straightening. The term of the supply agreement expires on December 31, 2019. We commenced supplying aligners to SDC in October 2016. The sale of aligners to SDC and the income from the supply agreement are reported in our Clear Aligner business segment. We eliminate unrealized profit on outstanding intercompany transactions. As of December 31, 2018 and 2017, the balance of accounts receivable due from SDC was $16.3 million and $14.3 million, respectively. For the year ended December 31, 2018 and 2017, net revenues recognized from SDC were $27.9 million and $24.1 million, respectively.

On July 25, 2016, we entered into a Loan and Security Agreement (the "Loan Agreement") with SDC and amended on July 24, 2017 where we agreed to provide SDC a loan of up to $30.0 million in one or more advances. On February 7, 2018, $30.0 million of outstanding advances and related accrued interest were repaid in full, and the Loan Agreement was terminated (*Refer to Note 9 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements* for information on the Loan and Security Agreement with SDC).

[1] Our ownership percentage may change depending on SDC's equity share activities

Note 5. Business Combinations

During the first quarter of 2017, we completed the acquisitions of certain of our distributors for the total estimated cash consideration of approximately $9.5 million including cash acquired. We recorded $1.9 million of net tangible liabilities, $8.2 million of identifiable intangible assets and $3.2 million of goodwill. The goodwill is primarily related to the benefit we expect

to obtain from direct sales as we believe that the transition from our distributor arrangements to a direct sales model will increase our net revenues in the region as we will experience higher average sales prices ("ASP") compared to our discounted ASP under the distribution agreements. The goodwill is not deductible for tax purposes.

Pro forma results of operations for these acquisitions have not been presented as they were not material to our results of operations, either individually or in aggregate, for the year ended December 31, 2017.

Note 6. Goodwill and Intangible Assets

Goodwill

The change in the carrying value of goodwill for the year ended December 31, 2018, all attributable to our Clear Aligner reporting unit, is as follows (in thousands):

	Total
Balance as of December 31, 2016	$ 61,044
Goodwill from distributor acquisitions	3,247
Adjustments [(1)]	323
Balance as of December 31, 2017	64,614
Adjustments [(1)]	(585)
Balance as of December 31, 2018	$ 64,029

[(1)] The adjustments to goodwill during the period were related to foreign currency translation and/or purchase accounting adjustments within the measurement period.

Based on the qualitative assessments performed, there were no impairments to goodwill in 2018 and 2017.

Intangible Long-Lived Assets

We amortize our intangible assets over their estimated useful lives. We evaluate long-lived assets, which includes property, plant and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The carrying value is not recoverable if it exceeds the undiscounted cash flows resulting from the use of the asset and its eventual disposition. Our estimates of future cash flows attributable to our long-lived assets require significant judgment based on our historical and anticipated results and are subject to many factors. Factors we consider important which could trigger an impairment review include significant negative industry or economic trends, significant loss of customers and changes in the competitive environment of our intraoral scanning business.

There were no triggering events in 2018 and 2017 that would cause impairments of our long-lived assets.

Acquired intangible long-lived assets are being amortized as follows (in thousands):

	Weighted Average Amortization Period (in years)	Gross Carrying Amount as of December 31, 2018	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Value as of December 31, 2018
Trademarks	15	$ 7,100	$ (1,907)	$ (4,179)	$ 1,014
Existing technology	13	12,600	(5,268)	(4,328)	3,004
Customer relationships	11	33,500	(16,542)	(10,751)	6,207
Reacquired rights	3	7,500	(4,341)	—	3,159
Patents	8	6,796	(2,334)	—	4,462
Other	2	618	(544)	—	74
Total intangible assets		$ 68,114	$ (30,936)	$ (19,258)	$ 17,920

	Weighted Average Amortization Period (in years)	Gross Carrying Amount as of December 31, 2017	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Value as of December 31, 2017
Trademarks	15	$ 7,100	$ (1,769)	$ (4,179)	$ 1,152
Existing technology	13	12,600	(4,704)	(4,328)	3,568
Customer relationships	11	33,500	(14,681)	(10,751)	8,068
Reacquired rights	3	7,500	(1,356)	—	6,144
Patents	8	6,798	(1,504)	—	5,294
Other	2	618	(390)	—	228
Total intangible assets		$ 68,116	$ (24,404)	$ (19,258)	$ 24,454

The total estimated annual future amortization expense for these acquired intangible assets as of December 31, 2018 is as follows (in thousands):

Fiscal Year	Amortization
2019	$ 6,134
2020	3,847
2021	3,389
2022	2,116
2023	1,495
Thereafter	939
Total	$ 17,920

Amortization expense was $6.0 million, $6.2 million and $3.2 million for the year ended December 31, 2018, 2017 and 2016, respectively.

Note 7. Credit Facility

On February 27, 2018, we enter into a credit facility that provides for a $200.0 million revolving line of credit, with a $50.0 million letter of credit sublimit, and a maturity date of February 27, 2021, replacing the previous credit facility which provided for a $50.0 million revolving line of credit with a $10.0 million letter of credit. The credit facility requires us to comply with specific financial conditions and performance requirements. The loans bear interest, at our option, at either a rate based on the reserve adjusted LIBOR for the applicable interest period or a base rate, in each case plus a margin. The base rate is the highest of the credit facility's publicly announced prime rate, the federal funds rate plus 0.50% and one month LIBOR plus 1.0%. The margin ranges from 1.25% to 1.75% for LIBOR loans and 0.25% to 0.75% for base rate loans. Interest on the loans is payable quarterly in arrears with respect to base rate loans and at the end of an interest period (and at three month intervals if the interest period exceeds three months) in the case of LIBOR loans. Principal, together with accrued and unpaid interest, is due on the maturity date. As of December 31, 2018, we had no outstanding borrowings under this credit facility and were in compliance with the conditions and performance requirements.

Note 8. Legal Proceedings

Securities Class Action Lawsuit

On November 5, 2018, a class action lawsuit against Align, and three of our executive officers, was filed in the U.S. District Court for the Northern District of California on behalf of a purported class of purchasers of our common stock between July 25, 2018 and October 24, 2018. The complaint generally alleges claims under the federal securities laws and seeks monetary damages in an unspecified amount and costs and expenses incurred in the litigation. On December 12, 2018, a similar lawsuit was filed in the same court on behalf of a purported class of purchasers of our common stock between April 25, 2018 and October 24, 2018 (together with the first lawsuit, the "Securities Actions"). Motions for appointment as lead plaintiff were filed on January 4, 2019. Align believes the plaintiffs' claims are without merit and intends to vigorously defend itself. Align is currently unable to predict the outcome of these lawsuits and therefore cannot determine the likelihood of loss nor estimate a range of possible loss.

Shareholder Derivative Lawsuit

In January 2019, three derivative lawsuits were also filed in the U.S. District Court for the Northern District of California, purportedly on behalf of Align, naming as defendants the members of our Board of Directors along with certain of our executive officers. The allegations in the complaints are similar to those presented in the Securities Action, but the complaints assert various state law causes of action, including for breaches of fiduciary duty, insider trading, and unjust enrichment, among others. The complaints seek unspecified monetary damages on behalf of Align, which is named solely as a nominal defendant against whom no recovery is sought, as well as disgorgement and the costs and expenses associated with the litigation, including attorneys' fees. Align is currently unable to predict the outcome of these lawsuits and therefore cannot determine the likelihood of loss nor estimate a range of possible loss.

Patent Infringement and Related Lawsuits

On November 14, 2017, Align filed six patent infringement lawsuits asserting 26 patents against 3Shape, a Danish corporation, and a related U.S. corporate entity, asserting that 3Shape's Trios intraoral scanning system and Dental System software infringe Align patents. Align filed two Section 337 complaints with the U.S. International Trade Commission ("ITC") alleging that 3Shape violates U.S. trade laws by selling for importation and importing its infringing Trios intraoral scanning system and Dental System software. Align's ITC complaints seek cease and desist orders and exclusion orders prohibiting the importation of 3Shape's Trios scanning system and Dental System software products into the U.S. Align also filed four separate complaints in the U.S. District Court for the District of Delaware alleging patent infringement by 3Shape's Trios intraoral scanning system and Dental System software.

On May 9, 2018, 3Shape filed a complaint in the U.S. District Court for the District of Delaware alleging patent infringement by Align's iTero Element scanner of a single 3Shape patent. On June 14, 2018, 3Shape filed another complaint in the U.S. District Court for the District of Delaware alleging patent infringement by Align's iTero Element scanner of a single 3Shape patent.

On August 28, 2018, 3Shape filed a complaint against Align in the U.S. District Court for the District of Delaware alleging antitrust violations and seeking monetary damages and injunctive relief relating to Align's market activities, including Align's assertion of its patent portfolio, in the clear aligner and intraoral scanning markets.

On December 10, 2018, Align filed three additional patent infringement lawsuits asserting 10 additional patents against 3Shape. Align filed one Section 337 complaint with the ITC alleging that 3Shape violates U.S. trade laws through unfair competition by selling for importation and importing the infringing TRIOS intraoral scanning system, Trios Lab Scanners and TRIOS software, TRIOS Module software, Dental System software, and Ortho System Software. On December 11, 2018, Align filed two separate complaints in the U.S. District Court for the District of Delaware alleging patent infringement by 3Shape's Trios intraoral scanning system, Lab Scanners and Dental and Ortho System Software.

Except for 3Shape's antitrust complaint, each of the District Court complaints seek monetary damages and injunctive relief against further infringement. We are currently unable to predict the outcome of this dispute and therefore cannot determine the likelihood of loss, if any, nor estimate a range of possible loss.

SDC Dispute

In February 2018, we received a communication on behalf of SDC Financial LLC, SmileDirectClub LLC, and the Members of SDC Financial LLC other than the Company (collectively, the SDC Entities) alleging that the launch and operation of the Invisalign locations pilot program constitutes a breach of non-compete provisions applicable to the members of SDC Financial LLC, including Align. As a result of this alleged breach, SDC Financial LLC notified us that its members (other than Align) seek to exercise a right to repurchase all of Align's SDC Financial LLC membership interests for a purchase price equal to the current capital account balance. The SDC Entities' communication also alleged that we breached confidentiality provisions applicable to the SDC Financial LLC members and demanded that we cease all activities related to the Invisalign locations pilot project, close existing Invisalign locations and cease using SDC's confidential information. In April 2018, the SDC Entities served a Demand for Arbitration alleging that we breached the non-compete clause and confidentiality clause, misused the SDC Entities' alleged trade secrets, and violated fiduciary duties to SDC Financial LLC. The SDC Entities seek through the arbitration the rights to repurchase all of Align's SDC Financial LLC membership interests for a purchase price equal to the current capital account balance as defined by the Internal Revenue Service which likely is significantly below the current fair market value of such investment, an injunction requiring us to close our Invisalign locations and to cease using the SDC Entities' confidential information, and

financial damages in an unspecified amount. We filed a response in which we denied the SDC Entities' allegations and denied that the SDC Entities are entitled to any relief. In April 2018 the SDC Entities also filed a motion for preliminary injunction in the Tennessee Court of Chancery seeking to enjoin Align from opening additional Invisalign locations until the arbitration is completed. In June 2018, the Tennessee court denied the SDC Entities' motion for a preliminary injunction. In December 2018, the parties participated in binding arbitration proceedings and presented closing arguments on January 23, 2019. The arbitrator's decision is due on or before March 4, 2019. This dispute does not impact Align's existing supply agreement with SDC which remains in place through 2019. We do not intend to renew this agreement. We are currently unable to predict the outcome of this dispute and therefore cannot determine the likelihood of loss, if any, nor estimate a range of possible loss.

In addition, in the course of Align's operations, Align is involved in a variety of claims, suits, investigations, and proceedings, including actions with respect to intellectual property claims, patent infringement claims, government investigations, labor and employment claims, breach of contract claims, tax, and other matters. Regardless of the outcome, these proceedings can have an adverse impact on us because of defense costs, diversion of management resources, and other factors. Although the results of complex legal proceedings are difficult to predict and Align's view of these matters may change in the future as litigation and events related thereto unfold; Align currently does not believe that these matters, individually or in the aggregate, will materially affect Align's financial position, results of operations or cash flows.

Note 9. Commitments and Contingencies

Operating Leases

We lease our facilities and certain equipment and automobiles under non-cancelable operating lease arrangements that expire at various dates through 2029 and provide for pre-negotiated fixed rental rates during the terms of the lease. The terms of some of our leases provide for rental payments on a graduated scale. We recognize rent expense on a straight-line basis over the lease period. Total rent expense was $16.5 million, $13.8 million and $9.9 million for the year ended December 31, 2018, 2017 and 2016, respectively. Sublease income is not material and excluded from the table below.

Minimum future lease payments for non-cancelable leases as of December 31, 2018, are as follows (in thousands):

Fiscal Year	Operating Leases
2019	$ 21,429
2020	20,483
2021	18,897
2022	15,096
2023	12,400
Thereafter	18,371
Total minimum lease payments	$ 106,676

Other Commitments

On July 25, 2016, we entered into a Loan and Security Agreement (the "Loan Agreement") with SDC and subsequently amended on July 24, 2017 to provide a loan of up to $30.0 million in one or more advances to SDC (the "Loan Facility"). On February 7, 2018, $30.0 million of outstanding advances and related accrued interest were repaid in full, and the Loan Agreement was terminated (*Refer to Note 4 "Equity Method Investments" of the Notes to Consolidated Financial Statements* for more information on our investments in SDC).

On November 9, 2017, we entered into an Investment Agreement with the People's Republic of China ("China Government") where we have committed to invest a minimum of $46.0 million in Ziyang, China over five years to establish manufacturing operations.

On November 27, 2017, we entered into a Purchase Agreement with one of our existing single source suppliers. Under the terms of the original agreement, we are required to purchase a minimum of approximately $305.2 million of aligner materials over the next four years. On May 29, 2018, we entered into an amendment to the Purchase Agreement with the existing single source

supplier to increase the original term of the agreement to five years and total minimum purchase amount to approximately of $425.9 million.

On January 15, 2019, we entered into a Purchase Agreement to purchase five floors of a building under construction in Petach Tivka, Israel (the "Property") for a purchase price of approximately $27.0 million with an option to purchase additional three floors. The purchase price will be paid in six installments according to construction milestones and the delivery of the Property throughout 2019 and 2020.

On January 29, 2019, we entered into a Purchase and Sale Agreement to purchase our currently leased building located in Morrisville, North Carolina for a purchase price of $58.1 million. On January 30, 2019, we paid a $2.0 million deposit related to the Purchase and Sale Agreement and an additional $56.1 million will be paid on or before the closing date which is expected to occur on April 8, 2019.

Off-Balance Sheet Arrangements

As of December 31, 2018, we had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources other than certain items disclosed in Other Commitments section above.

Indemnification Provisions

In the normal course of business to facilitate transactions in our services and products, we indemnify certain parties: customers, vendors, lessors, and other parties with respect to certain matters, including, but not limited to, services to be provided by us and intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and our executive officers that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. Several of these agreements limit the time within which an indemnification claim can be made and the amount of the claim.

It is not possible to make a reasonable estimate of the maximum potential amount under these indemnification agreements due to the unique facts and circumstances involved in each particular agreement. Additionally, we have a limited history of prior indemnification claims and the payments we have made under such agreements have not had a material adverse effect on our results of operations, cash flows or financial position. However, to the extent that valid indemnification claims arise in the future, future payments by us could be significant and could have a material adverse effect on our results of operations or cash flows in a particular period. As of December 31, 2018, we did not have any material indemnification claims that were probable or reasonably possible.

Note 10. Stockholders' Equity

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. We have never declared or paid dividends on our common stock.

Stock-Based Compensation Plans

Our 2005 Incentive Plan, as amended, provides for the granting of incentive stock options, non-statutory stock options, restricted stock units, market stock units, stock appreciation rights, performance units and performance shares to employees, non-employee directors and consultants. Shares granted on or after May 16, 2013 as an award of restricted stock, restricted stock unit, market stock units, performance share or performance unit ("full value awards") are counted against the authorized share reserve as one and nine-tenths (1 9/10) shares for every one (1) share subject to the award, and any shares canceled that were counted as one and nine-tenths against the plan reserve will be returned at the same ratio.

As of December 31, 2018, the 2005 Incentive Plan (as amended) has a total reserve of 27,783,379 shares for issuance of which 6,060,265 shares are available for issuance. We issue new shares from our pool of authorized but unissued shares to satisfy the exercise and vesting obligations of our stock-based compensation plans.

Stock-Based Compensation

Stock-based compensation is based on the estimated fair value of awards, net of estimated forfeitures, and recognized over the requisite service period. 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 related to all of our stock-based awards and employee stock purchases for the year ended December 31, 2018, 2017 and 2016 is as follows (in thousands):

	For the Year Ended December 31,		
	2018	2017	2016
Cost of net revenues	$ 3,695	$ 3,330	$ 3,966
Selling, general and administrative	56,422	46,550	42,612
Research and development	10,646	8,974	7,570
Total stock-based compensation	$ 70,763	$ 58,854	$ 54,148

Stock Options

We have not granted options since 2011 and all outstanding options were fully vested and associated stock-based compensation expense was recognized as of December 31, 2015. Activity for the year ended December 31, 2018, under the stock option plans is set forth below:

	Number of Shares Underlying Stock Options (in thousands)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2017	75	$ 11.36		
Exercised	(67)	11.76		
Cancelled or expired	—	—		
Outstanding as of December 31, 2018	8	$ 8.07	0.16	$ 1,649
Vested at December 31, 2018	8	$ 8.07	0.16	$ 1,649
Exercisable at December 31, 2018	8	$ 8.07	0.16	$ 1,649

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between our closing stock price on the last trading day in 2018 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 trading day of 2018. This amount will fluctuate based on the fair market value of our stock. The total intrinsic value of stock options exercised for the year ended December 31, 2018, 2017 and 2016 was $17.6 million, $18.1 million and $18.2 million, respectively.

Restricted Stock Units ("RSUs")

The fair value of RSUs is based on our closing stock price on the date of grant. A summary for the year ended December 31, 2018, is as follows:

	Number of Shares Underlying RSUs (in thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Nonvested as of December 31, 2017	1,341	$ 82.30		
Granted	235	262.58		
Vested and released	(562)	75.22		
Forfeited	(83)	112.33		
Nonvested as of December 31, 2018	931	$ 129.42	1.04	$ 194,950

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (calculated by multiplying our closing stock price on the last trading day of 2018 by the number of nonvested RSUs) that would have been received by the unit holders had all RSUs been vested and released as of the last trading day of 2018. This amount will fluctuate based on the fair

market value of our stock. During 2018, of the 561,692 shares vested and released, 178,324 shares vested were withheld for employee statutory tax obligations, resulting in a net issuance of 383,368 shares.

The total intrinsic value of RSUs vested and released during 2018, 2017 and 2016 was $146.7 million, $99.5 million and $59.8 million, respectively. The total fair value of RSUs vested during the year ended December 31, 2018, 2017 and 2016 was $42.2 million, $46.2 million and $39.1 million, respectively. The weighted average grant date fair value of RSUs granted during 2018, 2017 and 2016 was $262.58, $118.77 and $67.82, respectively. As of December 31, 2018, there was $80.7 million of total unamortized compensation costs, net of estimated forfeitures, related to RSUs and these costs are expected to be recognized over a weighted average period of 1.9 years.

Market-Performance Based Restricted Stock Units ("MSUs")

We grant MSUs to our executive officers. Each MSU represents the right to one share of Align's common stock. The actual number of MSUs which will be eligible to vest will be based on the performance of Align's stock price relative to the performance of a stock market index over the vesting period, and certain MSU grants are also based on Align's stock price at the end of the performance period. Generally, the vesting period of MSUs is three years. For MSUs granted during the year ended December 31, 2018, the maximum number of MSUs which will be eligible to vest are between 250% to 300% of the MSUs initially granted.

The following table summarizes the MSU performance for the year ended December 31, 2018:

	Number of Shares Underlying MSUs (in thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Nonvested as of December 31, 2017	428	$ 78.53		
Granted	208	266.78		
Vested and released	(312)	62.41		
Forfeited	—	—		
Nonvested as of December 31, 2018	324	$ 215.07	1.16	$ 67,897

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (calculated by multiplying our closing stock price on the last trading day of 2018 by the number of nonvested MSUs) that would have been received by the unit holders had all MSUs been vested and released as of the last trading day of 2018. This amount will fluctuate based on the fair market value of our stock. During 2018, of the 312,300 shares vested and released, 130,697 shares were withheld for tax payments, resulting in a net issuance of 181,603 shares.

The total intrinsic value of MSUs vested and released during 2018, 2017 and 2016 was $92.7 million, $28.8 million and $17.4 million, respectively. The total fair value of MSUs vested during the year ended December 31, 2018, 2017 and 2016 was $19.5 million, $15.0 million and $9.9 million, respectively. As of December 31, 2018, we expect to recognize $39.6 million of total unamortized compensation cost, net of estimated forfeitures, related to MSUs over a weighted average period of 1.2 years.

The fair value of MSUs is estimated at the grant date using a Monte Carlo simulation that includes factors for market conditions. The following weighted-average assumptions used in the Monte Carlo simulation were as follows:

	Year Ended December 31,		
	2018	2017	2016
Expected term (in years)	3.0	3.0	3.0
Expected volatility	31.9%	28.9%	34.0%
Risk-free interest rate	2.5%	1.5%	0.9%
Expected dividends	—	—	—
Weighted average fair value per share at grant date	$ 470.75	$ 120.39	$ 68.88

Total payments to tax authorities for payroll taxes related to RSUs, including MSUs, that vested during the period were $86.1 million, $46.2 million and $29.9 million during the year ended December 31, 2018, 2017 and 2016, respectively, and are reflected as a financing activity in the Consolidated Statement of Cash Flows.

Employee Stock Purchase Plan ("ESPP")

In May 2010, our shareholders approved the 2010 Employee Stock Purchase Plan (the "2010 Purchase Plan"), which consists of consecutive overlapping twenty-four month offering periods with four six-month purchase periods in each offering period. Employees purchase shares at 85% of the lower of the fair market value of the common stock at either the beginning of the offering period or the end of the purchase period. The 2010 Purchase Plan will continue until terminated by either the Board of Directors or its administrator. The maximum number of shares available for issuance under the 2010 Purchase Plan is 2,400,000 shares.

The following table summarizes the ESPP shares issued:

	Year Ended December 31,		
	2018	2017	2016
Number of shares issued (in thousands)	164	202	197
Weighted average price	$ 96.95	$ 59.93	$ 48.65

As of December 31, 2018, 571,778 shares remain available for future issuance.

The fair value of the option component of the 2010 Purchase Plan shares was estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2018	2017	2016
Expected term (in years)	1.3	1.2	1.2
Expected volatility	35.2%	26.8%	30.5%
Risk-free interest rate	2.2%	1.0%	0.7%
Expected dividends	—	—	—
Weighted average fair value at grant date	$ 94.71	$ 31.36	$ 22.23

We recognized stock-based compensation expense related to our employee stock purchase plan of $5.6 million, $5.4 million and $2.7 million for the year ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018, there was $2.1 million of total unamortized compensation costs related to future employee stock purchases which we expect to be recognized over a weighted average period of 0.4 years.

Note 11. Common Stock Repurchase Programs

April 2014 Repurchase Program

In April 2014, we announced that our Board of Directors had authorized a plan to repurchase up to $300.0 million of our common stock ("April 2014 Repurchase Program").

Prior to 2017, we entered into accelerated share purchase agreements to repurchase $190 million of our common stock and received a total of approximately 3.2 million shares. In addition, we repurchased on the open market approximately 1.6 million shares of our common stock for an aggregate purchase price of approximately $106.2 million.

In 2017, we repurchased on the open market approximately 0.04 million shares of our common stock at an average price of $96.37 per share, including commission for an aggregate purchase price of approximately $3.8 million, completing the April 2014 Repurchase Program.

April 2016 Repurchase Program

In April 2016, we announced that our Board of Directors had authorized a plan to repurchase up to $300.0 million of our common stock ("April 2016 Repurchase Program").

In 2017, we entered into an accelerated share repurchase agreement ("2017 ASR") to repurchase $50.0 million of our common stock. The 2017 ASR was completed in August 2017. We received a total of approximately 0.4 million shares for an average share price of $146.48. During 2017, we repurchased on the open market approximately 0.2 million shares of our common stock at an average price of $243.40 per share, including commissions, for an aggregate purchase price of approximately $50.0 million.

In 2018, we repurchased on the open market approximately 0.7 million shares of our common stock at an average price of $293.21 per share, including commission for an aggregate purchase price of approximately $200.0 million, completing the April 2016 Repurchase Program.

May 2018 Repurchase Program

In May 2018, we announced that our Board of Directors had authorized a plan to repurchase up to $600.0 million of our common stock ("May 2018 Repurchase Program").

In 2018, we repurchased on the open market approximately 0.1 million shares of our common stock at an average price of $356.54 per share, including commissions, for an aggregate purchase price of approximately $50.0 million. In November 2018, we entered into an accelerated stock repurchase agreement to repurchase $50.0 million of our common stock which was completed in December 2018. We received a total of approximately 0.2 million shares for an average share price of $213.18. As of December 31, 2018, we have $500.0 million remaining under the May 2018 Repurchase Program.

In February 2019, we purchased on the open market approximately 0.2 million shares of our common stock at an average price of $243.42 per share, including commission for an aggregate purchase price of approximately of $50.0 million.

Note 12. Employee Benefit Plans

401(k) Plan

We have defined contribution retirement plan under Section 401(k) of the Internal Revenue Code for our U.S. employees which covers substantially all U.S. employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. We match 50% of our employee’s salary deferral contributions up to a 6% of the employee’s eligible compensation effective 2010. We contributed approximately $5.2 million, $4.3 million and $3.4 million to the 401(k) plan during the year ended December 31, 2018, 2017 and 2016, respectively.

Israeli Funds

Under the Israeli severance fund law, we are required to make payments to dismissed employees and employees leaving employment in certain circumstances. The funding requirement is calculated based on the salary of the employee multiplied by the number of years of employment as of the applicable balance sheet date. Our Israeli employees are entitled to one month’s salary for each year of employment, or a pro-rata portion thereof. We fund the liability through monthly deposits into funds, and the values of these contributions are recorded in other current assets in the Consolidated Balance Sheet. As of December 31, 2018 and 2017, the balance of the fund liability was approximately $3.3 million and $3.2 million, respectively.

Note 13. Income Taxes

The TCJA was enacted into law on December 22, 2017 and impacted our effective tax rate for the year ended December 31, 2017 and 2018. The TCJA made significant changes to the Internal Revenue Code, including, but not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017.

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. As of December 31, 2017, we recorded a provisional tax charge for the estimated impact of the TCJA of $84.3 million, of which $73.9 million was related to a provisional transition tax liability on the mandatory deemed repatriation of foreign earnings and $10.4 million was related to the remeasurement of certain deferred tax assets and liabilities. As of December 31, 2018, we have finalized our assessment of the impact of the TCJA

on our 2017 financial statements and recorded additional charges of $3.0 million in 2018, all of which relate to the transition tax on the mandatory deemed repatriation of foreign earnings.

The TCJA also includes provisions for certain foreign-sourced earnings, referred to as Global Intangible Low-Taxed Income ("GILTI"), which impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. FASB guidance issued in January 2018 allows companies to make an accounting policy election to either (i) account for GILTI as a component of tax expense in the period in which the tax is incurred (the "period cost method"), or (ii) account for GILTI in the measurement of deferred taxes (the "deferred method"). We have made the election to record GILTI tax using the period cost method.

Net income before provision for income taxes and equity in losses of investee consists of the following (in thousands):

	Year ended December 31,		
	2018	2017	2016
Domestic	$ 171,658	$ 123,696	$ 118,871
Foreign	294,993	241,103	123,695
Net income before provision for income taxes and equity in losses of investee	$ 466,651	$ 364,799	$ 242,566

The provision for (benefit from) income taxes consists of the following (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Federal			
Current	$ 35,788	$ 91,214	$ 40,235
Deferred	(5,989)	15,724	24,794
	29,799	106,938	65,029
State			
Current	9,568	2,580	2,603
Deferred	(3,274)	2,677	2,636
	6,294	5,257	5,239
Foreign			
Current	22,753	15,285	8,964
Deferred	(1,123)	2,682	(28,032)
	21,630	17,967	(19,068)
Provision for income taxes	$ 57,723	$ 130,162	$ 51,200

The differences between income taxes using the federal statutory income tax rate of 21% for 2018 and 35% for 2017 and 2016 and our effective tax rate are as follows:

	Year Ended December 31,		
	2018	2017	2016
U.S. federal statutory income tax rate	21.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	1.3	1.4	2.1
U.S. tax on foreign earnings	4.1	1.5	0.2
Impact of U.S. Tax Cuts and Jobs Act ("TCJA")	2.1	23.1	—
Impact of differences in foreign tax rates	(6.7)	(18.0)	(6.3)
Impact of expiration of statute of limitations	(6.2)	—	—
Stock-based compensation	(3.4)	(6.3)	1.2
Other items not individually material	0.2	(1.0)	1.8
Valuation allowance release for Israel	—	—	(12.9)
	12.4 %	35.7 %	21.1 %

As of December 31, 2018, undistributed earnings of the Company's foreign subsidiaries totaled $533.5 million. As a result of the TCJA, during the year ended December 31, 2017, we provided for U.S. income taxes on undistributed foreign earnings through December 31, 2017, and we have reassessed our capital needs and investment strategy with regard to the indefinite reinvestment, determining that certain of those are no longer indefinitely reinvested. Of the total undistributed foreign earnings as of December 31, 2018, the amount that is not indefinitely reinvested is $239.2 million. The remaining amount of undistributed foreign earnings of approximately $294.3 million continues to be indefinitely reinvested in our international operations. Since U.S. income taxes have already been provided under the GILTI provisions of the TCJA, the additional tax impact of the distribution of such foreign earnings to the U.S. parent company would be limited to withholding taxes and is not significant.

On July 1, 2016, we implemented a new international corporate structure. This changed the structure of our international procurement and sales operations, as well as realigned the ownership and use of intellectual property among our wholly-owned subsidiaries. We continue to anticipate that an increasing percentage of our consolidated pre-tax income will be derived from, and reinvested in our foreign operations. We believe that income taxed in certain foreign jurisdictions at a lower rate relative to the U.S. federal statutory rate will have a beneficial impact on our worldwide effective tax rate over time. Although the license of intellectual property rights between consolidated entities did not result in any gain in the consolidated financial statements, we generated taxable income in certain jurisdictions in 2016 resulting in a tax expense of $34.3 million. Additionally, as a result of the restructuring in 2016, we reassessed the need for a valuation allowance against our deferred tax assets considering all available evidence. Given the earnings in 2016 and anticipated future earnings of our subsidiary in Israel, we concluded that we had sufficient positive evidence to release the valuation allowance against our Israel operating loss carryforwards of $31.4 million, which resulted in an income tax benefit in 2016 of the same amount.

In June 2017, the Costa Rica Ministry of Foreign Trade, an agency of the Government of Costa Rica, granted an extension of certain income tax incentives for an additional twelve year period. Under these incentives, all of the income in Costa Rica is subject to a reduced tax rate. In order to receive the benefit of these incentives, we must hire a specified number of employees and maintain certain 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. The Costa Rica corporate income tax rate that would apply, absent the incentives, is 30% for 2018, 2017 and 2016. As a result of these incentives, our income taxes were reduced by $2.4 million, $1.8 million and $19.1 million in the year ended December 31, 2018, 2017 and 2016, respectively, representing a benefit to diluted net income per share of $0.03, $0.02 and $0.23 in the year ended December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018 and 2017, the significant components of our deferred tax assets and liabilities are (in thousands):

	Year Ended December 31,	
	2018	**2017**
Deferred tax assets:		
Net operating loss and capital loss carryforwards	$ 25,410	$ 24,971
Reserves and accruals	24,769	12,547
Stock-based compensation	8,571	10,074
Deferred revenue	14,285	10,811
Net translation losses	1,158	1,928
Credit carryforwards	115	792
	74,308	61,123
Deferred tax liabilities:		
Depreciation and amortization	8,320	7,522
Prepaid expenses	902	751
Unremitted foreign earnings	612	3,305
	9,834	11,578
Net deferred tax assets before valuation allowance	64,474	49,545
Valuation allowance	(251)	(278)
Net deferred tax assets	$ 64,223	$ 49,267

The total valuation allowance as of December 31, 2018 was not material. During the year ended December 31, 2018, the valuation allowance decreased by a nominal amount which was mainly related to foreign currency translation adjustments.

As of December 31, 2018, we have fully utilized California net operating loss carryforwards. As of December 31, 2018, we have California research credit carryforwards of approximately $1.9 million which can be carried forward indefinitely. In addition, we have foreign net operating loss carryforwards of approximately $105.7 million, the majority of which can be carried forward indefinitely, and a minor portion of which, if not utilized, will expire beginning after 2023.

In the event of a change in ownership, as defined under federal and state tax laws, our tax credit carryforwards may be subject to annual limitations. The annual limitations may result in the expiration of the tax credit carryforwards before utilization.

The changes in the balance of gross unrecognized tax benefits, which exclude interest and penalties, for the year ended December 31, 2018, 2017 and 2016, are as follows (in thousands):

Unrecognized tax benefit as of December 31, 2015	$	39,413
Tax positions related to current year:		
Additions for uncertain tax positions		6,971
Unrecognized tax benefit as of December 31, 2016		46,384
Tax positions related to current year:		
Additions for uncertain tax positions		1,819
Tax positions related to prior year:		
Additions for uncertain tax positions		1,809
Decreases for uncertain tax positions		(826)
Settlements with tax authorities		(1,527)
Reductions due to lapse of applicable statute of limitations		(3)
Unrecognized tax benefit as of December 31, 2017		47,656
Tax positions related to current year:		
Additions for uncertain tax positions		14,519
Tax positions related to prior year:		
Additions for uncertain tax positions		80
Reductions due to lapse of applicable statute of limitations		(28,993)
Unrecognized tax benefit as of December 31, 2018	$	33,262

As of December 31, 2018, $29.9 million of our unrecognized tax benefits would impact our effective tax rate if recognized.

We file U.S. federal, U.S. state, and non-U.S. income tax returns. Our major tax jurisdictions include U.S. federal, the State of California and the Netherlands. For U.S. federal and state tax returns, we are no longer subject to tax examinations for years before 2015. We are currently under examination by the Internal Revenue Service for tax years 2015 and 2016. With few exceptions, we are no longer subject to examination by foreign tax authorities for years before 2010.

We have elected to recognize interest and penalties related to unrecognized tax benefits as a component of income taxes. For the year ended December 31, 2018 and 2017, interest and penalties included in tax expense was a benefit of $1.5 million and an expense of $0.8 million, respectively. Our total interest and penalties accrued as of December 31, 2018 and 2017 was $0.9 million and $2.9 million, respectively. The timing and resolution of income tax examinations is uncertain, and the amounts ultimately paid, if any, upon resolution of issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although it is possible that our balance of gross unrecognized tax benefits could materially change in the next 12 months, given the uncertainty in the development of ongoing income tax examinations, we are unable to estimate the full range of possible adjustments to this balance.

Note 14. Net Income per Share

Basic net income per share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted net income per share is computed using the weighted average number of shares of common stock, adjusted for any dilutive effect of potential common stock. Potential common stock, computed using the treasury stock method, includes RSUs, MSUs, stock options and our ESPP.

The following table sets forth the computation of basic and diluted net income per share attributable to common stock (in thousands, except per share amounts):

	Year Ended December 31,		
	2018	2017	2016
Numerator:			
Net income	$ 400,235	$ 231,418	$ 189,682
Denominator:			
Weighted average common shares outstanding, basic	80,064	80,085	79,856
Dilutive effect of potential common stock	1,293	1,747	1,628
Total shares, diluted	81,357	81,832	81,484
Net income per share, basic	$ 5.00	$ 2.89	$ 2.38
Net income per share, diluted	$ 4.92	$ 2.83	$ 2.33

For the year ended December 31, 2018, 2017 and 2016, potentially anti-dilutive shares excluded from diluted net income per share related to RSUs, MSUs, stock options and ESPP were not material.

Note 15. Supplemental Cash Flow Information

The supplemental cash flow information consists of the following (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Taxes paid	$ 114,601	$ 51,231	$ 47,289
Non-cash investing activities:			
Fixed assets acquired with accounts payable or accrued liabilities	$ 15,069	$ 15,105	$ 4,434
Conversion of convertible notes receivable into equity securities	$ 4,862	$ —	$ —
Fair value of option to purchase property	$ —	$ 3,936	$ —

Note 16. Segments and Geographical Information

Segment Information

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker ("CODM"), or decision-making group, in deciding how to allocate resources and in assessing performance. Our CODM is our Chief Executive Officer. We report segment information based on the management approach. The management approach designates the internal reporting used by CODM for decision making and performance assessment as the basis for determining our reportable segments. The performance measures of our reportable segments include net revenues, gross profit and income from operations. Income from operations for each segment includes all geographic revenues, related cost of net revenues and operating expenses directly attributable to the segment. Certain operating expenses are attributable to operating segments and each allocation is measured differently based on the specific facts and circumstances of the costs being allocated. Costs not specifically allocated to segment income from operations include various corporate expenses such as stock-based compensation and costs related to IT, facilities, human resources, accounting and finance, legal and regulatory, and other separately managed general and administrative costs outside the operating segments.

We group our operations into two reportable segments: Clear Aligner segment and Scanner segment.

- Our Clear Aligner segment consists of Comprehensive Products, Non-Comprehensive Products and Non-Case revenues as defined below:
  - Comprehensive Products include, but not limited to, our Invisalign Comprehensive (formerly known as Invisalign Full and Invisalign Teen), Invisalign Assist and Invisalign First.
  - Non-Comprehensive Products include, Invisalign Express 10, Invisalign Express 5, Express Package, Lite Package and Invisalign Go products in addition to revenues from the sale of aligners to SDC under our supply agreement.
  - Non-Case includes, but not limited to, Vivera retainers along with our training and ancillary products for treating malocclusion.
- Our Scanner segment consists of intraoral scanning systems, additional services and ancillary products available with the intraoral scanners that provide digital alternatives to the traditional cast models. This segment includes our iTero scanner and OrthoCAD services.

These reportable operating segments are based on how our CODM views and evaluates our operations as well as allocation of resources. The following information relates to these segments (in thousands):

	For the Year Ended December 31,		
	2018	2017	2016
Net revenues			
Clear Aligner	$ 1,691,467	$ 1,309,262	$ 958,327
Scanner	275,025	164,151	121,547
Total net revenues	$ 1,966,492	$ 1,473,413	$ 1,079,874
Gross profit			
Clear Aligner	$ 1,280,495	$ 1,019,563	$ 747,494
Scanner	167,372	97,384	67,800
Total gross profit	$ 1,447,867	$ 1,116,947	$ 815,294
Income from operations			
Clear Aligner	$ 712,439	$ 564,648	$ 411,817
Scanner	98,998	49,613	37,498
Unallocated corporate expenses	(344,873)	(260,650)	(200,394)
Total income from operations	$ 466,564	$ 353,611	$ 248,921
Depreciation and amortization			
Clear Aligner	$ 29,001	$ 21,581	$ 13,742
Scanner	4,965	4,385	3,871
Unallocated corporate expenses	20,761	11,773	6,389
Total depreciation and amortization	$ 54,727	$ 37,739	$ 24,002

The following table reconciles total segment income from operations in the table above to net income before provision for income taxes and equity in losses of investee (in thousands):

	For the Year Ended December 31,		
	2018	2017	2016
Total segment income from operations	$ 811,437	$ 614,261	$ 449,315
Unallocated corporate expenses	(344,873)	(260,650)	(200,394)
Total income from operations	466,564	353,611	248,921
Interest income	8,576	6,948	4,213
Other income (expense), net	(8,489)	4,240	(10,568)
Net income before provision for income taxes and equity in losses of investee	$ 466,651	$ 364,799	$ 242,566

Geographical Information

Net revenues are presented below by geographic area (in thousands):

	For the Year Ended December 31,		
	2018	2017	2016
Net revenues [1]:			
United States [2]	$ 1,023,559	$ 836,200	$ 692,254
The Netherlands [2]	610,039	456,108	286,911
China	155,790	81,661	46,480
Other International	177,104	99,444	54,229
Total net revenues	$ 1,966,492	$ 1,473,413	$ 1,079,874

(1) Net revenues are attributed to countries based on location of where revenue is recognized.
(2) Effective July 2016, we implemented a new international corporate structure. This changed the structure of our international procurement and sales operations.

Tangible long-lived assets are presented below by geographic area (in thousands):

	As of December 31,	
	2018	2017
Long-lived assets [3]:		
The Netherlands	$ 206,679	$ 143,673
United States	139,239	128,171
Costa Rica	80,218	30,738
China	36,249	5,480
Mexico	33,240	25,090
Other International	25,704	15,641
Total long-lived assets	$ 521,329	$ 348,793

(3) Long-lived assets are attributed to countries based on entity that owns the assets.

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, 2018 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" of this Annual Report on Form 10-K.

Changes in internal control over financial reporting.

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2018 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 2018 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(c)(3), 407(d)(4) and 407(d)(5) of Regulation S-K is incorporated by reference to the Proxy Statement under the section entitled "Corporate Governance".

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, 2018 about our common stock that may be issued upon the exercise of options and awards granted to employees, consultants or members of our Board of Directors under all existing equity compensation plans, including the 2005 Incentive Plan and the Employee Stock Purchase Plan ("ESPP"), each as amended, and certain individual arrangements (*Refer to Note 10 "Stockholders' Equity" of the Notes to Consolidated Financial Statements* for a description of our equity compensation plans).

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	1,263,246 [1]	$ 8.07	6,632,043 [2,3]
Equity compensation plans not approved by security holders	—	—	—
Total	1,263,246	$ 8.07	6,632,043

1 Includes 930,859 restricted stock units and 324,200 market-performance based restricted stock units at target, which have an exercise price of zero.
2 Includes 571,778 shares available for issuance under our ESPP. We are unable to ascertain with specificity the number of securities to be issued upon exercise of outstanding rights or the weighted average exercise price of outstanding rights under the ESPP.
3 Includes 648,185 of potentially issuable MSUs if performance targets are achieved at maximum payout.

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:

Report of Independent Registered Public Accounting Firm	55
Consolidated Statements of Operations for the year ended December 31, 2018, 2017 and 2016	57
Consolidated Statements of Comprehensive Income for the year ended December 31, 2018, 2017 and 2016	58
Consolidated Balance Sheets as of December 31, 2018 and 2017	59
Consolidated Statements of Stockholders' Equity for the year ended December 31, 2018, 2017 and 2016	60
Consolidated Statements of Cash Flows for the year ended December 31, 2018, 2017 and 2016	61
Notes to Consolidated Financial Statements	62

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 For the Year Ended December 31, 2018, 2017 and 2016

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	Balance at End of Period
		(in thousands)		
Allowance for doubtful accounts[1]:				
Year Ended December 31, 2016	$ 1,108	$ 8,585	$ (6,747)	$ 2,946
Year Ended December 31, 2017	$ 2,946	$ 9,948	$ (7,080)	$ 5,814
Year Ended December 31, 2018	$ 5,814	$ 12,321	$ (15,757)	$ 2,378
Valuation allowance for deferred tax assets:				
Year Ended December 31, 2016	$ 31,685	$ (31,429)	$ —	$ 256
Year Ended December 31, 2017	$ 256	$ 22	$ —	$ 278
Year Ended December 31, 2018	$ 278	$ (27)	$ —	$ 251

[1] Balances have been recast to reflect the adoption of new revenue accounting standard (*Refer to Note 1 "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements* for details).

(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 8-K	2/29/2012	3.2	
4.1	Form of Specimen Common Stock Certificate	Form S-1, as amended (File No. 333-49932)	1/17/2001	4.1	
10.1†	Registrant's 2005 Incentive Plan (as amended May 2016)	Form 10-K	2/28/2017	10.1	
10.2†	Form of RSU agreement under Registrant's 2005 Incentive Plan (Officer Form for officers appointed after September 2016)	Form 10-K	2/28/2017	10.2	
10.2A†	Form of RSU agreement under Registrant's 2005 Incentive Plan (Officer Form for officers appointed prior to September 2016)	Form 10-K	2/28/2017	10.2A	
10.3	Align's 2010 Employee Stock Purchase Plan	Form 8-K	5/25/2010	10.2	
10.4†	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)	1/17/2001	10.15	
10.5†	Form of restricted stock unit award agreement under registrant's 2005 Incentive Plan (General Form; Director Form)	Form 10-Q	11/5/2007	10.1C	
10.6†	Form of option award agreement under registrant's 2005 Incentive Plan	Form 10-Q	8/4/2005	10.4	
10.7†	Form of Employment Agreement entered into by and between registrant and each executive officer (other than CEO for executives appointed prior to September 2016)	Form 10-Q	5/8/2008	10.3	
10.8†	Form of Employment entered into by and between registrant and each executive officer (other than CEO for executives appointed after September 2016)	Form 10-K	2/28/2017	10.8	
10.10†	Summary of 2018 Incentive Awards and Base Salary for NEOs	Form 8-K	2/5/2019		
10.11†	Form of Market Stock Unit Agreement under Registrant's 2005 Incentive Plan (Officer hired after 9/16)			10.1	*
10.12†	Form of Market Stock Unit Agreement under Registrant's 2015 Incentive Plan (Officers hired pre-9/16)			10.2	*
10.12†	Form of Market Stock Unit Agreement for CEO (Focal grants)			10.3	*
10.12†	Form of Market Stock Unit Agreement for CEO Special MSU Award June 2018	Form 8-K	6/25/2018	10.1	
10.15†	Amended and Restated Chief Executive Officer Employment Agreement between Align Technology, Inc. and Joseph Hogan	Form 10-Q	5/1/2015	10.3	
10.16†	Form of Restricted Stock Unit Agreement (CEO)	Form 10-Q	7/30/2015	10.31	
10.18†	Employment Agreement between registrant and John F. Morici (Chief Financial Officer)	Form 10-Q	11/8/2016	10.2	
10.19	Purchase and Sale Agreement between registrant and LBA RIV-Company XXX, LLC dated December 19, 2016	Form 8-K	12/23/2016	10.1	
10.20	Class C Non-Incentive Unit Purchase Agreement dated July 25, 2016	Form 8-K	7/28/2016	10.1	

Exhibit Number	Description	Form	Date	Exhibit Number Incorporated by Reference herein	Filed herewith
10.21	Purchase and Sale Agreement dated July 24, 2017 between Align Technology de Costa Rica, S.R.L. and Belan Business Center, S.A.	Form 8-K	7/27/2017	10.1	
10.22	Membership Interest Purchase Agreement dated July 24, 2017 between Align Technology, Inc. and SmileDirectClub, LLC.	Form 8-K	7/27/2017	10.2	
10.23	Purchase and Sale Agreement between Align Technology de Costa Rica, S.R.L. and Belen Business Center, S.A. dated November 15, 2017	Form 8-K	11/20/2017	10.1	
10.25	Credit Agreement between Align Technology, Inc. and Wells Fargo Bank, National Association dated February 27, 2018	Form 8-K	2/27/2018	10.1	
10.26	Purchase and Sale Agreement between Align Technology, Inc. and Slater Road I, LLC dated January 29, 2019			10.4	*
10.27	Fixed Dollar Accelerated Share Repurchase Transaction dated November 7, 2018			10.5	*
10.28	Align 2019 Global RSU Agreement			10.6	*
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				*
101.INS	XBRL Instance Document				*
101.SCH	XBRL Taxonomy Extension Schema Document				*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				*

† 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.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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 28, 2019.

ALIGN TECHNOLOGY, INC.

By: /S/ JOSEPH M. HOGAN

Joseph M. Hogan

President and Chief Executive Officer

Each person whose signature appears below constitutes and appoints Joseph M. Hogan or John F. Morici, 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/ JOSEPH M. HOGAN **Joseph M. Hogan**	President and Chief Executive Officer (Principal Executive Officer)	February 28, 2019
/S/ JOHN F. MORICI **John F. Morici**	Chief Financial Officer and Senior Vice President, Global Finance (Principal Financial Officer and Principal Accounting Officer)	February 28, 2019
/S/ JOSEPH LACOB **Joseph Lacob**	Director	February 28, 2019
/S/ C. RAYMOND LARKIN, JR. **C. Raymond Larkin, Jr.**	Director	February 28, 2019
/S/ GEORGE J. MORROW **George J. Morrow**	Director	February 28, 2019
/S/ ANDREA L. SAIA **Andrea L. Saia**	Director	February 28, 2019
/S/ GREG J. SANTORA **Greg J. Santora**	Director	February 28, 2019
/S/ THOMAS M. PRESCOTT **Thomas M. Prescott**	Director	February 28, 2019
/S/ WARREN S. THALER **Warren S. Thaler**	Director	February 28, 2019
/S/ SUSAN E. SIEGEL **Susan E. Siegel**	Director	February 28, 2019
/S/ KEVIN J. DALLAS **Kevin J. Dallas**	Director	February 28, 2019

Exhibit 10.1

ALIGN TECHNOLOGY, INC.
AMENDED AND RESTATED 2005 INCENTIVE PLAN
NOTICE OF GRANT OF MARKET STOCK UNITS

Unless otherwise defined herein, the terms defined in the Amended and Restated 2005 Incentive Plan (the "Plan") will have the same defined meanings in this Notice of Grant of Market Stock Units (the "Notice of Grant").

Participant:
Address:

You (the "Participant") have been granted an award ("Award") of market-performance based Restricted Stock Units ("Market Stock Units"), subject to the terms and conditions of the Plan, this Notice of Grant and the Market Stock Unit Agreement attached hereto as Exhibit A (the "Agreement") as follows:

Date of Grant: February 20, ___

Target Number of Market Stock Units: xxx (the "Target Number of Market Stock Units")

Maximum Number of Market Stock Units: xxx (the "Maximum Number of Market Stock Units")

Performance Period: Means the three year period commencing on February 15 of the year of grant ending on the third year anniversary of such date (subject to Sections 4 of Exhibit A (the "Performance Period")).

Performance Matrix: The number of Market Stock Units in which Participant may vest in accordance with the Vesting Schedule will depend upon the Company's Stock Price Performance (as defined below) as compared to the NASDAQ Composite Stock Price Performance (as defined below) for the Performance Period and will be determined in accordance with Section 1 of Exhibit A.

Vesting Schedule: Subject to Section 4 of Exhibit A and the terms of the Plan, the Participant will vest in his or her Calculated Market Stock Units (as defined below) on the three year anniversary of the date of grant (the "Vesting Date").

By accepting this agreement, you and the Company agree that this Award is granted under and governed by the terms and conditions of the Plan and the Agreement, each of which are made a part of this document. You further agree to accept, acknowledge and execute this Agreement as a condition to receiving any Market Stock Units under this Award.

Nothing in this Notice of Grant or in the attached Agreement or in the Plan shall confer upon Participant any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's service at any time for any reason, with or without cause.

EXHIBIT A

MARKET STOCK UNIT AGREEMENT

1. Grant.

(a) The Company hereby grants to Participant under the Plan an Award of Market Stock Units, subject to all of the terms and conditions in the Notice of Grant, this Agreement and the Plan.

(b) The number of Market Stock Units in which the Participant may vest in accordance with the Vesting Schedule set forth in the Notice of Grant will depend upon the Company's Stock Price Performance as compared to the NASDAQ Composite Index Performance calculated on February 15, 2022 (the "Measurement Date") with 100% of the Market Stock Units eligible to vest on the Vesting Date. The actual number of Market Stock Units that will vest on the Vesting Date will be determined as follows:

(i) Performance Calculation.

1. The "Company's Stock Price Performance" means the percentage increase or decrease in (i) the average adjusted closing price per share of the Company's common stock during the 30 trading-day period ending on February 15 of the year of grant over (ii) the average adjusted closing price of the Company's common stock during the 30 trading-day period ending on the Measurement Date. Notwithstanding the foregoing, in the event of a Change of Control of the Company, the "Company's Stock Price Performance" means the percentage increase or decrease in (i) the average adjusted closing price per share of the Company's common stock during the 30 trading-day period ending on February 15 of the year of grant over (ii) the per share value of the Company's common stock paid to its stockholders in connection with the Change of Control.

2. The "NASDAQ Composite Index Performance" means the percentage increase or decrease in (i) the adjusted index value of the NASDAQ Composite Index during the 30 trading-day period ending February 15 of the year of grant over (ii) the adjusted index value of the NAQDAQ Composite Index for during the 30 trading-day period ending on the Measurement Date.

3. The Company's Stock Price Performance will be compared against the NASDAQ Composite Index Performance (each expressed as a growth rate percentage) to result in a growth rate (the "Growth Rate Delta") equal to the Company's Stock Price Performance minus the NASDAQ Composite Index Performance. The Growth Rate Delta will be calculated on the Measurement Date.

(ii) Market Stock Unit Calculation.

1. If the Growth Rate Delta is equal to 0%, the number of Market Stock Units that will be eligible to vest (the "Calculated Market Stock Units") on the Vesting Date will equal 100% of the Target Number of Market Stock Units.

2. If the Growth Rate Delta is greater or less than 0%, the number of Market Stock Units that will be Calculated Market Stock Units on the Vesting Date will equal: (i) the Target Number of Market Stock Units, multiplied by (ii) the sum of (A) 100% plus (B) three times the Growth Rate Delta; provided, however, that in no event will more than the Maximum Number of Market Stock Units become Calculated Market Stock Units on the Vesting Date. If the Growth Rate Delta is equal to negative-33.3%, then the number of Target Market Stock Units that will become Calculated Market Stock Units on the Vesting Date will equal 0.

(iii) Examples (for illustration purposes only).

1. If the Growth Rate Delta on the Measurement Date equaled 20%, then 160% (equal to 100% plus (3 times 20%)) of the Target Number of Market Stock Units would be Calculated Market Stock Units and would vest on the Vesting Date.

2. If the Growth Rate Delta on the Measurement Date equaled negative-20%, then 40% (equal to 100% plus (3 times negative-20%)) of the Target Number of Market Stock Units would be Calculated Market Stock Units and would vest on the Vesting Date.

2. Company's Obligation to Pay. Each Market Stock Unit represents a value equal to the Fair Market Value of a Share on the date it is granted. Unless and until the Market Stock Units will have vested in the manner set forth in Sections 3, 4 and 5, Participant will have no right to payment of any such Market Stock Units. Prior to actual payment of any vested Market Stock Units, such Market Stock Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Payment of any vested Market Stock Units will be made in whole Shares only and any fractional Shares will be forfeited at the time of payment.

3. Vesting Schedule. Subject to Section 5, the Market Stock Units awarded by this Agreement will vest in Participant according to the Vesting Schedule set forth on the attached Notice of Grant, subject to Participant continuing to be a Service Provider through each such date.

4. Change of Control. In the event of a Change of Control, the Performance Period shall be deemed to end upon the closing of the Change of Control for purposes of determining the Company's Stock Price Performance and the NASDAQ Composite Index Performance and the number of Market Stock Units that are Calculated Market Stock Units will be determined in accordance with the Performance Matrix and Section 1 of this Exhibit A. The Participant shall vest in the number of Calculated Market Stock Units determined based on the preceding sentence as follows:

(a) if Participant's employment is terminated without Cause or for Good Reason (as such terms are defined in Participant's individual employment agreement with the Company) within eighteen months following the occurrence of a Change of Control, then 100% of his or her unvested Calculated Market Stock Units will fully vest, provided the Participant executes and does not revoke a release of claims as provided for in Participant's employment agreement (as a necessary condition to the receipt of severance thereunder).

(b) in accordance with Section 1 of this Exhibit A, the Administrator shall not be entitled to eliminate or reduce the number of Calculated Market Stock Units determined in accordance with Section 1of Exhibit A following a Change of Control.

5. Forfeiture upon Termination of Status as a Service Provider. Subject to the provisions of Section 4, if Participant ceases to be a Service Provider for any or no reason, the then-unvested Market Stock Units awarded by this Agreement will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder.

6. Payment after Vesting. Any Market Stock Units that vest in accordance with Sections 3 and 4 will be paid to Participant (or in the event of Participant's death, to his or her estate) in whole Shares, subject to Participant satisfying any applicable tax withholding obligations as set forth in Section 8. Subject to the provisions of Section 20, any Shares will be issued to Participant as soon as practicable after the relevant vesting date, but in any event, within the period ending on the later to occur of the date that is two-and-one-half months from the end of (a) Participant's tax year that includes the vesting date, or (b) the Company's tax year that includes the vesting date.

7. Payments after Death. Any distribution or delivery to be made to Participant under this Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8. Withholding of Taxes.

(a) Generally. The Participant is ultimately liable and responsible for all taxes owed in connection with the Market Stock Units, regardless of any action the Company or any of its Subsidiaries takes with respect to any tax withholding obligations that arise in connection with the Market Stock Units. Neither the Company nor any of its Subsidiaries makes any representation or undertaking regarding the treatment of any tax withholding in connection with the grant or vesting of the Market Stock Units or the subsequent sale of Shares issuable pursuant to the Market Stock Units. The Company and its Subsidiaries do not commit and are under no obligation to structure the Market Stock Units to reduce or eliminate the Participant's tax liability.

(b) Payment of Withholding Taxes. Notwithstanding any contrary provision of this Agreement, no Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by the Participant with respect to the payment of any taxes which the Company determines must be withheld with respect to the Market Stock Units. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may satisfy such tax withholding obligations, in whole or in part, by withholding otherwise deliverable Shares having an aggregate Fair Market Value sufficient to (but not exceeding) the minimum amount required to be withheld. In addition and to the maximum extent permitted by law, the Company has the right to retain without notice from salary or other amounts payable to the Participant, cash having a value sufficient to satisfy any tax withholding obligations that cannot be satisfied by the withholding of otherwise deliverable Shares.

9. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder, unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant.

10. No Effect on Service. Participant acknowledges and agrees that the vesting of the Market Stock Units pursuant to Sections 3 or 4 hereof is earned only by Participant continuing to be a Service Provider through the applicable vesting dates (and not through the act of being hired or acquiring Shares hereunder). Participant further acknowledges and agrees that this Agreement, the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of Participant continuing to be a Service Provider for the vesting period, for any period, or at all, and will not interfere with the Participant's right or the right of the Company (or the Affiliate employing or retaining Participant) to terminate Participant as a Service Provider at any time, with or without cause.

11. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of Stock Administrator at Align Technology, Inc., 2560 Orchard Parkway, San Jose, CA 95131, or at such other address as the Company may hereafter designate in writing.

12. Grant is Not Transferable. Except to the limited extent provided in Section 7, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

13. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

14. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of shares to Participant (or his estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of the payment of any Shares will violate federal securities laws or other applicable laws, the Company will defer

delivery until the earliest date at which the Company reasonably anticipates that the delivery of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.

15. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.

16. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Market Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

17. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to Market Stock Units awarded under the Plan or future Market Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

18. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

19. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

20. Section 409A. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Market Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Market Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated Market Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless the Participant dies following his or her termination as a Service Provider, in which case, the Market Stock Units will be paid in Shares to the Participant's estate as soon as practicable following his or her death. It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Market Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Agreement, "Section 409A" means Section 409A of the Code, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

21. Governing Law. This Agreement shall be governed by the laws of the State of California, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Market Stock Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation shall be conducted in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Market Stock Units is made and/or to be performed.

[Remainder of Page Intentionally Left Blank]

By Participant's acceptance of this Agreement, Participant represents that he or she is familiar with the terms and provisions of the Plan, and hereby accepts this Agreement subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement. Participant agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Agreement. Participant further agrees to notify the Company upon any change in the residence indicated in the Notice of Grant of Market Stock Units.

PARTICIPANT: ALIGN TECHNOLOGY, INC.

Signature By

Joseph

Hogan, President and CEO
Print Name Title

ALIGN TECHNOLOGY, INC.
AMENDED AND RESTATED 2005 INCENTIVE PLAN
NOTICE OF GRANT OF MARKET STOCK UNITS

Unless otherwise defined herein, the terms defined in the Amended and Restated 2005 Incentive Plan (the “Plan”) will have the same defined meanings in this Notice of Grant of Market Stock Units (the “Notice of Grant”).

Participant:
Address:

You (the “Participant”) have been granted an award (“Award”) of market-performance based Restricted Stock Units (“Market Stock Units”), subject to the terms and conditions of the Plan, this Notice of Grant and the Market Stock Unit Agreement attached hereto as Exhibit A (the “Agreement”) as follows:

Date of Grant: February 20, _____

Target Number of Market Stock Units: xxx (the “Target Number of Market Stock Units”)

Maximum Number of Market Stock Units: xxx (the “Maximum Number of Market Stock Units”)

Performance Period:	Means the three year period commencing on February 15 of the year of grant and ending on the third year anniversary of such date (subject to Sections 4 and 5 of Exhibit A (the “Performance Period”)).
Performance Matrix:	The number of Market Stock Units in which Participant may vest in accordance with the Vesting Schedule will depend upon the Company’s Stock Price Performance (as defined below) as compared to NASDAQ Composite Stock Price Performance (as defined below) for the Performance Period and will be determined in accordance with Section 1 of Exhibit A.
Vesting Schedule:	Subject to Sections 4 and 5 of Exhibit A and the terms of the Plan, the Participant will vest in his or her Calculated Market Stock Units (as defined below) on third-year anniversary of the date of grant (the “Vesting Date”).

By accepting this agreement, you and the Company agree that this Award is granted under and governed by the terms and conditions of the Plan and the Agreement, each of which are made a part of this document. You further agree to accept, acknowledge and execute this Agreement as a condition to receiving any Market Stock Units under this Award.

Nothing in this Notice of Grant or in the attached Agreement or in the Plan shall confer upon Participant any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant’s service at any time for any reason, with or without cause.

EXHIBIT A

MARKET STOCK UNIT AGREEMENT

1. Grant.

(a) The Company hereby grants to Participant under the Plan an Award of Market Stock Units, subject to all of the terms and conditions in the Notice of Grant, this Agreement and the Plan.

(b) The number of Market Stock Units in which the Participant may vest in accordance with the Vesting Schedule set forth in the Notice of Grant will depend upon the Company’s Stock Price Performance as compared to the NASDAQ Composite Index Performance calculated on February 15, 2022 (the “Measurement Date”) with 100% of the Market Stock Units eligible to vest on the Vesting Date. The actual number of Market Stock Units that will vest on the Vesting Date will be determined as follows:

(i) Performance Calculation.

1. The “Company’s Stock Price Performance” means the percentage increase or decrease in (i) the average adjusted closing price per share of the Company’s common stock during the 30 trading-day period ending on February 15 of the year of grant over (ii) the average adjusted closing price of the Company’s common stock during the 30 trading-day period ending on the Measurement Date.. Notwithstanding the foregoing, in the event of a Change of Control of the Company, the “Company’s Stock Price Performance” means the percentage increase or decrease in (i) the average adjusted closing price per share of the Company’s common stock during the 30 trading-day period ending on February 15 of the year of grant over (ii) the per share value of the Company’s common stock paid to its stockholders in connection with the Change of Control.

2. The “NASDAQ Composite Index Performance” means the percentage increase or decrease in (i) the adjusted index value of the NASDAQ Composite Index during the 30 trading-day period ending on February 15 of the year of grant over (ii) the adjusted index value of the NAQDAQ Composite Index during the 30 trading-day period ending on the Measurement Date.

3. The Company’s Stock Price Performance will be compared against the NASDAQ Composite Index Performance (each expressed as a growth rate percentage) to result in a growth rate (the “Growth Rate Delta”) equal to the Company’s Stock Price Performance minus the NASDAQ Composite Index Performance. The Growth Rate Delta will be calculated on the Measurement Date.

(ii) Market Stock Unit Calculation.

1. If the Growth Rate Delta is equal to 0%, the number of Market Stock Units that will be eligible to vest (the “Calculated Market Stock Units”) on the Vesting Date will equal 100% of the Target Number of Market Stock Units.

2. If the Growth Rate Delta is greater or less than 0%, the number of Market Stock Units that will be Calculated Market Stock Units on the Vesting Date will equal: (i) the Target Number of Market Stock Units, multiplied by (ii) the sum of (A) 100% plus (B) three times the Growth Rate Delta; provided, however, that in no event will more than the Maximum Number of Market Stock Units become Calculated Market Stock Units on the Vesting Date. If the Growth Rate Delta is equal to negative-33.3%, then the number of Target Market Stock Units that will become Calculated Market Stock Units on the Vesting Date will equal 0.

(iii) Examples (for illustration purposes only).

1. If the Growth Rate Delta on the Measurement Date equaled 20%, then 160% (equal to 100% plus (3 times 20%)) of the Target Number of Market Stock Units would be Calculated Market Stock Units and would vest on the Vesting Date.

2. If the Growth Rate Delta on the Measurement Date equaled negative-20%, then 40% (equal to 100% plus (3 times negative-20%)) of the Target Number of Market Stock Units would be Calculated Market Stock Units and would vest on the Vesting Date.

2. Company's Obligation to Pay. Each Market Stock Unit represents a value equal to the Fair Market Value of a Share on the date it is granted. Unless and until the Market Stock Units will have vested in the manner set forth in Sections 3, 4 and 5, Participant will have no right to payment of any such Market Stock Units. Prior to actual payment of any vested Market Stock Units, such Market Stock Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Payment of any vested Market Stock Units will be made in whole Shares only and any fractional Shares will be forfeited at the time of payment.

3. Vesting Schedule. Subject to Section 6, the Market Stock Units awarded by this Agreement will vest in Participant according to the Vesting Schedule set forth on the attached Notice of Grant, subject to Participant continuing to be a Service Provider through each such date.

4. Change of Control. In the event of a Change of Control, the Performance Period shall be deemed to end upon the closing of the Change of Control for purposes of determining the Company's Stock Price Performance and the NASDAQ Composite Index Performance and the number of Market Stock Units that are Calculated Market Stock Units will be determined in accordance with the Performance Matrix and Section 1 of this Exhibit A. The Participant shall vest in the number of Calculated Market Stock Units determined based on the preceding sentence as follows:

(a) On the date of, and contingent upon, the Change of Control, Participant will vest in that number of Calculated Market Stock Units equal to (i) (A) the number of calendar months (including any partial month) that have elapsed from the commencement of the Performance Period through the date of the Change of Control, (B) divided by 36, multiplied by (ii) the number of Calculated Market Stock Units, with the result rounded down to the nearest whole Share.

(b) The Calculated Market Stock Units that do not vest pursuant to Section 4(a) will vest on the Vesting Date, unless vested earlier in accordance with the terms of this Award, Section 18 of the Plan or any employment or other change in control agreement by and between the Company and Participant.

(c) Notwithstanding the foregoing, if Participant's employment is terminated without Cause or for Good Reason (as such terms are defined in Participant's individual employment agreement with the Company) within twelve months following the occurrence of a Change of Control, then 100% of his or her unvested Calculated Market Stock Units will fully vest, provided the Participant executes and does not revoke a release of claims as provided for in Participant's employment agreement (as a necessary condition to the receipt of severance thereunder).

(d) In accordance with Section 1 of this Exhibit A, the Administrator shall not be entitled to eliminate or reduce the number of Calculated Market Stock Units determined in accordance with Section 1of Exhibit A following a Change of Control.

5. Termination without Cause or a Resignation for Good Reason Not Following a Change of Control. In the event Participant's employment with the Company is terminated without Cause or if Participant terminates his or her employment for Good Reason (as such terms are defined in Participant's individual employment agreement with the Company) and such termination does not occur on or within twelve months following a Change of Control, the Performance Period shall be deemed to end upon the Participant's employment termination date for purposes of determining the Company's Stock Price Performance and the NASDAQ Composite Index Performance and the number of Market Stock Units that are Calculated Market Stock Units will be determined in accordance with the Performance Matrix and Section 1 of this Exhibit A. Subject to Participant executing and not revoking a release of claims as provided for in Participant's employment agreement (as a necessary condition to the receipt of severance thereunder), Participant shall vest in that number of Calculated Market Stock Units equal to (i) (A) the number of months (including any partial month, expressed as a fraction) that have elapsed from the commencement of the Performance Period through the date of the termination of employment, (B) divided by 36, multiplied by (ii) the number of Calculated Market Stock Units, with the result rounded down to the nearest whole Share. The remaining unvested Calculated Market Stock Units will be forfeited at no cost to the Company and Participant will have no further rights thereunder.

6. Forfeiture upon Termination of Status as a Service Provider. Subject to the provisions of Section 4 and 5, if Participant ceases to be a Service Provider for any or no reason, the then-unvested Market Stock Units awarded by this Agreement will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder.

7. Payment after Vesting. Any Market Stock Units that vest in accordance with Sections 3, 4 and 5 will be paid to Participant (or in the event of Participant's death, to his or her estate) in whole Shares, subject to Participant satisfying any applicable tax withholding obligations as set forth in Section 9. Subject to the provisions of Section 21, any Shares will be issued to Participant as soon as practicable after the relevant vesting date, but in any event, within the period ending on the later to occur of the date that is two-and-one-half months from the end of (a) Participant's tax year that includes the vesting date, or (b) the Company's tax year that includes the vesting date.

8. Payments after Death. Any distribution or delivery to be made to Participant under this Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

9. Withholding of Taxes.

(a) Generally. The Participant is ultimately liable and responsible for all taxes owed in connection with the Market Stock Units, regardless of any action the Company or any of its Subsidiaries takes with respect to any tax withholding obligations that arise in connection with the Market Stock Units. Neither the Company nor any of its Subsidiaries makes any representation or undertaking regarding the treatment of any tax withholding in connection with the grant or vesting of the Market Stock Units or the subsequent sale of Shares issuable pursuant to the Market Stock Units. The Company and its Subsidiaries do not commit and are under no obligation to structure the Market Stock Units to reduce or eliminate the Participant's tax liability.

(b) Payment of Withholding Taxes. Notwithstanding any contrary provision of this Agreement, no Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by the Participant with respect to the payment of any taxes which the Company determines must be withheld with respect to the Market Stock Units. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may satisfy such tax withholding obligations, in whole or in part, by withholding otherwise deliverable Shares having an aggregate Fair Market Value sufficient to (but not exceeding) the minimum amount required to be withheld. In addition and to the maximum extent permitted by law, the Company has the right to retain without notice from salary or other amounts payable to the Participant, cash having a value sufficient to satisfy any tax withholding obligations that cannot be satisfied by the withholding of otherwise deliverable Shares.

10. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder, unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant.

11. No Effect on Service. Participant acknowledges and agrees that the vesting of the Market Stock Units pursuant to Sections 3, 4 or 5 hereof is earned only by Participant continuing to be a Service Provider through the applicable vesting dates (and not through the act of being hired or acquiring Shares hereunder). Participant further acknowledges and agrees that this Agreement, the transactions contemplated hereunder and the vesting

schedule set forth herein do not constitute an express or implied promise of Participant continuing to be a Service Provider for the vesting period, for any period, or at all, and will not interfere with the Participant's right or the right of the Company (or the Affiliate employing or retaining Participant) to terminate Participant as a Service Provider at any time, with or without cause.

12. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of Stock Administrator at Align Technology, Inc., 2560 Orchard Parkway, San Jose, CA 95131, or at such other address as the Company may hereafter designate in writing.

13. Grant is Not Transferable. Except to the limited extent provided in Section 8, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

14. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

15. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of shares to Participant (or his estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of the payment of any Shares will violate federal securities laws or other applicable laws, the Company will defer delivery until the earliest date at which the Company reasonably anticipates that the delivery of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.

16. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.

17. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Market Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

18. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to Market Stock Units awarded under the Plan or future Market Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

19. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

20. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

21. Section 409A. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Market Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Market Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated Market Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless the Participant dies following his or her termination as a Service Provider, in which case, the Market Stock Units will be paid in Shares to the Participant's estate as soon as practicable following his or her death. It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Market Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Agreement, "Section 409A" means Section 409A of the Code, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

22. Governing Law. This Agreement shall be governed by the laws of the State of California, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Market Stock Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation shall be conducted in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Market Stock Units is made and/or to be performed.

[Remainder of Page Intentionally Left Blank]

By Participant's acceptance of this Agreement, Participant represents that he or she is familiar with the terms and provisions of the Plan, and hereby accepts this Agreement subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement. Participant agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Agreement. Participant further agrees to notify the Company upon any change in the residence indicated in the Notice of Grant of Market Stock Units.

PARTICIPANT: ALIGN TECHNOLOGY, INC.

Signature By

Joseph

Hogan, President and CEO

Print Name Title

Exhibit 10.3

ALIGN TECHNOLOGY, INC.
CEO FORM
AMENDED AND RESTATED 2005 INCENTIVE PLAN
NOTICE OF GRANT OF MARKET STOCK UNITS

Unless otherwise defined herein, the terms defined in the Amended and Restated 2005 Incentive Plan (the "Plan") will have the same defined meanings in this Notice of Grant of Market Stock Units (the "Notice of Grant").

Participant: Joseph M. Hogan

Address: 24871 Olive Tree Lane

Los Altos Hills, CA. 94024

You (the "Participant") have been granted an award ("Award") of market-performance based Restricted Stock Units ("Market Stock Units"), subject to the terms and conditions of the Plan, this Notice of Grant and the Market Stock Unit Agreement attached hereto as Exhibit A (the "Agreement") and consistent with the terms of the Participant's Amended and Restated Chief Executive Officer Employment Agreement dated April 17, 2015 (the "CEO Employment Agreement"), as follows:

Date of Grant:	February 20, 2019
Target Number of Market Stock Units:	XXXXX Market Stock Units (the "Target Number of Market Stock Units")
Maximum Number of Market Stock Units:	XXXX (the "Maximum Number of Market Stock Units")
Performance Period:	Three years from February 15 of the year of grant (the "Performance Period"). The Performance Period is subject to adjustment under certain limited circumstances under Section 3(a) of Exhibit A below.
Performance Matrix:	The number of Market Stock Units in which Participant may vest in accordance with the Vesting Schedule will depend upon the Company's Stock Price Performance (as defined below) as compared to the NASDAQ Composite Stock Price Performance (as defined below) for the Performance Period and will be determined in accordance with Section 1 of Exhibit A.
Vesting Schedule:	Subject to the terms and conditions of the Plan and the provisions in the attached Market Stock Unit Agreement and consistent with the Participant's CEO Employment Agreement, the Participant will vest in his or her Calculated Market Stock Units (as defined below) on the 3-year anniversary of the Date of Grant (the "Vesting Date"). The schedule by which the Calculated Market Stock Units may vest is subject to adjustment and acceleration under certain limited circumstances under Section 3 of Exhibit A below).

By accepting this agreement, you and the Company agree that this Award is granted under and governed by the terms and conditions of the Plan and the Agreement, each of which are made a part of this document. You further agree to accept, acknowledge and execute this Agreement as a condition to receiving any Market Stock Units under this Award.

Nothing in this Notice of Grant or in the attached Agreement or in the Plan shall confer upon Participant any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's service at any time for any reason, with or without cause.

EXHIBIT A

MARKET STOCK UNIT AGREEMENT

1. Grant.

(a) The Company hereby grants to Participant under the Plan an Award of Market Stock Units, subject to all of the terms and conditions in the Notice of Grant, this Agreement and the Plan.

(b) Subject to Section 3 below, the number of Market Stock Units in which the Participant may vest in accordance with the Vesting Schedule set forth in the Notice of Grant will depend upon the Company's Stock Price Performance as compared to the NASDAQ Composite Index Performance calculated on the February 15, 2022 (the "Measurement Date"), determined as follows:

(i) Performance Calculation.

1. The "Company's Stock Price Performance" means the percentage increase or decrease in (i) the average adjusted closing price per share of the Company's common stock during the 30 trading-day period ending February 15 of the year of grant over (ii) the average adjusted closing price of the Company's common stock during the 30 trading-day period ending on the Measurement Date.

2. The "NASDAQ Composite Index Performance" means the percentage increase or decrease in (i) the adjusted index value of the NASDAQ Composite Index during the 30 trading-day period ending February 15 of the year of grant over (ii) the adjusted index value of the NAQDAQ Composite Index during the 30 trading-day period ending on the Measurement Date.

3. The Company's Stock Price Performance will be compared against the NASDAQ Composite Index Performance (each expressed as a growth rate percentage) to result in a growth rate (the "Growth Rate Delta") equal to the Company's Stock Price Performance minus the NASDAQ Composite Index Performance. The Growth Rate Delta will be calculated on the Measurement Date.

(ii) Market Stock Unit Calculation.

1. If the Growth Rate Delta is equal to 0%, the number of Market Stock Units that will be eligible to vest (the "Calculated Market Stock Units") on the Measurement Date will equal 100% of the Target Number of Market Stock Units.

2. If the Growth Rate Delta is greater or less than 0%, the number of Market Stock Units that will be Calculated Market Stock Units will equal: (i) the Target Number of Market Stock Units, multiplied bmey (ii) the sum of (A) 100% plus (B) three times the Growth Rate Delta; provided, however, that in no event will more than the Maximum Number of Market Stock Units become Calculated Market Stock Units. If the Growth Rate Delta is less than or equal to negative-33.3%, then the number of Target Market Stock Units that will become Calculated Market Stock Units will equal 0.

(iii) Examples (for illustration purposes only).

1. Example #1: If the Growth Rate Delta equaled 20%, then 160% (equal to 100% plus (3 times 20%)) of the Target Number of Market Stock Units would be Calculated Market Stock Units.

2. Example #2: If the Growth Rate Delta equaled negative-20%, then 40% (equal to 100% plus 3 times negative-20%)) of the Target Number of Market Stock Units would be Calculated Market Stock Units.

2. Company's Obligation to Pay. Each Market Stock Unit represents a value equal to the Fair Market Value of a Share on the date it is granted. Unless and until the Market Stock Units will have vested in the manner set forth in Section 3, Participant will have no right to payment of any such Market Stock Units. Prior to actual payment of any vested Market Stock Units, such Market Stock Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Payment of any vested Market Stock Units will be made in whole Shares only and any fractional Shares will be forfeited at the time of payment.

3. Vesting Schedule. The Market Stock Units awarded by this Agreement will vest in Participant according to the Vesting Schedule set forth on the attached Notice of Grant, subject to Participant continuing to be a Service Provider through the Vesting Date; provided however:

(a) Upon a Change of Control (as such term is defined in the Participant's CEO Employment Agreement), and subject to Participant's continuing to be a Service Provider through such date, the vesting of the Calculated Market Stock Units will accelerate on a pro rata basis based on (i) the amount of time that has lapsed between the Date of Grant and the date of the closing of the Change of Control relative to (ii) the original 3-year performance period (with the number of Calculated Market Stock Units eligible to be earned calculated using the amount to be paid to holders of the Company's Common Stock in the Change of Control transaction). Any unvested Calculated Market Stock Units that do not accelerate based on the terms of the preceding sentence will vest ratably in substantially equal installments on each anniversary of the Date of Grant that occurs following the closing date of such Change of Control transaction with the final vesting date to be the 3-year anniversary of the Date of Grant, to the extent any Calculated Market Stock Units remain outstanding following the Change of Control and subject to Participant continuing to be a Service Provider through the applicable vesting date.

(b) In the event Participant's employment with the Company terminates as a result of Participant's death or Disability

(as such term is defined in the Employment Agreement) following the Start Date (as such term is defined in the Employment Agreement), then, on the date of such termination, Participant will vest in the Calculated Market Stock Units (with the number of Calculated Market Stock Units eligible to be earned calculated using the date of employment termination as the measurement date for purposes of calculating the Company's total shareholder return compared to that of the NASDAQ Composite).

(c) If upon or within 18 months following a Change of Control (as such term is defined in the CEO Employment Agreement) (i) the Company (or any parent or subsidiary or successor of the Company) terminates Participant's employment with the Company other than for Cause (as such term is defined in the CEO Employment Agreement), death or Disability (as such term is defined in the CEO Employment Agreement), or (ii) Participant resigns from such employment for Good Reason (as such term is defined in the CEO Employment Agreement), then, subject to the terms and conditions of Section 8 of the Employment Agreement, Participant will be entitled to 100% accelerated vesting.

4. Forfeiture upon Termination of Status as a Service Provider. Subject to Section 3 hereof, if Participant ceases to be a Service Provider for any or no reason, the then-unvested Market Stock Units awarded by this Agreement will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder.

5. Payment after Vesting. Any Market Stock Units that vest in accordance with Section 3 will be paid to Participant (or in the event of Participant's death, to his or her estate) in whole Shares, subject to Participant satisfying any applicable tax withholding obligations as set forth in Section 7. Subject to the provisions of Section 19, any Shares will be issued to Participant as soon as practicable after the relevant vesting date, but in any event, within the period ending on the later to occur of the date that is two-and-one-half months from the end of (a) Participant's tax year that includes the vesting date, or (b) the Company's tax year that includes the vesting date.

6. Payments after Death. Any distribution or delivery to be made to Participant under this Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Withholding of Taxes.

(a) Generally. The Participant is ultimately liable and responsible for all taxes owed in connection with the Market Stock Units, regardless of any action the Company or any of its Subsidiaries takes with respect to any tax withholding obligations that arise in connection with the Market Stock Units. Neither the Company nor any of its Subsidiaries makes any representation or undertaking regarding the treatment of any tax withholding in connection with the grant or vesting of the Market Stock Units or the subsequent sale of Shares issuable pursuant to the Market Stock Units. The Company and its Subsidiaries do not commit and are under no obligation to structure the Market Stock Units to reduce or eliminate the Participant's tax liability.

(b) Payment of Withholding Taxes. Notwithstanding any contrary provision of this Agreement, no Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by the Participant with respect to the payment of any taxes which the Company determines must be withheld with respect to the Market Stock Units. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may satisfy such tax withholding obligations, in whole or in part, by withholding otherwise deliverable Shares having an aggregate Fair Market Value sufficient to (but not exceeding) the minimum amount required to be withheld. In addition and to the maximum extent permitted by law, the Company has the right to retain without notice from salary or other amounts payable to the Participant, cash having a value sufficient to satisfy any tax withholding obligations that cannot be satisfied by the withholding of otherwise deliverable Shares.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder, unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant, provided that the Participant shall be entitled to any award adjustments provided pursuant to Section 18(a) of the Plan.

9. No Effect on Service. Participant acknowledges and agrees that the vesting of the Market Stock Units pursuant to Section 3 hereof is earned only by Participant continuing to be a Service Provider through the applicable vesting dates (and not through the act of being hired or acquiring Shares hereunder), subject, however, to the provisions in Section 3(a)-(c) above). Participant further acknowledges and agrees that this Agreement, the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of Participant continuing to be a Service Provider for the vesting period, for any period, or at all, and will not interfere with the Participant's right or the right of the Company (or the Affiliate employing or retaining Participant) to terminate Participant as a Service Provider at any time, with or without cause.

10. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of Stock Administrator at Align Technology, Inc., 2560 Orchard Parkway, San Jose, CA 95131, or at such other address as the Company may hereafter designate in writing. Any notice to be given to the Participant regarding his Market Stock Unit award shall comply with the notice provisions in the Participant's CEO Employment Agreement.

11. Grant is Not Transferable. Except to the limited extent provided in Section 6, or, in the event of Participant's death, by his will or the laws of descent or distribution (pursuant to Section 15 of the Plan) or as otherwise determined by the Plan Administrator (pursuant to Section 15 of the Plan), this grant and the rights and privileges conferred hereby will not be transferred,

assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void. Notwithstanding the above, the rights relating to Participant's Restricted Stock Unit grant can be exercised on the Participant's behalf by his legal representative in the event of his legal incapacity, or, in the event of his death, by his designated beneficiary (if any) or, if no beneficiary is designated with respect to his Restricted Stock Units, by his estate.

12. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

13. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of shares to Participant (or his estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of the payment of any Shares will violate federal securities laws or other applicable laws, the Company will defer delivery until the earliest date at which the Company reasonably anticipates that the delivery of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority. The Company represents and acknowledges that, as of the Date of Grant, there are currently no delivery restrictions in effect of the type referred to in this Section 13.

14. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.

15. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Market Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

16. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to Market Stock Units awarded under the Plan or future Market Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

17. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

18. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

19. Section 409A. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Market Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Market Stock Units would result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated Market Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless the Participant dies following his or her termination as a Service Provider, in which case, the Market Stock Units will be paid in Shares to the Participant's estate as soon as practicable following his or her death. It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Market Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Agreement, "Section 409A" means Section 409A of the Code, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

20. Governing Law. This Agreement shall be governed by the laws of the State of California, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Market Stock Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation shall be conducted in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Market Stock Units is made and/or to be performed.

[Remainder of Page Intentionally Left Blank]

By Participant's acceptance of this Agreement, Participant represents that he or she is familiar with the terms and provisions of the Plan, and hereby accepts this Agreement subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement. Participant agrees to accept as binding, conclusive and

final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Agreement, but does not waive any rights he has under his CEO Employment Agreement. Participant further agrees to notify the Company upon any change in the residence indicated in the Notice of Grant of Market Stock Units if and to the extent that the Company is not otherwise notified of any such change.

JOSEPH M. HOGAN **ALIGN TECHNOLOGY, INC.**

Signature By

Print Name

Title

250%

Exhibit 10.4

PURCHASE AND SALE AGREEMENT
(Forty540)

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made as of the ___day of January, 2019 (the "Effective Date") by and between SLATER ROAD I, LLC, a Delaware limited liability company ("Seller"), and ALIGN TECHNOLOGY, INC., a Delaware corporation ("Purchaser").

RECITALS

A. Seller now desires to sell to Purchaser that certain parcel of land owned by Seller, which is more particularly described on Exhibit A attached hereto and made a part hereof (the "Land"), together with (a) all buildings, structures and other improvements located upon such Land (collectively, the "Improvements"), (b) all easements and rights appurtenant to such Land, including, without limitation, all entitlements, tenements, hereditaments, interests, minerals and mineral rights, water and water rights, utility capacity and appurtenances in any way belonging or appertaining to the Land and all right, title and interest of Seller in and to adjacent streets, alleys, rights-of-way, curbs, curb cuts, sidewalks, landscaping, signage, sewers and public ways (collectively, the "Appurtenant Rights"), (c) all right, title and interest of Seller in and to any fixtures, equipment and tangible personal property owned by Seller and located on and used in connection with such Land or Improvements (collectively, the "Personal Property"), (d) all right, title and interest of Seller in, to and under the Leases (defined below) and, to the extent assignable without any fee, cost or expense to Seller, the Contracts (defined below) that Purchaser elects to assume as provided in this Agreement, and (e) to the extent assignable without consent or payment of any kind, any right, title and interest of Seller in, to and under (i) all governmental permits, licenses, approvals, certificates of occupancy, dedications, and subdivision maps in effect or hereafter issued, approved or granted with respect to such Land and Improvements, (ii) all warranties, guarantees, bonds and indemnities for the benefit of such Land, Improvements or Personal Property, (iii) all general intangibles related to such Land or Improvements, including all plans, specifications, engineering studies, reports, drawings and prints related to the construction, modification, development, installation or alteration of the Improvements and all other rights and privileges associated with the Land, the Improvements and the Personal Property (collectively, the "Intangible Property"). The Land, together with the Improvements, Appurtenant Rights, Personal Property, Intangible Property, Leases and Contracts is collectively referred to herein as the "Property"; and

WHEREAS, Purchaser now desires to purchase the Property from Seller on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

1. Sale and Purchase. On the terms and conditions set forth in this Agreement, at the Closing (defined below), Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, the Property in consideration of the Purchase Price (defined below).

2. Purchase Price. The purchase price for the Property (the "Purchase Price") shall be Fifty-Eight Million One Hundred Thousand Dollars ($58,100,000), subject to adjustments and prorations as set forth below.

---

follows:

2.1

Payment of Purchase Price. Purchaser shall pay the Purchase Price as

2.1.1 Deposit. Within four (4) Business Days (defined below) after the Effective Date, TIME BEING OF THE ESSENCE, Purchaser shall deposit with Chicago Title Insurance Company, 150 Fayetteville Street, Suite 1120, Raleigh, NC 27601, Attn: Jackie Wester ("Escrow Agent" or "Title Company"), by wire transfer of immediately available federal funds, the sum of Two Million Dollars ($2,000,000) (together with all interest hereafter accrued thereon, but excluding the Independent Consideration (defined below), the "Deposit") as a good faith deposit under this Agreement. Escrow Agent shall hold, apply, disburse and deliver the Deposit in accordance with the terms of this Agreement and the terms of Exhibit B (the "Escrow Provisions"). Escrow Agent is joining in the execution of this Agreement solely to acknowledge that upon receipt of the Deposit it agrees to serve as Escrow Agent under and in accordance with the terms of this Agreement, including the Escrow Provisions; Escrow Agent's signature to this Agreement (and any amendments) shall not be required for this Agreement (or any amendments) to be binding on Seller and Purchaser. If Purchaser fails to deliver the Deposit to Escrow Agent in accordance with the terms of this Agreement, at Seller's election, this Agreement shall thereafter be null and void ab initio and of no force or effect. Except as may be expressly set forth in this Agreement, the Deposit shall be non-refundable to Purchaser.

2.1.2 Closing Payment. On the Closing Date (defined below), Purchaser shall deposit with the Escrow Agent in accordance with Section 4.1 below the Purchase Price as adjusted by the application of the Deposit and the allocations, prorations and credits specified below by wire transfer of immediately available federal funds.

2.2 Independent Consideration. A portion of the amount deposited by Purchaser pursuant to Section 2.1.1 in the amount of One Hundred Dollars ($100) (the "Independent Consideration") shall be deemed earned by Seller upon execution and delivery of this Agreement by Seller and Purchaser. Seller and Purchaser acknowledge and agree that the Independent Consideration represents adequate bargained for consideration for Seller's execution and delivery of this Agreement and Purchaser's right to inspect the Property pursuant to the terms of this Agreement. The Independent Consideration is in addition to and independent of any other consideration or payment to be made by Purchaser under this Agreement and is nonrefundable in all events. Upon the Closing or earlier termination of this Agreement, the Independent Consideration shall be paid to Seller.

2.3 No Financing Contingency. Purchaser acknowledges and agrees that Purchaser's obligations to pay the Purchase Price and consummate the Closing are not in any way conditioned upon Purchaser's ability to obtain financing of any type or nature whatsoever, whether by way of debt financing, equity investment or otherwise.

3. Title and Survey; Due Diligence; Conditions Precedent.

3.1 Title and Survey Matters.

3.1.1 Title and Survey Review.

(a) Prior to the Effective Date, Purchaser obtained (i) a recently updated commitment from the Title Company dated November 7, 2018, last revised January 14, 2019, for an owner's policy of title insurance for the Property, together with copies of all instruments giving rise to any exceptions to title to the Property shown therein (collectively, the "Title Commitment"), and (ii) a recently updated ALTA/NSPS land title survey of the Property dated November 20, 2018, last updated on December 14, 2018, and signed and sealed on January 10, 2019 (the "Survey"), complete copies of which were heretofore delivered to Seller. Prior to the Effective Date, Purchaser reviewed and approved (and hereby confirms such review and approval of) all exceptions to title for the Property shown in the Title Commitment and all matters shown on the Survey.

(b) If an update of the Title Commitment or Survey performed after the Effective Date discloses any additional matters that were not shown on the Title Commitment or the Survey (but excluding any defect, exception, encumbrance or other matter consented to by Purchaser or otherwise created by the act or omission, or at the direction, of Purchaser or any Purchaser Related Party (defined below)) that are not acceptable to Purchaser (collectively, the "New Exceptions"), Purchaser may object to any such matters by delivering written notice thereof to Seller within five (5) Business Days after the date on which the Title Company or surveyor notifies Purchaser in writing of such New Exceptions. Failure to so notify Seller shall be deemed a waiver by Purchaser of its right to raise any such New Exceptions as an objection to title or survey or as a ground for Purchaser's refusal to consummate the Closing. Seller shall have five (5) days after receiving Purchaser's notice to notify Purchaser in writing whether Seller intends to attempt to eliminate the New Exceptions set forth in Seller's notice. The failure by Seller to deliver such notification to Purchaser shall be conclusively deemed to be the election by Seller not to attempt to eliminate any New Exceptions. Seller may elect, in its sole and absolute discretion, to adjourn the Closing for a period not to exceed thirty (30) days to attempt to eliminate any New Exceptions. Notwithstanding anything to the contrary contained in this Agreement, but subject to Purchaser's right to terminate this Agreement pursuant to Section 3.1.1(c) below and subject to Seller's obligations under Section 3.1.1(d) below, Seller shall not be obligated or required to take any action (including but not limited to bringing any action or proceeding, making any payment, incurring any expense or arranging for title insurance insuring against enforcement of such New Exception against, or collection of the same out of, the Property) to cause the removal or cure of (or attempt to cause the removal or cure of) any title or survey matters (including but not limited to New Exceptions), notwithstanding that Seller may have attempted to do so or may have adjourned the Closing Date for such purpose.

(c) If Seller is unable, or elects not to attempt, to eliminate all New Exceptions in accordance with the provisions of this Section 3.1.1 or to arrange, at Seller's cost and expense, for affirmative title insurance or special endorsements acceptable to Purchaser, in its sole discretion, insuring against loss or damage resulting from the New Exceptions, Purchaser

may elect as its sole remedy, by delivery of written notice to Seller within five (5) days after the date on which Purchaser receives notice (or is deemed to have received notice) of Seller's election not to remove such New Exceptions, to either (i) terminate this Agreement by written notice delivered to Seller, in which event Escrow Agent shall return the Deposit to Purchaser and thereafter this Agreement shall be deemed terminated and of no further force or effect and Seller and Purchaser shall be released from further obligation and liability under this Agreement (except for those obligations and liabilities that expressly survive such termination), or (ii) accept title to the Property subject to such New Exceptions without a reduction in, abatement of, or credit against the Purchase Price. The failure of Purchaser to deliver timely written notice of election under this Section 3.1.1(c) shall be conclusively deemed to be an election under clause
(i) above.

(d) Notwithstanding anything to the contrary in this Section 3.1, Purchaser hereby objects to all mortgages, deeds of trust and other monetary liens encumbering the Property (including any mechanics' and materialmen's liens regarding any work performed by or at the direction of Seller, including any work in connection with the Leases, but excluding liens
(y) arising from the acts or omissions of tenants at the Property or from work performed by or at the direction of any tenant at the Property, and (z) for ad valorem real estate taxes and assessments not yet due and payable as of the Closing Date), and Seller shall, at Seller's sole cost (for which all or any portion of the Purchase Price may be used) and as a condition of Closing for the benefit of Purchaser, pay off and cause the release of any such liens, including the payment of any penalties and charges, on or before the Closing; excluding, however, any liens consented to by Purchaser in writing or otherwise created by the act or omission of Purchaser or any Purchaser Related Party. The foregoing notwithstanding, with respect to any mechanic's or materialman's liens that may be filed against the Property for work performed by or at the direction of Seller, Seller may satisfy the requirements of this Section 3.1.1(d) by bonding over or providing other security with respect thereto in a manner that will allow the Title Company to remove such lien as an exception to title in Purchaser's and its lender's title insurance policies to be issued as of the Closing Date.

3.1.2 Permitted Exceptions to Title. At Closing, Seller shall convey and transfer to Purchaser good and marketable fee simple title to the Property free and clear of all liens, claims and encumbrances other than the following exceptions to title (collectively, the "Permitted Exceptions"):

(a) all presently existing and future liens of real estate taxes or assessments not due and payable as of the Closing Date, subject to adjustment as provided in this Agreement;

(b) subject to Section 3.1.1(d), all covenants, conditions, restrictions, rights, easements, encumbrances, liens and other title matters and exceptions of record specifically identified as exceptions to title (as opposed to requirements to be satisfied) in the pro forma Title Policy attached hereto as Exhibit K, subject to modification in order to include the Declaration Amendment (as hereafter defined)**;**

(c) any matters shown on the Survey;

Leases;

(d)

rights and interests of tenants in the Property, as tenants only, under the

(e) any lien, encumbrance or other matter affecting title to the Property consented to by Purchaser in writing or otherwise created by the acts or omissions of Purchaser or any Purchaser Related Party; and

(f) any lien, encumbrance or other matter affecting title to the Property that Purchaser shall be deemed to have approved or waived pursuant to the terms of Section 3.1.1 of this Agreement.

3.2 Due Diligence.

3.2.1 Seller's Materials. To the extent not previously provided to Purchaser and to the extent such items are in Seller's possession, Seller shall, within three (3) Business Days after the Effective Date, deliver or make available to Purchaser (in an online data room or at the Property or at Seller's offices) the items pertaining to the Property set forth on Exhibit C (collectively, the "Seller's Materials"). To the extent copies are not otherwise provided or made available to Purchaser, Purchaser and Purchaser's partners, members, officers, directors, employees, contractors, consultants, lenders, investors, attorneys and accountants (collectively, "Purchaser's Representatives") shall have the right to review, during normal business hours at the offices of Seller and/or Seller's property manager, upon at least one (1) Business Day's prior written notice, the Seller's Materials. Notwithstanding anything to the contrary contained in this Agreement, Seller shall have no obligation to deliver or make available to Purchaser or Purchaser's Representatives any information, materials, reports or documents (but excluding the Purchaser's Materials, as hereafter defined) that Seller reasonably considers to be confidential, privileged or internal work product. Seller does not make any representation or warranty, and expressly disclaims all representations and warranties, and shall have no liability, regarding the methodology, accuracy, completeness, reliability or contents of the Seller's Materials or any other information delivered or made available to Purchaser or Purchaser's Representatives under this Agreement. Seller shall, however, use reasonable efforts to ensure that the Seller's Materials delivered or made available to Purchaser are complete copies thereof to the extent in Seller's possession.

3.2.2 Right of Entry. Beginning on the Effective Date and thereafter until the Closing Date or earlier termination of this Agreement, Purchaser and Purchaser's Representatives shall have the right to enter upon the Property and to perform all inspections, investigations, examinations, tests, studies and assessments with respect to all matters pertaining to the Property and its condition, value and potential as Purchaser may deem necessary or advisable (the "Studies"), subject to the following terms and conditions: (a) Purchaser's Representatives may only access the Property between the hours of 9:00 a.m. and 5:00 p.m., Mondays through Fridays (excluding holidays); provided, however, nothing herein shall be deemed to prevent Purchaser and its employees from accessing the Property subject to the terms of that certain Office Lease by and between Seller, as "Landlord" thereunder, and Purchaser, as "Tenant" thereunder, dated as of December 16, 2016, as amended by that certain First Amendment to Office Lease dated May 3, 2017, as further amended by that certain Second

Amendment to Office Lease dated May 8, 2018, and as further amended by that certain Third Amendment to Office Lease dated of even date herewith (collectively, the "Purchaser's Lease"), relating to certain leased premises located within the Improvements, (b) Purchaser shall give Seller at least one (1) Business Day's prior written notice of the proposed purpose of, and entry and exit times for, any desired access to the Property (but access inside tenant spaces shall require at least two (2) Business Days' prior written notice); (c) Seller's representatives may accompany Purchaser's Representatives at all times while they are on the Property; provided, however, that Purchaser's Representatives shall not enter any tenant spaces (other than space leased to Purchaser) without Seller's representative being present at all times, any such entry shall be performed subject to the terms of the applicable tenant's lease and all applicable laws and regulations and such entry shall be coordinated with the affected tenants by Seller directly or through its property manager; (d) the Studies shall be performed in good faith, in a good and workmanlike manner and at Purchaser's sole cost, expense, liability and risk; (e) Purchaser's Representatives shall use commercially reasonable efforts not to interfere with the use or operation of the Property or disturb any tenants under Leases or other occupants of the Property, and the Studies shall be subject to the rights of tenants under the Leases; (f) Purchaser's Representatives shall not, without Seller's prior written consent, not to be unreasonably withheld, conditioned or delayed, contact or solicit, whether directly or indirectly, in person or through an intermediary or electronically (whether by telephone, e-mail, social media or otherwise), any tenant or occupant at the Property, any management company or property manager, employee, contractor, vendor or other individual or entity providing services (including but not limited to design, engineering, construction, maintenance, management and leasing services) or materials with respect to the Property, or any governmental or quasi-governmental authority regarding the Property (except for written requests to appropriate governmental agencies to confirm utility availability and any zoning code, building code or other legal violations with respect to the Property or to request copies of any permits, licenses and/or certificates of occupancy for the Property not otherwise provided by Seller), and Seller's representative(s) may, and shall be given a reasonable opportunity to, attend any meetings (including those conducted in person or by telephone) with any governmental agencies Purchaser may desire to contact as permitted above, and with any of the foregoing individuals and entities to which Seller may consent, and Purchaser shall promptly provide Seller with copies of all written correspondence with any governmental agencies and with any of the foregoing individuals and entities to which Seller may consent (other than customary written requests for information as expressly permitted in (f) above); (g) Purchaser's Representatives shall not disturb or damage the physical structure of the Property or any systems at the Property; (h) Purchaser's Representatives shall not perform any invasive or intrusive testing (including but not limited to Phase II environmental site assessments, drilling, boring and sampling) of, on or under the Property (whether structural, environmental or otherwise, and whether in the improvements or on or beneath the surface) without Seller's prior written consent to the scope and timing of such testing, which Seller may condition or withhold in its sole, reasonable discretion; (i) while on the Property and while conducting the Studies, Purchaser's Representatives shall fully comply with all applicable laws, statutes, ordinances, orders, and governmental rules and regulations, and legal requirements; (j) Purchaser shall not permit any lien or claim of lien to exist against the Property arising from the acts or omissions of Purchaser or Purchaser's Representatives and, at its sole cost and expense, immediately shall discharge of record any liens that are so filed or

recorded; and (k) Purchaser's Representatives shall not threaten human health or safety or alter or damage the Property and, at Purchaser's sole cost and expense, shall promptly repair and restore the Property to the same condition existing immediately prior to entering upon the Property or at Seller's option, shall reimburse Seller for any actual, out-of-pocket costs incurred by Seller to repair or restore the Property to the same condition existing immediately prior to Purchaser entering upon the Property. If the need arises to notify under applicable law any federal, state or local governmental agency of any condition at the Property discovered as a result of the Studies, Seller—not Purchaser—shall make such disclosure, as Seller deems appropriate, unless Purchaser is required by law to make such disclosure, in which case Purchaser shall notify Seller in writing at least three (3) Business Days before making any such disclosure (if such prior notice is practicable).

3.2.3 Insurance. Purchaser, at its sole cost and expense, shall obtain (before entering upon the Property) and maintain (for so long as this Agreement is in effect) a policy of commercial general liability insurance providing coverage of at least Two Million Dollars ($2,000,000) per occurrence, Two Million Dollars ($2,000,000) general aggregate per project, for death, bodily injury and property damage (including, if applicable, coverage for explosion, collapse and underground property) arising out of the Studies or Purchaser's and Purchaser's Representatives access to and activities on the Property, that names Seller, Slater Road I Member, LLC, FCP Fund III Trust, FCP Realty Fund III, L.P., Seller's lender, and such other parties as Seller may reasonably designate from time to time (collectively, the "Additional Insureds"), as additional insureds, on a primary and non-contributory basis, and such additional insured status must be afforded by endorsement without any restrictions or exclusions related to contractual privity. If applicable, Purchaser also shall, at its sole cost and expense, obtain (before entering upon the Property) and maintain (for so long as this Agreement is in effect) (i) statutory worker's compensation and employer's liability insurance with limits of at least One Million Dollars ($1,000,000) for bodily injury per accident and each disease, per employee, and a total combined limit for bodily injury in amounts not less than One Million Dollars ($1,000,000) per accident and One Million Dollars ($1,000,000) per each

disease, and (ii) commercial automobile liability insurance with a combined single limit of not less than One Million Dollars ($1,000,000) for bodily injury and property damage that names the Additional Insureds as additional insureds, on a primary and non-contributory basis. The minimum limits of the insurance required under this paragraph may be satisfied by a combination of primary, umbrella and/or excess insurance policies provided such umbrella and/or excess insurance provides follow-form coverage to the underlying insurance and is otherwise in form as reasonably acceptable to Seller. Such insurance shall (A) be issued by an insurance company or companies reasonably acceptable to Seller that is authorized to do business in the state in which the Property is located and with a rating of not less than "A-:VIII" by AM Best, (B) shall not be subject to cancellation without the insurance company giving at least thirty (30) days' prior written notice to Seller, (C) not include defense costs within the limit of liability, (D) include a waiver of subrogation in favor of Seller and the Additional Insureds, (E) maintain deductibles or self-insured retentions acceptable to Seller, and Purchaser shall be solely responsible for any deductible or self-insured retention related payments, and (F) include, where applicable, the Additional Insureds as additional insureds on terms consistent with those outlined in this paragraph. Purchaser shall furnish to Seller a certificate of insurance and related endorsements

in form and substance, and containing terms and conditions, reasonably satisfactory to Seller evidencing such coverages, together with proof of payment of the premium, before entering upon the Property. Purchaser shall cause Purchaser's Representatives to satisfy the requirements set forth in this paragraph and to provide policy forms and accompanying endorsements for the insurance required under this paragraph from time to time upon request from Seller to the extent the same are available. Notwithstanding the foregoing, the insurance coverage and evidence thereof maintained and provided by Purchaser from time to time in accordance with the Purchaser's Lease shall satisfy the requirements of this Section 3.2.3.

3.2.4 Indemnification. Purchaser shall indemnify, hold harmless and, upon request, defend (with counsel acceptable to Seller in its reasonable discretion) Seller and its affiliates, officers, directors, managers, members, partners, employees, contractors, consultants, investors, lenders, tenants, invitees and property managers (collectively, the "Indemnified Parties") from and against any and all demands, allegations, claims, actions, suits, proceedings, judgments, awards, damages, liabilities, liens, losses, costs and expenses (including but not limited to reasonable attorneys' fees and costs) (collectively, "Claims") suffered or incurred by, imposed on or asserted against any of the Indemnified Parties as a result of any bodily injury or harm, or property damage, arising from Purchaser's and the other Purchaser's Representatives' activities on the Property; provided, however, that Purchaser's indemnity hereunder shall not include any Claims to the extent resulting from the acts or omissions of the Indemnified Parties, or the mere discovery of any information potentially having a negative impact on the Property, including, without limitation, any pre-existing condition of the Property, provided such pre- existing condition is not intentionally or negligently exacerbated by Purchaser or any of the other Purchaser's Representatives. This paragraph shall survive the expiration or earlier termination of this Agreement.

3.2.5 Delivery of Materials. If this Agreement is terminated for any reason, Purchaser shall promptly return to Seller all originals and copies of the Seller's Materials in Purchaser's possession and, upon request, deliver (to the extent not previously delivered) to Seller copies of all reports, documents, materials and information (excluding any of the foregoing that Purchaser reasonably considers to be confidential, privileged or internal work product) resulting from the Studies (the "Purchaser's Materials") and (to the extent assignable and without cost or expense to Purchaser) assign to Seller all of Purchaser's rights in and to the Purchaser's Materials, provided that Purchaser shall also reserve for itself all rights and remedies of Purchaser in and to the Purchaser's Materials. Purchaser shall deliver the Purchaser's Materials to Seller as an accommodation only and makes no representation or warranty of any kind concerning the adequacy or accuracy of the materials furnished. In addition to any other remedies available to Seller, Seller shall have the right to seek equitable relief (including but not limited to injunctive relief and specific performance) against Purchaser or any of the Purchaser's Representatives to enforce the provisions of this Section 3.2.5.

3.2.6 Confidentiality. Purchaser and the Purchaser's Representatives shall keep strictly confidential all, and shall not release, disclose, publish or otherwise disseminate any, information obtained by or on behalf of Purchaser or the Purchaser's Representatives in connection with the Studies or Purchaser's review of the Property, pursuant to

the terms of that certain Confidentiality Agreement dated as of October 15, 2018 from Purchaser to and for the benefit of Seller and FCP Realty Fund III, L.P. (the "Confidentiality Agreement"). In addition, the confidentiality obligations of the Purchaser and the Purchaser's Representative under the Confidentiality Agreement shall be deemed to apply to the financial and other terms and conditions of a potential transaction between Seller and Purchaser as herein contemplated, including, without limitation, the Purchase Price.

3.2.7 Survival. The obligations of Purchaser set forth in this Section 3.2 shall survive the Closing or earlier termination of this Agreement.

3.3 Contracts. At least thirty-five (35) days prior to Closing, Purchaser shall notify Seller in writing which Contracts Purchaser, in its sole and absolute discretion, desires to assume at the Closing. If any Contract to be assumed by Purchaser is assignable but requires the applicable vendor to consent to the assignment of such Contract by Seller to Purchaser, then, prior to the Closing, Seller shall use commercially reasonable efforts to obtain from each such vendor a consent to the assignment of the Contract by Seller to Purchaser; provided, however, that if Seller fails to obtain any such consent despite such reasonable efforts, (i) such failure shall not constitute a breach of or default under this Agreement by Seller or the failure to satisfy a condition precedent to Purchaser's obligation to proceed to the Closing, and (ii) Seller shall terminate any such Contracts at or prior to the Closing. Purchaser shall pay any reasonable assignment or other transfer fees and charges due in connection with its assumption of any Contracts. Purchaser's failure to notify Seller in writing of any Contracts it desires to assume at Closing within the 35-day period described above shall be deemed an automatic election by Purchaser to not assume any Contracts. Notice of termination for all Contracts not assumed by Purchaser shall be given by Seller not later than the Closing Date and any termination fees due in connection therewith and any charges due thereunder from and after the Closing Date and through the date of actual termination shall be paid by Seller. Notwithstanding anything to the contrary contained in this Agreement, Seller shall terminate, effective as of the Closing, any existing property management agreement for the Property.

3.4 Conditions Precedent to Closing.

to all of the following:

3.4.1

Purchaser's obligation to consummate the Closing shall be subject

(a) Seller's representations and warranties in Section 5.1 hereof being true and correct in all material respects as of the Closing Date (but subject to the terms of Section 5.4);

(b) Seller's delivery of the items required to be delivered by Seller pursuant to Section 4.2 below;

(c) the Title Company shall have irrevocably and unconditionally committed to issue to Purchaser an ALTA extended coverage Owner's Policy of Title Insurance (the "Title Policy") covering the Property, in the form in all material respects of the pro forma Title Policy attached hereto as Exhibit K, as modified in accordance with Section 3.1.2(b) hereof;

(d) on or before the date that is five (5) Business Days prior to the Closing Date, Seller shall have delivered to Purchaser an estoppel certificate from Solarwinds (being the other tenant at the Property) and of Solarwinds Holdings, Inc. ("Holdings"), as guarantor, under that certain Lease Guaranty (the "Solarwinds Guaranty") dated November 22, 2017, regarding the Solarwinds Lease, substantially in the form of Exhibit N attached to this Agreement (the "Solarwinds Estoppel"), which is dated no earlier than thirty (30) days prior to the Closing Date and does not contain any statements or certifications disclosing any of the following: (i) any material adverse (to the landlord) economic terms that are not expressly contained in the lease between Seller, as landlord, and Solarwinds, as tenant, dated November 27, 2017 (the "Solarwinds Lease"), (ii) the existence of any material default of either the landlord or the tenant under the Solarwinds Lease or the occurrence of any event or condition that, with the giving of notice or the passage of time or both, could constitute such a material default, (iii) the existence of one or more material claims of the tenant against the landlord, (iv) the existence of one or more material unresolved disputes between landlord and the tenant in connection with the Solarwinds Lease, or (v) the existence of any releases or waivers of Holdings' obligations under the Solarwinds Guaranty or of any material unresolved disputes between the landlord and Holdings in connection with the Solarwinds Guaranty; Seller shall use commercially reasonable efforts to obtain the Solarwinds Estoppel from Solarwinds and Holdings within the timeframe described in this paragraph; understanding, however, that (i) Seller's failure, despite having used commercially reasonable efforts, to obtain the Solarwinds Estoppel from Solarwinds and Holdings in accordance with this paragraph shall not constitute a default hereunder by Seller, and
(ii) Seller's obligation to use commercially reasonable efforts shall not be deemed to impose any obligation on Seller to incur any new or additional material cost or expense, or any new or additional liability, in so doing;

(e) on or before the date that is five (5) Business Days prior to the Closing Date, Seller shall have delivered to Purchaser an Estoppel Certificate from Berkshire SCP Slater Road Holdings II, LLC in the form attached hereto as Exhibit O (the "SCP Estoppel"), which is dated no earlier than thirty (30) days prior to the Closing Date; Seller shall use commercially reasonable efforts to obtain the SCP Estoppel within the timeframe described in this paragraph; understanding, however, that (i) Seller's failure, despite having used commercially reasonable efforts, to obtain the SCP Estoppel in accordance with this paragraph shall not

constitute a default hereunder by Seller, and (ii) Seller's obligation to use commercially reasonable efforts shall not be deemed to impose any obligation on Seller to incur any new or additional material cost or expense, or any new or additional liability, in so doing;

(f) the Solarwinds Lease shall be in full force and effect, and there shall exist no material breach or default of the landlord or the tenant thereunder, nor shall there have occurred any event or condition which, with the giving of notice or the passage of time or both, could constitute such a material breach or default; and

(g) the performance and observance, in all material respects, by Seller of all obligations and covenants of this Agreement to be performed or observed by Seller prior to or on the Closing Date and the fulfillment on or before the Closing Date of all other conditions

precedent to the Closing benefiting Purchaser expressly set forth in this Agreement, any or all of which may be waived by Purchaser in its sole discretion.

If any of the foregoing conditions is not satisfied by Closing, Purchaser shall have the right, at its option, to terminate this Agreement by written notice to Seller, in which event the Escrow Agent shall immediately refund the Deposit to Purchaser. Purchaser may waive any of the foregoing conditions, but only in a writing duly executed by Purchaser. No waiver of any such conditions or termination of this Agreement by Purchaser shall waive or otherwise affect any of Purchaser's rights or remedies under this Agreement upon a default by Seller.

3.4.2 Seller's obligation to consummate the Closing shall be subject to (i) Purchaser's representations and warranties in Section 6 hereof being true and correct in all material respects as of the Closing Date, (ii) Purchaser's delivery of the items required to be delivered by Purchaser pursuant to Section 4.3 below, (iii) Purchaser having fully paid and satisfied all Monthly Rental Installments and all monthly installments of Annual Rental Adjustments (all as defined in the Purchaser's Lease), together with any penalties and/or late fees related thereto, due and owing as of the Closing Date from Purchaser (as tenant) to Seller (as landlord) pursuant to the Purchaser's Lease (the "Outstanding Purchaser's Lease Obligations"); provided, however, if any of the Outstanding Purchaser's Lease Obligations have not been paid to Seller as of the Closing Date because Purchaser is at that time already in the process of disputing such amounts in good faith (and, with respect to the amount of any Annual Rental Adjustment, in accordance with any applicable terms of the Lease), such disputed amounts shall instead be deposited into an escrow account with Escrow Agent at the time of Closing and thereafter held and disbursed by Escrow Agent pursuant to the terms of an escrow agreement in form and substance reasonably acceptable to the parties thereto to be signed at Closing, in which event only the Outstanding Purchaser's Lease Obligations that are not in the process of being disputed by Purchaser in good faith shall be fully paid and satisfied by Purchaser at Closing, and
(iv) the performance and observance, in all material respects, by Purchaser of all obligations and covenants of this Agreement to be performed or observed by Purchaser prior to or on the Closing Date (provided that Purchaser shall have delivered the full amount of the Purchase Price less any deductions for adjustments or prorations set forth herein) and the fulfillment on or before the Closing Date of all other conditions precedent to the Closing benefiting Seller expressly set forth in this Agreement, any or all of which may be waived by Seller in its sole discretion.

4. Closing.

4.1 Time and Place. The consummation of the sale and purchase of the Property contemplated in this Agreement (the "Closing") shall occur on April 8, 2019 (the "Closing Date"), TIME BEING OF THE ESSENCE. The Closing shall be conducted by the delivery of documents and funds into escrow with Escrow Agent on or before the Closing Date. If Escrow Agent does not receive the Purchase Price by 3:00 p.m. (EST) on the Closing Date, then Closing shall occur on the next Business Day and Purchaser shall compensate Seller for any costs and additional interest that may become due and owing by Seller to its lender(s) as a result of Purchaser's late payment (regardless of whether such late payment was caused by Purchaser or Purchaser's lender). Consummation of the Closing shall constitute approval by Seller and Purchaser of all matters to which Seller and Purchaser has a right of approval and a waiver of all

conditions precedent. Seller shall have no liability for Purchaser's interest rate hedging costs if for any reason the Closing is not consummated.

4.2 Seller Deliveries. At the Closing, Seller shall deliver to Escrow Agent the following items (and, where applicable, properly executed and/or acknowledged by Seller) with respect to itself and/or the Property, as the case may be:

Exhibit E-1;

4.2.1

two special warranty deeds (the "Deed") in the form attached

as

4.2.2 two non-warranty deeds (the "QCD") in the form attached as Exhibit E-2 with respect to the legal description of the Property attached thereto or as may otherwise be reasonably requested by Purchaser or the Title Company;

4.2.3 a bill of sale and general assignment (the "Bill of Sale") in the form attached as Exhibit F;

4.2.4 an assignment and assumption of leases and guarantees thereof (the "Assignment and Assumption of Leases") in the form attached as Exhibit G, together with the transfer to Purchaser of any existing letters of credit, bank guarantees and similar security instruments and credit enhancements regarding such leases and guarantees;

4.2.5 an assignment and assumption of contracts (the "Assignment and Assumption of Contracts") in the form attached as Exhibit H for the Contracts to be assumed by Purchaser;

4.2.6 a certification of non-foreign status in the form attached as Exhibit I;

4.2.7 a certificate dated as of the Closing Date and executed by Seller confirming the continuing accuracy of Seller's representations and warranties under Section 5.1 on and as of the Closing Date, or in the event of any inaccuracy, Seller shall specify in detail in such certification any exceptions, limitations, or qualifications to any of Seller's representations and warranties set forth in Section 5.1 which are applicable on and as of the Closing Date, provided that if such certificate discloses any inaccuracy, Purchaser shall have the rights set forth in Section 5.4;

4.2.8 executed originals (or copies if originals are not available) of all Leases in effect on the Closing Date and not previously delivered to Purchaser;

4.2.9 executed originals (or copies if originals are not available) of all Contracts to be assumed by Purchaser and not previously delivered to Purchaser;

4.2.10 if received, the Solarwinds Estoppel;

4.2.11 copies of notices to Solarwinds and to all third party contractors or service providers under Contracts that will be assumed by Purchaser, advising of the sale of the

Property to Purchaser on and as of the Closing Date, and in the case of the notice to Solarwinds, a notice of the assignment of any then-existing tenant security deposits, lease guaranties, and other tenant security, as applicable, to Purchaser;

4.2.12 all existing books, records, files, plans, specifications, permits, certificates and warranties with respect to the Property (including all books and records, if any exist, regarding shared costs under any covenants, conditions and restrictions to which the Property is subject for the current calendar year and the two prior calendar years), to the extent in Seller's possession and not previously delivered to Purchaser (which may be either delivered to Purchaser at the Closing or left at the management office at the Property);

4.2.13 all keys, codes and combinations to the Improvements, to the extent in Seller's possession and not

previously delivered to Purchaser (which may be either delivered to Purchaser at the Closing or left at the management office at the Property);

affidavits;

4.2.14

a settlement statement and any applicable transfer tax forms and

4.2.15 evidence reasonably satisfactory to the Title Company with respect to Seller's due organization and due authorization and execution of this Agreement and the documents required to be delivered pursuant to the terms of this Agreement;

4.2.16 such lien releases as may reasonably be required by the Title Company for liens that Seller is obligated to release pursuant to the terms of this Agreement (except that the lien release from Seller's current lender, Fifth Third Bank, may not actually be delivered to the Title Company until after Closing as long as the Title Company issues the Title Policy to Purchaser effective as of the Closing);

4.2.17 the NCLTA Form No. 1 in the form attached hereto as Exhibit Q (or, alternatively, if applicable, the NCLTA Form No. 5 in a form reasonably acceptable to Seller and the Title Company, together with any accompanying Waiver and Release of Liens from the applicable contractors);

4.2.18 the fully executed Second Amendment to Declaration of Easements and Restrictive Covenants, in the form attached hereto as Exhibit R (the "Declaration Amendment"), which shall be recorded at or prior to Closing, prior in time to the Deed and QCD;

4.2.19 if received, the SCP Estoppel;

4.2.20 if received and not previously recorded, the Easement Termination Agreements (as defined in Section 5.5.8); and

4.2.21 at no additional cost or expense to Seller, such other documents and instruments, in form and substance reasonably acceptable to Seller, as may be reasonably necessary to effectuate the Closing in accordance with the terms of this Agreement; provided,

however, that no such document or instrument shall increase or expand the representations, warranties, covenants, obligations or liabilities of Seller expressly set forth in this Agreement.

4.3 Purchaser Deliveries. At the Closing, Purchaser shall deliver to Seller or Escrow Agent the following items properly executed by Purchaser:

4.3.1 payment of the Purchase Price (subject to adjustments and prorations set forth herein);

4.3.2 the Bill of Sale;

4.3.3 the Assignment and Assumption of Leases;

4.3.4 the Assignment and Assumption of Contracts;

4.3.5 a settlement statement and any applicable transfer tax forms;

4.3.6 evidence reasonably satisfactory to the Title Company with respect to Purchaser's due organization and due authorization and execution of this Agreement and the documents required to be delivered pursuant to the terms of this Agreement; and

4.3.7 at no additional cost or expense to Purchaser, such other documents and instruments, in form and

substance reasonably acceptable to Purchaser, as may be reasonably necessary to effectuate the Closing in accordance with the terms of this Agreement; provided, however, that no such document or instrument shall increase or expand the representations, warranties, covenants, obligations or liabilities of Purchaser expressly set forth in this Agreement.

4.4 Closing Costs.

4.4.1 Seller shall pay (a) all transfer and excise taxes payable in connection with the conveyance of the Property and the recording of the Deed, (b) the legal, consulting and other professional fees, costs and expenses incurred by Seller in connection with this Agreement and the transaction contemplated by this Agreement, (c) Seller's share of prorations as provided in Section 4.5, and (d) the cost of to cure any New Exceptions agreed to be cured by Seller.

4.4.2 Purchaser shall pay (a) the title insurance premium for its owner's and loan policies of title insurance, (b) the cost of any title searches, endorsements and affirmative title insurance coverage required by Purchaser (other than the cost of any title curative endorsements or insurance paid for by Seller pursuant to Section 4.4.1(d)), (c) all costs for the Survey, (d) all recording charges (but not transfer or recording taxes) payable in connection with the recording of the Deed, (e) all escrow and closing fees of Escrow Agent, (f) any sales tax on the Personal Property, (g) all fees, costs and expenses of the Purchaser's Materials, the Studies and other due diligence, (h) the cost of any environmental site assessments and property condition reports ordered by Purchaser, (i) the legal, financing, consulting and other

professional fees, costs and expenses incurred by Purchaser in connection with this Agreement and the transaction contemplated by this Agreement, (j) Purchaser's share of prorations as provided in Section 4.5, and (k) subject to the terms of Section 3.4.2, the Outstanding Purchaser's Lease Obligations.

custom.

4.4.3

Any other closing costs shall be allocated in accordance with local

4.4.4 The provisions of this Section 4.4 shall survive the Closing or earlier termination of this Agreement.

4.5 Apportionments.

4.5.1 Prorations. The following shall be prorated between Seller and Purchaser as of 11:59 p.m. on the day immediately preceding the Closing Date (on the basis of the actual number of days elapsed over the applicable period) so that Seller is entitled to the income and responsible for the expenses attributable to the period prior to the Closing Date and Purchaser is entitled to the income and responsible for the expenses attributable to the period on and after the Closing Date:

(a) All real estate taxes, personal property and ad valorem taxes, water and sewer and other assessments on the Property on the basis of the fiscal year for which they are assessed (if not on a calendar year basis). In no event shall Seller be charged with or be responsible for any increase in the taxes on the Property resulting from the sale of the Property unless such increase covers the period of Seller's ownership or from any improvements made or leases entered into on or after the Closing Date. If any taxes or assessments on the Property are payable in installments, then the amount of the installment for the current period shall be prorated (with Purchaser assuming the obligation to pay any installments due on and after the Closing Date).

(b) Subject to this Section 4.5.1(b), all rent and additional rent under the Leases and other tenant charges actually received. Seller shall deliver or provide a credit to Purchaser on the Closing Date an amount equal to all prepaid rent for periods on and after the Closing Date and all refundable cash security deposits (to the extent made by tenants under the Leases and not applied or forfeited in accordance with the terms of such Leases prior to the Closing Date). Seller shall deliver to Purchaser at the Closing any tenant security deposits which are held in the form of letters of credit, together with executed instruments of transfer in the forms required by the issuers thereof. Rents that are delinquent as of the Closing Date shall not be prorated on the Closing Date; instead, Purchaser shall include such delinquencies in its normal billing and diligently pursue the collection thereof in good faith after the Closing Date, but Purchaser shall not be required to litigate or declare a default or exercise any remedy under any Lease. If and to the extent Purchaser receives any rents on or after the Closing Date, such payments shall be applied as follows: first, to rents owed for the month in which the Closing occurs (prorated between Seller and Purchaser); second, to rents then due and payable to Purchaser for the period of time following the month in which the Closing occurs; and third, to any unpaid rents owed to Seller for the period of time prior to the month in which the Closing

occurs (with Seller's share thereof being held by Purchaser in trust for Seller and promptly delivered to Seller). Purchaser shall

reasonably cooperate with Seller in any collection efforts hereunder (but shall not be required to incur any additional costs or liabilities in connection therewith or to litigate or declare a default under any Lease). Purchaser shall not waive any delinquent rents or modify a Lease so as to reduce or otherwise affect amounts owed thereunder for any period in which Seller is entitled to receive a share of charges or amounts without first obtaining Seller's written consent, which consent may be given or withheld in Seller's reasonable discretion. Seller reserves the right to pursue, after the Closing, any remedy against any tenant owing delinquent rents or other amounts to Seller (but shall not be entitled to terminate any lease or any tenant's right to possession), which right shall include the right to continue or commence legal actions or proceedings against any tenant, provided that Seller may not (i) sue to evict or otherwise dispossess any such tenant from its leased premises, or (ii) take any other action against any such tenant that (A) would give such tenant any claim against Purchaser, or (B) cause any liability on the part of Purchaser to arise under the Lease which is not expressly made an obligation of the then existing landlord under the Lease, or (C) would give such tenant any right to terminate its Lease, or (D) would create any defense or offset against any obligation of such tenant owing under its Lease for any period on or following the Closing Date, or (E) would subject Purchaser, as the current landlord, to any claim by or liability to such tenant. Delivery of the Assignment and Assumption of Leases shall not constitute a waiver by Seller of any such rights, which shall survive the Closing. Seller shall retain all rights with respect to delinquent rents and any other amounts or other rights of any kind with respect to tenants who are no longer tenants of the Property as of the Closing Date.

(c) Charges and payments for all utilities (including but not limited to water, electricity, gas, fuel, telephone and cable) that are not separately metered to tenants, based on the most recently issued bills therefor.

(d) Charges and payments under Contracts (or renewals or replacements thereof permitted by the terms of this Agreement) assigned to Purchaser pursuant to the Assignment and Assumption of Contracts.

(e) All income, expenses and other items customarily apportioned between sellers and purchasers of real property similar to the Property and located in Raleigh, North Carolina.

4.5.2 Tenant True-Ups. Reconciliations of taxes, insurance charges and other expenses owed by any tenants of the Property for the calendar year in which Closing occurs shall be prepared by Purchaser with the cooperation of Seller within one hundred twenty
(120) days following the end of such year in accordance with the requirements set forth in the applicable leases and as provided in this Section 4.5.2. If a tenant pays a proportionate share of taxes, insurance charges or other expenses over a base year amount or expense stop, the proration of the amount received from the tenant over such base year amount or expense stop shall be calculated based on the total amount of such expenses for the Property incurred by each of Seller and Purchaser reduced by the base year amount allocated evenly for the portion of the year each owns the Property. The base year amount will be prorated between the parties based on the number of days each party owned the Property during such year.

4.5.3 Leasing Costs. From and after Closing, Purchaser shall be solely responsible for any leasing commissions and tenant improvement allowances that may become due and payable in connection with any leases at the Property. Purchaser shall therefore receive a credit at Closing from Seller for any remaining, unsatisfied, leasing commissions and tenant improvement allowances payable under the leases at the Property (including, without limitation, any remaining, unsatisfied (i) Second Amendment Tenant Allowance, First Floor Vacant Space Tenant Allowance and/or Fourth Floor Vacant Space Tenant Allowance under the Purchaser's Lease, and (ii) Allowance and Maximum Credit Amount under the Solarwinds Lease).

4.5.4 Post-Closing Reconciliation. If any of the items described in this Section 4.5 cannot be apportioned at the Closing because of the unavailability of information, or are incorrectly apportioned at the Closing or subsequent thereto, such items shall be apportioned or reapportioned (as the case may be) as soon as practicable after the Closing Date or the date such error is discovered (as applicable); provided, however, that no party shall have the right to request apportionment or reapportionment of any item after the date that is one hundred twenty
(120) days after the Closing Date unless otherwise expressly set forth herein. If the Closing shall occur before a real estate or personal property tax rate or assessment is fixed for the tax year in which the Closing occurs, the apportionment of taxes at the Closing shall be upon the basis of the tax rate or assessment for the preceding fiscal or calendar year (as applicable) applied to the latest assessed valuation. Promptly after the new tax rate or assessment is fixed, the apportionment of taxes or assessments shall be recomputed and any discrepancy resulting from such recomputation and any errors or omissions in computing apportionments at the Closing shall be promptly corrected and the proper party reimbursed, which obligations shall survive the Closing.

Closing.

4.5.5

Survival. The provisions of this Section 4.5 shall survive the

5. Seller's Representations, Warranties and Covenants.

5.1 Representations and Warranties of Seller. Seller hereby represents and warrants to Purchaser as of the Effective Date, as follows:

5.1.1 Organization; Authorization. Seller is duly formed, validly existing and in good standing under the laws of the jurisdiction in which it was formed and is qualified to do business in the jurisdiction in which the Property is located. Seller has full power and authority to execute, deliver and perform its obligations under this Agreement and the documents to be delivered by Seller in connection with the Closing (such documents, the "Seller Closing Documents"). All necessary action has been taken or shall have been taken on or before the Closing Date to authorize Seller's execution and delivery of, and performance under, this Agreement and the Seller Closing Documents. The individual(s) executing this Agreement and the Seller Closing Documents on behalf of Seller have the power and authority to bind Seller to the terms and conditions of this Agreement and the Seller Closing Documents.

5.1.2 Leases. There are no leases, subleases, licenses or other occupancy agreements affecting the Improvements or the Property except for the Purchaser's

Lease and the Solarwinds Lease (the "Leases"). Except as described above, the Solarwinds Lease has not been amended or modified in any respect. None of the terms or conditions of the Solarwinds Lease have been waived in any material extent. Seller has delivered to Purchaser a true and complete copy of the Solarwinds Lease, including any amendments or modifications thereof. To Seller's knowledge, Solarwinds is not in material default under the Solarwinds Lease, nor, to Seller's knowledge, has there occurred any event or condition which, with the giving of notice or the passage of time or both, could constitute a material default by Solarwinds under the Solarwinds Lease. To Seller's knowledge, Seller has not received a written notice of default from Solarwinds under the Solarwinds Lease. All of Seller's obligations under the Solarwinds Lease with respect to any tenant improvements have been completed and Seller has no further obligation under the Solarwinds Lease to improve or pay for any tenant improvements. Solarwinds is in occupancy of its premises at the Property and has commenced paying rent, and there are no unpaid broker's or leasing commissions with respect to any Lease.

5.1.3 Contracts. There are no service or equipment contracts or leases in effect with respect to the Property except for the contracts described on Exhibit D (the "Contracts"). Seller has delivered to Purchaser complete copies of all Contracts to the extent in Seller's possession. To Seller's knowledge, Seller has not received a written notice of a material default by Seller under any Contract.

5.1.4 No Litigation. Except as may be set forth on Exhibit L, there are no actions, suits, litigation or proceedings pending or, to Seller's knowledge, threatened in writing against Seller or any of the Property that would, if adversely determined, materially and adversely affect (i) the ability of Seller to carry out the transaction contemplated by this Agreement, or (ii) the Property following Closing.

5.1.5 Personal Property. To Seller's knowledge, Exhibit M contains an accurate and complete list of all personal property owned by Seller and located at and used exclusively in connection with the Property.

5.1.6 No Insolvency. Seller is not a debtor in any bankruptcy or insolvency proceeding.

5.1.7 Non-Foreign Person. Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code, as amended (the "Code").

5.1.8 OFAC. Seller is not a person or entity with whom United States persons or entities are restricted or prohibited from doing business under regulations of the Office of Foreign Asset Control of the Department of the Treasury ("OFAC") (including but not limited to those listed on OFAC's specially designated and blocked persons list) or under any statute, executive order (including but not limited to the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) or other governmental action (a " Restricted

Entity"), and Seller is not engaged in any dealings or transactions or otherwise associated with such persons or entities.

5.1.9 No Conflict or Breach. Neither the execution and delivery of this Agreement nor the performance of any of the obligations of Seller under this Agreement or under any Seller's Closing Documents will conflict with, result in a breach of or constitute a default under any of the terms, conditions or provisions of any agreement or instrument to which Seller is a party or by which Seller is bound, or, to Seller's knowledge, any judgment, order or decree applicable to Seller.

5.1.10 Purchase/Lease Options. No person or entity other than Purchaser has any option or right to purchase or lease any of the Property.

5.1.11 Condemnation. To Seller's knowledge, no condemnation or similar proceedings relating to any portion of the Property are pending or threatened in writing.

5.1.12 Violations. To Seller's knowledge, there exist no uncured violations of applicable laws, codes, regulations or ordinances with respect to the Property that could reasonably be expected to have a material adverse effect on the ownership or operation of the Property.

5.1.13 Environmental. Seller has delivered to Purchaser complete copies of all reports and environmental assessments of the Property to the extent in Seller's possession. To Seller's knowledge, except as disclosed in the reports and assessments delivered to Purchaser, no hazardous substances, materials or waste are present in, on or under the Property or the soil, surface water or ground water thereof in violation of any applicable environmental laws.

5.1.14 Knowledge Parties. The Knowledge Parties (as hereafter defined) have substantive, first-hand knowledge regarding the ownership and operation of the Property.

5.1.15 Declaration. To Seller's knowledge, Seller has completed and paid in full for the construction obligations described in Schedule 5.1.15 hereto in accordance with the utility or other plans as referenced in the Declaration (as defined in Exhibit O hereto), and, to Seller's knowledge, such improvements have been dedicated and accepted, as may be applicable, by the relevant governmental authorities.

5.2 Knowledge Defined. "Seller's knowledge" and words of similar import refers only to the current actual (as opposed to imputed, implied or constructive) knowledge of Sarah Hubbard, Esko Korhonen and Erik Weinberg (together, the "Knowledge Parties") and shall not be construed, by imputation or otherwise, to refer to the knowledge of Seller or any parent, subsidiary or affiliate of Seller or any partner, member, shareholder, officer, director, employee, agent, affiliate, representative or other person or entity acting on behalf of or otherwise related to or affiliated with Seller other than the Knowledge Parties or to impose upon the Knowledge Parties any duty to inquire or investigate the matter to which such knowledge, or the absence thereof, pertains. Notwithstanding anything to the contrary contained in this Agreement, the Knowledge Parties shall have no personal liability hereunder.

5.3 No Environmental Representations or Warranties. Except as provided in Section 5.1.13, Seller makes no representation or warranty as to the environmental condition of

the Property (including but not limited to whether the Property contains asbestos, radon or hazardous, harmful or toxic substances, materials or waste, or pertaining to the extent, location or nature thereof, if any). Further, except as set forth in Section 5.1.13 above, to the extent that Seller has provided to Purchaser any inspection, engineering or environmental information or reports concerning asbestos, radon or hazardous, harmful or toxic substances, materials or waste, Seller makes no representation or warranty with respect to the methodology, accuracy, completeness, reliability or contents of such information or reports.

5.4 Corrections. If, prior to the Closing Date, Seller obtains actual knowledge of any event or condition occurring after the Effective Date that may cause any of Seller's representations or warranties to be inaccurate, incomplete, misleading or untrue in any material respect, Seller shall (without liability to Seller unless such materially inaccurate, incomplete, misleading or untrue representation or warranty was caused by a breach or default by Seller under this Agreement, in which event the terms of Section 8.1 shall govern), within three (3) Business Days, notify Purchaser thereof in writing and shall have the opportunity, at its sole election, to attempt to correct or cure the materially inaccurate or untrue representations and warranties and, if necessary, shall have the right to

extend the Closing Date for up to ten (10) days to effectuate such cure. If Seller does not so cure the materially inaccurate or untrue representations and warranties, then Purchaser shall have the right, in its sole and absolute discretion, to either (a) terminate this Agreement, whereupon the Deposit shall be returned to Purchaser and thereafter neither party shall have any further rights or obligations under this Agreement (other than any obligations of either party that expressly survive termination) or (b) waive such materially inaccurate or untrue representation or warranty and proceed to the Closing, in which case the applicable Seller's representations and warranties shall be deemed modified accordingly. Notwithstanding the foregoing, Purchaser's termination right in (a) above shall not apply to inaccurate or untrue representations or warranties (i) relating to actions taken with respect to Contracts in accordance with Section 5.5.7 hereof, (ii) due to the action or inaction of Purchaser or Purchaser's affiliates or otherwise consented to in writing by Purchaser, or (iii) that are cured by Seller, to Purchaser's reasonable satisfaction, within ten (10) days of written notice thereof from Purchaser. If Purchaser has or obtains actual knowledge prior to the Closing that any of Seller's representations or warranties are inaccurate or untrue in any material respect and Purchaser nonetheless proceeds to the Closing, then Purchaser shall be deemed to have waived such inaccuracy and the ability to make a claim against Seller based on such inaccuracy, and such representations and warranties shall be deemed modified as of the Closing Date to reflect Purchaser's actual knowledge of such information and Seller shall have no liability therefor.

5.5 Seller's Interim Covenants. From the Effective Date until the Closing Date or sooner termination of this Agreement in accordance with its terms, Seller shall, at Seller's sole cost and expense:

5.5.1 operate and maintain the Property in Seller's ordinary course of business in a manner substantially consistent with its past practice so that the Property will be in the same or better condition on the Closing Date as on the Effective Date, subject to reasonable

wear, tear and deterioration and further subject to damage or destruction by casualty or other events beyond Seller's reasonable control;

force and effect;

5.5.2

keep all existing insurance policies affecting the
Property in full

5.5.3 comply in all material respects with all laws, ordinances or regulations applicable to the Property, except to the extent such compliance is the obligation of the tenant under a Lease;

5.5.4 perform in all material respects all obligations of Seller arising under all Leases, deliver to Purchaser copies of any written notices of default Purchaser may receive from Solarwinds under the Solarwinds Lease and notify Purchaser in writing of any material default by Solarwinds under the Solarwinds Lease;

5.5.5 perform in all material respects all obligations of Seller arising under the Contracts and deliver to Purchaser copies of any written notices of default Seller may receive from the service providers under the Contracts or that Seller may give such service providers;

5.5.6 not, without the prior written consent of Purchaser, (i) make any material changes or alterations to any part of the Property except to the extent (a) reasonably necessary to prevent personal injury or Property damage, (b) required by Seller's lender, or (c) required to comply with any Lease, (ii) subject to Section 5.5.7 hereof, enter into any new, or modify any existing, material agreement affecting the Property, (iii) subject to the rights of tenants under existing Leases to sublet or assign without Seller's consent, lease any of the Property or grant anyone the right to use or occupy any of the Property or enter into (or agree to enter into) any modification, amendment, or supplement of any Lease or grant any waiver or consent under any Lease, (iv) grant or consent to any easement, covenant, restriction or lien affecting any of the Property or permit any liens or encumbrances (other than with respect to Seller's existing loan from Fifth Third Bank, which shall be paid off by Seller and satisfied in full as of Closing) that cannot be resolved or removed prior to or simultaneous with Closing (provided that Purchaser's consent to any easement, covenant or restriction that would have no material adverse effect on the Property shall not be unreasonably withheld, conditioned or delayed, and shall be deemed given if Purchaser does not respond to such request within ten (10) Business Days of receiving Seller's request for consent, (v) increase the aggregate indebtedness secured by the Property to an amount that exceeds seventy percent (70%)

of the Purchase Price,
(vi) convey any further interest in the Property or grant any material rights or options to the Property, (vii) enter into any negotiations, agreements or contracts regarding the sale or lease of any of the Property, (viii) enter into any other agreement or contract regarding the Property other than Contracts in accordance with Section 5.5.7, (ix) take any enforcement action against Solarwinds under the Solarwinds Lease that could result in the termination of the Solarwinds Lease or that could reasonably be expected to give Solarwinds a defense against any of its material obligations under the Solarwinds Lease (provided that Purchaser's consent to any such enforcement action shall be deemed given if Purchaser does not respond to such request within ten (10) Business Days of receiving Seller's request for consent); or (x) intentionally or

knowingly cause, or permit any Seller Related Party to intentionally or knowingly cause, any of Seller's representations or warranties in this Agreement to be inaccurate, incomplete, misleading or untrue in any material respect; and

5.5.7 not modify, extend, renew or cancel any Contract, or enter into any new service or equipment leasing contract relating to the Property, without the prior written consent of Purchaser; provided, however, that Purchaser's consent shall not be required for the modification, extension, renewal or cancellation of any Contract, or for the execution of any new service or equipment leasing contract, that is consistent with Seller's operation of the Property prior to the Effective Date and may be canceled upon not more than thirty (30) days' notice without cost, penalty or premium. Seller shall promptly deliver to Purchaser copies of any new contracts or modifications, extensions or renewals of existing Contracts entered into by Seller after the Effective Date. Any new service contract entered into by Seller in accordance with the terms of this Agreement shall thereafter be deemed a "Contract" for purposes of the transaction contemplated by this Agreement, provided that, unless otherwise agreed to by Purchaser in writing, the same shall be terminated by Seller as of the Closing.

6. Purchaser's Representations and Warranties. Purchaser hereby represents and warrants to Seller as of the Effective Date as follows:

6.1 Organization. Purchaser is a corporation duly formed, validly existing and in good standing under the laws of the State of Delaware and is (or will be by Closing) qualified to do business in the jurisdiction in which the Property is located. Purchaser has full power and authority to execute, deliver and perform its obligations under this Agreement. All necessary action has been taken or shall have been taken on or before the Closing Date to authorize Purchaser's execution and delivery of, and performance under, this Agreement. The individual(s) executing this Agreement on behalf of Purchaser have the power and authority to bind Purchaser to the terms and conditions of this Agreement.

6.2 N o Litigation. There are no actions, suits, litigation or proceedings pending or, to Purchaser's actual knowledge, threatened in writing against Purchaser that would materially and adversely affect the ability of Purchaser to carry out the transaction contemplated by this Agreement.

6.3 No Insolvency. No petition has been filed by or against Purchaser under the Code or any similar state or federal bankruptcy or insolvency laws.

6.4 Non-Foreign Person. Purchaser is not a "foreign person" as defined in Section 1445 of the Code.

6.5 OFAC. Purchaser is not a Restricted Entity and, to Purchaser's actual knowledge, is not engaged in any dealings or transactions or otherwise associated with a Restricted Entity.

6.6 ERISA. Purchaser is not using the assets of any (a) "employee benefit plan" (within the meaning of Section 3 (3) of the Employee Retirement Income Security Act of

1974, as amended; (b) "plan" (within the meaning of Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended; or (c) entity whose underlying assets include "plan assets" by reason of a plan's investment in such entity, to fund its purchase of the Property under this Agreement.

The representations and warranties of Purchaser contained in this Section 6 shall survive the Closing until December 31, 2019.

7. Disclaimer; Waiver and Release; Liability.

7.1 Disclaimer. Except as expressly set forth in this Agreement or in the Seller's Closing Documents, the sale of the

Property under this Agreement shall be "as is," "where is," "with all faults", without any representation or warranty of any kind, written or oral, express or implied, statutory or otherwise, including but not limited to any representation or warranty concerning title to the Property (including but not limited to marketability, encumbrances, rights and claims of, on, to or against the Property), the physical condition of the Property (including but not limited to the soil), the environmental condition of the Property (including but not limited to the presence or absence of hazardous or toxic substances or materials on or affecting the Property), the compliance of the Property with applicable laws and regulations (including but not limited to zoning and building codes), and the financial condition of the Property (including but not limited to the income, expenses, charges and liens of, on or against the Property). Purchaser acknowledges that Purchaser (a) has or will have adequate opportunity to complete all documentary, financial and physical inspections, investigations, examinations, tests, studies and assessments relating to the Property that Purchaser deems necessary, (b) will examine, review and inspect all matters that in Purchaser's judgment bear upon the Property and its value and suitability for Purchaser's purposes, (c) is a sophisticated purchaser and is familiar with the ownership and operation of real estate similar to the Property, and (d) will acquire the Property solely on the basis of and in reliance upon its own independent documentary, financial and physical inspections, investigations, examinations, tests, studies and assessments of the Property and not in reliance on any information provided by or on behalf of Seller. Except as expressly set forth in this Agreement or in the Seller's Closing Documents, (i) Purchaser acknowledges that it is not relying upon any representation, warranty, statement or action of any kind or nature made by or on behalf of Seller with respect to the Property, and (ii) Seller hereby disclaims all representations and warranties of any kind, whether written or oral, express or implied, statutory or otherwise (including but not limited to any warranties of merchantability, habitability and fitness for any particular purpose).

7.2 Waiver and Release. Effective as of the Closing, Purchaser shall be deemed to have irrevocably and forever waived any and all rights that Purchaser may have against Seller or any partner, member, shareholder, officer, director, employee, agent, affiliate, representative or other person or entity acting on behalf of Seller (each, a "Seller Related Party") at law or in equity (including but not limited to the right to seek damages) for, and released Seller and all Seller Related Parties from, and covenanted not to sue or otherwise pursue Seller or any of the Seller Related Parties for, any and all causes of action, claims, losses or damages that Purchaser or any partner, member, shareholder, officer, director, employee, agent, affiliate, representative or other person or entity acting on behalf of Purchaser (each, a "Purchaser Related Party") may have or incur under this Agreement or in connection with the Property, including

but not limited to the environmental condition of the Property (including but not limited to any right of contribution under the Comprehensive Environmental Response Compensation and Liability Act). This waiver and release shall be given full force and effect according to each of its terms, including those relating to unknown and unsuspected causes of action, claims and damages. Notwithstanding the foregoing, the foregoing waiver and release shall not be read, construed or interpreted as a release or waiver of (a) any rights that Purchaser may have against Seller under this Agreement with respect to Seller's representations or warranties that expressly survive the Closing (but subject to the applicable survival period and liability cap and floor), (b) Seller's fraud or intentional misrepresentation to Purchaser, (c) any liability with respect to third- party claims relating to Seller's management or operation of the Property prior to Closing, (d) the post-Closing obligations of Seller under Section 4.5, and (e) any rights of Purchaser against the landlord under and subject to the terms of the Purchaser's Lease.

7.3 Limitation of Liability. Subject to the terms of Section 7.4, Purchaser's recourse against Seller for the liability under this Agreement of Seller shall not extend, and no judgment or decree may be enforced against any Seller's assets, beyond Seller's interest in the Property and the rental, sales, financing, insurance and condemnation proceeds of the Property. Purchaser and its successors and assigns and, without limitation, all other persons and entities, shall look solely to the interest of Seller in the Property and such proceeds for the payment of any claim against or any performance by Seller, and Purchaser, on behalf of itself and its successors and assigns, hereby waives any and all recourse against any other assets of Seller. None of the Seller Related Parties (other than Guarantor as provided in Section 7.4) shall have any personal liability, directly or indirectly, under or in connection with this Agreement or any agreement made or entered into under or pursuant to the provisions of this Agreement, or any amendment to any of the foregoing made at any time, and Purchaser (on behalf of itself and its successors and assigns) irrevocably and forever waives all claims for such personal liability.

7.4 Post-Closing Liability. Notwithstanding anything to the contrary contained in this Agreement or any document executed in connection with this Agreement, (a) Seller's representations contained in Section 5.1 and in the Seller's Closing Documents shall survive the Closing until December 31, 2019 (the "Claims Period"), (b) after the Closing, Seller shall not be liable to Purchaser for any breach of this Agreement or under any of the Seller's Closing Documents in an amount in excess of Eight Hundred Seventy-One Thousand Five Hundred Dollars ($871,500), in the aggregate (the "Liability Ceiling"), and (c) Seller shall have no post-Closing liability to Purchaser for any breach of this Agreement or under any of the Seller's Closing Documents unless and until the aggregate amount of such claims exceeds Fifty Thousand Dollars ($50,000) (the "Liability Floor"). By its execution of the Joinder below, FCP Realty Fund III, L.P., a Delaware limited partnership (" Guarantor") hereby guarantees, for the benefit of Purchaser, the surviving, post-Closing obligations of Seller under this Agreement, which guaranty shall be subject to the same qualifications and

limitations that are set forth in this Section 7.4. For the avoidance of doubt, the aforesaid guaranty obligation of Guarantor shall in no event be deemed to extend to any liability of Seller reserved by or arising from Section 7.2(b), (c) or (e).

7.5 Survival. The provisions of this Section 7 shall survive the Closing or earlier termination of this Agreement.

8. Default.

8.1 Seller Default. If the sale of the Property is not consummated due to any default by Seller in any material respect under this Agreement, then, provided that Seller has received written notice from Purchaser specifying the nature of the default and Seller fails to cure the specified default within ten (10) Business Days after receiving such notice, Purchaser shall have, as its sole and exclusive remedy, the right either (a) to terminate this Agreement, in which event Escrow Agent shall return the Deposit to Purchaser, Seller shall reimburse Purchaser for all reasonable, actual, documented out-of-pocket expenses incurred by Purchaser in connection with Purchaser's proposed purchase of the Property (but expressly excluding any and all expenses incurred in relation to the Purchaser's Lease and the negotiation of any amendments relating thereto), in an amount not to exceed $100,000 in the aggregate, and thereafter Seller and Purchaser shall be released from further obligation and liability under this Agreement (except for those obligations and liabilities that expressly survive such termination), or (b) to specifically enforce Seller's obligation to transfer the Property; provided, however, that any action by Purchaser for specific performance must be filed, if at all, within seventy-five (75) days after the date that the Closing was to have occurred, and if Purchaser does not file within such period, Purchaser shall be deemed to have waived such right and remedy and Purchaser's sole remedy shall be to terminate this Agreement in accordance with clause (a) above. Purchaser irrevocably waives all other rights and remedies, whether at law or in equity, including the right to seek or recover monetary damages for Seller's default under this Agreement (provided, however, if the remedy of specific performance is not available to Purchaser due to Seller having sold the Property to a bona fide third party purchaser or having taken some other intentional action that Seller knew or should reasonably have known would make specific performance not available to Purchaser, then Purchaser shall have the right to seek actual damages from Seller) or the right to record a lis pendens or similar notice against the Property (other than in connection with an action for specific performance in accordance with clause (b) above or in connection with Purchaser's Lease or as permitted in Section 10.16 below). Notwithstanding the foregoing, nothing contained in this Agreement shall be construed to limit (a) Purchaser's rights or claims reserved to Purchaser under Section 7.2 or under any indemnities given by Seller under this Agreement or (b) Seller's liability to Purchaser for attorneys' fees and costs as provided in this Agreement.

8.2 Purchaser Default. If the sale of the Property is not consummated due to any default in any material respect by Purchaser under this Agreement, then, provided that Purchaser has received written notice specifying the nature of the default and Purchaser fails to cure the specified default within ten (10) Business Days after receiving such notice (except with respect to Purchaser's failure to close when required under the terms of this Agreement, for which there shall be no notice or cure period; provided, however, that Purchaser may extend the Closing Date by one (1) Business Day in accordance with Section 4.1 hereof due solely to Purchaser's late wire of the Purchase Price), Seller shall have, as its sole and exclusive remedy, the right to receive the entire Deposit from Escrow Agent and terminate this Agreement, and

thereafter Seller and Purchaser shall be released from further obligation and liability under this Agreement (except for those obligations and liabilities that expressly survive such termination). Seller and Purchaser acknowledge that the Property will be removed from the market and Seller will incur costs in connection with the transaction contemplated by this Agreement, it would be extremely difficult and impractical to ascertain the actual damages that Seller would suffer if the sale of the Property is not consummated due to Purchaser's default under this Agreement, they carefully considered Seller's harm that would result by such a Purchaser's default under this Agreement, and the amount of the Deposit is a reasonable forecast of, and just and fair compensation for, such harm and does not constitute a penalty. Notwithstanding the foregoing, nothing contained in this Agreement shall be construed to limit (a) Seller's rights or damages under any indemnities given by Purchaser under this Agreement, (b) Purchaser's liability to Seller for attorneys' fees and costs as provided in this Agreement, or (c) Seller's rights and remedies in the event Purchaser improperly files a lis pendens or similar notice against the Property (other than as may be expressly permitted in Section 8.1 above).

9. Casualty and Condemnation. Seller shall bear all risk of loss or damage to the Property by fire, other casualty or condemnation prior to the Closing. If, after the Effective Date but before the Closing Date, any of the Property is damaged or destroyed by fire or other casualty or taken by condemnation or eminent domain, Seller shall promptly deliver written notice thereof to Purchaser. Seller have no obligation to repair, replace or restore any of the Property, and at the Closing Purchaser shall acquire

the Property in its then existing condition (or with such repairs as Seller may elect, in its sole discretion (but with Purchaser's prior, written consent), to make before the Closing) without any reduction in the Purchase Price; provided, however, that Seller shall assign to Purchaser all insurance proceeds to which Seller may be entitled for such damage or destruction and/or all awards for such taking by eminent domain or condemnation, less (a) all reasonable costs that Seller incurs to secure, clean, repair, replace or restore the Property, (b) Seller's reasonable collection costs with respect to any such proceeds or awards, and (c) insurance proceeds for any personal property not included in the transaction contemplated by this Agreement, lost rents prior to Closing and business interruption suffered by Seller. In connection with any such assignment of proceeds or awards, at Closing Seller shall credit Purchaser with an amount equal to the applicable deductible amount under Seller's insurance (but not more than the amount by which the cost, as of the Closing Date, to repair the damage is greater than the amount of insurance proceeds assigned to Purchaser). Notwithstanding the foregoing, Purchaser shall have the right to terminate this Agreement in the event of (i) a casualty which results in damage or destruction that would cost more than an amount equal to three and one-half percent (3.5%) of the Purchase Price to repair,
(ii) any uninsured casualty to the Property the repairs for which would cost more than Fifty Thousand Dollars ($50,000) in the aggregate to repair and for which Seller does not agree to repair or credit Purchaser at Closing, (iii) a taking by condemnation which results in a material restriction of access to or parking at the Property, in the Property not being in compliance with all applicable law, or the Property not being substantially suitable for its present use and operation, or (iv) any casualty or condemnation that would give Purchaser the right to terminate the Purchaser's Lease. If Purchaser elects to terminate this Agreement, Escrow Agent shall immediately refund the Deposit to Purchaser, and thereafter Seller and Purchaser shall be released from further obligation and liability under this Agreement (except for those

obligations and liabilities that expressly survive such termination). Nothing in this Section 9 shall modify or affect Purchaser's rights under the Purchaser's Lease upon any casualty or condemnation, including, without limitation, any rights of Purchaser to abate the payment rent or the performance of other obligations thereunder in such event.

10. Miscellaneous.

10.1 Brokers. Seller represents and warrants to Purchaser, and Purchaser represents and warrants to Seller, that no broker or finder has been engaged or consulted by it or is entitled to compensation or commission in connection with the transaction contemplated in this Agreement except CBRE (the "Broker"), who represents Purchaser in connection the transaction contemplated herein. Each of Seller and Purchaser shall indemnify, defend and hold harmless the other from and against any and all claims of any brokers, finders or other third parties arising out of a breach of its representation and warranty contained in this paragraph. The indemnity obligations pursuant to this Section will include, without limitation, all damages, losses, liabilities and expenses (including but not limited to reasonable attorneys' fees and litigation costs) arising from and related to matters being indemnified under this Section. This paragraph shall survive the Closing or earlier termination of this Agreement.

10.2 Waiver of Trial by Jury. TO THE MAXIMUM EXTENT PERMITTED BY LAW, SELLER AND PURCHASER EACH HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER ARISING IN TORT OR CONTRACT) BROUGHT BY EITHER AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT.

Agreement.

10.3

Time of the Essence. Time shall be of the essence with respect to this

10.4 Business Days. Whenever any action must be taken (including the giving of notice or the delivery of documents) under this Agreement during a certain period of time (or by a particular date) that ends (or occurs) on a non-Business Day, then such period (or date) shall be extended until the next succeeding Business Day. "Business Day" shall be deemed to mean any day, other than a Saturday or Sunday, on which commercial banks in the State of North Carolina are open for business.

10.5 Notices. All notices, requests or other communications which may be or are required to be given, served or sent by either party hereto to the other shall be (a) delivered in person, (b) by overnight delivery with an overnight courier service, (c) by deposit in any post office or mail depository regularly maintained by the United States Postal Office and sent by registered or certified mail, postage paid, return receipt requested, or (d) by email transmission (provided, however, notices of default may not be sent via email), and shall be effective upon receipt (whether refused or accepted) and, in each case, addressed as follows:

To Seller (until 2/1/19): c/o FCP
5425 Wisconsin Avenue, Suite 202

Chevy Chase, Maryland 20815 Attn: Erik Weinberg
Email: eweinberg@fcpd.com

To Seller (from and
after 2/1/19): c/o FCP
4445 Willard Avenue, Suite 900 Chevy Chase, Maryland 20815 Attn: Erik Weinberg
Email: eweinberg@fcpd.com

with a copy to: Linowes and Blocher LLP
7200 Wisconsin Avenue, Suite 800
Bethesda, Maryland 20814 Attn: Bryson M. Filbert, Esq.
Email: bfilbert@linowes-law.com

To Purchaser: Align Technology, Inc.
2820 Orchard Parkway
San Jose, California 95134 Attn: General Counsel
Email: rgeorge@aligntech.com asklegal@aligntech.com

with a copy to: Morrison & Foerster LLP 755 Page Mill Road
Palo Alto, California 94304-1018 Attn: Douglas Keith Krohn, Esq. Email: dkrohn@mofo.com

To Escrow Agent: Chicago Title Insurance Company
150 Fayetteville Street, Suite 1120
Raleigh, NC 27601 Attn: Jackie Wester
Email: Jackie.Wester@ctt.com

Notices will be deemed received three (3) Business Days following deposit in the U.S. Mail, one
(1) Business Day following deposit with an overnight courier guaranteeing next day delivery and on the same Business Day as sent if delivered by personal delivery or by email. Attorneys for Seller and Purchaser are authorized to give notices on behalf of their respective clients. Any party may change its address for the service of notice by giving written notice of such change to the other party in any manner specified above.

10.6 Discharge of Obligations. Except as otherwise expressly set forth in this Agreement with respect to Seller's and Purchaser's surviving obligations, Purchaser's

acceptance of the Deed shall be deemed a discharge of all obligations of Seller and Purchaser under this Agreement and all of Seller's and Purchaser's representations, warranties, covenants and agreements in this Agreement shall merge into the documents and agreements executed at the Closing and shall not survive the Closing.

10.7 Successors and Assigns. Purchaser may not assign or transfer its rights or obligations under this Agreement without the prior written consent of Seller, which consent may be given or withheld in the sole and absolute discretion of Seller; provided, however, that Purchaser may assign its rights under this Agreement to any entity controlling, controlled by, or under common control with, Purchaser or to any entity that acquires Purchaser's interest under the Purchaser's Lease, without the consent of, but with written notice to, Seller, provided that, in the event of such an assignment or transfer, the transferee shall assume in writing all of Purchaser's obligations hereunder. Notwithstanding and without limiting the foregoing, no consent given by Seller to any transfer or assignment of Purchaser's rights or obligations hereunder shall be deemed to constitute a consent to any other transfer or assignment of Purchaser's rights or obligations hereunder and no transfer or assignment in violation of the provisions hereof shall be valid or enforceable. Subject to the foregoing, this Agreement and the terms and provisions hereof shall inure to the benefit of and be binding upon the successors and assigns of the parties. Notwithstanding the foregoing, under no circumstance shall Purchaser have the right to assign this Agreement to any person or entity or employee benefit plan if Seller's sale of the Property to such person or entity or plan would, in the good faith judgment of Seller, create or otherwise cause a "prohibited transaction" under or violation of ERISA.

10.8 Third Parties. Nothing in this Agreement, whether expressed or implied, shall confer any rights or remedies under or by reason of this Agreement upon any other person other than Seller, Purchaser and Escrow Agent and their respective permitted successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third parties any right of subrogation or action over or against any party to this Agreement. This Agreement is not intended to and does not create any third party beneficiary rights whatsoever.

10.9 No Implied Waivers. No failure or delay of either party in the exercise of any right or remedy given to such party hereunder or the waiver by any party of any condition hereunder for its benefit (unless the time specified in this Agreement for exercise of such right or remedy has expired) shall constitute a waiver of any other or further right or remedy nor shall any single or partial exercise of any right or remedy preclude other or further exercise thereof or any other right or remedy. No waiver by either party of any breach hereunder or failure or refusal by the other party to comply with its obligations shall be deemed a waiver of any other or subsequent breach, failure or refusal to so comply.

10.10 Effectiveness. In no event shall any draft of this Agreement create any obligation or liability, it being understood that this Agreement shall be effective and binding only when a counterpart hereof has been executed and delivered by Seller and Purchaser. Each party assumes the risk of the costs and expenses it incurs in connection with this Agreement and the transactions contemplated herein.

10.11 Legal Costs. Seller and Purchaser agree that they shall pay directly any and all legal costs which they have incurred on their own behalf in the preparation of this Agreement, all documents and instruments pertaining to this transaction, and that such legal costs shall not be part of the closing costs. Should any party hereto employ an attorney for the purpose of enforcing or construing this Agreement, or any judgment based on this Agreement, in any legal proceeding (including but not limited to insolvency, bankruptcy, arbitration and declaratory relief), the prevailing party shall be entitled to receive from the other party or parties reimbursement for all of the prevailing party's reasonable attorneys' fees and all costs, whether incurred at the trial or appellate level, and such reimbursement shall be included in any judgment, decree or final order issued in that proceeding. The "prevailing party" means the party in whose favor a judgment, decree or final order is rendered.

10.12 Exhibits; Entire Agreement; Modification. All exhibits attached and referred to in this Agreement are hereby incorporated herein as if fully set forth in (and shall be deemed to be a part of) this Agreement. This Agreement together with the Confidentiality Agreement contains the entire agreement between the parties respecting the matters herein set forth and supersedes any and all prior agreements between the parties hereto respecting such matters. This Agreement may not be modified or amended except by written agreement signed by both parties.

10.13 Interpretation. Section headings shall not be used in construing this Agreement. Each party acknowledges that such party and its counsel, after negotiation and consultation, have reviewed and revised this Agreement. As such, the terms of this Agreement shall be fairly construed and the usual rule of construction, to wit, that ambiguities in this Agreement should be resolved against the drafting party, shall not be employed in the interpretation of this Agreement or any amendments, modifications or exhibits hereto or thereto. Whenever the words "including", "include" or "includes" are used in this Agreement, they shall be interpreted in a non-exclusive manner. Except as otherwise indicated, all Exhibit and Section references in this Agreement shall be deemed to refer to the Exhibits and Sections in this Agreement.

10.14 Unenforceability. If all or any portion of any provision of this Agreement shall be held to be invalid, illegal or unenforceable by a court of competent jurisdiction in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision hereof, and such provision shall be limited and construed as if such invalid, illegal or unenforceable provision or portion thereof were not contained in this Agreement unless doing so would materially and adversely affect a party or the benefits that such party is entitled to receive under this Agreement.

10.15 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina (excluding principles of conflicts of laws).

Agreement.

10.16

Recordation. Purchaser shall not record any memorandum relating to this

10.17 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement. Signatures transmitted electronically by facsimile or PDF shall be valid and enforceable as original signatures.

10.18 Disclosure. Notwithstanding any terms or conditions in this Agreement to the contrary, but subject to restrictions reasonably necessary to comply with federal or state securities laws, any person may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided relating to such tax treatment and tax structure. For the avoidance of doubt, this authorization is not intended to permit disclosure of the names of, or other identifying information regarding, the participants in the transaction, or of any information or the portion of any materials not relevant to the tax treatment or tax structure of the transaction.

10.19 Press Releases. Neither Seller nor Purchaser shall make any press release or other public disclosure regarding this Agreement or the transaction contemplated by this Agreement without the prior written consent of the other party, such consent not to be unreasonably withheld, conditioned or delayed.

10.20 Survival. The provisions contained in this Section 10 shall survive the Closing or earlier termination of this Agreement.

10.21 Purchaser's Lease.

10.21.1 Purchaser and Seller expressly acknowledge and agree that this Agreement and the Purchaser's Lease are separate and independent agreements between Purchaser and Seller. Accordingly, notwithstanding anything in this Agreement to the contrary,
(i) neither the execution or delivery of this Agreement nor any term or condition of this Agreement (including, without limitation, Section 7 of this Agreement) nor Seller's or Purchaser's performance or non-performance of any obligation under this Agreement shall, or shall be deemed to, amend, modify, supersede or otherwise affect the Purchaser's Lease in any respect (understanding, however, that Purchaser shall be required to comply with the terms and conditions of this Agreement despite there being an absence of the same terms and conditions, or the presence of alternative terms or conditions, in the Purchaser's Lease); (ii) neither the breach or default of Purchaser under this Agreement, nor the occurrence of any event or condition which (with the giving of notice or the passage of time or both) could constitute such a breach or default under this Agreement shall constitute or be deemed to constitute a breach or default of Purchaser under the Purchaser's Lease (unless the breach or default in question is also a breach or default under the terms of the Purchaser's Lease); (iii) neither the breach or default of Purchaser under the Purchaser's Lease, nor the occurrence of any event or condition which (with the giving of notice or the passage of time or both) could constitute such a breach or default under the Purchaser's Lease shall constitute or be deemed to constitute a breach or default of Purchaser under this Agreement (unless the breach or default in question is also a breach or default under the terms of this Agreement); (iv) notwithstanding any termination of this Agreement for any reason, the Purchaser's Lease shall continue unmodified and in full force and

effect (subject to the rights and obligations of the parties thereunder); and (v) notwithstanding any termination of the Purchaser's Lease for any reason, this Agreement shall continue unmodified and in full force and effect (subject to the rights and obligations of the parties hereunder).

10.21.2 In addition, notwithstanding anything to the contrary contained in the Purchaser's Lease (including, without limitation, Section 13.02 thereof), from and after the Effective Date and until the termination of this Agreement for any reason, upon any Default by Purchaser as tenant under the Purchaser's Lease, (i) Seller, as landlord under the Purchaser's Lease, shall not dispossess or otherwise terminate Purchaser's right to possession of the Leased Premises or re-let any of the Leased Premises to another party, and (ii) Purchaser's liability for rental damages shall be limited to the amount of any unpaid Monthly Rental Installments and Additional Rent (including, without limitation Annual Rental Adjustments), together with any interest thereon under

Section 3.04 of the Purchaser's Lease, that accrue prior to the Closing under this Agreement; provided, however, upon any such Default by Purchaser under the Purchaser's Lease, Seller shall have the right to give Purchaser written notice advancing the Closing Date under this Agreement to a date (the "**Advanced Date**") that is the thirtieth (30th) day after Purchaser's receipt of such notice. In such event, the rights and obligations of Seller and Purchaser regarding the purchase and sale of the Property shall be governed in all respects by this Agreement, except that (x) the Closing Date shall be the Advanced Date, and (y) "twenty (20)" shall be substituted for "thirty-five (35)" in Section 3.3 of this Agreement. As used in this Section 10.21.2, the terms "Default", "Leased Premises", "Monthly Rental Installments", and "Annual Rental Adjustments" shall have the meanings ascribed to them in the Purchaser's Lease.

10.22 Further Assurances. From and after Closing until December 31, 2019, each party agrees that it will, without further consideration, execute and deliver such other documents and take such other actions as may reasonably be requested by the other party to consummate more effectively the purposes or subject matter of this Agreement (but without expanding the obligations or liability of either party hereunder in any material manner).

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Seller and Purchaser have executed this Purchase and Sale Agreement as of the date first set forth above.

SELLER:

SLATER ROAD I, LLC,
a Delaware limited liability company

By: Slater Road I Member, LLC, a Maryland liability company, its Manager

By: FCP Fund III Trust,
a Maryland real estate investment trust, its sole member

By: __
Name: Title:

PURCHASER:

ALIGN TECHNOLOGY, INC.
a Delaware corporation

By: Name:

Title:

JOINDER BY ESCROW AGENT

Escrow Agent joins in the execution of this Purchase and Sale Agreement to acknowledge its agreement to serve as Escrow Agent in accordance with the terms of this Agreement, including but not limited to the Escrow Provisions.

ESCROW AGENT:

CHICAGO TITLE INSURANCE COMPANY

Date: __

Name:

By:

Title:

JOINDER BY GUARANTOR

FCP Realty Fund III, L.P. ("Guarantor") hereby joins in the execution of this Agreement to acknowledge its guaranty (the "Guaranty") of the surviving, post-Closing obligations of Seller hereunder, as described in (and subject to the limitations and qualifications set forth in) Section 7.4 of this Agreement. Guarantor hereby waives (a) notice of acceptance of the Guaranty, (b) demand of payment, presentation and protest, (c) all right to assert or plead any statute of limitations as to or relating to the Guaranty, (d) any right to require Purchaser to proceed against Seller or any other person or entity liable to Purchaser, (e) any right to require Purchaser to apply to any default any security it may hold under or in connection with such Agreement, (f) any right to require Purchaser to proceed under any other remedy Purchaser may have before proceeding against Guarantor, and (g) any right of subrogation.

FCP REALTY FUND III, L.P.

By: FCP Fund III GP, LLC,
its General Partner

By:Name:

Title:

LIST OF EXHIBITS

Exhibit A Legal Description of the Land

Exhibit B Escrow Provisions

Exhibit C Seller's Materials

Exhibit D Contracts

Exhibit E-1 Form of Deed

Exhibit E-2 Form of QCD

Exhibit F Form of Bill of Sale

Exhibit G Form of Assignment and Assumption of Leases Exhibit H Form of Assignment and Assumption of Contracts Exhibit I Form of FIRPTA Certificate
Exhibit J [Intentionally Omitted]

Exhibit K Purchaser's Pro Forma Title Insurance Policy Exhibit L Litigation
Exhibit M Personal Property

Exhibit N Solarwinds Estoppel

Exhibit O Form of SCP Estoppel Certificate

Exhibit P [Intentionally Omitted]

Exhibit Q Form of NCLTA Form No. 1

Exhibit R Form of Declaration Amendment

Schedule 5.1.15 List of Completed Construction Obligations under the Declaration

EXHIBIT A

Legal Description

BEING all of Tracts 1, 2, 3 & 4 as shown on that plat entitled, "CSM Real Estate Partners" by Michael D. Goodfred, PLS, dated April 5, 1991, and recorded in Book of Maps 1991, Page 805, Wake County Registry.

The Same Property Described As:
BEING ALL OF TRACTS 1, 2 & 3

BEGINNING at an iron pipe along the northern right-of-way of Slater Road. Said point also having an NC Grid NAD 83 coordinate of N=771063.29 and E=2050651.18; thence leaving said right of way North 06° 46' 02" East a distance of 414.64 feet to a point; thence North 06° 46' 02" East a distance of 201.64 feet to a point; thence South 88° 18' 52" East a distance of 67.37 feet to an iron pipe; thence North 01° 36' 23" East a distance of 19.36 feet to a concrete monument along the southern right of way of Interstate 40; thence following said right of way South 46° 18' 03" East a distance of 254.98 feet to an iron pipe; thence South 46° 19' 08" East a distance of 485.99 feet to a point; thence South 50° 02' 14" East a distance of 783.93 feet to a point; thence South 50° 02' 14" East a distance of 25.99 feet to a point; thence South 00° 44' 33" West a distance of 43.35 feet to a point; thence North 87° 27' 23" West a distance of 18.74 feet to a point; thence North 87° 27' 23" West a distance of 398.79 feet to an iron pipe; thence North 87° 31' 23" West a distance of 216.08 feet to an iron pipe; thence North 87° 20' 34" West a distance of 216.43 feet to an iron pipe along the northern right of way of Slater Road; thence following said right of way North 42° 46' 10" West a distance of 289.38 feet to a point; thence with a curve turning to the left with an arc length of 51.40 feet, with a radius of 841.42 feet, with a chord bearing of North 44° 31' 10" West, with a chord length of 51.40 feet to a point; thence North 09° 42' 09" East a distance of 2.41 feet to a point; thence with a curve turning to the left with an arc length of 135.69 feet, with a radius of 841.42 feet, with a chord bearing of North 50° 53' 22" West, with a chord length of 135.55 feet to an iron pipe; thence North 03° 37' 50" East a distance of 2.94 feet to a point; thence with a curve turning to the left with an arc length of 129.73 feet, with a radius of 856.21 feet, with a chord bearing of North 58° 14' 47" West, with a chord length of 129.61 feet to the point of beginning. Having an area of 619,187 square feet, 14.21 acres.

BEING ALL of Tract 4.

BEGINNING at an iron pipe along the southern right of way of Slater Road. Said point also having an NC Grid NAD 83 coordinate of N=770658.96 E= 2051007.93; thence leaving said right of way North 87° 06' 08" West a distance of 0.84 feet to an iron pipe; thence North 87° 25' 30" West a distance of 247.22 feet to a point; thence North 00° 08' 20" West a distance of 245.16 feet to a point; thence North 00° 00' 20" West a distance of 3.28 feet to an iron pipe along the southern right of way of Slater Road; thence with said right of way with a curve turning to the right with an arc length of 134.82 feet, with a radius of 788.51 feet, with a chord bearing of South 46° 50' 14" East, with a chord length of 134.66 feet to a point; thence South 41° 53' 03" East a distance of 224.95 feet to the point of beginning. Having an area of 32347 square feet, 0.74 acres.

And

Being all of that certain lot or parcel of land situated in Cedar Fork Township, Wake County, North

Carolina, and being described as follows:

BEGINNING at an iron stake in the northeast side of the Slater Road in Tyree Johnson's line, running thence with the said Johnson's line South 84 degrees, East 237 feet to an iron stake and pointers in Wardell Marsh's line; running thence with the said Marsh's line South 38 degrees, 10 minutes west 162 feet to an iron stake on the northeast side of the Slater Road; running thence along with the said road, north 42 degrees, 20 minutes, west 204 feet to the **POINT OF BEGINNING**, the same being a part of the Wallace Marsh Farm containing .41 of an acre more or less, according to the survey of E.A. Davis, Surveyor.

And as surveyed by Ronald T. Frederick, P.L.S., The John R. McAdams Company, Inc. dated February 3, 2015, last revised, signed and sealed on June 22, 2015:

BEGINNING at an existing Iron Pipe along the Northern right of way of Slater Road; Said Point also having an NC Grid Nad 83 Coordinate of N. 770655.20 E. 2051098.51. Thence leaving said right of way South 87°20'34" East a distance of 216.43 feet to an Iron Pipe; Thence South 34°49'29" West a distance of 155.53 feet to a point along the Northern right of way of Slater Road; Thence with said Right of Way North 42°46'10" West a distance of 187.59 feet to the **POINT OF BEGINNING**. Having an area of 14247 square feet, 0.33 acres.

EXHIBIT B

Escrow Provisions

1. **Investment and Use of Funds**. Escrow Agent shall invest

the Deposit

in a

separate,

interest-bearing bank

account and shall not

commingle

the Deposit with any

other

---

funds. Accrued interest on the Deposit shall be added to and become part of, and be disbursed with, the Deposit.

2. **Termination**. Escrow Agent shall retain the Deposit until it receives written instructi ns executed by both Seller and Purchaser as to the disposition and disbursement of the Deposit or until a final arbitration decision or a final court order, decree or judgment determines which party is entitled to the Deposit. Upon such event, the Deposit shall be delivered in accordance with such instruction, decision, order, decree or judgment. For the purposes of this Paragraph, “final” means not subject to appeal.

3. **Interpleader**. In the event of any controversy regarding the Deposit, unless mutual written instructions are received by Escrow Agent directing the Deposit’s disposition, Escrow Agent shall not take any action, but instead shall await the disposition of any proceeding relating to the Deposit or, at Escrow Agent’s option, Escrow Agent may interplead all parties and transfer the Deposit to a court of competent jurisdiction and then Escrow Agent shall be relieved of any responsibility for the Deposit.

4. **Resignation of Escrow Agent**. Escrow Agent may resign upon fifteen (15) days’ prior written notice to the parties to their addresses set forth in this Agreement. If a successor escrow agent is not appointed by mutual consent of the parties within the fifteen (15) day period following such resignation, then Escrow Agent or any party may petition a court of competent jurisdiction to name a successor. Seller and Purchaser shall pay the costs of such action on an equal basis.

5. **Liability of Escrow Agent**. The parties acknowledge that Escrow Agent is acting solely as a stakeholder at their request and for their convenience, that Escrow Agent, when acting as such, shall not be deemed to be the agent of either of the parties, and that Escrow Agent shall not be liable to either of the parties for any action or omission on its part taken or made in good faith and shall be liable only for its negligence or willful misconduct.

6. **No Duty to Inquire**. Escrow Agent may rely, and shall be protected in acting or refraining from acting, upon any written notice, statement, instruction or request furnished to it under the Agreement and believed by it to be genuine and to have been signed or presented by the proper party or parties. Escrow Agent shall be under no duty to make any inquiry as to the form, genuineness, proper execution or accuracy of the notice, statement, instruction or request.

7. The Deposit may be processed for collection in the normal course of business by

Escrow Agent, who may commingle funds received by it with escrow funds of others in the regular escrow account at Wells Fargo Bank, or such other institution as maintained from time to

time by Escrow Agent (hereinafter the "Depository"). The parties to this escrow acknowledge that the maintenance of such escrow accounts with some Depository institutions may result in Escrow Agent being provided with an array of bank services, accommodations or other benefits by the Depository institution. Escrow Agent or its affiliates also may elect to enter into other business transactions with or obtain loans for investment or other purposes from the Depository institution. All such services, accommodations and other benefits shall accrue to Escrow Agent, and Escrow Agent shall have no obligation to account to the parties to the escrow for the value of such services, accommodations or other benefits.

8. Escrow Agent shall not be liable for any loss caused by the failure, suspension, inability to pay funds or accrued interest, bankruptcy or dissolution of the Depository. Parties to the Agreement acknowledge their familiarity with limitations on payments made on accounts in excess of $100,000 and the cumulative effect of other accounts held or owned by the parties in the above named depository.

9. Escrow Agent is not responsible for levies by taxing authorities or judicial order

10.

based upon the taxpayer identification number used to establish an interest bearing account.

10.

Escrow Agent shall not be liable for loss or damage resulting from:

a. Any good faith act or forbearance of Escrow Agent;
b. Any default, error, action or omission of any party, other than Escrow Agent;
c. Any defect in the title to any property unless such loss is covered under a policy of title i surance issued by the Escrow Agent;
d. The expiration of any time limit or other delay which is not solely caused by the failure

of Escrow A

ent to proceed in its ordinary course of business, and in no event where

such time limit is not disclosed in writing to the Escrow Agent;
e. The lack of authenticity of the signatory to sign such writing;
f. Escrow Agent's compliance with all attachments, writs, orders, judgments, or other legal process issued out of any court;
g. Escrow Agent's assertion or failure to assert any cause of action or defense in any j dicial or administrative proceeding; or
h. Any loss or damage which arises after the Deposit has been disbursed in accordance with the terms of this Agreement.

11. Escrow Agent shall be fully indemnified by the parties hereto for all its expenses,

costs, and reasona

le attorneys' fees incurred in connection with any interpleader action which

Escrow Agent may file, in its sole discretion, to resolve any dispute as to the Deposit or which

may be filed against the Escrow Agent. Such costs, expenses deducted from the Deposit.

or attorneys' fees may be

12. If Escrow Agent is made a party to any

judicial, non-judicial or administrative

action,

hearing or

process based on acts

of any of

the other parties hereto

and not on the

malfeasance and/or negligence of Escrow Agent in performing its duties hereunder, the expenses, costs and reasonable attorneys' fees incurred by Escrow Agent in responding to such

action,

hearing or process may be deducted from

the Deposit held hereunder and the

party/parties whose alleged acts are a basis for such proceedings shall indemnify, save and hold Escrow Agent harmless from said expenses, costs and fees so incurred.

EXHIBIT C

Seller's Materials

1. The latest ALTA survey of the Property and Seller's most recent title policy for the Property (including copies of all matters described in the policy)

2. Any and all contracts, leases, service/management agreements relating to the Property, together with any amendments thereto

3. Any and all information relating to environmental conditions in respect to the Property, including all environmental assessments, reports, surveys or studies, and soils, arborist and topographical surveys/reports relating to the Property

4. Any and all information relating to the condition of any and all improvements on or under the Property, including, without limitation, the roofs of all buildings and structures, parking areas and mechanical, electrical, plumbing (including sewer) and life safety systems

5. Copies of all tax and utility bills and estimates relating to the Property and a schedule of assessments for public improvements, if any, and any written information relating to assessment district(s), bond improvement district(s) or utility districts(s) present or planned with respect to the Property

6. Documents indicating compliance with all applicable governmental laws, regulations, rules and requirements, including all commercial licenses, governmental licenses, permits and approvals and correspondence regarding same

7. Working drawings, permits, as-built drawings and plans and specifications related to the Property and any improvements in, on or about the Property

8. Operating statements for 2016, 2017 and estimated 2018 including operating expense history and all capital expenditures

9. A list of all major expenditures (i.e., exceeding $10,000 for any single expenditure) for the Property since the building delivered

10. Insurance policies and a schedule or premiums therefor, and any insurance claims with respect to the Property

11. Bills, invoices, receipts and other general records relating to the income and expenses of the Property

12. Correspondence, warranties and guarantees for services and materials provided to the Property and any indemnities from service and/or material providers

13. List of personal property that Seller will convey with the Property

EXHIBIT D

Contracts

Forty540 Service Contracts	
Vendor Name	**Contracted Services**
SPC Mechanical	Inspect/Test Backflows
Building Engines	General Products and Services Platform: Work order tracking, COI tracking, Vendor management
Itsco	Network Engineering services; lobby directory and internet trouble shooting
Aramark	Interior/Exterior Walk-Off Mats; serviced every other week
Time Warner/Spectrum	Cable TV/ Internet for lobby WiFi, access control & HVAC
Canteen	Vending Services; lobby
Datawatch	Access Control Monitoring
Advantage Fitness	Fitness Center Equipment Maintenance
Otis	Elevator Maintenance
ProServe	Fire Alarm Monitoring
ProServe	Annual Fire Alarm Testing & Extinguisher Inspections
Carolina Generator	Generator Preventive Maintenance & Inspections
Scotties Building Services	High Dusting
Ambius	Holiday Décor
Schneider Electric	HVAC Controls and HVAC Maintenance
Ambius	Interior Plants
MG Capital	Janitorial Services including day porters, common area carpet cleaning, common area floor tile maintenance
GreenView Partners	Landscaping & snow removal
Mid American Metals	;
Ehrlich	Pest Control Services; every other month
Pro Vigil	Surveillance Camera Monitoring
Foster Lake & Pond Management	Stormwater Retention Pond Maintenance
Waste Industries	;
Scotties Building Services	Window Washing: Interior 1x per year; exterior 2x per year

EXHIBIT E-1

Form of Deed

Prepared by:

Linowes and Blocher LLP
7200 Wisconsin Avenue, Suite 800
Bethesda, Maryland 20814 Attention: Bryson M. Filbert

Return to:

Tax Parcel IDs:

Excise Tax:

(paid in Wake County per NCGS §105-228.30(a))

The property conveyed does not include the personal residence of the Grantor.

STATE OF NORTH CAROLINA)
) **SPECIAL WARRANTY DEED**
COUNTIES OF WAKE AND) DURHAM)

THIS SPECIAL WARRANTY DEED,
effective this __

day of__,

2019, by and between SLATER ROAD I, LLC, a Delaware limited liability company ("Grantor"), whose mailing address is___, and_____, a__("Grantee"), whose mailing address is_____. The designation Grantor and Grantee, as used herein, shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter, as required by context.

W I T N E S S E T H:

That Grantor, for valuable consideration paid by Grantee, the receipt of which is hereby acknowledged, does hereby grant, bargain, sell and convey unto Grantee in fee simple, all those certain lots or parcels of land situated in Wake and Durham Counties, North Carolina and more particularly described on Exhibit A attached hereto and by this reference incorporated herein (the "Property").

The Property hereinabove described was acquired by Grantor by instruments recorded in Book 16199, Page 2760, of the Wake County Register of Deeds, and Book 7816, Page 361 of the Durham County Register of Deeds.

TO HAVE AND TO HOLD the Property and all privileges and appurtenances thereto belonging to Grantee, its successors and assigns in fee simple, forever.

And Grantor covenants with Grantee that, subject to the exceptions described on Exhibit B attached hereto, Grantor has done nothing to title to impair such title as Grantor received, and Grantor will warrant and defend the title against the lawful claims of all persons claiming by or though Grantor. Title to the property hereinabove described is hereby conveyed subject to the exceptions described on Exhibit B attached hereto.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has duly executed this Deed as of the date set forth in the notary acknowledgement below.

GRANTOR:

SLATER ROAD I, LLC,
a Delaware limited liability company

By: Slater Road I Member, LLC, a Maryland limited liability company, its Manager

By: FCP Fund III Trust, a Maryland real estate investment trust, its Sole Member

By: Name:
Title:

* * *

STATE OF MARYLAND *

* to wit:

COUNTY OF MONTGOMERY *

I HEREBY CERTIFY that on this__day of__2019, before me, a Notary Public in and for the State of Maryland, County of Montgomery, personally appeared
__, known to me (or satisfactorily proven) to be the__of FCP Fund III Trust, the Sole Member of Slater Road I Member, LLC, the Manager of Slater Road I, LLC, and that such person, being authorized to do so, executed the foregoing and annexed instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

Printed Name: __

My Commission Expires:__

[NOTARIAL SEAL]

EXHIBIT A

FEE PARCEL

BEING all of Tracts 1, 2, 3 & 4 as shown on that plat entitled, "CSM Real Estate Partners" by Michael D. Goodfred, PLS, dated April 5, 1991, and recorded in Book of Maps 1991, Page 805, Wake County Registry.

The Same Property Described As:
BEING ALL OF TRACTS 1, 2 & 3

BEGINNING at an iron pipe along the northern right-of-way of Slater Road. Said point also having an NC Grid NAD 83 coordinate of N=771063.29 and E=2050651.18; thence leaving said right of way North 06° 46' 02" East a distance of 414.64 feet to a point; thence North 06° 46' 02" East a distance of 201.64 feet to a point; thence South 88° 18' 52" East a distance of 67.37 feet to an iron pipe; thence North 01° 36' 23" East a distance of 19.36 feet to a concrete monument along the southern right of way of Interstate 40; thence following said right of way South 46° 18' 03" East a distance of 254.98 feet to an iron pipe; thence South 46° 19' 08" East a distance of 485.99 feet to a point; thence South 50° 02' 14" East a distance of 783.93 feet to a point; thence South 50° 02' 14" East a distance of 25.99 feet to a point; thence South 00° 44' 33" West a distance of 43.35 feet to a point; thence North 87° 27' 23" West a distance of 18.74 feet to a point; thence North 87° 27' 23" West a distance of 398.79 feet to an iron pipe; thence North 87° 31' 23" West a distance of 216.08 feet to an iron pipe; thence North 87° 20' 34" West a distance of 216.43 feet to an iron pipe along the northern right of way of Slater Road; thence following said right of way North 42° 46' 10" West a distance of 289.38 feet to a point; thence with a curve turning to the left with an arc length of 51.40 feet, with a radius of 841.42 feet, with a chord bearing of North 44° 31' 10" West, with a chord length of 51.40 feet to a point; thence North 09° 42' 09" East a distance of 2.41 feet to a point; thence with a curve turning to the left with an arc length of 135.69 feet, with a radius of 841.42 feet, with a chord bearing of North 50° 53' 22" West, with a chord length of 135.55 feet to an iron pipe; thence North 03° 37' 50" East a distance of 2.94 feet to a point; thence with a curve turning to the left with an arc length of 129.73 feet, with a radius of 856.21 feet, with a chord bearing of North 58° 14' 47" West, with a chord length of 129.61 feet to the point of beginning. Having an area of 619,187 square feet, 14.21 acres.

BEING ALL of Tract 4.

BEGINNING at an iron pipe along the southern right of way of Slater Road. Said point also having an NC Grid NAD 83 coordinate of N=770658.96 E= 2051007.93; thence leaving said right of way North 87° 06' 08" West a distance of 0.84 feet to an iron pipe; thence North 87° 25' 30" West a distance of 247.22 feet to a point; thence North 00° 08' 20" West a distance of 245.16 feet to a point; thence North 00° 00' 20" West a distance of 3.28 feet to an iron pipe along the southern right of way of Slater Road; thence with said right of way with a curve turning to the right with an arc length of 134.82 feet, with a radius of 788.51 feet, with a chord bearing of South 46° 50' 14" East, with a chord length of 134.66 feet to a point; thence South 41° 53' 03" East a distance of 224.95 feet to the point of beginning. Having an area of 32347 square feet, 0.74 acres.

And

Being all of that certain lot or parcel of land situated in Cedar Fork Township, Wake County, North

Carolina, and being described as follows:

BEGINNING at an iron stake in the northeast side of the Slater Road in Tyree Johnson's line, running thence with the said Johnson's line South 84 degrees, East 237 feet to an iron stake and pointers in Wardell Marsh's line; running thence with the said Marsh's line South 38 degrees, 10 minutes west 162 feet to an iron stake on the northeast side of the Slater Road; running thence along with the said road, north 42 degrees, 20 minutes, west 204 feet to the **POINT OF BEGINNING**, the same being a part of the Wallace Marsh Farm containing .41 of an acre more or less, according to the survey of E.A. Davis, Surveyor.

And as surveyed by Ronald T. Frederick, P.L.S., The John R. McAdams Company, Inc. dated February 3, 2015, last revised, signed and sealed on June 22, 2015:

BEGINNING at an existing Iron Pipe along the Northern right of way of Slater Road; Said Point also having an NC Grid Nad 83 Coordinate of N. 770655.20 E. 2051098.51. Thence leaving said right of way South 87°20'34" East a distance of 216.43 feet to an Iron Pipe; Thence South 34°49'29" West a distance of 155.53 feet to a point along the Northern right of way of Slater Road; Thence with said Right of Way North 42°46'10" West a distance of 187.59 feet to the **POINT OF BEGINNING**. Having an area of 14247 square feet, 0.33 acres.

EASEMENT PARCEL

ALL OF THE ABOVE TOGETHER WITH AND SUBJECT TO any right, title and interest of the Grantor in and to those certain easement interests set forth in that Declaration of Easements and Restrictive Covenants by and between the Grantor and SCP Slater, LLC, a North Carolina limited liability company ("SCP"), dated October 30, 2015 and recorded on November 5, 2015 in Book 7819, Page 154 of the Durham County Registry, and in Book 16204, Page 2194 of the Wake County Registry; as amended by that certain Amendment To Declaration of Easements and Restrictive Covenants by and between the Grantor and Berkshire SCP Slater Road Holdings II, LLC, a Delaware limited liability company ("SCP Slater Road"), being the successor in interest to SCP by operation of merger, recorded in Book 8245, Page 108 of the Durham County Registry, and in Book 16871, Page 1542 of the Wake County Registry; and as further amended by that certain Second Amendment To Declaration of Easements and Restrictive Covenants by and between the Grantor and SCP Slater Road, recorded in Book__, Page__of the Durham County Registry, and in Book__, Page__of the Wake County Registry.

EXHIBIT B

THE FOLLOWING EXCEPTION APPLIES TO THE FEE PARCEL ONLY

20. Memorandum of Lease by and between Slater Road I, LLC and Align Technology, Inc. recorded in Book 16644, Page 1575, Wake County Registry, and the terms and conditions of the lease referenced therein; as affected by that certain First Amended and Restated Memorandum of Lease recorded in Book 16783, Page 1038, Wake County Registry; as further affected by that certain Second Amended and Restated Memorandum of Lease recorded in Book 17123, page 2580, Wake County Registry; as further affected by that certain Third Amendment to Office Lease dated January__, 2019.

EXHIBIT E-2

Form of QCD

Prepared by:

Linowes and Blocher LLP
7200 Wisconsin Avenue, Suite 800
Bethesda, Maryland 20814 Attention: Bryson M. Filbert

Return to:

Tax Parcel IDs:

Excise Tax: $0.00 (The revenue stamps are paid on the Special Warranty Deed from Grantor to Grantee recorded simultaneously herewith).

STATE OF NORTH CAROLINA)
) **NON WARRANTY DEED**
COUNTIES OF WAKE AND) DURHAM)

THIS NON WARRANTY DEED, effective this day of___, 2019, by and between SLATER ROAD I, LLC, a Delaware limited liability company ("Grantor"), whose mailing address is __, and ____, a ___ ("Grantee"), whose mailing address is___. The designation Grantor and Grantee, as used herein, shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter, as required by context.

W I T N E S S E T H:

That Grantor, for valuable consideration paid by Grantee, the receipt of which is hereby acknowledged, does hereby grant, bargain, sell, transfer, alienate, remise, release and convey unto Grantee in fee simple, without warranty of any nature, any and all right, title and interest of Grantor in and to all those certain lots or parcels of land situated in Wake and Durham Counties, North Carolina, and more particularly described on Exhibit A attached hereto and by this reference incorporated herein (the "Property").

All or a portion of the Property herein conveyed does not include the primary residence of Grantor.

TO HAVE AND TO HOLD the Property and all privileges and appurtenances thereto belonging to Grantee, its successors and assigns in fee simple, forever.

This conveyance of the Property is made subject to all encumbrances, easements, covenants, conditions, restrictions and other matters of record.

Grantor makes no warranty, express or implied, as to title to the Property hereinabove described.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has duly executed this Deed as of the date set forth in the notary acknowledgement below.

GRANTOR:

SLATER ROAD I, LLC,
a Delaware limited liability company

By: Slater Road I Member, LLC, a Maryland limited liability company, its Manager

By: FCP Fund III Trust, a Maryland real estate investment trust, its Sole Member

* * *

STATE OF MARYLAND *
Name:
By:
Title:

* to wit:

COUNTY OF MONTGOMERY *

I HEREBY CERTIFY that on this__day of__2019, before me, a Notary Public in and for the State of Maryland, County of Montgomery, personally appeared
__, known to me (or satisfactorily proven) to be the__of FCP Fund III Trust, the Sole Member of Slater Road I Member, LLC, the Manager of Slater Road I, LLC, and that such person, being authorized to do so, executed the foregoing and annexed instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

Printed Name: __

My Commission Expires:__ [NOTARIAL SEAL]

EXHIBIT A

Lying and being situate in Wake County, North Carolina, and Durham County, North Carolina, and being more particularly described as follows:

FEE PARCEL (LOT 2):

BEGINNING AT A NEWLY SET IRON PIPE ON THE NORTHERN RIGHT-OF-WAY LINE OF SLATER ROAD (N.C.S.R. 1641) AND LYING ON THE WESTERN PROPERTY LINE OF LANDS NOW OR FORMERLY OWNED BY EARL RYAN THOMPSON AS RECORDED IN DEED BOOK 15559, PAGE 488, WAKE COUNTY REGISTRY AND HAVING NC GRID (NAD '83/2011) COORDINATES N: 770523.5800 FEET E: 2051230.2050 FEET; THENCE ALONG AND WITH SAID NORTHERN RIGHT-OF-WAY NORTH 42°28'50" WEST A DISTANCE OF 177.28 FEET TO A NEWLY SET IRON PIPE; THENCE NORTH 42°19'08" WEST A DISTANCE OF 349.05 FEET TO A NEWLY SET IRON PIPE; THENCE ALONG A CURVE TO THE LEFT AN ARC DISTANCE OF 267.32 FEET, SAID CURVE HAVING A RADIUS OF 763.88 FEET, A CHORD DIRECTION OF NORTH 52°20'38" WEST AND A CHORD DISTANCE OF 265.95 FEET TO A NEWLY SET PK NAIL; THENCE NORTH 62°22'08" WEST A DISTANCE OF 13.31 FEET TO A NEWLY SET PK NAIL, THE SOUTHEASTERN PROPERTY CORNER OF LOT 1 AS RECORDED IN BOOK OF MAPS 2017, PAGE 709-712, WAKE COUNTY REGISTRY AND PLAT BOOK 197, PAGES 97 - 100, DURHAM COUNTY REGISTRY; THENCE LEAVING SAID RIGHT- OF-WAY ALONG AND WITH SAID EASTERN PROPERTY LINE NORTH 06°45'43" EAST A DISTANCE OF 598.03 FEET TO A POINT; THENCE SOUTH 88°19'11" EAST A DISTANCE OF 67.37 FEET TO AN EXISTING IRON PIPE; THENCE NORTH 01°36'04" EAST A DISTANCE OF 19.36 FEET TO AN EXISTING RIGHT-OF-WAY MONUMENT LOCATED ON THE SOUTHERN CONTROLLED ACCESS LINE OF INTERSTATE 40 HIGHWAY; THENCE ALONG AND WITH SAID CONTROLLED ACCESS SOUTH
46°18'22" EAST A DISTANCE OF 254.98 FEET TO AN EXISTING IRON PIPE; THENCE SOUTH 46°19'27" EAST A DISTANCE OF 485.99 FEET TO AN EXISTING RIGHT-OF- WAY MONUMENT; THENCE SOUTH 50°02'33" EAST A DISTANCE OF 783.93 FEET TO A POINT; THENCE SOUTH 50°02'33" EAST A DISTANCE OF 25.99 FEET TO A POINT LOCATED IN THE CENTER OF CRABTREE CREEK; THENCE ALONG AND WITH THE CENTER OF SAID CREEK SOUTH 00°44'14" WEST A DISTANCE OF 43.35 FEET TO A POINT, THE NORTHEASTERN PROPERTY CORNER OF SAID LANDS OWNED BY EARL RYAN THOMPSON AS RECORDED IN DEED BOOK 15559, PAGE 488, WAKE COUNTY REGISTRY; THENCE LEAVING SAID CREEK CENTERLINE ALONG AND WITH SAID NORTHERN PROPERTY LINE NORTH 87°27'42" WEST A DISTANCE OF
18.74 FEET TO A POINT; THENCE NORTH 87°27'42" WEST A DISTANCE OF 398.79 FEET TO AN EXISTING IRON PIPE; THENCE NORTH 87°31'42" WEST A DISTANCE OF
216.08 FEET TO AN EXISTING IRON PIPE; THENCE SOUTH 34°49'10" WEST A DISTANCE OF 147.74 FEET TO THE POINT OF BEGINNING, CONTAINING 14.3282 ACRES, AS SHOWN ON THAT SURVEY ENTITLED "ALTA/NSPS LAND TITLE SURVEY PROPERTY OF SLATER ROAD I, LLC, WAKE COUNTY (AND) DURHAM COUNTY, NORTH CAROLINA" BY DAN GREGORY, PLS WITH BASS, NIXON & KENNEDY, INC. CONSULTING ENGINEERS, DATED NOVEMBER 20, 2018.

FEE PARCEL (LOT 3):

BEGINNING AT A NEWLY SET IRON PIPE LOCATED ON THE SOUTHERN RIGHT-OF- WAY LINE OF SLATER ROAD (N.C.S.R. 1641) AND BEING THE NORTHEASTERN PROPERTY CORNER OF LANDS NOW OR FORMERLY

OWNED BY CHARLES L. & DIXIE PHILLIPS (NO DEED REFERENCE FOUND) AND HAVING NC GRID (NAD '83/2011) COORDINATES N: 770914.2388 FEET E: 2050759.3492 FEET; THENCE ALONG AND WITH SAID RIGHT-OF-WAY ALONG A CURVE TO THE RIGHT AN ARC DISTANCE OF 79.72 FEET, SAID CURVE HAVING A RADIUS OF 683.88 FEET, A CHORD DIRECTION OF SOUTH 45°39'30" EAST AND A CHORD DISTANCE OF 79.68 FEET TO A POINT; THENCE SOUTH 42°19'07" EAST A DISTANCE OF 162.34 FEET TO A POINT; THENCE SOUTH 36°02'29" EAST A DISTANCE OF 97.39 FEET TO A NEWLY SET IRON PIPE; THENCE LEAVING SAID RIGHT-OF-WAY ALONG AND WITH THE NORTHERN PROPERTY LINE OF LOT 1 AS RECORDED IN BOOK OF MAPS 2014, PAGE 317, WAKE COUNTY REGISTRY NORTH 87°25'49" WEST A DISTANCE OF
223.19 FEET TO A NEWLY SET IRON PIPE, THE SOUTHEASTERN PROPERTY CORNER OF SAID PHILLIPS PROPERTY; THENCE ALONG AND WITH SAID EASTERN PROPERTY LINE NORTH 00°08'39" WEST A DISTANCE OF 244.47 FEET TO THE POINT OF BEGINNING, CONTAINING 0.6704 ACRES, AS SHOWN ON THAT SURVEY ENTITLED "ALTA/NSPS LAND TITLE SURVEY PROPERTY OF SLATER ROAD I, LLC, WAKE COUNTY (AND) DURHAM COUNTY, NORTH CAROLINA" BY DAN GREGORY, PLS WITH BASS, NIXON & KENNEDY, INC. CONSULTING ENGINEERS, DATED NOVEMBER 20, 2018.

THE ABOVE-REFERENCED FEE PARCEL (LOT 2) AND FEE PARCEL (LOT 3) ALSO BEING DESCRIBED AND SHOWN AS LOT 2 AND LOT 3 ON THE PLAT ENTITLED “MORRISVILLE FINAL PLAT RECOMBINATION, EASEMENT AND RIGHT-OF-WAY DEDICATION PLAT ALONG SLATER ROAD, BERKSHIRE SCP SLATER ROAD, HOLDINGS II, L.L.C. AND SLATER ROAD 1, LLC” RECORDED IN BOOK OF MAPS 2017, PAGES 709-712, WAKE COUNTY REGISTRY, AND PLAT BOOK 197, PAGES 97-
100, DURHAM COUNTY REGISTRY.

EASEMENT PARCEL:

ALL OF THE ABOVE TOGETHER WITH AND SUBJECT TO ANY RIGHT, TITLE AND INTEREST OF THE GRANTOR IN AND TO THOSE CERTAIN EASEMENT INTERESTS SET FORTH IN THAT DECLARATION OF EASEMENTS AND RESTRICTIVE COVENANTS BY AND BETWEEN THE GRANTOR AND SCP SLATER, LLC, A NORTH CAROLINA LIMITED LIABILITY COMPANY, DATED OCTOBER 30, 2015 AND RECORDED ON NOVEMBER 5, 2015 IN BOOK 7819, PAGE 154, DURHAM COUNTY REGISTRY AND IN BOOK 16204, PAGE 2194, WAKE COUNTY REGISTRY, AS AMENDED BY AMENDMENT TO DECLARATION OF EASEMENTS AND RESTRICTIVE COVENANTS BY AND BETWEEN THE GRANTOR AND BERKSHIRE SCP SLATER ROAD HOLDINGS II, LLC (“SCP SLATER ROAD”) (SUCCESSOR BY MERGER TO SCP SLATER, LLC) DATED AUGUST 7, 2017 AND RECORDED AUGUST 8, 2017 IN BOOK 8245, PAGE 108, DURHAM COUNTY REGISTRY AND IN BOOK 16871,

PAGE 1542, WAKE COUNTY REGISTRY; AND AS FURTHER AMENDED BY THAT CERTAIN SECOND AMENDMENT TO DECLARATION OF EASEMENTS AND RESTRICTIVE COVENANTS BY AND BETWEEN THE GRANTOR AND SCP SLATER

ROAD, RECORDED IN BOOK__, PAGE __

OF THE DURHAM COUNTY

REGISTRY, AND IN BOOK__, PAGE__OF THE WAKE COUNTY REGISTRY.

EXHIBIT F

Form of Bill of Sale

BILL OF SALE AND GENERAL ASSIGNMENT

THIS BILL OF SALE AND GENERAL ASSIGNMENT (this “Assignment”) is made as

of the __

day of__, 201_ by__, a __

("Assignor") and

__, a__("Assignee").

RECITALS

A. Assignor is this day selling to Assignee, and Assignee is purchasing from Assignor, the Property (as such term is described in that certain Purchase and Sale Agreement, dated as of___, by and between Assignor and Assignee, the "Purchase Agreement").

B. Assignor desires to assign to Assignee, and Assignee desires to accept from Assignor, all of Assignor's right, title and interest (if any) in and to the Personal Property and, to the extent assignable without consent or payment of any kind, the Intangible Property, as such terms are defined in the Purchase Agreement (collectively, the "Assigned Property").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignor hereby assigns, transfers and conveys to Assignee, its successors and assigns, and Assignee hereby accepts, all of Assignor's right, title and interest (if any) in and to the Assigned Property.

2. Subject to the terms of the Purchase Agreement, this Assignment is made without representation, warranty or guaranty by, or recourse against, Assignor of any kind whatsoever.

3. The terms and provisions of this Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

4. This Assignment may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Bill of Sale and General Assignment to be duly executed as of the date first written above.

WITNESS: **ASSIGNOR:**

__, a __

By: Name:

Title:

ASSIGNEE:

__, a __

By: Name:

Title:

Exhibit A to Bill of Sale and General Assignment Personal Property

[insert]

EXHIBIT G

Form of Assignment and Assumption of Leases

ASSIGNMENT AND ASSUMPTION OF LEASES

THIS ASSIGNMENT AND ASSUMPTION OF LEASES (this "Assignment") is made

as of the __

day of__, 201_ by__, a __

("Assignor") and

__, a__("Assignee").

R E C I T A L S

A. Assignor is this day selling to Assignee, and Assignee is purchasing from Assignor, the Property, as such term is described in that certain Purchase and Sale Agreement, dated as of__, by and between Assignor and Assignee (the "Contract").

B. The Property is encumbered by the space leases described on Exhibit A attached to and made a part of this Assignment (collectively, the "Leases").

C. Assignor desires to assign to Assignee, and Assignee desires to assume from Assignor, all of Assignor's right, title and interest in, to and under the Leases.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignor hereby assigns, transfers and conveys to Assignee all of Assignor's right, title and interest in and to the Leases.

2. Assignee hereby accepts the foregoing assignment and assumes all of Assignor's obligations and liabilities that first accrue under the Leases from and after the date of this Assignment.

3. Except as specifically provided in the Contract and this Assignment, this Assignment is made without warranty, representation or guaranty by, or recourse against, Assignor of any kind whatsoever.

4. Assignee shall be liable for, and hereby indemnifies and holds harmless Assignor and its affiliates, officers, directors, managers, members, partners, shareholders, employees, contractors, agents, representatives, investors, lenders, trustees, beneficiaries and other persons or entities acting on behalf of Assignor (collectively, "Assignor Parties") from and against any and all claims, liabilities, losses, damages, costs and expenses (including but not limited to reasonable attorneys' fees) incurred or suffered by Assignor or any Assignor Party that first accrue under or in connection with the Leases from and after the date of this Assignment.

5. Subject to the terms of Section 7.4 of the Contract, Assignor shall be liable for, and hereby indemnifies and holds harmless

Assignee and its affiliates, officers, directors, managers, members, partners, shareholders, employees, contractors, agents, representatives, investors, lenders, trustees, beneficiaries and other persons or entities acting on behalf of

Assignee (collectively, "Assignee Parties") from and against any and all claims, liabilities, losses, damages, costs and expenses (including but not limited to reasonable attorneys' fees) incurred or suffered by Assignee or any Assignee Party that have accrued under or in connection with the Solarwinds Lease (as defined in the Contract) prior to the date of this Assignment.

6. The terms and provisions of this Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

7. This Assignment may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment and Assumption of Leases to be duly executed as of the date first written above.

WITNESS: **ASSIGNOR:**

__, a __

By: Name:

Title:

ASSIGNEE:

__, a __

By: Name:

Title:

Exhibit A to Assignment and Assumption of Leases Leases

[insert]

EXHIBIT H

Form of Assignment and Assumption of Contracts

ASSIGNMENT AND ASSUMPTION OF CONTRACTS

THIS ASSIGNMENT AND ASSUMPTION OF CONTRACTS (this "Assignment") is

made as of the__day of__, 201_ by__, a __
__, a__("Assignee").

("Assignor") and

R E C I T A L S

A. Assignor is this day selling to Assignee, and Assignee is purchasing from Assignor, the Property, as such term is described in that certain Purchase and Sale Agreement, dated as of__, by and between Assignor and Assignee (the "PSA").

B. In connection with its ownership and management of the Property, Assignor has entered into those certain maintenance, service and supply contracts and equipment leases, in effect on the date hereof, listed and described on Exhibit A attached to and made a part of this Assignment (collectively, the "Contracts").

C. Assignor desires to assign to Assignee, and Assignee desires to assume from Assignor, all of Assignor's right, title and interest in, to and under the Contracts.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignor hereby assigns, transfers and conveys to Assignee all of Assignor's right, title and interest in and to the Contracts.

2. Assignee hereby assumes all of Assignor's obligations and liabilities that first accrue under the Contracts from and after the date of this Assignment.

3. Except as specifically provided in the PSA and this Assignment, this Assignment is made without warranty, representation or guaranty by, or recourse against, Assignor of any kind whatsoever.

4. Assignee shall be liable for, and hereby indemnifies and holds harmless Assignor and its affiliates, officers, directors, managers, members, partners, shareholders, employees, contractors, agents, representatives, investors, lenders, trustees, beneficiaries and other persons or entities acting on behalf of Assignor (collectively, "Assignor Parties") from and against any and all claims, liabilities, losses, damages, costs and expenses (including but not limited to reasonable attorneys' fees) incurred or suffered by Assignor or any Assignor Party that first accrue under or in connection with the Contracts from and after the date of this Assignment.

5. Subject to the terms of Section 7.4 of the PSA, Assignor shall be liable for, and hereby indemnifies and holds harmless Assignee and its affiliates, officers, directors, managers, members, partners, shareholders, employees, contractors, agents, representatives, investors,

lenders, trustees, beneficiaries and other persons or entities acting on behalf of Assignee (collectively, "Assignee Parties") from and against any and all claims, liabilities, losses, damages, costs and expenses (including but not limited to reasonable attorneys' fees) incurred or suffered by Assignee or any Assignee Party that have accrued under or in connection with the Contracts prior to the date of this Assignment.

6. The terms and provisions of this Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

7. This Assignment may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment and Assumption of Contracts to be duly executed as of the date first written above.

WITNESS: **ASSIGNOR:**

__, a __

By: Name:

Title:

ASSIGNEE:

__, a __

By: Name:

Title:

Exhibit A to Assignment and Assumption of Contracts Contracts

[insert]

EXHIBIT I

Form of FIRPTA Certificate

FIRPTA CERTIFICATE

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by
__, a__(“Seller”), Seller hereby certifies the following:

1. Seller is not a foreign person, foreign partnership, foreign corporation, foreign trust or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations).

2. Seller is not a disregarded entity (as defined in §1.1445-2(b)(2)(iii) of the Internal Revenue Code).

2. Seller’s U.S. Employer Identification Number is__.

3. Seller’s office address is__.

Seller understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury, Seller declares that it has examined this certification and to the best of Seller’s knowledge and belief it is true, correct and complete, and the undersigned has authority to sign this document on behalf of Seller.

Dated:__, 201_

SELLER:

__, a __

By: Name:

Title:

EXHIBIT J

[Intentionally Omitted]

EXHIBIT K

Form of Purchaser’s Pro Forma Owner’s Policy of Title Insurance

[See attached]

Chicago Title Insurance Company ALTA Owner's Policy
Policy Number: PROFORMA Revision #4 on January 16, 2019

OWNER'S POLICY OF TITLE INSURANCE

Issued By

CHICAGO TITLE INSURANCE COMPANY

Any notice of claim and any other notice or statement in writing required to be given to the Company under this Policy must be given to the Company at the address shown in Section 18 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, CHICAGO TITLE INSURANCE COMPANY, a Florida corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
   (a) A defect in the Title caused by
      (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
      (ii) failure of any person or Entity to have authorized a transfer or conveyance;
      (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
      (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
      (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
      (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
      (vii) a defective judicial or administrative proceeding.
   (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
   (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   (a) the occupancy, use, or enjoyment of the Land;
   (b) the character, dimensions, or location of any improvement erected on the Land;
   (c) the subdivision of land; or
   (d) environmental protection

   if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.

6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. Title being vested other than as stated in Schedule A or being defective
   (a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
   (b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
      (i) to be timely, or
      (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.

10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this Policy, but only to the extent provided in the Conditions.

This Policy shall not be valid or binding until countersigned by a validating officer or authorized signatory.

IN WITNESS WHEREOF, CHICAGO TITLE INSURANCE COMPANY has caused this policy to be signed and sealed by its duly authorized officers.

Chicago Title Insurance Company

By:

Countersigned By:

PROFORMA
Authorized Officer or Agent

Attest:

President

Secretary

Chicago Title Insurance Company   ALTA Owner's Policy
Policy Number: PROFORMA   Revision #4 on January 16, 2019

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
   (i) the occupancy, use, or enjoyment of the Land;
   (ii) the character, dimensions, or location of any improvement erected on the Land;
   (iii) the subdivision of land; or
   (iv) environmental protection;

   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

   (b) Any governmental police power.This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   (a) created, suffered, assumed, or agreed to by the Insured Claimant;
   (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   (c) resulting in no loss or damage to the Insured Claimant;

(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or

(e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.

4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is

   (a) a fraudulent conveyance or fraudulent transfer; or

   (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.

5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

END OF EXCLUSIONS FROM COVERAGE

Chicago Title Insurance Company ALTA Owner's Policy
Policy Number: PROFORMA Revision #4 on January 16, 2019

SCHEDULE A

Date of Policy	Amount of Insurance
PROFORMA	$58,100,000.00

Name and Address of Title Insurance Company: Chicago Title Company, LLC
150 Fayetteville Street, Suite 1120
Raleigh, NC 27601
Phone: (919)833-6900
Fax: (919)833-6905

Address Reference: 3030 Slater Road, Morrisville, NC 27560

1. Name of Insured:

   Align Technology, Inc., a Delaware corporation

2. The estate or interest in the Land that is insured by this Policy is: Fee Simple and Easement

3. Title is vested in:

   Align Technology, Inc., a Delaware corporation

4. The Land referred to in this Policy is described as follows:

   SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

END OF SCHEDULE A

Chicago Title Insurance Company ALTA Owner's Policy
Policy Number: PROFORMA Revision #4 on January 16, 2019

EXHIBIT "A"
Legal Description

Lying and being situate in Wake County, North Carolina, and Durham County, North Carolina, and being more particularly described as follows:

FEE PARCEL:

BEING all of Tracts 1, 2, 3 & 4 as shown on that plat entitled, "CSM Real Estate Partners" by Michael D. Goodfred, PLS, dated April 5, 1991, and recorded in Book of Maps 1991, Page 805, Wake County Registry.

The Same Property Described As:
BEING ALL OF TRACTS 1, 2 & 3

BEGINNING at an iron pipe along the northern right-of-way of Slater Road. Said point also having an NC Grid NAD 83 coordinate of N=771063.29 and E=2050651.18; thence leaving said right of way North 06° 46' 02" East a distance of 414.64 feet to a point; thence North 06° 46' 02" East a distance of 201.64 feet to a point; thence South 88° 18' 52" East a distance of 67.37 feet to an iron pipe; thence North 01° 36' 23" East a distance of 19.36 feet to a concrete monument along the southern right of way of Interstate 40; thence following said right of way South 46° 18' 03" East a distance of 254.98 feet to an iron pipe; thence South 46° 19' 08" East a distance of 485.99 feet to a point; thence South 50° 02' 14" East a distance of 783.93 feet to a point; thence South 50° 02' 14" East a distance of 25.99 feet to a point; thence South 00° 44' 33" West a distance of 43.35 feet to a point; thence North 87° 27' 23" West a distance of 18.74 feet to a point; thence North 87° 27' 23" West a distance of 398.79 feet to an iron pipe; thence North 87° 31' 23" West a distance of 216.08 feet to an iron pipe; thence North 87° 20' 34" West a distance of 216.43 feet to an iron pipe along the northern right of way of Slater Road; thence following said right of way North 42° 46' 10" West a distance of 289.38 feet to a point; thence with a curve turning to the left with an arc length of 51.40 feet, with a radius of 841.42 feet, with a chord bearing of North 44° 31' 10" West, with a chord length of 51.40 feet to a point; thence North 09° 42' 09" East a distance of 2.41 feet to a point; thence with a curve turning to the left with an arc length of 135.69 feet, with a radius of 841.42 feet, with a chord bearing of North 50° 53' 22" West, with a chord length of 135.55 feet to an iron pipe; thence North 03° 37' 50" East a distance of 2.94 feet to a point; thence with a curve turning to the left with an arc length of 129.73 feet, with a radius of 856.21 feet, with a chord bearing of North 58° 14' 47" West, with a chord length of 129.61 feet to the point of beginning. Having an area of 619,187 square feet, 14.21 acres.

BEING ALL of Tract 4.

BEGINNING at an iron pipe along the southern right of way of Slater Road. Said point also having an NC Grid NAD 83 coordinate of N=770658.96 E= 2051007.93; thence leaving said right of way North 87° 06' 08" West a distance of 0.84 feet to an iron pipe; thence North 87° 25' 30" West a distance of 247.22 feet to a point; thence North 00° 08' 20" West a distance of 245.16 feet to a point; thence North 00° 00' 20" West a distance of 3.28 feet to an iron pipe along the southern right of way of Slater Road; thence with said right of way with a curve turning to the right with an arc length of 134.82 feet, with a radius of 788.51 feet, with a chord bearing of South 46° 50' 14" East, with a chord length of 134.66 feet to a point; thence South 41° 53' 03" East a distance of 224.95 feet to the point of beginning. Having an area of 32347 square feet, 0.74 acres.

And

Being all of that certain lot or parcel of land situated in Cedar Fork Township, Wake County, North

Carolina, and being described as follows:

BEGINNING at an iron stake in the northeast side of the Slater Road in Tyree Johnson's line, running thence with the said Johnson's line South 84 degrees, East 237 feet to an iron stake and pointers in Wardell Marsh's line; running thence with the said Marsh's line South 38 degrees, 10 minutes west 162 feet to an iron stake on the northeast side of the Slater Road; running thence along with the said road, north 42 degrees, 20 minutes, west 204 feet to the **POINT OF BEGINNING**, the same being a part of the Wallace Marsh Farm containing .41 of an acre more or less, according to the survey of E.A. Davis, Surveyor.

And as surveyed by Ronald T. Frederick, P.L.S., The John R. McAdams Company, Inc. dated February 3, 2015, last revised, signed and sealed on June 22, 2015:

BEGINNING at an existing Iron Pipe along the Northern right of way of Slater Road; Said Point also having an NC Grid Nad 83 Coordinate of N. 770655.20 E. 2051098.51. Thence leaving said right of way South 87°20'34" East a distance of 216.43 feet to an Iron Pipe; Thence South 34°49'29" West a distance of 155.53 feet to a point along the Northern right of way of Slater Road; Thence with said Right of Way North 42°46'10" West a distance of 187.59 feet to the **POINT OF BEGINNING**. Having an area of 14247 square feet, 0.33 acres.

THE ABOVE FEE PARCEL ALSO BEING REFERENCED AS FOLLOWS:

FEE PARCEL (LOT 2):

BEGINNING AT A NEWLY SET IRON PIPE ON THE NORTHERN RIGHT-OF-WAY LINE OF SLATER ROAD (N.C.S.R. 1641) AND LYING ON THE WESTERN PROPERTY LINE OF LANDS NOW OR FORMERLY OWNED BY EARL RYAN THOMPSON AS RECORDED IN DEED BOOK

15559, PAGE 488, WAKE COUNTY REGISTRY AND HAVING NC GRID (NAD '83/2011) COORDINATES N: 770523.5800 FEET E: 2051230.2050 FEET; THENCE ALONG AND WITH SAID NORTHERN RIGHT-OF-WAY NORTH 42°28'50" WEST A DISTANCE OF 177.28 FEET TO A NEWLY SET IRON PIPE; THENCE NORTH 42°19'08" WEST A DISTANCE OF 349.05 FEET TO A NEWLY SET IRON PIPE; THENCE ALONG A CURVE TO THE LEFT AN ARC DISTANCE OF 267.32 FEET, SAID CURVE HAVING A RADIUS OF 763.88 FEET, A CHORD DIRECTION OF NORTH 52°20'38" WEST AND A CHORD DISTANCE OF 265.95 FEET TO A NEWLY SET PK NAIL; THENCE NORTH 62°22'08" WEST A DISTANCE OF 13.31 FEET TO A NEWLY SET PK NAIL, THE SOUTHEASTERN PROPERTY CORNER OF LOT 1 AS RECORDED IN BOOK OF MAPS 2017, PAGE 709-712, WAKE COUNTY REGISTRY AND PLAT BOOK 197, PAGES 97 - 100, DURHAM COUNTY REGISTRY; THENCE LEAVING SAID RIGHT-OF-WAY ALONG AND WITH SAID EASTERN PROPERTY LINE NORTH 06°45'43" EAST A DISTANCE OF 598.03 FEET TO A POINT; THENCE SOUTH 88°19'11" EAST A DISTANCE OF 67.37 FEET TO AN EXISTING IRON PIPE; THENCE NORTH 01°36'04" EAST A DISTANCE OF 19.36 FEET TO AN EXISTING RIGHT-OF-WAY MONUMENT LOCATED ON THE SOUTHERN CONTROLLED ACCESS LINE OF INTERSTATE 40 HIGHWAY; THENCE ALONG AND WITH SAID CONTROLLED ACCESS SOUTH 46°18'22" EAST A DISTANCE OF 254.98 FEET TO AN EXISTING IRON PIPE; THENCE SOUTH 46°19'27" EAST A DISTANCE OF 485.99 FEET TO AN EXISTING RIGHT-OF-WAY MONUMENT; THENCE SOUTH 50°02'33" EAST A DISTANCE OF 783.93 FEET TO A POINT; THENCE SOUTH 50°02'33" EAST A DISTANCE OF 25.99 FEET TO A POINT LOCATED IN THE CENTER OF CRABTREE CREEK; THENCE ALONG AND WITH THE CENTER OF SAID CREEK SOUTH 00°44'14" WEST A DISTANCE OF 43.35 FEET TO A POINT, THE NORTHEASTERN PROPERTY CORNER OF SAID LANDS OWNED BY EARL RYAN THOMPSON AS RECORDED IN DEED BOOK 15559, PAGE 488, WAKE COUNTY REGISTRY; THENCE LEAVING SAID CREEK CENTERLINE ALONG AND WITH SAID NORTHERN PROPERTY LINE NORTH 87°27'42" WEST A DISTANCE OF
18.74 FEET TO A POINT; THENCE NORTH 87°27'42" WEST A DISTANCE OF 398.79 FEET TO AN EXISTING IRON PIPE; THENCE NORTH 87°31'42" WEST A DISTANCE OF 216.08 FEET TO AN EXISTING IRON PIPE; THENCE

SOUTH 34°49'10" WEST A DISTANCE OF 147.74 FEET TO THE POINT OF BEGINNING, CONTAINING 14.3282 ACRES, AS SHOWN ON THAT SURVEY ENTITLED "ALTA/NSPS LAND TITLE SURVEY PROPERTY OF SLATER ROAD I, LLC, WAKE COUNTY (AND) DURHAM COUNTY, NORTH CAROLINA" BY DAN GREGORY, PLS WITH BASS, NIXON & KENNEDY, INC. CONSULTING ENGINEERS, DATED NOVEMBER 20, 2018.

FEE PARCEL (LOT 3):
BEGINNING AT A NEWLY SET IRON PIPE LOCATED ON THE SOUTHERN RIGHT-OF-WAY LINE OF SLATER ROAD
(N.C.S.R. 1641) AND BEING THE NORTHEASTERN PROPERTY CORNER OF LANDS NOW OR FORMERLY OWNED BY CHARLES L. & DIXIE PHILLIPS (NO DEED REFERENCE FOUND) AND HAVING NC GRID (NAD '83/2011) COORDINATES N: 770914.2388 FEET E: 2050759.3492 FEET; THENCE ALONG AND WITH SAID RIGHT-OF-WAY ALONG A CURVE TO THE RIGHT AN ARC DISTANCE OF 79.72 FEET, SAID CURVE HAVING A RADIUS OF 683.88 FEET, A CHORD DIRECTION OF SOUTH 45°39'30" EAST AND A CHORD DISTANCE OF 79.68 FEET TO A POINT; THENCE SOUTH 42°19'07" EAST A DISTANCE OF 162.34 FEET TO A POINT; THENCE SOUTH 36°02'29" EAST A DISTANCE OF 97.39 FEET TO A NEWLY SET IRON PIPE; THENCE LEAVING SAID RIGHT-OF-WAY ALONG AND WITH THE NORTHERN PROPERTY LINE OF LOT 1 AS RECORDED IN BOOK OF MAPS 2014, PAGE 317, WAKE COUNTY REGISTRY NORTH 87°25'49" WEST A DISTANCE OF 223.19 FEET TO A NEWLY SET IRON PIPE, THE SOUTHEASTERN PROPERTY CORNER OF SAID PHILLIPS PROPERTY; THENCE ALONG AND WITH SAID EASTERN PROPERTY LINE NORTH 00°08'39" WEST A DISTANCE OF 244.47 FEET TO THE POINT OF BEGINNING, CONTAINING 0.6704 ACRES, AS SHOWN ON THAT SURVEY ENTITLED "ALTA/NSPS LAND TITLE SURVEY PROPERTY OF SLATER ROAD I, LLC, WAKE COUNTY (AND) DURHAM COUNTY, NORTH CAROLINA" BY DAN GREGORY, PLS WITH BASS, NIXON & KENNEDY, INC. CONSULTING ENGINEERS, DATED NOVEMBER 20, 2018.

THE ABOVE-REFERENCED FEE PARCEL (LOT 2) AND FEE PARCEL (LOT 3) ALSO BEING DESCRIBED AND SHOWN AS LOT 2 AND LOT 3 ON PLAT ENTITLED “MORRISVILLE FINAL PLAT RECOMBINATION, EASEMENT AND RIGHT-OF-WAY DEDICATION PLAT ALONG SLATER ROAD, BERKSHIRE SCP SLATER ROAD, HOLDINGS II, L.L.C. AND SLATER ROAD 1, LLC” RECORDED IN BOOK OF MAPS 2017, PAGES 709-712, WAKE COUNTY REGISTRY, AND PLAT BOOK 197, PAGES 97-100, DURHAM COUNTY REGISTRY.

EASEMENT PARCEL:

ALL OF THE ABOVE TOGETHER WITH AND SUBJECT TO those certain easement interests set forth in that Declaration of Easements and Restrictive Covenants by and between Slater Road I, LLC, a Delaware limited liability company (“Slater”) and SCP Slater, LLC, a North Carolina limited liability company (“SCP”), dated October 30, 2015 and recorded on November 5, 2015 in Book 7819, Page 154 of the Durham County Registry, and in Book 16204, Page 2194 of the Wake County Registry; as amended by that certain Amendment To Declaration of Easements and Restrictive Covenants by and between Slater and Berkshire SCP Slater Road Holdings II, LLC, a Delaware limited liability company (“SCP Slater Road”), being the successor in interest to SCP by operation of merger, recorded in Book 8245, Page 108 of the Durham County Registry, and in Book 16871, Page 1542 of the Wake County Registry; and as further amended by that certain Second Amendment To Declaration of Easements and Restrictive Covenants by and between Slater and SCP Slater Road, recorded in Book___, Page___of the Durham County Registry, and in Book__, Page__of the Wake County Registry.

Policy Number: PROFORMA Revision #4 on January 16, 2019

SCHEDULE B EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses that arise by reason of:

1. Taxes or assessments for the year 2019, and subsequent years, not yet due or payable.

2. Ordinance 2015-057 of the Morrisville Town Council Pertaining to the Extension of the Town of Morrisville Corporate Limits (ANX 15-05) recorded on October 8, 2015 in Book 16176, Page 2650, Wake County Registry.

3. Ordinance 2015-058 of the Morrisville Town Council Pertaining to the Extension of the Town of Morrisville Corporate Limits (Durham County) (ANX 15-06) recorded on October 14, 2015 in Book 7805, Page 663, Durham County Registry.

THE FOLLOWING EXCEPTIONS APPLY TO THE FEE PARCEL ONLY:

4. Any right, easement, setback, interest, claim, encroachment, encumbrance, violation, variations or other adverse circumstance affecting the Title disclosed by plat(s) recorded in Book of Maps 1991, Page 805, and Book of Maps 2017, Pages 709, 710, 711, and 712, Wake County Registry and Plat Book 197, Pages 97, 98, 99, and 100, Durham County Registry, all to the extent shown on the Survey.

5. Any right, easement, setback, interest, claim, encroachment, encumbrance, violation, variation, or other adverse circumstance affecting the Title regarding the following matters disclosed by survey entitled "ALTA/NSPS Land Title Survey, Property of Slater Road I, LLC" by Bass, Nixon and Kennedy, Inc., P.L.S., dated November 20, 2018, last revised December 14, 2018, signed and sealed January 10, 2019, and bearing Job No. 16113 (the "**Survey**");

   a. Setback lines;
   b. Service utilities;
   c. Neuse River Buffers;
   d. Tree preservation area(s);
   e. Private Stormwater Control Measure & Access Easement;
   f. 20' Town of Cary Utility & Pipeline Easement;
   g. Private Cross Access Easements;
   h. Two 10' X 70" Sight Triangle Easements;
   i. Wetlands.

6. Stormwater Operation and Maintenance Agreement and Security by and between Slater Road I, LLC and Town of Morrisville recorded in Book 16248, Page 1045, Wake County Registry.

7. Easement to Duke Energy Progress, LLC recorded in Book 16658, Page 338, Wake County Registry, as generally shown on the Survey.

8. Right(s) of way to N. C. Department of Transportation (Slater Road) recorded in Book 8432, Page 1186; Book 8432, Page 1188 and Book 8432, Page 1190, Wake County Registry, as shown on the Survey.

9. Right(s) of way to State Highway Commission (Interstate 40) recorded in Book 1770, Page 119, Wake County Registry, and recorded in Book 333, Page 239, Durham County Registry, as shown on Survey.

10. Declaration of Easements and Restrictive Covenants by and between Slater Road I, LLC, a Delaware limited liability company, and SCP Slater, LLC, a North Carolina limited liability company, dated October 30, 2015 and recorded on November 5, 2015 in Book 7819, Page 154, Durham County Registry and Book 16204, Page 2194, Wake County Registry; as amended by Amendment To Declaration of Easements and Restrictive Covenants by and between Slater Road I, LLC, and Berkshire SCP Slater Road Holdings II, LLC recorded in Book 8245, Page 108, Durham County Registry and Book 16871, Page 1542, Wake County Registry; and as further amended by that certain Second Amendment To Declaration of Easements and Restrictive Covenants by and between Slater Road I, LLC, a Delaware limited liability company and Berkshire SCP Slater Road Holdings II, LLC, a Delaware limited liability company, recorded in Book__, Page__, of the Durham County Registry, and in Book__, Page__, of the Wake County Registry.

11. Easement to Duke Power Company recorded in Book 1147, Page 315, Wake County Registry.

12. Right of Way Agreement to North Carolina Department of Transportation (Slater Road) recorded in Book 8432, Page 1200, Wake County Registry, as shown on the Survey.

13. Access Easement and Agreement between Slater Road I, LLC and Earl Ryan Thompson recorded in Book 8237, Page 865, Durham County Registry and Book 16853, Page 1256, Wake County Registry, as shown on the Survey.

14. With respect to the Neuse River and Crabtree Creek, the rights of others in and to the continuous and uninterrupted flow of the waters bounding or crossing the Land and riparian and/or littoral rights incident to the Land.

15. Terms and provisions of that certain Office Lease entered into by and between Slater Road I, LLC, and SolarWinds MSP US, Inc., dated November 27, 2017.

THE FOLLOWING EXCEPTIONS APPLY TO THE EASEMENT PARCEL ONLY:

16. Any right, easement, setback, interest, claim, encroachment, encumbrance, violation, variations or other adverse circumstance affecting the Title disclosed by plat(s) recorded in Book of Maps 2017, Pages 709, 710, 711, and 712, Wake County Registry; and Plat Book 197, Pages 97, 98, 99, and 100; Plat Book 144, Page 152; Plat Book 135, Page 64; Plat Book 134, Page 186; Plat Book 129, Page 182; Plat Book 120, Page 139; Plat Book 91, Page 1; and Plat Book 61, Page 121, Durham County Registry, all to the extent shown on the Survey.

17. With respect to any portion of the Easement Parcel not surveyed on the Survey, any discrepancy, conflict, access, shortage in area or boundary lines, encroachment, encumbrance, violation, variation, overlap, setback, easement or claims of easement, riparian right, and title to land within roads, ways, railroads, watercourses, burial grounds, marshes, dredged or filled areas or land below the mean highwater mark or within the bounds of any adjoining body of water, or other adverse circumstance affecting the Title that would be disclosed by a current inspection and accurate and complete land survey of the Land.

18. Terms, conditions and rights of others in and to that certain Declaration of Easements and Restrictive Covenants by and between Slater Road I, LLC, a Delaware limited liability company, and SCP Slater, LLC, a North Carolina limited liability company, dated October 30, 2015 and recorded on November 5, 2015 in Book 7819, Page 154, Durham County Registry and Book 16204, Page 2194, Wake County Registry; as amended by Amendment To Declaration of Easements and Restrictive Covenants by and between Slater Road I, LLC, and Berkshire SCP Slater Road Holdings II, LLC recorded in Book 8245, Page 108, Durham County Registry and Book 16871, Page 1542, Wake County Registry; and as further amended by that certain Second Amendment To Declaration of Easements and Restrictive Covenants by and between Slater Road I, LLC, a Delaware limited liability company and Berkshire SCP Slater Road Holdings II, LLC, a Delaware limited liability company, recorded in Book
___, Page___, of the Durham County Registry, and in Book___, Page___, of the Wake County Registry.

19. Easement(s) to Duke Power Company recorded in Book 177, Page 110, Durham County Registry.

POLICY ENDORSEMENT(S)

REMARK: This Owner's Policy includes the endorsements listed below:

• ALTA 3.1-06 - Zoning - Completed Structure (Revised 10-22-09)
• ALTA 8.2-06 - Commercial Environmental Protection Lien (Adopted 10-16-08)
• ALTA 9.1-06 - CC&R - Unimproved Land - Owner's Policy (Revised 4-2-12)
• ALTA 9.2-06 - CC&R - Improved Land - Owner's Policy (Revised 4-2-12)
• ALTA 9.9-06 - Private Rights - Owner's Policy (Adopted 4-2-13)
• ALTA 17-06 - Access and Entry (Adopted 6-17-06)
• ALTA 17.1-06 - Indirect Access and Entry (Adopted 6-17-06)
• ALTA 17.2-06 - Utility Access (Adopted 10-16-08)
• ALTA 18.1-06 - Multiple Tax Parcel - Easements (Adopted 6-17-06)
• ALTA 19.2-06 - Contiguity - Specified Parcels (Adopted 4-2-15)
• ALTA 22-06 - Location (Adopted 6-17-06)
• ALTA 25-06 - Same as Survey (Adopted 10-16-08)
• ALTA 26-06 - Subdivision (Adopted 10-16-08)
• ALTA 28-06 - Easement - Damage or Enforced Removal (Revised 2-3-10)
• ALTA 28.2-06 - Encroachments - Boundaries and Easements-Described Improvements (Adopted 4-2-13)
• ALTA 39-06 - Policy Authentication (Adopted 4-2-13)
• SE 91 - Deletion of Arbitration 2006 (6-17-06)

END OF SCHEDULE B

1. DEFINITION OF TERMS
The following terms when used in this policy mean:

CONDITIONS

(a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b), or decreased by Sections 10 and 11 of these Conditions.

(b) "Date of Policy": The date designated as 'Date of Policy" in Schedule A.

(c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.

(d) "Insured": The Insured named in Schedule A.

(i) the term "Insured" also includes

(A) successors to the Title of the Insured by operation of law as distinguished from purchase, including heirs, devisees, survivors, personal representatives, or next of kin;

(B) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;

(C) successors to an Insured by its conversion to another kind of Entity;

(D) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title

(1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,

(2) if the grantee wholly owns the named Insured,

(3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity, or

(4) if the grantee is a trustee or beneficiary of a trust created by a written instrument established by the Insured named in Schedule A for estate planning purposes.

(ii) with regard to (A),(B),(C), and (D) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured.

(e) "Insured Claimant": An Insured claiming loss or damage.

(f) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.

(g) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.

(h) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.

(i) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

(j) "Title": The estate or interest described in Schedule A.

(k) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured hereunder of any claim of title or interest that is adverse to the Title, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.

(b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE

(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in this subsection, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or

(ii) to pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the lesser of

(i) the Amount of Insurance; or

(ii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy.

(b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title, as insured,

(i) the Amount of Insurance shall be increased by Ten percent (10%), and

(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.

(c) In addition to the extent of liability under (a) and (b), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title, as insured.

(c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment.

11. LIABILITY NONCUMULATIVE

The Amount of Insurance shall be reduced by any amount the Company pays under any policy insuring a Mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is executed by an Insured after Date of Policy and which is a charge or lien on the Title, and the amount so paid shall be deemed a payment to the Insured under this policy.

12. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within thirty (30) days.

13. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Company's right of subrogation includes the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

14. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is

$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of $2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement,
(i) extend the Date of Policy, or (iv) increase the Amount of Insurance.

16. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

17. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

18. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at:

Chicago Title Insurance Company
P.O. Box 45023
Jacksonville, FL 32232-5023 Attn: Claims Department

END OF CONDITIONS

Chicago Title Insurance Company Endorsement 3.1-06 (Zoning - Completed Structure)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

THE COVERAGE AFFORDED BY THIS ENDORSEMENT APPLIES TO FEE PARCEL (LOT 2) and FEE PARCEL (LOT 3)

1. The Company insures against loss or damage sustained by the Insured in the event that, at Date of Policy,
   a. according to applicable zoning ordinances and amendments, the Land is not classified Zone Office Industrial (OI);
   b. the following use or uses are not allowed under that classification:

      Office Building

   c. There shall be no liability under paragraph 1.b. if the use or uses are not allowed as the result of any lack of compliance with any conditions, restrictions, or requirements contained in the zoning ordinances and amendments, including but not limited to the failure to secure necessary consents or authorizations as a prerequisite to the use or uses. This paragraph 1.c. does not modify or limit the coverage provided in Covered Risk 5.
2. The Company further insures against loss or damage sustained by the Insured by reason of a final decree of a court of competent jurisdiction either prohibiting the use of the Land, with any existing structure, as specified in paragraph 1.b.; or requiring the removal or alteration of the structure, because, at Date of Policy, the zoning ordinances and amendments have been violated with respect to any of the following matters:
   a. Area, width, or depth of the Land as a building site for the structure
   b. Floor space area of the structure
   c. Setback of the structure from the property lines of the Land

d. Height of the structure, or
e. Number of parking spaces.

3. There shall be no liability under this endorsement based on:
   a. the invalidity of the zoning ordinances and amendments until after a final decree of a court of competent jurisdiction adjudicating the invalidity, the effect of which is to prohibit the use or uses;
   b. the refusal of any person to purchase, lease or lend money on the Title covered by this policy.

Chicago Title Insurance Company Endorsement 3.1-06 (Zoning - Completed Structure)

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company

Endorsement 8.2-06 (Commercial Environmental Protection Lien)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured by reason of an environmental protection lien that, at Date of Policy, is recorded in the Public Records or filed in the records of the clerk of the United States district court for the district in which the Land is located, unless the environmental protection lien is set forth as an exception in Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company

Endorsement 9.1-06 (Covenants, Conditions and Restrictions - Unimproved Land - Owner's Policy)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

THE COVERAGE AFFORDED BY THIS ENDORSEMENT APPLIES TO FEE PARCEL (LOT 3)

1. The insurance provided by this endorsement is subject to the exclusions in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For the purposes of this endorsement only, "Covenant" means a covenant, condition, limitation or restriction in a document or instrument in effect at Date of Policy.
3. The Company insures against loss or damage sustained by the Insured by reason of:
   a. A violation on the Land at Date of Policy of an enforceable Covenant, unless an exception in Schedule B of the policy identifies the violation; or
   b. A notice of a violation, recorded in the Public Records at Date of Policy, of an enforceable Covenant relating to environmental protection describing any part of the Land and referring to that Covenant, but only to the extent of the violation of the Covenant referred to in that notice, unless an exception in Schedule B of the policy identifies the notice of the violation.
4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:
   a. any Covenant contained in an instrument creating a lease;
   b. any Covenant relating to obligations of any type to perform maintenance, repair, or remediation on the Land; or
   c. except as provided in Section 3.b, any Covenant relating to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company

Endorsement 9.2-06 (Covenants, Conditions and Restrictions - Improved Land - Owner's Policy)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

THE COVERAGE AFFORDED BY THIS ENDORSEMENT APPLIES TO FEE PARCEL (LOT 2)

1. The insurance provided by this endorsement is subject to the exclusions in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For the purposes of this endorsement only,
   a. "Covenant" means a covenant, condition, limitation or restriction in a document or instrument in effect at Date of Policy.
   b. "Improvement" means a building, structure located on the surface of the Land, road, walkway, driveway, or curb, affixed to the Land at Date of Policy and that by law constitutes real property, but excluding any crops, landscaping, lawn, shrubbery, or trees.

3. The Company insures against loss or damage sustained by the Insured by reason of:
    a. A violation on the Land at Date of Policy of an enforceable Covenant, unless an exception in Schedule B of the policy identifies the violation;
    b. Enforced removal of an Improvement as a result of a violation, at Date of Policy, of a building setback line shown on a plat of subdivision recorded or filed in the Public Records, unless an exception in Schedule B of the policy identifies the violation; or
    c. A notice of a violation, recorded in the Public Records at Date of Policy, of an enforceable Covenant relating to environmental protection describing any part of the Land and referring to that Covenant, but only to the extent of the violation of the Covenant referred to in that notice, unless an exception in Schedule B of the policy identifies the notice of the violation.
4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:
    a. any Covenant contained in an instrument creating a lease;
    b. any Covenant relating to obligations of any type to perform maintenance, repair, or remediation on the Land; or
    c. except as provided in Section 3.c., any Covenant relating to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances.

Chicago Title Insurance Company

Endorsement 9.2-06 (Covenants, Conditions and Restrictions - Improved Land - Owner's Policy)

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company

Endorsement 9.9-06 (Private Rights - Owner's Policy)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

1. The insurance provided by this endorsement is subject to the exclusions in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For the purposes of this endorsement only:
    a. "Covenant" means a covenant, condition, limitation or restriction in a document or instrument recorded in the Public Records at Date of Policy.
    b. "Private Right" means (i) an option to purchase; (ii) a right of first refusal; or (iii) a right of prior approval of a future purchaser or occupant.
3. The Company insures against loss or damage sustained by the Insured under this Owner's Policy if enforcement of a Private Right in a Covenant affecting the Title at Date of Policy based on a transfer of Title on or before Date of Policy causes a loss of the Insured's Title.
4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:
    a. any Covenant contained in an instrument creating a lease;
    b. any Covenant relating to obligations of any type to perform maintenance, repair, or remediation on the Land;

c. any Covenant relating to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances; or

d. any Private Right in an instrument identified in Exception(s) NONE in Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

AMERICAN LAND TITLE ASSOCIATION

Chicago Title Insurance Company Endorsement 17-06 (Access and Entry)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

THE COVERAGE AFFORDED BY THIS ENDORSEMENT APPLIES TO FEE PARCEL (LOT 2)

The Company insures against loss or damage sustained by the Insured if, at Date of Policy (i) the Land does not abut and have both actual vehicular and pedestrian access to and from Slater Road - N.C.S.R. 1641 (WAKE) (the "Street"), (ii) the Street is not physically open and publicly maintained, or (iii) the Insured has no right to use existing curb cuts or entries along that portion of the Street abutting the Land.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

AMERICAN LAND TITLE ASSOCIATION

Chicago Title Insurance Company Endorsement 17.1-06 (Indirect Access and Entry)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

THE COVERAGE AFFORDED BY THIS ENDORSEMENT APPLIES TO FEE PARCEL (LOT 2)

The Company insures against loss or damage sustained by the Insured if, at Date of Policy (i) the easement identified as Easement Parcel in Schedule A (the "Easement") does not provide that portion of the Land identified as FEE PARCEL (LOT 2) in Schedule A both actual vehicular and pedestrian access to and from Slater Road - N.C.S.R. 1641 (WAKE) (the "Street"), (ii) the Street is not physically open and publicly maintained, or (iii) the Insured has no right to use existing curb cuts or entries along that portion of the Street abutting the Easement.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of

the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company Endorsement 17.2-06 (Utility Access)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

THE COVERAGE AFFORDED BY THIS ENDORSEMENT APPLIES TO FEE PARCEL (LOT 2)

The Company insures against loss or damage sustained by the Insured by reason of the lack of a right of access to the following utilities or services:

☑	Water service	☐	Natural gas service	☑	Telephone service
☑	Electrical power service	☑	Sanitary sewer	☑	Storm water drainage

either over, under or upon rights-of-way or easements for the benefit of the Land because of:

(1) a gap or gore between the boundaries of the Land and the rights-of-way or easements;

(2) a gap between the boundaries of the rights-of-way or easements ; or

(3) a termination by a grantor, or its successor, of the rights-of-way or easements.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company Endorsement 18.1-06 (Multiple Tax Parcel - Easements)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured by reason of:

1. those portions of the Land identified below not being assessed for real estate taxes under the listed tax identification numbers or those tax identification numbers including any additional land:

   Parcel: Tax Identification Numbers:

FEE PARCEL (LOT 2)

FEE PARCEL (LOT 3)

0757111072 (Wake County); and 0757-03-11-1063 (Durham County)
0757008734 (Wake County Registry)

2. the easements, if any, described in Schedule A being cut off or disturbed by the nonpayment of real estate taxes, assessments or other charges imposed on the servient estate by a governmental authority.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

This is a PROFORMA Endorsement. It is not a commitment to issue the endorsement and in no way evidences the willingness of the company to provide any affirmative coverage shown herein. Any such commitment must be an express written undertaking on appropriate forms of the Company.

Copyright American Land Title Association. All rights reserved.

The use of this Form (or any derivative thereof) is restricted to ALTA licensees and ALTA members in good standing as of the date of use. All other uses are prohibited. Reprinted under license from the American Land Title Association.

Chicago Title Insurance Company

Endorsement 19.2-06 (Contiguity - Specified Parcels)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured by reason of there being any gaps, strips, or gores lying within or between FEE PARCEL (LOT 2) and EASEMENT PARCEL of the Land.

This endorsement is issued as part of the policy and is subject to the policy's (i) Exclusions from Coverage, (ii) Conditions, and (iii) Exceptions from Coverage contained in Schedule B, in addition to (iv) exceptions and exclusions, if any, in this endorsement. Except as expressly stated, this endorsement does not (i) modify the policy or any other endorsement to the policy, (ii) extend the Date of Policy, or (iii) increase the Amount of Insurance. To the extent the policy or any previously issued endorsement to the policy is inconsistent with this endorsement, this endorsement

controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any other endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company Endorsement 22-06 (Location)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

THE COVERAGE AFFORDED BY THIS ENDORSEMENT APPLIES TO FEE PARCEL (LOT 2)

The Company insures against loss or damage sustained by the Insured by reason of the failure of a 5 Story Concrete Building, known as 3030 Slater Road, Morrisville, NC 27560 to be located on the Land at Date of Policy.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company Endorsement 25-06 (Same as Survey)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

THE COVERAGE AFFORDED BY THIS ENDORSEMENT APPLIES TO: FEE PARCEL (LOT 2) and FEE PARCEL (LOT 3)

The Company insures against loss or damage sustained by the Insured by reason of the failure of the Land as described in Schedule A to be the same as that identified on the survey made by Bass, Nixon and Kennedy, Inc. dated November 20, 2018, last revised December 14, 2018, signed and sealed January 10, 2019, and designated Job No. 16113.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company Endorsement 26-06 (Subdivision)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured by reason of the failure of the Land to constitute a lawfully created parcel according to the subdivision statutes and local subdivision ordinances applicable to the Land.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company

Endorsement 28-06 (Easement - Damage or Enforced Removal)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured if the exercise of the granted or reserved rights to use or maintain the easement(s) referred to in Exception(s) 7, 11, and 18 of Schedule B results in:

(1) damage to an existing building located on the Land, or

(2) enforced removal or alteration of an existing building located on the Land.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

Chicago Title Insurance Company

Endorsement 28.2-06 (Encroachments - Boundaries and Easements - Described Improvements)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

1. The insurance provided by this endorsement is subject to the exclusions in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For purposes of this endorsement only, "Improvement" means each improvement on the Land or adjoining land at Date of Policy, itemized below:

   a building, structure, or paved area, including any road, walkway, parking area, driveway, or curb located on the surface of the Land or the surface of adjoining land at Date of Policy that by law constitutes real property.
3. The Company insures against loss or damage sustained by the Insured by reason of:
   a. An encroachment of any Improvement located on the Land onto adjoining land or onto that portion of the Land subject to an easement, unless an exception in Schedule B of the policy identifies the encroachment;
   b. An encroachment of any Improvement located on adjoining land onto the Land at Date of Policy, unless an exception in Schedule B of the policy identifies the encroachment;
   c. Enforced removal of any Improvement located on the Land as a result of an encroachment by the Improvement onto any portion of the Land subject to any easement, in the event that the owners of the easement shall, for the purpose of exercising the right of use or maintenance of the easement, compel removal or relocation of the encroaching Improvement; or
   d. Enforced removal of any Improvement located on the Land that encroaches onto adjoining land.
4. Sections 3.c. and 3.d. of this endorsement do not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from the following Exceptions, if any, listed in Schedule B: NONE

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

This is a PROFORMA Endorsement. It is not a commitment to issue the endorsement and in no way evidences the willingness of the company to provide any affirmative coverage shown herein. Any such commitment must be an express written undertaking on appropriate forms of the Company.

Copyright American Land Title Association. All rights reserved.

The use of this Form (or any derivative thereof) is restricted to ALTA licensees and ALTA members in good standing as of the date of use. All other uses are prohibited. Reprinted under license from the American Land Title Association.

Chicago Title Insurance Company

Endorsement 39-06 (Policy Authentication)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

When the policy is issued by the Company with a policy number and Date of Policy, the Company will not deny liability under the policy or any endorsements issued with the policy solely on the grounds that the policy or endorsements were issued electronically or lack signatures in accordance with the Conditions.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: __

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

This is a PROFORMA Endorsement. It is not a commitment to issue the endorsement and in no way evidences the willingness of the company to provide any affirmative coverage shown herein. Any such commitment must be an express written undertaking on appropriate forms of the Company.

Copyright American Land Title Association. All rights reserved.

The use of this Form (or any derivative thereof) is restricted to ALTA licensees and ALTA members in good standing as of the date of use. All other uses are prohibited. Reprinted under license from the American Land Title Association.

Chicago Title Insurance Company

Endorsement 91 (Deletion of Arbitration 2006)

ENDORSEMENT

Attached to Policy No. PROFORMA Revision: #4 on January 16, 2019

Issued by

CHICAGO TITLE INSURANCE COMPANY

The policy is hereby amended by deleting Paragraph 14 of the Conditions, relating to Arbitration.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: ___

Chicago Title Insurance Company

Countersigned By:

PROFORMA
Authorized Officer or Agent

This is a PROFORMA Endorsement. It is not a commitment to issue the endorsement and in no way evidences the willingness of the company to provide any affirmative coverage shown herein. Any such commitment must be an express written undertaking on appropriate forms of the Company.

SE 91-Deletion of Arbitration 2006

Printed: 01-16-19 @ 04:02 PM

EXHIBIT L

Litigation

None.

EXHIBIT M

Personal Property

Location	Personal Property List	Quantity
1st flr main elect closet	shipping dolly	1
1st flr VAV rm East side	8' ladder	1
1st flr VAV rm East side	6' ladder	1
5th flr mech room - roof	16' ladder	1
1st flr main elect closet	shop vac	1
1st flr main elect closet	janitorial tilt cart	1
Fitness Center	Precor C932i Treadmill	3
Fitness Center	Precor EFX532i Elliptical Trainer	2
Fitness Center	Stairmaster 8 Series Gauntlet	1
Fitness Center	Precor UBK615 Upright	1
Fitness Center	Precor RBK615 Recumbent Bike	1
Fitness Center	Concept II Rowing Ergometer	1
Fitness Center	Precor FTS Glide	1
Fitness Center	Precor Experience Strength Vitality Leg Extension/Leg Curl	1
Fitness Center	Precor Experience Strength Vitality Series Pulldown/Seated Row	1
Fitness Center	Precor Performance Half Rack	1
Fitness Center	Olympic Bar with plates/weight set	1
Fitness Center	Precor Discovery Back Extension	1
Fitness Center	Precor Strength Icarian VKR/DIP	1
Fitness Center	Precor Discovery Adjustable Decline Bench	1
Fitness Center	Free Weights and Free Weight Rack	1
Fitness Center	Precor Discovery Multi-Angle Bench	2
Fitness Center	Yoga Mats - hanging on wall	4
Fitness Center	Bosu Pro Balance Trainer	1
Fitness Center	Stability Ball Rack & Stability Balls (3)	1
Fitness Center	Kettleball Rack & Kettleballs (9)	1
Fitness Center	Foam Rollers	2
Fitness Center	Medicine Ball Rack & Medicine Balls (5)	1
Fitness Center	Triple Plyo Box	1
Fitness Center	TRX Mount and Suspension Trainers	2
Fitness Center	Flexibility Bands	4
Fitness Center	Wall-Mounted TV's	4
Fitness Center	Medlin Davis Dry Cleaning Services Drop-Off/Pick-Up Kiosk	1
Social Hub/Lobby	Millbrae Tuxedo Couch	3
Social Hub/Lobby	HBF Parker Table	1
Social Hub/Lobby	Millbrae Coffee Table	1
Social Hub/Lobby	Lounge Chairs	10
Social Hub/Lobby	Area Rugs	2
Social Hub/Lobby	Nucraft High/Rectangle Conference Table	2
Social Hub/Lobby	Stools	18

Social Hub/Lobby	High Round Table	2
Social Hub/Lobby Social Hub/Lobby	Various Throw Pillows Glass Blown Vase	1
Social Hub/Lobby	Side Tables	5
Social Hub/Lobby	Noguchi Coffee Table	1
Social Hub/Lobby	Wall-Mounted TV's	4
Social Hub/Lobby	Planters with snake plant	8
Outdoor Patio	Square Tables	2
Outdoor Patio	Arm Chairs	8
Outdoor Patio	Bar Height Tables	2
Outdoor Patio	Bar Height Stools	12
Outdoor Patio	Outdoor Trash and Recycling Can	1
Smoking Area	Bench	1

EXHIBIT N

Solarwinds Estoppel

Tenant Estoppel Certificate

In connection with the proposed purchase of the improved property located at 3030 Slater Road, Morrisville, North Carolina (the "Property") by ALIGN TECHNOLOGY, INC., a Delaware corporation, its successors and assigns ("Purchaser"), from SLATER ROAD I, LLC, a Delaware limited liability company ("Landlord"), SOLARWINDS MSP US, INC., a Delaware corporation ("Tenant"), represents, warrants and certifies to Purchaser as follows:

1. Landlord and Tenant entered that certain Office Lease dated November 27, 2017 (the "Lease") leasing to Tenant a portion of the Property identified and commonly known as the fifth (5th) floor of the Forty540 Building containing approximately 41,175 square feet of Rentable Area (the "Leased Premises").

2. The foregoing description of the Lease is true, correct and complete. The Lease has not been amended, supplemented or modified as of the date of this Certificate, nor has any term or condition thereof been waived. Attached hereto as Exhibit A is a true, correct and complete copy of the Lease. Tenant has properly executed and delivered the Lease, and the Lease is in full force and effect.

3. As of the date of this Certificate, Tenant is occupying the entire Leased Premises pursuant to the Lease. Subject to the abatement rights referenced below in paragraph 10 of this Certificate, the Monthly Rental Installments currently being paid by Tenant for the Leased Premises pursuant to the terms of the Lease are $91,785.94 per month. Tenant's Proportionate Share of Operating Expenses due under the Lease has been paid through____, 2019, and the amount of Tenant's Proportionate Share of Operating Expenses for the last month paid was
$__(if none, so state).

4. Tenant has accepted possession of the Leased Premises. All items to be performed by Landlord have been completed (including, but not limited to, completion of construction of all Tenant Improvements and other improvements required to be completed by Landlord under the Lease) in accordance with applicable plans and specifications, within the time periods, and otherwise as set forth in the Lease. Landlord has paid all allowances or contributions owed by Landlord for the benefit of Tenant under the Lease, including but not limited to the entire Allowance and Test-Fit Allowance, and Tenant is not entitled to any credit or payment for any unpaid portion of such allowances or contributions.

5. Tenant acknowledges that the initial term of the Lease commenced on August 7, 2018, and will expire on August 6, 2029, unless sooner terminated in accordance with the terms of the Lease.

6. Tenant has no right or option (i) to renew or extend the Lease term, except as expressly provided in Section 17.01 of the Lease, (ii) to expand the Leased Premises, except as expressly provided in Sections 17.02 and 17.03 of the Lease, (iii) to reduce or relocate any of the Leased Premises, (iv) to terminate the Lease, except as may be expressly provided in the Lease, or
(v) to purchase all or any portion of the Leased Premises or the Property. Any right of Tenant to terminate the Lease under Section 2.01 of the Lease has expired by its terms and is therefore void and of no further force or effect.

7. No default or event which, with the giving of notice or the passage of time or both, could constitute a default on the part of Tenant exists under the Lease.

8. No default or event which, with the giving of notice or the passage of time or both, could constitute a default on the part of Landlord exists under the Lease. Tenant has no defense as to any of its obligations under the Lease and asserts no setoff, claim or counterclaim against Landlord under or with respect to the Lease or the Leased Premises.

9. Tenant has not assigned, sublet, transferred, hypothecated or otherwise conveyed any of its interest in the Lease and/or the Leased Premises or any part thereof.

10. There are no rent abatements or rebates (including but not limited to credits provided for in Section 2.01 of the Lease), free rent periods, obligations of Landlord to make any payments or assume any obligations under any prior or existing lease obligations of Tenant owing to third parties, or other concessions or inducements now or in the future concerning the Lease or the Leased Premises, except as follows: Subject to the terms and conditions of Section 3.05 of the Lease, (i) one hundred percent (100%) of the Minimum Annual Rent payable under the Lease is currently being abated, and such abatement shall continue through May 6, 2019, and (ii) from the Commencement Date through February 6, 2021, Tenant shall pay Minimum Annual Rent on only 31,000 rentable square feet of the Leased Premises.

11. There have been no promises or representations made to Tenant by Landlord concerning the Lease or the Leased Premises that are not contained in the Lease.

12. Neither the Lease nor any obligations of Tenant thereunder have been guaranteed by any person or entity, except as follows: SOLARWINDS HOLDINGS INC. has guaranteed the payment and performance of all obligations of Tenant under the Lease pursuant to that certain Lease Guaranty dated November 22, 2017.

13. No Hazardous Substances are being (or have been or will be during the term of the Lease) generated, used, handled, stored or disposed of by Tenant on the Leased Premises or on the Property in violation of any applicable laws, rules or regulations or the terms of the Lease. To Tenant's knowledge, there are no Hazardous Substances on, under or about the Leased Premises.

14. No rental payments have accrued and are unpaid under the Lease. Tenant has not prepaid any rent for the Leased Premises.

15. No security or deposits as security have been made under the Lease, and no letter of credit, bank guaranty or similar instrument has been delivered under the Lease.

16. Tenant has not received notice of any assignment, hypothecation, mortgage or pledge of Landlord's interest in the Lease or the rents or other amounts payable thereunder, except as follows (if none, so state):__.

17. Tenant has not received any notice of violation of any federal, state, county or municipal laws, rules, regulations or ordinances related to the use, occupancy or condition of the Leased Premises or the Property, and, to Tenant's knowledge, no such violation exists.

18. Tenant has not filed on its behalf, nor to Tenant's knowledge has any party initiated against Tenant, proceedings for relief under bankruptcy, insolvency or other similar proceedings.

Tenant acknowledges and agrees that Tenant is making the representations and warranties contained in this Certificate with the knowledge and intent that Purchaser, its lenders and investors and their respective successors and assigns will rely thereon in purchasing, and/or financing the purchase of, the Property. All capitalized terms used, but not defined, herein have the meanings set forth in the Lease.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS]

below.

IN WITNESS WHEREOF, Tenant has executed this Certificate
as of the date indicated

<u>TENANT</u>:

SOLARWINDS MSP US, INC.,
a Delaware corporation

By:___ Name:___Its:___

Date:__, 2019

[SIGNATURE PAGE – TENANT ESTOPPEL CERTIFICATE]

Joinder by Guarantor to Tenant Estoppel Certificate

In connection with the proposed purchase of the Property by Purchaser, SOLARWINDS HOLDINGS, INC., a Delaware corporation ("Guarantor"), joins in the foregoing Tenant Estoppel Certificate and represents, warrants and certifies to Purchaser as follows:

1. Guarantor executed and delivered that certain Lease Guaranty (the "Guaranty") dated November 22, 2017, whereby Guarantor guaranteed the payment and performance of all obligations of Tenant under the Lease, on the terms and conditions provided in the Guaranty. Attached hereto as Exhibit B is a true, correct and complete copy of the Guaranty.

2. The Guaranty is in full force and effect and has not been modified or amended in any respect. No term or condition of the Guaranty has been waived, nor has Guarantor been released from any obligation thereunder. Guarantor has no defense as to any of its obligations under the Guaranty and asserts no setoff, claim or counterclaim against Landlord under or with respect to the Guaranty or the Lease.

3. To Guarantor's knowledge, no default or event which, with the giving of notice or the passage of time or both, could constitute a default on the part of Landlord or Tenant exists under the Lease.

4. Guarantor has not filed on its behalf, nor to Guarantor's knowledge has any party initiated against Guarantor, proceedings for relief under bankruptcy, insolvency or other similar proceedings.

Guarantor acknowledges and agrees that Guarantor is making the representations and warranties contained in this Joinder with the knowledge and intent that Purchaser, its lenders and investors and their respective successors and assigns will rely thereon in purchasing, and/or financing the purchase of, the Property. All capitalized terms used, but not defined, herein have the meanings set forth in the Lease.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS]

below.

IN WITNESS WHEREOF, Guarantor has executed this
Joinder as of the date indicated

GUARANTOR:

SOLARWINDS HOLDINGS, INC.,
a Delaware corporation

By:___ Name:___Its:___

Date:__, 2019

[SIGNATURE PAGE – JOINDER BY GUARANTOR TO TENANT ESTOPPEL CERTIFICATE]

EXHIBIT A

LEASE

[Attached]

EXHIBIT B

GUARANTY

[Attached]

EXHIBIT O

Form of SCP Estoppel Certificate

ESTOPPEL CERTIFICATE

__, 2019

THIS ESTOPPEL CERTIFICATE (" Certificate") is made to Align Technology, Inc., a Delaware corporation, and its successors or assigns ("Align"), with respect to the proposed transfer by Slater Road I, LLC, a Delaware limited liability company ("Slater") to Align of that certain tract or parcel of land located at 3030 Slater Road, Morrisville, NC, as more particularly described on Exhibit A attached hereto (the "Property").

Berkshire SCP Slater Road Holdings II, LLC ("SCP II") hereby certifies, warrants, represents and agrees, as of the date hereof, as follows with respect to that certain Declaration of Easements and Restrictive Covenants by and between Slater and SCP Slater, LLC, a North Carolina limited liability company ("SCP I"), dated October 30, 2015 and recorded on November 5, 2015 in Book 7819, Page 154 of the Durham County Registry, and in Book 16204, Page 2194 of the Wake County Registry; as amended by that certain Amendment To Declaration of Easements and Restrictive Covenants by and between Slater, and SCP II, being the successor in interest to SCP I by operation of merger, recorded in Book 8245, Page 108 of the Durham County Registry, and in Book 16871, Page 1542 of the Wake County Registry; [as further amended by that certain Second Amendment To Declaration of Easements and Restrictive Covenants by and between Slater, and SCP II, being the successor in interest to SCP I by operation of merger, recorded in Book [___], Page [___] of the Durham County Registry, and in Book [___], Page [___] of the Wake County Registry] (as amended, the "Declaration"; capitalized terms used herein and not otherwise defined shall have the meaning ascribed such term in the Declaration):

1. To the actual knowledge of SCP II, the Declaration is in full force and effect, binding on SCP II and Slater (collectively, the "Parties"), and has not been amended, modified, supplemented or superseded, either orally or in writing, except as referenced above, and the Property is in compliance with the terms, conditions, and restrictions contained in the Declaration.

2. To the actual knowledge of SCP II, all monetary obligations and assessments, if any, due from SCP II or Slater (collectively, the "Parties") under the Declaration to date have been fully and currently paid.

3. To the actual knowledge of SCP II, Slater has completed the following construction obligations (excluding any ongoing maintenance and repair obligations required under

the Declaration, as applicable) in accordance with the utility or other plans referenced in the Declaration, and all such improvements have been dedicated and accepted, as applicable, by the relevant governmental authorities.

   a. Storm Water Facilities (as such term is defined in Section 3.a. of the Declaration)
   b. Primary Roadway (as such term is defined in Section 4.a. of the Declaration)
   c. Secondary Road (as such term is defined in Section 4.a. of the Declaration)
   d. Landscaping Improvements (as such term is defined in Section 4.a. of the Declaration)
   e. Lighting Improvements (as such term is defined in Section 4.a. of the Declaration)
   f. paved surface parking lot, including curb cuts, within the Designated Parking Area (in accordance with, and as such term is defined in Section 5.a. of the Declaration)
   g. improvements for the widening of Slater Road within the Expanded Roadway Area (in accordance with, and as such term is defined in Section 6.a. of the Declaration)
   h. Extended Water Line (as such term is defined in Section 7.a. of the Declaration)
   i. Sanitary Sewer Extension Line (as such term is defined in Section 8.a. of the Declaration)

4. To the actual knowledge of SCP II, there is no default or any circumstance or event that, with the passage of time or the giving of notice, or both, would constitute a default by the Parties under the Declaration. The certification in this paragraph includes, but is not limited to Slater's obligations under the Declaration related to budgets and shared costs, recordkeeping, indemnification, restoration and maintenance.

5. A copy of the Budget provided to SCP II by Slater prior to the Trigger Date, in accordance with Section 2.c of the Declaration, and approved of by SCP II, is attached hereto as Exhibit B. SCP II's current payment for half of the Shared Costs is $6,918.50 for the year 2019, and SCP II's next payment for Shared Costs in the amount of $1,133.00 is scheduled for payment in March 2019.

6. SCP II understands that Align is considering purchasing the Property and agrees that Align will rely upon the agreements, certifications and representations contained herein.

7. This Certificate shall inure to the benefit of Align and its successors, lenders, and assigns.

8. SCP II is duly authorized to sign and deliver this Certificate and no other signatures or approvals are required or necessary in connection with the execution and validity of this Certificate.

9. The exchange of an executed copy of this Certificate by facsimile, portable document format (PDF), or other reasonable form of electronic transmission shall constitute effective execution and delivery of this Certificate, and shall have the same binding effect as original.

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be executed as of the day and year first written above.

Berkshire SCP Slater Road Holdings II, LLC

By: ___ Name: __ Title: __

Exhibit 10.4

Exhibit A

Exhibit 10.4

Exhibit B

[See attached]

Exhibit 10.4

Exhibit 10.4

EXHIBIT P

[Intentionally Omitted]

EXHIBIT Q

Form of NCLTA Form No. 1

OWNER AFFIDAVIT AND INDEMNITY AGREEMENT

(NO RECENT IMPROVEMENTS AND NO EXECUTORY CONTRACTS FOR IMPROVEMENTS)

PARTIES: All parties identified in this section must execute this Agreement.

Owner: Slater Road I, LLC___ (NOTE: A separate Agreement is required for each successive owner in the 120-Day Lien Period.)

PROPERTY: See Exhibit A attached hereto and incorporated herein by reference___

(Insert street address or brief description and/or attach a description as Exhibit A. Include here any real estate that is a portion of a larger, previously unsegregated tract when that area is reasonably necessary for the convenient use and occupation of Improvements on the larger tract.)

DEFINITIONS: The following capitalized terms as used in this Agreement shall have the following meanings:

Improvement: All or any part of any building, structure, erection, alteration, demolition, excavation, clearing, grading, filling, or landscaping, including trees and shrubbery, driveways, and private roadways on the Property as defined below.

Labor, Services or Materials: ALL labor, services, materials for which a lien can be claimed under NCGS Chapter 44A, Article 2, including but not limited to professional design services (including architectural, engineering, landscaping and surveying) and/or rental equipment.

Contractor: Any person or entity who has performed or furnished or has contracted to perform or furnish Labor, Services or Materials pursuant to a contract, either express or implied, with the Owner of real property for the making of an Improvement thereon. (Note that services by architects, engineers, landscapers, surveyors, furnishers of rental equipment and contracts for construction on Property of Improvements are often provided before there is visible evidence of construction.)

120-Day Lien Period: The 120 days immediately preceding the date of recordation of the latter of the deed to purchaser or deed of trust to lender in the Office of the Register of Deeds of the county in which the Property is located.

Owner: Any person or entity, as defined in NCGS Chapter 44A, Article 2, who has or has had any interest in the Property within the 120-Day Lien Period. For the purposes of this Agreement, the term Owner includes: (i) a seller of the Property or a borrower under a loan agreement secured by the Property; (ii) a person with rights to purchase the Property under a contract and for whom an Improvement is made and who ordered the Improvement to be made; and (iii) the Owner's successors in interest and agents of the Owner acting within their authority.

Company: The title insurance company providing the title policy for the transaction contemplated by the parties herein.

Property: The real estate described above or on Exhibit A and any leaseholds, tenements, hereditaments, and improvements placed thereon. All defined terms shall include the singular or plural as required by context.

AGREEMENT: For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and as an inducement to the issuance of a title insurance policy or policies by Company insuring title to the Property without exception to liens for Labor, Services or Materials; Owner first being duly sworn, deposes, says and agrees:

1. Certifications: Owner certifies that at no time during the 120-Day Lien Period have any Labor, Services or Materials been furnished in connection with a contract, express or implied, for Improvements to the Property (including architectural, engineering, landscaping or surveying services or materials or rental equipment for which a lien can be claimed under NCGS Chapter 44A) nor have any Labor, Services or Materials been furnished on the Property prior to the 120-Day Lien Period that will or may be completed after the date of this affidavit OR only minor repairs and/or alterations to pre-existing Improvements have been made and Owner certifies such repairs and/or alterations have been completed and those providing Labor, Services or Materials for the repairs have been o r w i l l b e paid in full. The Owner further certifies that no Mechanics Lien Agent has been appointed.

2. Reliance and Indemnification: This Agreement may be relied upon by Company in issuance of a title insurance policy or policies insuring title to the Property without exception to matters certified in this Agreement. The provisions of this Agreement shall survive the disbursement of funds and closing of this transaction and shall be binding upon Owner and anyone claiming by, through or under Owner.

Owner agrees to indemnify and hold Company harmless of and from any and all loss, cost, damage and expense of every kind, and attorney's fees, costs and expenses, which the Company shall or may incur or become liable for, directly or indirectly, as a result of reliance on the certifications of Owner made herein or in enforcement of the Company's rights hereunder.

3. That there are no outstanding leases or agreements, written or oral, unrecorded or otherwise, or other parties than the undersigned in, or entitled to, possession thereof, except for ALIGN TECHNOLOGY, INC., pursuant to that certain Office Lease dated May 3, 2017, as amended from time to time (the "Align Lease"), and SOLARWINDS MSP US, INC., pursuant to that certain Office Lease dated November 27, 2017. No parties have an option, contractual right to purchase or right of first refusal with respect to the Property, with the exception of ALIGN TECHNOLOGY, INC., pursuant to that certain Purchase and Sale Agreement dated January__, 2019.

4. That all real estate, corporate, franchise and similar entity type taxes, special assessments, water and sewer charges, if any, are fully paid and Owner has not received written notice of any pending or proposed special assessments.

5. That there are no liens, judgments, actions or proceedings, including bankruptcy or insolvency proceedings, against Owner, except as may be specifically set forth in the Commitment. Owner has never been declared a bankrupt.

6. There is no claim outstanding under 7 U.S.C. §499a et seq. of The Perishable Agricultural Commodities Act or 7 U.S.C. §§181 et seq. to The Packers and Stockyards Act which would entitle the holder thereof to a claim of lien against the property, whether of record or otherwise.

7. Owner hereby agrees to hold harmless and indemnify the Company against any and all expenses, costs and attorneys' fees arising as a result of a defect, lien, encumbrance, adverse claim or other matter, if any, created by Owner, first appearing on the public records or attaching subsequent to the effective date of the Commitment and prior to the date of recording of all closing instruments.

8. **NCLTA Copyright and Entire Agreement:** This Agreement and any attachments hereto represent the entire agreement between the Owner and the Company, and no prior or contemporaneous agreement or understanding inconsistent herewith (whether oral or written) pertaining to such matters is effective. THIS IS A COPYRIGHT FORM and any variances in the form provisions hereof must be specifically stated in the blank below and agreed to in writing by the Company.

No modification of this Agreement, and no waiver of any of its terms or conditions, shall be effective unless made in writing and approved by the Company.

PROVIDING A FALSE AFFIDAVIT IS A CRIMINAL OFFENSE		
EXECUTION BY OWNER		
SEE ATTACHED SIGNATURE PAGE (SEAL) By:__ Printed or Typed Name/Title: By:__ Printed or Typed Name/Title:__	State of__County of __ Signed and sworn to (or affirmed) before me this day by __[insert name(s) of principal(Date:____ s)]. , Notary Pu My blic Commission Expires: __	(Affix Official/Notarial Seal)

Exhibit A

BEING all of Tracts 1, 2, 3 & 4 as shown on that plat entitled, "CSM Real Estate Partners" by Michael D. Goodfred, PLS, dated April 5, 1991, and recorded in Book of Maps 1991, Page 805, Wake County Registry.

The Same Property Described As:
BEING ALL OF TRACTS 1, 2 & 3

BEGINNING at an iron pipe along the northern right-of-way of Slater Road. Said point also having an NC Grid NAD 83 coordinate of N=771063.29 and E=2050651.18; thence leaving said right of way North 06° 46' 02" East a distance of 414.64 feet to a point; thence North 06° 46' 02" East a distance of 201.64 feet to a point; thence South 88° 18' 52" East a distance of 67.37 feet to an iron pipe; thence North 01° 36' 23" East a distance of 19.36 feet to a concrete monument along the southern right of way of Interstate 40; thence following said right of way South 46° 18' 03" East a distance of 254.98 feet to an iron pipe; thence South 46° 19' 08" East a distance of 485.99 feet to a point; thence South 50° 02' 14" East a distance of 783.93 feet to a point; thence South 50° 02' 14" East a distance of 25.99 feet to a point; thence South 00° 44' 33" West a distance of 43.35 feet to a point; thence North 87° 27' 23" West a distance of 18.74 feet to a point; thence North 87° 27' 23" West a distance of 398.79 feet to an iron pipe; thence North 87° 31' 23" West a distance of 216.08 feet to an iron pipe; thence North 87° 20' 34" West a distance of 216.43 feet to an iron pipe along the northern right of way of Slater Road; thence following said right of way North 42° 46' 10" West a distance of 289.38 feet to a point; thence with a curve turning to the left with an arc length of 51.40 feet, with a radius of 841.42 feet, with a chord bearing of North 44° 31' 10" West, with a chord length of 51.40 feet to a point; thence North 09° 42' 09" East a distance of 2.41 feet to a point; thence with a curve turning to the left with an arc length of 135.69 feet, with a radius of 841.42 feet, with a chord bearing of North 50° 53' 22" West, with a chord length of 135.55 feet to an iron pipe; thence North 03° 37' 50" East a distance of 2.94 feet to a point; thence with a curve turning to the left with an arc length of 129.73 feet, with a radius of 856.21 feet, with a chord bearing of North 58° 14' 47" West, with a chord length of 129.61 feet to the point of beginning. Having an area of 619,187 square feet, 14.21 acres.

BEING ALL of Tract 4.

BEGINNING at an iron pipe along the southern right of way of Slater Road. Said point also having an NC Grid NAD 83 coordinate of N=770658.96 E= 2051007.93; thence leaving said right of way North 87° 06' 08" West a distance of 0.84 feet to an iron pipe; thence North 87° 25' 30" West a distance of 247.22 feet to a point; thence North 00° 08' 20" West a distance of 245.16 feet to a point; thence North 00° 00' 20" West a distance of 3.28 feet to an iron pipe along the southern right of way of Slater Road; thence with said right of way with a curve turning to the right with an arc length of 134.82 feet, with a radius of 788.51 feet, with a chord bearing of South 46° 50' 14" East, with a chord length of 134.66 feet to a point; thence South 41° 53' 03" East a distance of 224.95 feet to the point of beginning. Having an area of 32347 square feet, 0.74 acres.

And

Being all of that certain lot or parcel of land situated in Cedar Fork Township, Wake County, North

Carolina, and being described as follows:

BEGINNlNC at an iron stake in the northeast side of the Slater Road in Tyree Johnson's line, running thence with the said Johnson's line South 84 degrees, East 237 feet to an iron stake and pointers in Wardell Marsh's line; running thence with the said Marsh 's line South 38 degrees, 10 minutes west 162 feet to an iron stake on the northeast side of the Slater Road ; running thence along with the said road, north 42 degrees, 20 minutes, west 204 feet to the POINT OF BEGINNING , the same being a part of the Wallace Marsh Farm containing .41 of an acre more or less, according to the survey of E.A. Davis, Surveyor.

And as surveyed by Ronald T. Frederick , P.L.S., The John R. McAdams Company, Inc. dated February 3, 2015, last revised, signed and sealed on June 22,2015:

BEGINNING at an existing Iron Pipe along the Northern right of way of Slater Road; Said Point also having an NC Grid Nad 83 Coordinate ofN. 770655.20 E. 2051098.51 . Thence leaving said right of way South 87°20'34" East a distanceof216.43 feet to an Iron Pipe; Thence South 34°49'29" West a
distance of 155.53 feet to a point along the Northern right of way of Slater Road ; Thence with said Right ofWayNorth 42°46'10" West a distance of 187.59 feet to the POINT OF BEGINNING . Having an area of 14247 square feet, 0.33 acres.

EXHIBIT R

Form of Declaration Amendment

Cross References:
Book 16204, Page 2194, Book 16871, Page 1542, and Book of Maps 2017, Pages 709 - 712, Wake County Registry
Book 7819, Page 154, Book 8245, Page 108, and Plat Book 197, Pages 97 – 100, Durham County Registry

Prepared by and return to:

STATE OF NORTH CAROLINA COUNTIES OF WAKE AND DURHAM

SECOND AMENDMENT TO DECLARATION OF EASEMENTS AND RESTRICTIVE COVENANTS

THIS SECOND AMENDMENT TO DECLARATION OF EASEMENTS AND RESTRICTIVE COVENANTS (this "Amendment") is made and entered into effective as of the __day of__, 2019, by and between SLATER ROAD I, LLC, a Delaware limited liability company ("Slater I"), and BERKSHIRE SCP SLATER ROAD HOLDINGS II, LLC ("SCP," together with Slater I, the "Owners").

WHEREAS Slater I and SCP Slater, LLC, a North Carolina limited liability company ("SCP I") entered into that certain Declaration of Easements and Restrictive Covenants dated October 30, 2015 and recorded on November 5, 2015 in Book 7819, Page 154 of the Durham County Registry, and in Book 16204, Page 2194 of the Wake County Registry (the "Original Declaration"); as amended by that certain Amendment To Declaration of Easements and Restrictive Covenants by and between Slater I, and SCP, being the successor in interest to SCP I by operation of merger, recorded in Book 8245, Page 108 of the Durham County Registry, and in Book 16871, Page 1542 of the Wake County Registry (the "First Amendment") (collectively, as amended, the "Declaration").

WHEREAS, all capitalized terms used herein, unless otherwise defined herein, shall have the meanings set forth in the Declaration.

WHEREAS, among other things, the Declaration contained two typographical errors and certain ambiguities related to storm water and parking rights of the Owners, and the Owners now desire to amend the Declaration to address such typographical errors and ambiguities.

WHEREAS, in accordance with Section 23 of the Declaration, the Declaration may be amended only by a written agreement executed by the owners of fee simple title to the Property,

and the Owners are all of the owners of fee simple title to the Property and have executed this Amendment.

WHEREAS, the Declaration, as amended by this Amendment, amends any provisions to the contrary in the notes on plats of the Property recorded in the Wake County Registry and Durham County Registry, including those certain plats recorded in Book of Maps 2017, Pages 709 - 712, Wake County Registry, and Plat Book 197, Pages 97 - 100, Durham County Registry.

NOW, THEREFORE, in consideration of the mutual covenants set forth below, and for other good and valuable consideration, the receipt and legal sufficiency of which the Owners acknowledge, the Owners hereby amend the Declaration as follows:

1. Storm Water Retention and Detention Facilities. Section 3(e) of the Original Declaration is hereby deleted in its entirety and replaced by the following:

> "e. Slater I Grant of Perpetual Easement. Slater I bargains, sells, grants and conveys to SCP, its successors and assigns, a perpetual non-exclusive easement over the BMP Pond Easement Area and the Storm Drain Easement Areas to permit SCP to use the Storm Water Facilities to tie into additional improvements made by SCP within the Access Easement Area and to use to drain storm and surface water from the Access Easement Area into the BMP Pond in accordance with applicable law; including the right of access, ingress and egress over other portions of the Property to the extent reasonably necessary for SCP to exercise the easement rights set forth above."

2. Maintenance and Cost-Sharing; Easement for Repair, Maintenance and Replacement. The first sentence of Section 4(c) of the First Amendment is hereby deleted in its entirety and replaced by the following:

> "SCP bargains, sells, grants and conveys to Slater I, its successors and assigns, for its benefit and the benefit of the Phase I Property, a perpetual, nonexclusive access and maintenance easement, including full rights of ingress and egress, to, through, over and about the Access Easement Area and such portions of the Phase II Property as may be reasonably needed, for and during such periods of time as Slater I is engaged in any improvement, repair, maintenance, or replacement of the Phase I Parking Area, the Primary Roadway, the Secondary Roadway, the Improvements, the Phase II Parking Area, and any Shared Parking Areas."

3. Grant of Perpetual, Parking Easement to Slater I. Section 5(c) of the First Amendment is hereby deleted in its entirety and replaced by the following:

> "SCP bargains, sells, grants and conveys to Slater I, its successors and assigns, and their respective tenants, and their respective invitees, a perpetual parking easement within and over the Phase I Parking Area solely for the purpose of parking motor vehicles within striped parking spaces, and for no other purposes. Slater I shall have the primary and exclusive right to use all striped parking spaces within the Phase I Parking Area at all times."

4. No Shared Parking Area. Section 5(f) of the First Amendment is hereby deleted in its entirety and replaced by the following:

> "The term "Shared Parking Areas" as used in this Declaration shall mean any "Shared Parking Areas" expressly agreed to in writing by the Owners in a recorded Amendment to this Declaration in the future (if any). Notwithstanding anything contained in the Declaration to the contrary, SCP and Slater I hereby acknowledge and agree that (i) there are no "Shared Parking Areas" on the Phase II Property presently in effect or contemplated by the Declaration or otherwise, (ii) Slater shall have no parking rights in, or maintenance responsibilities with respect to, the Phase II Parking Area at any time, and
> (iii) SCP shall have no parking rights in, or maintenance responsibilities with respect to, the Phase I Parking Area at any time."

5. Indemnity; Indemnity for Use of Phase I Property by SCP. The last sentence of Section 10(c) of the Original Declaration is hereby deleted in its entirety and replaced by the following:

> "SCP shall provide Slater I with evidence of liability insurance from reputable, financially solvent insurance companies with coverage and limits comparable to the coverage and limits generally required by investors in real estate in the City of Morrisville, North Carolina naming Slater I as an additional insured party."

6. Effect of Amendment. The Declaration is hereby modified to the extent set forth herein, but only to the extent set forth herein. All provisions of the Declaration not modified by this Amendment shall remain in full force and effect in accordance with their original terms as set forth in the Declaration.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Owners have executed this Amendment as of the dates set forth in the acknowledgements below.

BERKSHIRE SCP SLATER ROAD HOLDINGS II, LLC

By: ___ Name: __ Title: __

__ County, North Carolina

I certify that the following person personally appeared before me this day and acknowledged to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated:__.

Date: __

My Commission Expires:

[Affix Notary Stamp or Seal]

Notary Public Print Name:___

Exhibit 10.4

SLATER ROAD I, LLC

By: ___ Name: __ Title: __

__ County, North Carolina

I certify that the following person personally appeared before me this day and acknowledged to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated:__.

Date: __

My Commission Expires:

[Affix Notary Stamp or Seal]

Notary Public Print Name:___

SCHEDULE 5.1.15

List of Completed Construction Obligations under the Declaration

a. Storm Water Facilities (as such term is defined in Section 3.a. of the Declaration)
b. Primary Roadway (as such term is defined in Section 4.a. of the Declaration)
c. Secondary Road (as such term is defined in Section 4.a. of the Declaration)
d. Landscaping Improvements (as such term is defined in Section 4.a. of the Declaration)
e. Lighting Improvements (as such term is defined in Section 4.a. of the Declaration)
f. paved surface parking lot, including curb cuts, within the Designated Parking Area (in accordance with, and as such term is defined in Section 5.a. of the Declaration)
g. improvements for the widening of Slater Road within the Expanded Roadway Area (in accordance with, and as such term is defined in Section 6.a. of the Declaration)
h. Extended Water Line (as such term is defined in Section 7.a. of the Declaration)
i. Sanitary Sewer Extension Line (as such term is defined in Section 8.a. of the Declaration)

Exhibit 10.5

November 7, 2018

Fixed Dollar Accelerated Share Repurchase Transaction

Align Technology, Inc.
2820 Orchard Parkway
San Jose, California 95134

Dear Sir/Madam:

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the Transaction entered into between MORGAN STANLEY & CO. LLC ("Dealer") and Align Technology, Inc. ("Issuer") on the Trade Date specified below (the "Transaction"). This confirmation constitutes a "Confirmation" as referred to in the Agreement specified below.

The definitions and provisions contained in the 2002 ISDA Equity Derivatives Definitions (as published by the International Swaps and Derivatives Association, Inc. ("ISDA")) (the "Equity Definitions") are incorporated into this Confirmation. The Transaction is a Share Forward Transaction for purposes of the Equity Definitions. Any reference to a currency shall have the meaning contained in Section 1.7 of the 2006 ISDA Definitions, as published by ISDA.

1. This Confirmation evidences a complete and binding agreement between Dealer and Issuer as to the terms of the Transaction to which this Confirmation relates and shall supersede all prior or contemporaneous written or oral communications with respect thereto. This Confirmation shall be subject to an agreement (the "Agreement") in the form of the 2002 ISDA Master Agreement as if Dealer and Issuer had executed an agreement in such form without any Schedule but with the elections set forth in this Confirmation (and (1) the election of USD as the Termination Currency, (2) the election that subparagraph (ii) of Section 2(c) will not apply to the Transactions and (3) the election that the "Cross Default" provisions of Section 5(a)(vi) shall apply to Dealer, with a "Threshold Amount" of 3% of Dealer shareholders' equity for Dealer (provided that (a) the phrase "or becoming capable at such time of being declared" shall be deleted from clause (1) of such Section 5(a)(vi) of the Agreement and (b) the following sentence shall be added to the end thereof: "Notwithstanding the foregoing, a default hereunder shall not constitute an Event of Default if (i) the default was caused solely by error or omission of an administrative or operational nature; (ii) funds were available to enable the party to make the payment when due; and (iii) the payment is made within two Local Business Days of such party's receipt of written notice of its failure to pay)".

The Transaction shall be the only transaction under the Agreement. If there exists any ISDA Master Agreement between Dealer and Issuer or any confirmation or other agreement between Dealer and Issuer pursuant to which an ISDA Master Agreement is deemed to exist between Dealer and Issuer, then, notwithstanding anything to the contrary in such ISDA Master Agreement, such confirmation or agreement or any other agreement to which Dealer and Issuer are parties, the Transaction shall not be considered a transaction under, or otherwise governed by, such existing or deemed to be existing ISDA Master Agreement.

If there is any inconsistency between the Agreement, this Confirmation and the Equity Definitions, the following will prevail for purposes of the Transaction in the order of precedence indicated: (i) this Master Confirmation; (ii) the Equity Definitions; and (iii) the Agreement.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

GENERAL TERMS:

Trade Date:	As specified in Schedule I
Buyer:	Issuer
Seller:	Dealer
Shares:	Common Stock, par value USD 0.0001 per share, of Issuer (Ticker: ALGN)
Forward Price:	A price per Share (as determined by the Calculation Agent) equal to the greater of (A) (i) the arithmetic mean (not a weighted average) of the 10b-18 VWAP on each Observation Date that is a Trading Day during the Calculation Period minus (ii) the Discount and (B) $5.00.
Discount:	As specified in Schedule I

10b-18 VWAP:	On any Trading Day, a price per Share equal to the volume-weighted average price of the Rule 10b-18 eligible trades in the Shares for the entirety of such Trading Day as determined by the Calculation Agent by reference to the screen entitled "ALGN <Equity> AQR SEC" or any successor page as reported by Bloomberg L.P. or any successor (excluding (i) trades that do not settle regular way, (ii) opening (regular way) reported trades in the consolidated system on such Scheduled Trading Day, (iii) trades that occur in the last ten minutes before the scheduled close of trading on the Exchange on such Scheduled Trading Day and ten minutes before the scheduled close of the primary trading in the market where the trade is effected, and (iv) trades on such Scheduled Trading Day that do not satisfy the requirements of Rule 10b-18(b)(5) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") on such Trading Day) or, if the price displayed on such screen is clearly erroneous, as determined by the Calculation Agent in good faith and in a commercially reasonable manner.
Observation Dates:	As specified in Schedule I
Calculation Period:	The period from, and including, the first Observation Date that is a Trading Day that occurs on or after the Prepayment Date to, but excluding, the relevant Valuation Date; provided, however, that if the Valuation Date is the Scheduled Valuation Date, then the Valuation Date shall be included in the Calculation Period; provided further that in no event shall any Scheduled Valuation Date be postponed to a date later than the Final Termination Date.
Final Termination Date:	As specified in Schedule I; provided that if a Market Disruption Event has occurred pursuant to Section 7 of this Confirmation, such Final Termination Date shall be postponed by one Trading Day for every Trading Day that is a Disrupted Day as a result of such Merger Transaction during the Calculation Period
Trading Day:	Any Exchange Business Day that is not a Disrupted Day in whole
Initial Shares:	As specified in Schedule I; provided that if Dealer is unable to borrow or otherwise acquire a number of Shares equal to the Initial Shares for delivery to Issuer on the Initial Share Delivery Date, the Initial Shares delivered on the Initial Share Delivery Date shall be reduced to such number of Shares that Dealer is able to so borrow or otherwise acquire, and thereafter Dealer shall continue to use commercially reasonable efforts to borrow or otherwise acquire a number of Shares, at a stock borrow cost no greater than the Initial Stock Loan Rate, equal to the shortfall in the Initial Shares and to deliver such additional Shares as soon as reasonably practicable. For the avoidance of doubt, the aggregate of all shares delivered to Dealer in respect of the Transaction pursuant to this paragraph shall be the "Initial Shares" for purposes of determining the "Settlement Amount" below.
Initial Share Delivery Date:	One Exchange Business Day following the Trade Date. On the Initial Share Delivery Date, Seller shall deliver to Buyer a number of Shares equal to the Initial Shares in accordance with Section 9.4 of the Equity Definitions, with the Initial Share Delivery Date being deemed to be a "Settlement Date" for purposes of such Section 9.4.
Prepayment:	Applicable
Prepayment Amount:	As specified in Schedule I
Prepayment Date:	One Exchange Business Day following the Trade Date. On the Prepayment Date, Buyer shall pay to Seller the Prepayment Amount.
Exchange:	NASDAQ
Related Exchange:	All Exchanges; provided that Section 1.26 of the Equity Definitions shall be amended to add the words "United States" before the word "exchange" in the tenth line of such Section.

Market Disruption Event:

The definition of "Market Disruption Event" in Section 6.3(a) of the Equity Definitions is hereby amended by deleting the words "at any time during the one-hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be," starting in the third line thereof.

Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term "Scheduled Closing Time" in the fourth line thereof.

Notwithstanding anything to the contrary in the Equity Definitions, if any Exchange Business Day in the Calculation Period is a Disrupted Day, the Calculation Agent shall have the option, in its reasonable discretion, to take one or more of the following actions in a good faith and commercially reasonable manner: (i) determine that such Exchange Business Day is a Disrupted Day in part, in which case the Calculation Agent shall (x) determine the 10b-18 VWAP on such Exchange Business Day based on Rule 10b-18 eligible trades in the Shares on such day taking into account the nature and duration of the relevant Market Disruption Event and (y) determine the Forward Price using an appropriately weighted average of 10b-18 VWAPs instead of an arithmetic mean, and/or (ii) elect to postpone the Scheduled Valuation Date by up to one Observation Date for every Observation Date that is a Disrupted Day during the Calculation Period; provided that in no event shall any Scheduled Valuation Date be postponed to a date later than the Final Termination Date. For the avoidance of doubt, if the Calculation Agent takes the action described in clause (i) above, then such Disrupted Day shall be a Trading Day for purposes of calculating the Forward Price.

Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full.

If a Disrupted Day occurs during the Calculation Period and each of the nine immediately following Scheduled Trading Days is a Disrupted Day, then the Calculation Agent may, in its good faith and commercially reasonable discretion, deem such ninth Scheduled Trading Day to be an Exchange Business Day that is not a Disrupted Day and determine the VWAP Price for such ninth Scheduled Trading Day using its good faith and commercially reasonable estimate of the value of the Shares on such ninth Scheduled Trading Day based on the volume, historical trading patterns and trading price of the Shares.

VALUATION:

Valuation Date:

The earlier of (i) the Scheduled Valuation Date and (ii) any earlier accelerated Valuation Date as a result of Dealer's election in accordance with the immediately succeeding paragraph.

Dealer shall have the right, in its absolute discretion but subject to the limitation set forth in the immediately succeeding paragraph, to accelerate the Valuation Date, in whole or in part (an "**Acceleration**"), to any Exchange Business Day that is on or after the Lock-Out Date and prior to the Scheduled Valuation Date by notice (each such notice, an "**Acceleration Notice**") to Issuer by 9:00 p.m., New York City time, on the Exchange Business Day immediately following the accelerated Valuation Date; provided that if at any time after the Lock-Out Date Dealer expects the Settlement Amount to be a negative number, then Dealer shall provide Issuer notice of any such expectation.

Dealer shall specify in each Acceleration Notice the portion of the Prepayment Amount that is subject to acceleration (which may be less than the full Prepayment Amount, but only so long as such portion is not less than USD 25,000,000). If the portion of the Prepayment Amount that is subject to acceleration is less than the full Prepayment Amount, then the Calculation Agent shall adjust the terms of the Transaction as appropriate in order to take into account the occurrence of such accelerated Valuation Date (including cumulative adjustments to take into account all prior accelerated Valuation Dates).

On each Valuation Date, the Calculation Agent shall calculate the Settlement Amount.

Scheduled Valuation Date:

As specified in Schedule I, subject to postponement in accordance with "Market Disruption Event" above

Lock-Out Date:	As specified in Schedule I

SETTLEMENT TERMS:

Physical Settlement:	Applicable. On the Settlement Date, Seller shall deliver to Buyer a number of Shares equal to (a) (i) the Prepayment Amount divided by (ii) the Forward Price minus (b) the Initial Shares (such number of Shares, the "**Settlement Amount**"), rounded to the nearest whole number of Shares; provided, however, that if the Settlement Amount is less than zero, then Buyer shall deliver to Seller on the Settlement Date a number of Shares satisfying the conditions set forth in Section 8(a) below (the "**Registered Payment Shares**"), or a number of Shares not satisfying such conditions (the "**Unregistered Payment Shares**") pursuant to Section 8(b) below, in either case (i) with a value equal to the absolute value of the Forward Cash Settlement Amount, with such Shares' value determined by the Calculation Agent (which value shall, in the case of Unregistered Payment Shares, take into account a commercially reasonable illiquidity discount), in each case as determined by the Calculation Agent and (ii) as if such Shares were "Early Settlement Shares" or "Make-Whole Shares" under Section 8 below, and references in Section 8 to "Early Settlement Payment" were deemed to be references to the absolute value of the Forward Cash Settlement Amount. Notwithstanding the proviso above, if the Settlement Amount is less than zero, Buyer may elect, in its sole discretion, to cash settle its obligation to deliver Shares by delivering to Seller a notice by no later than the Valuation Date (or, in the event of an Acceleration, the two (2) Business Days after Dealer delivers an Acceleration Notice) electing to cash settle its obligation to deliver Shares, in which case "Cash Settlement" shall be Applicable. Any such Cash Settlement shall be effected in accordance with "Cash Settlement" below.
Settlement Currency:	USD
Settlement Date:	The date that falls one Settlement Cycle after the relevant Valuation Date, or, if the Settlement Amount is less than zero, the date one Settlement Cycle following the last day of the Settlement Valuation Period.
Settlement Valuation Period:	If the Settlement Amount is less than zero, and whether or not Physical Settlement or Cash Settlement is applicable, on the Exchange Business Day immediately following the Valuation Date, Seller may begin purchasing Shares in a commercially reasonable manner in an amount equal to the Settlement Amount (all such Shares purchased, "**Hedge Close-out Shares**", and the period from and including the Exchange Business Day immediately following the Valuation Date to and including the day on which Seller completes its purchases of Hedge Close-out Shares, the "**Settlement Valuation Period**"). In making any purchases of Hedge Close-out Shares contemplated by this paragraph, Dealer shall use commercially reasonable efforts to purchase such Shares in a manner that would qualify for the safe harbor provided by Rule 10b-18 under the Exchange Act ("**Rule 10b-18**") if such purchases were made by or on behalf of Issuer. The Settlement Valuation Period shall be considered to be part of the Calculation Period for purposes of the representations, warranties and covenants and other provisions herein as the context requires (but, for the avoidance of doubt, not for purposes of determining the Forward Price).
Forward Cash Settlement Amount:	The aggregate purchase price (including commissions that are reasonable and customary for transactions of this type) of the Hedge Close-out Shares purchased during the Settlement Valuation Period.

Cash Settlement:	If Cash Settlement is applicable, then on the Settlement Date, Buyer shall deliver to Seller an amount in USD equal to (x) 103% of the absolute value of the Settlement Amount multiplied by (y) a price per Share as reasonably determined by the Calculation Agent (such cash amount, the "**Initial Cash Settlement Amount**"). On the Valuation Date (i) a notional Share balance (the "**Settlement Balance**") shall be created with an initial balance equal to the absolute value of the Settlement Amount and (ii) a notional cash balance (the "**Cash Balance**") shall be created with an initial balance equal to the Initial Cash Settlement Amount. At the end of each Exchange Business Day on which Seller purchases Hedge Close-out Shares, Seller shall reduce (i) the Settlement Balance by the number of Hedge Close-out Shares purchased on such Exchange Business Day and (ii) the Cash Balance by the aggregate purchase price (including commissions that are reasonable and customary for transactions of this type) of the Hedge Close-out Shares purchased on such Exchange Business Day. If, on any Exchange Business Day, the Cash Balance is reduced to or below zero but the Settlement Balance is greater than zero, the Buyer shall (i) deliver to Seller or as directed by Seller on the next Currency Business Day after such Exchange Business Day an additional amount in USD (an "**Additional Cash Settlement Amount**") equal to the Settlement Balance as of such Exchange Business Day multiplied by a price per Share as reasonably determined in a good faith manner by the Calculation Agent, and the Cash Balance shall be increased by such amount. This provision shall be applied successively until the Settlement Balance is reduced to zero. On the Currency Business Day immediately following the Exchange Business Day that the Settlement Balance is reduced to zero, Seller shall return to Buyer an amount in USD equal to the remaining Cash Balance, if any, as of such Exchange Business Day.
Other Applicable Provisions:	The last sentence of Section 9.2, Sections 9.8, 9.9, 9.10 and 9.11 (except that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws arising as a result of the fact that Buyer is the issuer of the Shares) and Section 9.12 of the Equity Definitions will be applicable to the Transaction.

SHARE ADJUSTMENTS:

Potential Adjustment Event:	Notwithstanding anything to the contrary in Section 11.2(e) of the Equity Definitions, an Extraordinary Dividend shall not constitute a Potential Adjustment Event. It shall constitute a Potential Adjustment Event if a Disrupted Day occurs or, pursuant to Section 11 below, is deemed to occur (in whole or in part) on any Trading Day on or prior to the Valuation Date.
Extraordinary Dividend:	Any dividend or distribution on the Shares with an ex-dividend date occurring during the period from, and including, the Trade Date to, and including, the last day of the Calculation Period (other than any dividend or distribution of the type described in Section 11.2(e)(i), Section 11.2(e)(ii)(A) or Section 11.2(e)(ii)(B) of the Equity Definitions).
Method of Adjustment:	Calculation Agent Adjustment; provided that the parties hereto agree that any Share repurchases by the Issuer, whether pursuant to Rule 10b-18 of the Exchange Act, Rule 10b5-1 of the Exchange Act on customary terms, at prevailing market prices, or VWAP (subject to any discounts thereto) shall not be considered Potential Adjustment Events; provided further that adjustments for any Potential Adjustment Event (other than pursuant to any Potential Adjustment Event defined in Sections 11.2(e)(i), 11.2(e)(ii)(A) and 11.2(e)(iii) of the Equity Definitions) may be made to account for changes in volatility, stock loan rate or liquidity relevant to the Shares or the Transaction.

EXTRAORDINARY EVENTS:

Consequences of Merger Events:

Share-for-Share:	Modified Calculation Agent Adjustment
Share-for-Other:	Cancellation and Payment on that portion of the Other Consideration that consists of cash; Modified Calculation Agent Adjustment on the remainder of the Other Consideration
Share-for-Combined:	Component Adjustment

Tender Offer:	Applicable; provided that the definition of "Tender Offer" in Section 12.1 of the Equity Definitions will be amended by replacing the phrase "greater than 10% and less than 100% of the outstanding voting shares of the Issuer" in the third and fourth line thereof with "(a) greater than 15% and less than 100% of the outstanding Shares of the Issuer in the event that such Tender Offer is being made by any entity or person other than the Issuer or any subsidiary thereof or (b) greater than 20% and less than 100% of the outstanding Shares of the Issuer in the event that such Tender Offer is being made by the Issuer or any subsidiary thereof".

Consequences of Tender Offers:

Share-for-Share:	Modified Calculation Agent Adjustment
Share-for-Other:	Modified Calculation Agent Adjustment
Share-for-Combined:	Modified Calculation Agent Adjustment
New Shares:	In the definition of New Shares in Section 12.1(i) of the Equity Definitions, the text in clause (i) thereof shall be deleted in its entirety (including the word "and" following such clause (i)) and replaced with "publicly quoted, traded or listed on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors)".

For purposes of the Transaction,

(i) the definition of Merger Date in Section 12.1(c) of the Equity Definitions shall be amended to read, "Merger Date shall mean the Announcement Date.";

(ii) the definition of Tender Offer Date in Section 12.1(e) of the Equity Definitions shall be amended to read, "Tender Offer Date shall mean the Announcement Date.";

(iii) the definition of "Announcement Date" in Section 12.1(l) of the Equity Definitions is hereby amended by (a) replacing the words "a firm" with the word "any bona fide" in the second and fourth lines thereof, (b) replacing the word "leads to the" with the words ", if completed, would lead to a" in the third and the fifth lines thereof, (c) replacing the words "voting shares" with the word "Shares" in the fifth line thereof, (d) inserting the words "by any bona fide entity that is reasonably likely to be a party to the transaction" after the word "announcement" in the second and the fourth lines thereof, (e) inserting the words "or to explore the possibility of engaging in" after the words "engage in" in the second line thereof and (f) inserting the words "or to explore the possibility of purchasing or otherwise obtaining" after the word "obtain" in the fourth line thereof; and

(iv) Section 12.2 of the Equity Definitions is hereby amended by inserting the words "Announcement Date in respect of any Merger Event or any potential" before the words "Merger Event" in the final line thereof.

Composition of Combined Consideration:	Not Applicable
Nationalization, Insolvency or Delisting:	Cancellation and Payment; provided that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Market or The NASDAQ Global Select Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.

Additional Disruption Events:

Change in Law:	Applicable; provided that (i) any determination as to whether (A) the adoption of or any change in any applicable law or regulation (including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute) or (B) the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), in each case, constitutes a "Change in Law" shall be made without regard to Section 739 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the Trade Date, (ii) Section 12.9(a)(ii) of the Equity Definitions is hereby amended by replacing the parenthetical beginning after the word "regulation" in the second line thereof the words "(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)" and (iii) by, immediately following the word "Transaction" in clause (x) thereof, adding the phrase "in the manner contemplated by the Hedging Party on the Trade Date".
Failure to Deliver:	Applicable
Insolvency Filing:	Applicable
Hedging Disruption:	Applicable
Increased Cost of Hedging:	Not Applicable
Loss of Stock Borrow:	Applicable
Maximum Stock Loan Rate:	100 bps
Increased Cost of Stock Borrow:	Applicable
Initial Stock Loan Rate:	25 bps
Determining Party:	For all applicable events, Dealer
Hedging Party:	For all applicable events, Dealer
Non-Reliance:	Applicable
Agreements and Acknowledgements Regarding Hedging Activities:	Applicable
Additional Acknowledgments:	Applicable
3. Calculation Agent:	Dealer; provided that following the occurrence of an Event of Default of the type described in Section 5(a)(vii) of the Agreement with respect to which Dealer is the sole Defaulting Party, if the Calculation Agent fails to timely make any calculation, adjustment or determination required to be made by the Calculation Agent hereunder or to perform any obligation of the Calculation Agent hereunder and such failure continues for five (5) Exchange Business Days following notice to the Calculation Agent by Issuer of such failure the Issuer shall have the right to designate a nationally recognized third-party dealer in over-the-counter corporate equity derivatives to act, during the period commencing on the date such Event of Default occurred and ending on the Early Termination Date with respect to such Event of Default, as the Calculation Agent. All calculations and determinations by the Calculation Agent shall be made in good faith and in a commercially reasonable manner. Following any calculation made by the Calculation Agent hereunder, upon a prior written request by the Issuer, the Calculation Agent will provide to the Issuer by email to the email address provided by the Issuer in such prior written request a report (in a commonly used file format for the storage and manipulation of financial data) displaying in reasonable detail the basis for such calculation and specifying the particular section of the Confirmation pursuant to which such calculation or determination is being made (and in the event that more than one section of the Confirmation would permit the Calculation Agent to make an adjustment upon the occurrence of a specific event, then the Calculation Agent shall specify the particular section number pursuant to which the Calculation Agent is making the adjustment hereunder); provided, however, that in no event will the Calculation Agent be obligated to share with the Issuer any proprietary or confidential data or information or any proprietary models used by it.

4. Account Details and Notices:

(a) Account for delivery of Shares to Issuer:

Shares to be delivered to:
Computershare
250 Royal Street
Canton, MA 02021
ATTN: Client Operations (Align Technology, Inc)

(b) Account for payments to Issuer:

Bank of America
Acct: 1487803801
ABA: 026009593

(c) Account for payments to Dealer:

Bank: Citibank, NY
ABA#: 1487803801
ABA:02009593
Acct No.: 38890774
Beneficiary: Morgan Stanley & Co.
REF: 023-05573

For purposes of this Confirmation:

(i) Address for notices or communications to Issuer:

Align Technology, Inc.
2820 Orchard Parkway
San Jose, CA 95134
Attn: Legal Department

(ii) Address for notices or communications to Dealer:

Morgan Stanley & Co. LLC
1585 Broadway
New York, NY 10036-8293
Attention: Usman Khan
Title: Managing Director

With a copy to:
Steven Seltzer
Title: Executive Director

Telephone No.: 1 212 762-9849

And email notification to the following address:

Usman.S.Khan@morganstanley.com

Steven.Seltzer1@morganstanley.com

Amendments to the Equity Definitions and Agreement.

(d) Section 9.2(a)(iii) of the Equity Definitions is hereby amended by deleting the words "the Excess Dividend Amount, if any, and".

(e) Section 11.2(a) of the Equity Definitions is hereby amended by deleting the words "a diluting or concentrative effect on the theoretical value of the relevant Shares" and replacing them with the words "a material economic effect on the relevant Transaction".

(f) The first sentence of Section 11.2(c) of the Equity Definitions, prior to clause (A) thereof, is hereby amended to read as follows: '(c) If "Calculation Agent Adjustment" is specified as the Method of Adjustment in the related Confirmation of a Share Option Transaction or Share Forward Transaction, then, following the announcement or occurrence of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a material economic effect on the Transaction and, if so, will (i) make appropriate adjustment(s), if any, to any one or more of:'.

(g) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words "diluting or concentrative effect on the theoretical value of the relevant Shares" and replacing them with the words "a material economic effect on the relevant Transaction".

(h) Section 12.6(c)(ii) of the Equity Definitions is hereby amended by replacing the words "the Transaction will be cancelled," in the first line with the words "Dealer will have the right to cancel the Transaction,".

(i) Section 12.9(b)(iv) of the Equity Definitions is hereby amended by (A) deleting (1) subsection (A) in its entirety, (2) the phrase "or (B)" following subsection (A) and (3) the phrase "in each case" in subsection (B); and (B) deleting the phrase "neither the Non-Hedging Party nor the Lending Party lends Shares in the amount of the Hedging Shares or" in the penultimate sentence.

(j) Section 12.9(b)(v) of the Equity Definitions is hereby amended by (A) adding the word "or" immediately before subsection "(B)" and deleting the comma at the end of subsection (A); and (B)(1) deleting subsection (C) in its entirety, (2) deleting the word "or" immediately preceding subsection (C) and (3) replacing in the penultimate sentence the words "either party" with "the Hedging Party" and (4) deleting clause (X) in the final sentence.

(k) Section 2(a)(iii) of the Agreement is hereby amended by deleting the words "or Potential Event of Default" in clause (1) of such Section and deleting the word "and" immediately before subsection (3) and deleting clause "(3)" in its entirety.

5. Certain Payments and Deliveries by Dealer.

Notwithstanding anything to the contrary herein, or in the Equity Definitions, if at any time (i) an Early Termination Date occurs and Dealer would be required to make a payment pursuant to Section 6 of the Agreement or (ii) an Extraordinary Event occurs and Dealer would be required to make a payment pursuant to Article 12 of the Equity Definitions (the amount of any such payment obligation described in Section 6(i) or (ii) above, an "**Dealer Payment Amount**"), then Issuer shall have the right, by prior written notice to Dealer, to require Dealer to settle such payment obligation in Shares in lieu of cash; provided, however, that Issuer shall not have the right to so elect in the event of (i) an Insolvency, a Nationalization, a Merger Event or a Tender Offer, in each case, in which the consideration or proceeds to be paid to holders of Shares consists solely of cash or (ii) an Event of Default in which Issuer is the Defaulting Party or a Termination Event in which Issuer is an Affected Party, which Event of Default or Termination Event resulted from an event or events within Issuer's control. If Issuer does not so elect for Dealer to settle an Dealer Payment Amount in Shares, then Dealer shall have the right, in its sole discretion, to elect to settle such Dealer Payment Amount in Shares. If either Issuer or Dealer so elects, then Dealer shall deliver to Issuer, on or within a commercially reasonable time following the date on which such Dealer Payment Amount would have been due, a number of Shares with a market value, as determined by the Calculation Agent, equal to all or a portion (which portion may be zero) of the Dealer Payment Amount. If the market value of such Shares equals a portion, but not all, of the Dealer Payment Amount, then, on the date such Dealer Payment Amount is due, a notional balance (the "**Settlement Balance**") shall be established equal to the remaining portion of the Dealer Payment Amount, and Dealer shall commence purchasing Shares for delivery to Issuer. At the end of each Trading Day on which Dealer purchases Shares pursuant to this Section 6, Dealer shall reduce the Settlement Balance by the amount paid by Dealer to purchase the Shares purchased on such Trading Day. Dealer shall deliver any Shares purchased on a Trading Day pursuant to this Section 6 to Issuer on the third Exchange Business Day following such Trading Day. Dealer shall continue so purchasing and delivering Shares until the Settlement Balance has been reduced to zero. In making any purchases of Shares contemplated by this Section 6, Dealer shall use commercially reasonable efforts to purchase such Shares in a manner that would qualify for the safe harbor provided by Rule 10b-18 if such purchases were made by or on behalf of Issuer. The period until the Settlement Balance is reduced to zero shall be considered to be part of the Calculation Period for purposes of the representations, warranties and covenants and other provisions herein as the context requires.

6. Certain Payments and Deliveries by Issuer.

Notwithstanding anything to the contrary herein, or in the Equity Definitions, if at any time (i) an Early Termination Date occurs and Issuer would be required to make a payment pursuant to Section 6 of the Agreement or (ii) an Extraordinary Event occurs and Issuer would be required to make a payment pursuant to Article 12 of the Equity Definitions (any such payment described in Section 7(i) or (ii) above, an "**Early Settlement Payment**"), then Issuer shall have the right, by prior written notice to Dealer, in lieu of making such cash payment, to settle such payment obligation in Shares (such Shares, "**Early Settlement Shares**"); provided, however, that Issuer shall not have the right to so elect in the event of (i) an Insolvency, a Nationalization, a Merger Event or a Tender Offer, in each case, in which the consideration or proceeds to be paid to holders of Shares consists solely of cash or (ii) an Event of Default in which Issuer is the Defaulting Party or a Termination Event in which Issuer is an Affected Party, which Event of Default or Termination Event resulted from an event or events within Issuer's control. In order to elect to deliver Early Settlement Shares, (i) Issuer must notify Dealer of its election by no later than 4:00 p.m., New York City time, on the date that is three Exchange Business Days before the date that the Early Settlement Payment is due, (ii) Issuer must specify whether such Early Settlement Shares are to be sold by means of a registered offering or by means of a private placement and (iii) Issuer must comply with Section 8 below.

7. Provisions Relating to Delivery of Early Settlement Shares.

(a) Issuer may deliver Early Settlement Shares and Make-Whole Shares (as defined below) by means of a registered offering only if the following conditions are satisfied:

(i) On the later of (A) the second Trading Day following Issuer's election to deliver Early Settlement Shares and any Make-Whole Shares by means of a registered offering (the "**Registration Notice Date**"), and (B) the date on which the Registration Statement is declared effective by the SEC or becomes effective, but in no event later than the date the Early Settlement Payment is due, Issuer shall deliver to Dealer a number of Early Settlement Shares equal to the quotient of (I) the relevant Early Settlement Payment divided by (II) a price per Share as reasonably determined by the Calculation Agent (the date of such delivery, the "**Registered Share Delivery Date**").

(ii) Promptly following the Registration Notice Date, Issuer shall file with the SEC a registration statement ("**Registration Statement**") covering the public sale by Dealer of the Early Settlement Shares and any Make-Whole Shares (collectively, the "**Registered Securities**") on a continuous or delayed basis pursuant to Rule 415 (or any similar or successor rule), if available, under the Securities Act of 1933, as amended (the "**Securities Act**"); provided that no such filing shall be required pursuant to this paragraph (ii) if Issuer shall have filed a similar registration statement with unused capacity at least equal to the relevant Early Settlement Payment and such registration statement has become effective or been declared effective by the SEC on or prior to the Registration Notice Date and no stop order is in effect with respect to such registration statement as of the Registration Notice Date, in which case such registration statement shall be the Registration Statement. Issuer shall use its commercially reasonable efforts to file the Registration Statement as an

automatic shelf registration statement or have the Registration Statement declared effective by the SEC as promptly as possible. The Registration Statement shall be effective and subject to no stop order as of the Registered Share Delivery Date.

(iii) Promptly following the Registration Notice Date, Issuer shall afford Dealer a reasonable opportunity to conduct a due diligence investigation with respect to Issuer customary in scope for underwritten offerings of equity securities for companies of comparable size, maturity and line of business (including, without limitation, the availability of senior management to respond to questions regarding the business and financial condition of Issuer and the right to have made available to Dealer for inspection at times reasonably acceptable to Issuer any financial and other records, pertinent corporate documents and other information reasonably requested in connection with underwritten offerings of this type by Dealer), and Dealer shall be satisfied in its good faith discretion with the results of such due diligence investigation of Issuer. For the avoidance of doubt, Issuer shall not have the right to deliver Shares pursuant to this Section 8(a) (and the conditions to delivery of Early Settlement Shares specified in this Section 8(a) shall not be satisfied) unless and until Dealer is satisfied in its good faith discretion with the results of such due diligence investigation of Issuer.

(iv) From the effectiveness of the Registration Statement until the earlier of (1) when all Registered Securities have been sold by Dealer or (2) thirty (30) days after effectiveness, Issuer shall, at the request of Dealer, make available to Dealer a printed prospectus relating to the Registered Securities in form and substance (including, without limitation, any sections describing the plan of distribution) reasonably satisfactory to Dealer (a "**Prospectus**", which term shall include any prospectus supplement thereto), in such quantities as Dealer shall reasonably request.

(v) Issuer shall use its commercially reasonable efforts to avoid or prevent the issuance of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any Prospectus and, if any such order is issued, to obtain the lifting thereof as promptly as practicable. If the Registration Statement, the Prospectus or any document incorporated therein by reference contains a misstatement of a material fact or omits to state a material fact required to be stated therein or necessary to make any statement therein not misleading, Issuer shall use its commercially reasonable efforts to as promptly as practicable file any required document and prepare and furnish to Dealer a reasonable number of copies of such supplement or amendment thereto as may be necessary so that the Prospectus, as thereafter delivered to the purchasers of the Registered Securities, will not contain a misstatement of a material fact or omit to state a material fact required to be stated therein or necessary to make any statement therein not misleading.

(vi) On or prior to the Registered Share Delivery Date, Issuer shall enter into an agreement (a "**Transfer Agreement**") with Dealer (or any affiliate of Dealer designated by Dealer) relating to the public sale of the Registered Securities and substantially similar to underwriting agreements customary for underwritten offerings of equity securities for companies of comparable size, maturity and line of business, in form and substance reasonably satisfactory to Dealer (or such affiliate), which Transfer Agreement shall (without limiting the foregoing) contain provisions substantially similar to those contained in such underwriting agreements relating to:

(A) the indemnification of, and contribution in connection with the liability of, Dealer and its affiliates,

(B) the delivery to Dealer (or such affiliate) of customary letters and customary opinions (including, without limitation, accountants' comfort letters, opinions relating to the due authorization, valid issuance and fully paid and non-assessable nature of the Registered Securities and letters of counsel relating to the lack of material misstatements and omissions in the Registration Statement, and the Prospectus); and

(C) the payment by Issuer of all fees and expenses in connection with such resale of the Registered Securities, including all registration costs and all reasonable fees and expenses of counsel for Dealer documented in writing (or such affiliate).

(vii) On the Registered Share Delivery Date, a notional balance (the "**Early Settlement Balance**") shall be established with an initial balance equal to the amount of the Early Settlement Payment. Following the delivery of Early Settlement Shares or any Make-Whole Shares, Dealer shall sell all such Early Settlement Shares or Make-Whole Shares in a commercially reasonable manner.

(viii) At the end of each day on which sales have been made pursuant to paragraph 8(a)(vii) above, the Early Settlement Balance shall be (A) reduced by an amount equal to the net proceeds to be received by Dealer upon settlement of such sales, and (B) increased by an amount (as reasonably determined by the Calculation Agent) equal to Dealer's funding cost with respect to the Early Settlement Balance as of the close of business on the day one Settlement Cycle prior to such day.

(ix) If, on any date, the Settlement Balance has been reduced to zero but not all of the Early Settlement Shares have been sold, no additional Early Settlement Shares shall be sold and Dealer shall promptly deliver to Issuer (A) any remaining Early Settlement Shares and (B) if the Early Settlement Balance has been reduced to an amount less than zero, an amount in cash equal to the absolute value of the then-current Early Settlement Balance.

(x) If, on any date, all of the Early Settlement Shares have been sold and the Settlement Balance has not been reduced to zero, Issuer shall, at its election, either pay the remaining Early Settlement Balance to Dealer in cash or promptly deliver to Dealer an additional number of Shares ("**Make-Whole Shares**") equal to (A) the Settlement Balance as of such date divided by (B) a price per Share as reasonably determined by the Calculation Agent. This clause (x) shall be applied successively until the Settlement Balance is reduced to zero.

(xi) If at any time the number of Shares covered by the Registration Statement is less than the number of Registered Securities required to be delivered pursuant to this Section 8(a), Issuer shall, at the request of Dealer, file additional registration statement(s) to register the sale of all Registered Securities required to be delivered to Dealer.

(xii) The provisions of Section 8(b) shall apply to any then-current Early Settlement Balance if (i) on any given day, Issuer cannot satisfy any of the conditions set forth in this Section 8(a) or (ii) for a period of at least 10 consecutive Exchange Business Days, Dealer has determined that it is inadvisable to effect sales of Registered Securities, unless in either case Issuer pays such then-current Early Settlement Balance to Dealer in cash pursuant to the Registration Statement.

(b) If Issuer timely elects to deliver Early Settlement Shares and Make-Whole Shares by means of a private placement, the following provisions shall apply:

(i) All Early Settlement Shares and Make-Whole Shares shall be delivered to Dealer (or any affiliate of Dealer designated by Dealer) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof.

(ii) Issuer shall afford Dealer and any potential purchaser of any such Shares from Dealer (or any affiliate of Dealer designated by Dealer) identified by Dealer a commercially reasonable opportunity to conduct a due diligence investigation with respect to Issuer customary in scope for private placements of equity securities for companies of comparable size, maturity and line of business (including, without limitation, the right to have made available to them for inspection at times reasonably acceptable to Issuer any financial and other records, pertinent corporate documents and other information reasonably requested by them in connection with underwritten offerings of this type), subject to any such potential purchasers entering into a non-disclosure agreement with Issuer in connection with such due diligence.

(iii) Issuer shall enter into an agreement (a "Private Placement Agreement") with Dealer (or any affiliate of Dealer designated by Dealer) in connection with the private placement of such Shares by Issuer to Dealer (or any such affiliate) and the private resale of such Shares by Dealer (or any such affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities for companies of comparable size, maturity and line of business, in form and substance commercially reasonably satisfactory to Dealer and Issuer, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating to the indemnification of, and contribution in connection with the liability of, Dealer and its affiliates, and shall provide for the payment by Issuer of all fees and expenses in connection with such resale (which fees and expenses shall be payable in cash or unregistered Shares), including all reasonable fees and expenses of one counsel for Dealer but not including any underwriter or broker discounts and commissions, and shall contain representations, warranties and agreements of Issuer and Dealer reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales.

(iv) Issuer shall not take or cause to be taken any action that would make unavailable either (A) the exemption set forth in Section 4(2) of the Securities Act for the sale of any Early Settlement Shares or Make-Whole Shares by Issuer to Dealer or (B) an exemption from the registration requirements of the Securities Act reasonably acceptable to Dealer for resales of Early Settlement Shares and Make-Whole Shares by Dealer.

(v) On the date requested by Dealer, Issuer shall deliver a number of Early Settlement Shares equal to the quotient of (A) the amount of the Early Settlement Payment divided by (B) a per Share value, determined by Dealer in a commercially reasonable manner, which value shall take into account transfer restrictions applicable to such Shares and may be based on indicative bids from institutional "accredited investors" (as defined in Rule 501 under the Securities Act), and the provisions of Section 8(a)(vii) through (x) shall apply to the Early Settlement Shares delivered pursuant to this Section 8(b)(v). For purposes of applying the foregoing, the Registered Share Delivery Date referred to in Section 8(a)(vii) shall be the date on which Issuer delivers the Early Settlement Shares.

(c) If Issuer elects to deliver Early Settlement Shares to settle its obligation to make an Early Settlement Payment, then, if necessary, Issuer shall use its commercially reasonable efforts to cause the number of authorized but unissued Shares of Common Stock to be increased to an amount sufficient to permit Issuer to fulfill its obligations under Sections 8(a) and/or 8(b) above.

8. Special Provisions for Merger Transactions.

Notwithstanding anything to the contrary herein or in the Equity Definitions:

(a) Issuer agrees that:

(i) Issuer will use its commercially reasonable efforts such that Issuer will not during the term of the Transaction make, or, to the extent within its control, permit to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any Merger Transaction or potential Merger Transaction unless such public announcement is made prior to the open or after the close of the regular trading session on the Exchange for the Shares.

(ii) To the extent that an announcement of a potential Merger Transaction occurs during the term of the Transaction and Dealer has not provided notice to Issuer as promptly as reasonably practicable following such announcement that Dealer will cause the Transaction to be cancelled or terminated in whole pursuant to "Extraordinary Events" in Section 2 above, then as soon as practicable following such notice from Dealer (but in any event prior to the next opening of the regular trading session on the Exchange), Issuer shall provide Dealer with written notice specifying (x) Issuer's average daily "Rule 10b-18 purchases" (as defined in Rule 10b-18) during the three full calendar months immediately preceding the Announcement Date that were not effected through Dealer or its affiliates and (y) the number of Shares purchased pursuant to the block purchase proviso in Rule 10b-18(b)(4) under the Exchange Act for the three full calendar months preceding the Announcement Date. Such written notice shall be deemed to be a certification by Issuer to

Dealer that such information is true and correct. Issuer understands that Dealer will use this information in calculating the trading volume for purposes of Rule 10b-18. In addition, Issuer shall promptly notify Dealer of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders. Issuer acknowledges that any such public announcement may trigger the provision set forth in Section 11 below. Accordingly, Issuer acknowledges that its actions in relation to any such announcement or transaction must comply with the standards set forth in Section 13(b) below.

(b) Upon the occurrence of any public announcement of a Merger Transaction, Dealer may in a good faith and commercially reasonable manner elect either to (i) apply the provisions of Section 11 below or (ii) treat the occurrence of such announcement as an Additional Termination Event with respect to which the Transaction shall be the sole Affected Transaction, Issuer shall be the sole Affected Party and Dealer shall be the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement (a "**Merger Termination Event**"). In the event that the Dealer elects to treat the Merger Transaction as a Merger Termination Event under this Section 9(b), then neither the provisions of "Extraordinary Events: Consequences of Merger Events" set forth above in this Confirmation nor the provisions of Section 10 below shall apply.

"**Merger Transaction**" means any merger, acquisition or similar transaction involving a recapitalization of Issuer as contemplated by Rule 10b-18(a)(13)(iv) under the Exchange Act.

9. Special Provisions for Acquisition Transaction Announcements.

(a) If an Acquisition Transaction Announcement occurs on or prior to the final Valuation Date, then the Forward Price shall be determined as if the words "minus (ii) the Discount" were deleted from the definition thereof. If an Acquisition Transaction Announcement occurs after the Trade Date but prior to the Lock-Out Date, the Lock-Out Date shall be deemed to be the date of such Acquisition Transaction Announcement.

(b) "**Acquisition Transaction Announcement**" means (i) the announcement of an Acquisition Transaction, (ii) an announcement that Issuer or any of its subsidiaries has entered into an agreement, a letter of intent or an understanding designed to result in an Acquisition Transaction, (iii) the announcement of the intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, an Acquisition Transaction, or (iv) any announcement subsequent to an Acquisition Transaction Announcement relating to a material amendment, a material extension, withdrawal or other material change to the subject matter of the previous Acquisition Transaction Announcement. For the avoidance of doubt, the term "announcement" as used in the definition of Acquisition Transaction Announcement refers to any public announcement whether made by Issuer or by a bona fide third party that is reasonably likely to be a party to the Acquisition Transaction.

(c) "**Acquisition Transaction**" means (i) any Merger Event (for purposes of this definition, the definition of Merger Event shall be read with the references therein to "100%" being replaced by "25%" and to "50%" by "75%" and without reference to the clause beginning immediately following the definition of Reverse Merger therein to the end of such definition), Tender Offer or Merger Transaction or any other transaction involving the merger of Issuer with or into any third party, (ii) the sale or transfer of all or substantially all of the assets or liabilities of Issuer, (iii) a recapitalization, reclassification, binding share exchange or other similar transaction or (iv) any acquisition, lease, exchange, transfer, disposition (including by way of spin-off or distribution) of assets or liabilities (including any capital stock or other ownership interests in subsidiaries) or other similar event by Issuer or any of its subsidiaries where the aggregate consideration transferable or receivable by or to Issuer or its subsidiaries exceeds 25% of the market capitalization of Issuer.

10. Dealer Adjustments.

In the event that Dealer determines, in a good faith and commercially reasonable manner that, based on advice of legal counsel, it is appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Dealer, and including, without limitation, Rule 10b-18, Rule 10b-5, Regulations 13D-G and Regulations 14 D-E under the Exchange Act; provided that such requirements, policies and procedures relate to legal and regulatory issues and are generally applicable in similar situations and applied in a consistent manner in similar transactions), for Dealer to refrain from purchasing Shares or engaging in other market activity or to purchase fewer than the number of Shares or to engage in fewer or smaller other market transactions Dealer would otherwise purchase or engage in on any Trading Day on or prior to the last day of the Calculation Period, then Dealer may, in its reasonable discretion, elect that a Market Disruption shall be deemed to have occurred on such Trading Day. Dealer shall notify Issuer upon the exercise of Dealer's rights pursuant to this Section 11 and the Trading Days affected by it and shall subsequently notify Issuer on the day Dealer believes that the circumstances giving rise to such exercise have changed.

11. Covenants.

(a) Issuer covenants and agrees that:

(i) Until the end of the Potential Purchase Period (as defined below), neither it nor any of its affiliated purchasers (as defined in Rule 10b-18 under the Exchange Act) shall directly or indirectly (which shall be deemed to include the writing or purchase of any cash-settled or other derivative or structured Share repurchase transaction with a hedging period, calculation period or settlement valuation period or similar period that overlaps with the Transaction) purchase, offer to purchase, place any bid or limit order relating to a purchase of or commence any tender offer relating to Shares (or any security convertible into or exchangeable for Shares) without the prior written approval of Dealer or take any other action that would cause the purchase by Dealer of any Shares in connection with this Agreement not to qualify for the safe harbor provided in Rule 10b-18 under the Exchange Act (assuming for the purposes of this paragraph that such safe harbor were otherwise available for such purchases); provided that this Section 12(a)(i) shall not (i) limit the Issuer's ability, pursuant to its employee incentive plan or dividend reinvestment program to re-acquire Shares in connection with the related equity transactions, (ii) limit the Issuer's ability to withhold shares to cover tax liabilities associated with such equity transactions or (iii) limit the Issuer's ability to grant stock and options to "affiliated partners" (as defined in Rule 10b-18) or the ability of such affiliated purchasers to acquire such stock or options, provided that in connection with any such purchase Issuer will be deemed to represent to Dealer that such purchase does not constitute a "Rule 10b-18 Purchase" (as defined in Rule 10b-18) (any such incentive or compensatory plan, program or policy of Counterparty, a "Compensatory Plan"). "**Potential Purchase Period**" means the period from, and including, the Trade Date to, and including, the latest of (i) the last day of the Calculation Period, (ii) the earlier of (A) the date ten Exchange Business Days immediately following the last day of the Calculation Period and (B) the Scheduled Valuation Date and (iii) if an Early Termination Date occurs or the Transaction is cancelled pursuant to Article 12 of the Equity Definitions, a date determined by Dealer in its commercially reasonable

discretion and communicated to Issuer no later than the Exchange Business Day immediately following such date.

(ii) Without limiting the generality of Section 13.1 of the Equity Definitions, it is not relying, and has not relied, upon Dealer or any of its representatives or advisors with respect to the legal, accounting, tax or other implications of this Agreement and that it has conducted its own analyses of the legal, accounting, tax and other implications of this Agreement, and that Dealer and its affiliates may from time to time effect transactions for their own account or the account of customers and hold positions in securities or options on securities of Issuer and that Dealer and its affiliates may continue to conduct such transactions during the term of this Agreement. Without limiting the generality of the foregoing, Issuer acknowledges that Dealer is not making any representations or warranties or taking any position or expressing any view with respect to the treatment of the Transaction under any accounting standards including ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, or ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC 815-40, *Derivatives and Hedging – Contracts in Entity's Own Equity* (or any successor issue statements) or under FASB's Liabilities & Equity Project.

(iii) Neither it nor any affiliates shall take any action that would cause a restricted period (as defined in Regulation M under the Exchange Act ("**Regulation M**")) to be applicable to any purchases of Shares, or of any security for which Shares is a reference security (as defined in Regulation M), by Issuer or any affiliated purchasers (as defined in Regulation M) of Issuer during the Potential Purchase Period.

(iv) It will not make any election or take any other action in connection with the Transaction while aware of any material nonpublic information regarding Issuer or the Shares.

(v) It shall not declare or pay any Extraordinary Dividend until the earlier of (i) the Scheduled Valuation Date or (ii) the date ten Exchange Business Days immediately following the Valuation Date.

(b) [Reserved]

12. Representations, Warranties and Acknowledgments.

(a) Issuer hereby represents and warrants to Dealer on the date hereof and on and as of the Initial Share Delivery Date that:

(i) (A) None of Issuer and its officers and directors is aware of any material nonpublic information regarding Issuer or the Shares, and is entering into the Transaction in good faith and not as part of a plan or scheme to evade the prohibitions of federal securities laws, including, without limitation, Rule 10b-5 under the Exchange Act and (B) Issuer agrees not to alter or deviate from the terms of the Agreement or enter into or alter a corresponding or hedging transaction or position with respect to the Shares (including, without limitation, with respect to any securities convertible or exchangeable into the Shares) during the term of the Agreement. Without limiting the generality of the foregoing, all reports and other documents filed by Issuer with the Securities and Exchange Commission pursuant to the Exchange Act when considered as a whole (with the more recent such reports and documents deemed to amend inconsistent statements contained in any earlier such reports and documents) do not contain any untrue statement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading.

(ii) The transactions contemplated by this Confirmation have been authorized under Issuer's publicly announced program to repurchase Shares.

(iii) Issuer is not entering into this Agreement to facilitate a distribution of the Shares (or any security convertible into or exchangeable for Shares) or in connection with a future issuance of securities.

(iv) Issuer is not entering into this Agreement to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares) or to manipulate the price of the Shares (or any security convertible into or exchangeable for Shares) in violation of the federal securities laws.

(v) There have been no purchases of Shares in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception contained in Rule 10b-18(b)(4) by or for Issuer or any of its affiliated purchasers during each of the four calendar weeks preceding the Trade Date and during the calendar week in which the Trade Date occurs ("Rule 10b-18 purchase", "blocks" and "affiliated purchaser" each being used as defined in Rule 10b-18).

(vi) Issuer is as of the date hereof, and after giving effect to the transactions contemplated hereby will be, Solvent. As used in this paragraph, the term "Solvent" means, with respect to a particular date, that on such date (A) the present fair market value (or present fair saleable value) of the assets of Issuer is not less than the total amount required to pay the liabilities of Issuer on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured, (B) Issuer is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business, (C) assuming consummation of the transactions as contemplated by this Agreement, Issuer is not incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature, (D) Issuer is not engaged in any business or transaction, and does not propose to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which Issuer is engaged, (E) Issuer is not a defendant in any civil action that could reasonably be expected to result in a judgment that Issuer is or would become unable to satisfy, (F) Issuer is not "insolvent" (as such term is defined under Section

101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "Bankruptcy Code")) and (G) Issuer would be able to purchase Shares with an aggregate purchase price equal to the Prepayment Amount in compliance with the corporate laws of the jurisdiction of its incorporation.

(vii) Issuer is not, and after giving effect to the transactions contemplated hereby will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(viii) No state or local (including non-U.S. jurisdictions) law, rule, regulation or regulatory order applicable to the Shares would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates owning or holding (however defined) Shares other than any such law, rule, regulation or regulatory order that applies (A) to the beneficial ownership of Shares under the Exchange Act or (B) solely as a result of the business, identity, place of business or jurisdiction of organization of Dealer or any such affiliate.

(b) Issuer acknowledges and agrees that the Initial Shares may be sold short to Issuer. Issuer further acknowledges and agrees that Dealer may purchase Shares in connection with the Transaction, which Shares may be used to cover all or a portion of such short sale or may be delivered to Issuer. Such purchases and any other market activity by Dealer will be conducted independently of Issuer by Dealer as principal for its own account. All of the actions to be taken by Dealer in connection with the Transaction shall be taken by Dealer independently and without any advance or subsequent consultation with Issuer. It is the intent of the parties that the Transaction comply with the requirements of Rule 10b5-1(c)(1)(i)(B) of the Exchange Act, and the parties agree that this Confirmation shall be interpreted to comply with the requirements of such Rule, and Issuer shall not take any action that results in the Transaction not so complying with such requirements. Without limiting the generality of the preceding sentence, Issuer acknowledges and agrees that (A) Issuer does not have, and shall not attempt to exercise, any influence over how, when or whether Dealer effects any market transactions in connection with the Transaction and (B) neither Issuer nor its officers or employees shall, directly or indirectly, communicate any information regarding Issuer or the Shares to any employee of Dealer or its Affiliates that have been identified by Dealer to Issuer in writing as employees responsible for executing market transactions in connection with the Transaction. Issuer also acknowledges and agrees that any amendment, modification, waiver or termination of this Confirmation must be effected in accordance with the requirements for the amendment or termination of a "plan" as defined in Rule 10b5-1(c) under the Exchange Act. Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5 under the Exchange Act, and no such amendment, modification or waiver shall be made at any time at which Issuer or any officer or director of Issuer is aware of any material nonpublic information regarding Issuer or the Shares.

(c) Each of Issuer and Dealer represents and warrants to the other that it is an "eligible contract participant" as defined in Section 1a(12) of the U.S. Commodity Exchange Act, as amended.

(d) Each of Issuer and Dealer acknowledges that the offer and sale of the Transaction to it is intended to be exempt from registration under the Securities Act by virtue of Section 4(2) thereof. Accordingly, it represents and warrants to the other party that (i) it has the financial ability to bear the economic risk of its investment in the Transaction and is able to bear a total loss of its investment, (ii) it is an "accredited investor" as that term is defined in Regulation D as promulgated under the Securities Act, (iii) it is entering into the Transaction for its own account and without a view to the distribution or resale thereof and (iv) the assignment, transfer or other disposition of the Transaction has not been and will not be registered under the Securities Act and is restricted under this Confirmation, the Securities Act and state securities laws.

13. Acknowledgements of Issuer.

(a) Issuer agrees, understands and acknowledges that:

(i) during the period from (and including) the Trade Date to (and including) the Settlement Date, Dealer and its Affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative transactions in order to adjust its Hedge Position with respect to the Transaction;

(ii) Dealer and its Affiliates also may be active in the market for the Shares or options, futures contracts, swaps or other derivative transactions relating to the Shares other than in connection with hedging activities in relation to the Transaction;

(iii) Dealer shall make its own determination as to whether, when and in what manner any hedging or market activities in Issuer's securities or other securities or transactions shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Transaction; and

(iv) any such market activities of Dealer and its Affiliates may affect the market price and volatility of the Shares, including the 10b-18 VWAP and the Forward Price, each in a manner that may be adverse to Issuer.

(b) Issuer:

(i) is an "institutional account" as defined in FINRA Rule 4512(c);

(ii) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities, and will exercise independent judgment in evaluating the recommendations of Dealer or its associated persons, unless it has otherwise notified Dealer in writing; and

(iii) will notify Dealer if any of the statements contained in clause (i) or (ii) of this Section 14(b) ceases to be true.

14. Reserved.

15. Other Provisions.

(a) Issuer agrees and acknowledges that Dealer is a "financial institution" and "financial participant" within the meaning of Sections 101(22) and

101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge that it is the intent of the parties that (A) this Confirmation is a "securities contract," as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a "termination value," "payment amount" or "other transfer obligation" within the meaning of Section 362 of the Bankruptcy Code and a "settlement payment," within the meaning of Section 546 of the Bankruptcy Code, and (B) Dealer is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 362(b)(17), 362(o), 546(e), 555 and 561 of the Bankruptcy Code.

(b) Dealer and Issuer hereby agree and acknowledge that Dealer has authorized Issuer to disclose the Transaction to any and all persons, and there are no express or implied agreements, arrangements or understandings to the contrary, and authorizes Issuer to use any information that Issuer receives or has received with respect to the Transaction in any manner.

(c) In the event Issuer becomes the subject of proceedings ("**Bankruptcy Proceedings**") under the Bankruptcy Code or any other applicable bankruptcy or insolvency statute, any rights or claims of Dealer hereunder in respect of the Transaction shall rank for all purposes no higher than, but on a parity with, the rights or claims of holders of Shares, and Dealer hereby agrees that its rights and claims hereunder shall be subordinated to those of all parties with claims or rights against Issuer (other than common stockholders) to the extent necessary to assure such ranking. Without limiting the generality of the foregoing, after the commencement of Bankruptcy Proceedings, the claims of Dealer hereunder shall for all purposes have rights equivalent to the rights of a holder of a percentage of the Shares equal to the aggregate amount of such claims (the "**Claim Amount**") taken as a percentage of the sum of (i) the Claim Amount and (ii) the aggregate fair market value of all outstanding Shares on the record date for distributions made to the holders of such Shares in the related Bankruptcy Proceedings. Notwithstanding any right it might otherwise have to assert a higher priority claim in any such Bankruptcy Proceedings, Dealer shall be entitled to receive a distribution solely to the extent and only in the form that a holder of such percentage of the Shares would be entitled to receive in such Bankruptcy Proceedings, and, from and after the commencement of such Bankruptcy Proceedings, Dealer expressly waives (i) any other rights or distributions to which it might otherwise be entitled in such Bankruptcy Proceedings in respect of its rights and claims hereunder and (ii) any rights of setoff it might otherwise be entitled to assert in respect of such rights and claims.

(d) Notwithstanding any provision of this Confirmation or any other agreement between the parties to the contrary, neither the obligations of Issuer nor the obligations of Dealer hereunder are secured by any collateral, security interest, pledge or lien.

(e) Each party waives any and all rights it may have to set off obligations arising under the Agreement and the Transaction against other obligations between the parties, whether arising under any other agreement, applicable law or otherwise.

(f) Notwithstanding anything to the contrary herein, Dealer may, by prior notice to Issuer, satisfy its obligation to deliver any Shares or other securities on any date due (an "**Original Delivery Date**") by making separate deliveries of Shares or such securities, as the case may be, at more than one time on or prior to such Original Delivery Date, so long as the aggregate number of Shares and other securities so delivered on or prior to such Original Delivery Date is equal to the number required to be delivered on such Original Delivery Date.

(g) It shall constitute an Additional Termination Event with respect to which the Transaction is the sole Affected Transaction and Issuer is the sole Affected Party and Dealer shall be the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement if, at any time on or prior to the Valuation Date, the price per Share on the Exchange, as determined by the Calculation Agent, is at or below the Threshold Price (as specified in Schedule I).

16. Share Cap.

Notwithstanding any other provision of this Confirmation or the Agreement to the contrary, in no event shall Issuer be required to deliver to Dealer in the aggregate a number of Shares that exceeds the Share Cap as of the date of delivery (as specified in Schedule I).

17. Transfer and Assignment.

Dealer may transfer or assign its rights and obligations hereunder and under the Agreement ("**Transfer**"), in whole or in part, to any of its Affiliates that have a credit rating that is not lower than the credit rating of Dealer immediately prior to the proposed time of such Transfer (or whose obligations are guaranteed by an entity of equivalent credit quality) without the consent of Issuer. Dealer will provide prompt written notice of any such transfer to Issuer.

18. Governing Law; Jurisdiction; Waiver.

THIS CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS.

EACH PARTY HEREBY IRREVOCABLY WAIVES (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTION OR THE ACTIONS OF ISSUER OR ITS AFFILIATES IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.

Remainder of Page Intentionally Blank

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to us by facsimile to the number provided on the attached facsimile cover page.

Confirmed as of the date first written above:

<table>
<tr><td>ALIGN TECHNOLOGY, INC.</td><td>MORGAN STANLEY & CO, LLC</td></tr>
<tr><td>By: ______/s/ John F. Morici_______
Name: John F. Morici
Title: CFO</td><td>By: ____/s/Darren McCarley__________
Name: Darren McCarley
Title: Managing Director</td></tr>
</table>

Exhibit 10.6

ALIGN TECHNOLOGY, INC.

2005 INCENTIVE PLAN

(amended May 16, 2016)

RESTRICTED STOCK UNIT AGREEMENT

1. Grant. The Company hereby grants to Participant under the Align Technology, Inc. 2005 Incentive Plan (the "Plan") an Award of Restricted Stock Units, subject to all of the terms and conditions in the Notice of Grant, this Agreement, including any country-specific terms and conditions contained in an appendix hereto (collectively, the "Agreement") and the Plan. Capitalized terms not specifically defined herein shall have the same meanings ascribed to them in the Plan.

2. Company's Obligation to Pay. Each Restricted Stock Unit represents a value equal to the Fair Market Value of a Share on the date it becomes vested. Unless and until the Restricted Stock Units will have vested in the manner set forth in Sections 3 and 4 below, Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule. Subject to Section 4 below, the Restricted Stock Units awarded under this Agreement will vest according to the vesting schedule set forth on the attached Notice of Grant, subject to Participant continuing to be a Service Provider through each such date.

4. Forfeiture upon Termination of Status as a Service Provider. Notwithstanding any contrary provision of this Agreement, if Participant ceases to be a Service Provider for any reason (as further described in Section 10(j) below), the then-unvested Restricted Stock Units awarded under this Agreement will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder.

5. Payment after Vesting. Any Restricted Stock Units that vest in accordance with Section 3 will be paid to Participant (or in the event of Participant's death, as set forth in Section 6 below) in whole Shares, subject to Participant satisfying any applicable Tax-Related Items as set forth in Section 7. Subject to the provisions of Section 9, the vested Restricted Stock Units shall be paid as soon as practicable after vesting, but in each such case within the period sixty (60) days following the vesting date. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of the payment of any Restricted Stock Units payable under this Agreement.

6. Payments after Death. Any distribution or delivery to be made to Participant under this Agreement will, if Participant is then deceased, be made pursuant to applicable laws of descent and distribution in Participant's country. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items"), is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer. Participant further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Unit, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement, and the receipt of any dividends or dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Unit to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy any applicable withholding obligations for Tax-Related Items. In this regard, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy their withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

(a) withholding from Participant's wages or other cash compensation paid to Participant by the Company and/or the Employer; or

(b) withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization without further consent); or

(c) withholding in Shares to be issued upon settlement of the Restricted Stock Units.

Notwithstanding the above, in the event that Participant is a Section 16 officer of the Company under the Exchange Act, then the Company will withhold Shares to be issued upon vesting of the Restricted Stock Units, unless otherwise determined by the Administrator, or in the event that withholding in Shares is problematic under applicable tax or securities law or has materially adverse tax consequences.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

Finally, Participant agrees to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with Participant's obligations in connection with the Tax-Related Items. If Participant does not accept the terms of this Agreement including this Section 7, then at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Section 3, Participant will permanently forfeit such Restricted Stock Units to the Company at no cost to the Company and Participant will have no rights whatsoever to receive any Shares hereunder.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder, unless and until certificates or other evidence of ownership representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant.

9 . Section 409A. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death**,** and if (a) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (b) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless the Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to the Participant's estate as soon as practicable following his or her death. It is the intent of this Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). For purposes of this Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

10. Nature of Grant. In accepting the grant, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Restricted Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

(c) all decisions with respect to future Restricted Stock Unit or other grants, if any, will be at the sole discretion of the Company;

(d) the Restricted Stock Unit grant and Participant's participation in the Plan shall not create a right to employment or service, or be interpreted as forming or amending an employment or service contract with the Company, the Employer, or any Affiliate and shall not interfere with the ability of the Company, the Employer, or any Affiliate to terminate Participant's employment or status as a Service Provider (if any);

(e) Participant is voluntarily participating in the Plan;

(f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units and the income from and value of same, are not intended to replace any pension rights or compensation;

(g) the Restricted Stock Units and the Shares subject to the Restricted Stock Units and the income from and value of same, are not part of normal or expected compensation or salary for any purpose, including, without limitation, the calculating of any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or any other similar payments, and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer, or any Affiliate;

(h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(i) unless otherwise agreed with the Company, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of an Affiliate;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from Participant's ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) and in consideration of the grant of the Restricted Stock Units, Participant agrees not to institute any claim against the Company, any of its Affiliates, or the Employer;

(k) for purposes of this Agreement, Participant's relationship as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or one of its Affiliates or the Employer (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by the Company, Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period (*e.g.*, active services would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Unit grant (including whether Participant may still be considered to be providing services while on an approved leave of absence);

(l) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(m) neither the Company, the Employer nor any Affiliate shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

11. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant understands and agrees that he or she should consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

12. ***Data Privacy.***

(a) Data Collection and Usage. The Company and the Employer will collect, process and use certain personal information about Participant, specifically, Participant's name, home address, email address and telephone number, date of birth, social security or insurance number, passport number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is Participant's consent. In addition to the above-identified recipients and where required under applicable law, Data also may be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made. The legal basis, where required, for such disclosure is compliance with applicable law.

(b) Stock Plan Administration Service Providers. The Company and the Employer transfer Data to ETRADE, the designated broker assisting in the implementation, administration and management of the Plan. Upon transfer of Participant's Data to ETRADE, Participant may be asked to agree to separate terms and data processing practices with ETRADE with such agreement being a condition of the ability to participate in the Plan.

(c) Other Service Provider Data Recipients. The Company also may transfer Data to other third party service providers, if necessary to ensure compliance with applicable tax, exchange control, securities and labor law. Such third party service providers may include the Company's legal counsel as well as its auditor/accountant/third party vendor (currently PwC). Wherever possible, the Company will anonymize data, but Participant understands that his or her Data may need to be transferred to such providers to ensure compliance with applicable law and/or tax requirements.

(d) ***International Data Transfers*. The Company, ETRADE and its other service providers described above under (c) are located in the United States. The United States may have different data privacy laws and protections than Participant's country of residence (or country of employment, if different). The Company's legal basis, where required, for the transfer of Data is Participant's consent.***

(e) ***Data Retention*. Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. When the Company no longer needs the Data, the Company will remove it from its systems.***

(f) ***Data Subject Rights*. Participant understands that Participant may have the right under applicable law to (i) access or copy Data that the Company possesses, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict processing of Data, (vi) lodge complaints with the competent supervisory authorities in Participant's jurisdiction. To receive clarification regarding these rights or to exercise these rights, Participant understands that Participant can contact his or her local human resources representative.***

(g) ***Voluntariness and Consequences of Consent, Denial or Withdrawal*. Participation in the Plan is voluntary and Participant understands that Participant is providing the consent herein on a purely voluntary basis. If Participant does not consent, or later seeks to revoke his or her consent, Participant's employment status or service and career with the Employer will not be adversely affected. The only consequence of refusing or withdrawing consent is that the Company would not be able to grant Restricted Stock Units or other equity awards to Participant or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that Participant may contact his or her human resources representative.***

(h) ***Declaration of Consent*. Participant hereby explicitly and unambiguously consents to the collection, processing and use, in electronic or other form, of Participant's Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.***

13. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of Stock Administrator at Align Technology, Inc., 2560 Orchard Parkway, San Jose, CA 95131, U.S.A., or at such other address as the Company may hereafter designate in writing.

14. Grant is Not Transferable. Except to the limited extent provided in Section 6, this Award and the rights and privileges conferred hereby may not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this Award, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this Award and the rights and privileges conferred hereby immediately will become null and void.

15. Binding Agreement. Subject to the limitation on the transferability of this Award contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. Additional Conditions to Issuance of Shares; Compliance with Law. Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to deliver any Shares issuable upon settlement of the Restricted Stock Units prior to the completion of any registration or qualification of the Shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("SEC") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion deem necessary or advisable. Participant understands that the Company is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of Shares. Further, Participant agrees that the Company shall have the unilateral authority to amend the Plan and this Agreement without Participant's consent to the extent necessary to comply with securities or other laws applicable to the issuance of Shares.

17. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.

18. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

19. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. Participant hereby consents to receive such documents by electronic

delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

20. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

21. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, in whole or in part, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

22. Governing Law and Venue. The grant of the Restricted Stock Units and this Agreement shall be governed by the laws of the State of California, without giving effect to the conflict of law principles thereof. For purposes of any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Restricted Stock Units is made and/or to be performed.

23. Language. Participant acknowledges that he or she is sufficiently proficient in English to understand the terms and conditions of this Agreement. Furthermore, if Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

24. Appendix. Notwithstanding any provisions in this Agreement, the Restricted Stock Unit grant shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

25. Imposition of Other Requirements. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

26. Insider Trading/Market Abuse Laws. Participant acknowledges that, depending on Participant's country of residence, the broker's country, or the country in which the Shares are listed, he or she may be subject to insider trading and/or market abuse laws in applicable jurisdictions, which may affect Participant's ability to, directly or indirectly, accept, acquire, sell or attempt to sell or otherwise dispose of Shares, or rights to Shares (*e.g.,* Restricted Stock Units), or rights linked to the value of Shares, during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws or regulations in the applicable jurisdiction or Participant's country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Participant placed before possessing the inside information. Furthermore, Participant may be prohibited from (i) disclosing the inside information to any third party, including fellow employees (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them to otherwise buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Participant acknowledges that it is his or her responsibility to be informed of and compliant with any such laws, and Participant should speak to his or her personal advisor on this matter.

27. Exchange Control Tax and Foreign Asset/Account Reporting Requirements. Participant acknowledges that there may be exchange control, tax, foreign asset and/or account reporting requirements which may affect Participant's ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on Shares acquired under the Plan) in a brokerage, bank account or legal entity outside Participant's country. Participant may be required to report such accounts, balances, assets and/or the related transactions to the tax or other authorities in his or her country. Participant also may be required to repatriate sale proceeds or other funds received as a result of Participant's participation in the Plan to his or her country through a designated bank or broker within a certain time after receipt. Participant acknowledges that it is Participant's responsibility to be compliant with such regulations, and Participant should consult his or her personal legal advisor for any details.

28. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other Participant.

By clicking on the "I accept" button, Participant represents that he or she is familiar with the terms and provisions of the Plan, and hereby accepts this Agreement subject to all of the terms and provisions thereof. Participant has reviewed the Plan

and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to accepting this Agreement and fully understands all provisions of this Agreement. Participant agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Agreement. Participant further agrees to notify the Company upon any change in the residence indicated in the Notice of Grant of Restricted Stock Units.

APPENDIX

Align Technology, Inc.

2005 Incentive Plan

Restricted Stock Unit Agreement

This Appendix to the Restricted Stock Unit Agreement (the "Agreement") includes additional terms and conditions that govern the grant of Restricted Stock Units in Participant's country. Capitalized terms not explicitly defined in this Appendix have the definitions ascribed to them in the Align Technology, Inc. 2005 Incentive Plan (the "Plan") and/or the Agreement.

This Appendix also includes information regarding exchange controls and certain other issues of which Participant should be aware with respect to Participant's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of January 2019. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information noted herein as the only source of information relating to the consequences of Participant's participation in the Plan because the information may be out of date at vesting of the Restricted Stock Units or the subsequent sale of the Shares or the receipt of any dividends or dividend equivalents.

In addition, the information is general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in Participant's country may apply to Participant's situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently working, transfers employment to another country after the Restricted Stock Units are granted, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant.

AUSTRALIA

Terms and Conditions

Australian Offer Document. The grant of the Restricted Stock Units is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order 14/1000. Additional details are set forth in the Offer Document for the Offer of Restricted Stock Units to Australian Resident Employees, the Plan and the Agreement. By accepting the Restricted Stock Unit grant, Participant acknowledges and confirms that he or she has received these documents.

Notifications

Securities Law Information. If Participant acquires Shares under the Plan and Participant offers such Shares for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. Participant should obtain legal advice as to Participant's disclosure obligations prior to making any such offer.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding AUD 10,000 and for international fund transfers. The Australian bank assisting with the transaction will file the report for Participant. If there is no Australian bank involved in the transfer, Participant must file the report himself or herself.

Tax Information. The Plan is a plan to which subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions in the Act).

AUSTRIA

Notifications

Exchange Control Information. If Participant holds securities (including Shares acquired under the Plan) or cash (including proceeds from the sale of Shares) outside Austria, Participant will be required to file a report with the Austrian National Bank if certain thresholds are exceeded. Specifically, if Participant holds securities outside Austria, reporting requirements will apply if the value of such securities meets or exceeds (i) EUR 30,000,000 as of the end of any calendar quarter, or (ii) EUR 5,000,000 as of December 31. Further, if Participant holds cash in accounts outside Austria, monthly reporting requirements will apply if the aggregate transaction volume of such cash accounts meets or exceeds EUR 10,000,000.

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. If Participant is a Belgian resident, Participant is required to report any bank accounts opened and maintained outside of Belgium (*e.g.,* brokerage accounts opened in connection with the Plan) on his or her annual tax return. In a separate report, Participant is required to provide the National Bank of Belgium with certain details regarding such foreign accounts (including the account number, bank name and country in which any such account was opened). This report, as well as additional information on how to complete it, can be found on the website of the National Bank of Belgium, www.nbb.be, under *Kredietcentrales / Centrales des crédits* caption. Participant should consult with his or her personal tax advisor to determine his or her personal reporting obligations.

BRAZIL

Terms and Conditions

Compliance with Law. By accepting the Restricted Stock Units, Participant acknowledges that he or she agrees to comply with applicable Brazilian laws and pay any and all applicable Tax-Related Items associated with the vesting of the Restricted Stock Units, the receipt of any dividends and the sale of any Shares acquired under the Plan.

Labor Law Acknowledgment. Participant agrees, for all legal purposes, (i) the benefits provided under the Agreement and the Plan are the result of commercial transactions unrelated to Participant's employment; (ii) the Agreement and the Plan are not a part of the terms and conditions of Participant's employment; and (iii) the income from the Shares associated with the Restricted Stock Units, if any, is not part of Participant's remuneration from employment.

Notifications

Exchange Control Information. Employees resident or domiciled in Brazil are required to submit a declaration of assets and rights held outside of Brazil to the Central Bank on an annual basis if the value of such assets or rights exceeds USD 100,000. If such amount exceeds USD 100,000,000, the declaration must be submitted quarterly. The assets and rights that must be reported include cash and Shares acquired under the Plan.

CANADA

Terms and Conditions

Award Payable Only in Shares. The grant of the Restricted Stock Units does not provide any right for Participant to receive a cash payment, and settlement of the Restricted Stock Units is payable only in Shares.

Termination of Service Relationship. The following replaces Section 10(k) of the Agreement:

For purposes of the Agreement and except as expressly required by applicable legislation, Participant's relationship as a Service Provider will be considered terminated as of the date that is the earlier of: (1) the date Participant's service is terminated, (2) the date Participant receives notice of termination of service from the Employer, or (3) the date Participant ceases to actively provide services;

regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to, statutory law, regulatory law and/or common law). The Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Unit grant (including whether Participant may still be considered to be providing services while on an approved leave of absence);

The following provisions will apply to Participants who are residents of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceeds entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée: Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaries intentées, directement ou indirectement, relativement à ou suite à la présente convention.

Data Privacy Notice and Consent. This provision supplements Section 12 of the Agreement:

Participant hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. Participant further authorizes the Employer, the Company, and any other Affiliate to disclose and discuss the Plan with their respective advisors. Participant further authorizes the Employer, Company, and any other Affiliate to record such information and to keep such information in Participant's employee file.

Notifications

Securities Law Notification. Canadian residents are permitted to sell Shares acquired under the Plan through the designated broker appointed under the Plan, if any, provided the sale of the Shares acquired under the Plan takes place outside of Canada through the Nasdaq stock exchange on which the Shares are listed.

Foreign Asset/Account Reporting Information. Canadian taxpayers are required to report any foreign assets (including Shares acquired under the Plan and, likely, unvested RSUs) with a cost exceeding CAD 100,000 on Form T1135 (Foreign Income Verification Statement) on an annual basis. For Shares acquired under the Plan, cost generally is the adjusted cost basis ("ACB"), which would ordinarily be equal the fair market value of the Shares at the time of acquisition. If, however, a Canadian taxpayer owns other shares in the Company, the ACB of the Shares acquired under the Plan will need to be leveraged with the ACB of the other Shares. The statement is due at the same time as the taxpayer's annual tax return. Taxpayers are advised to check with their personal advisor regarding the reporting obligations.

CHINA

Terms and Conditions

The following terms and conditions will apply to Participants who are subject to exchange control restrictions and regulations in the People's Republic of China (the "PRC"), including requirements imposed by the State Administration of Foreign Exchange ("SAFE"), as determined by the Company in its sole discretion.

Termination of Service Relationship. Due to exchange control laws in the PRC, Participant agrees that the Company reserves the right to require the sale of any Shares acquired at vesting of the Restricted Stock Units upon the termination of Participant's relationship as a Service Provider for any reason. If the Company, in its discretion, does not exercise its right to require the automatic sale of Shares issuable upon vesting of the Restricted Stock Units, as described in the preceding sentence, Participant understands and agrees that any Shares acquired by Participant under the Plan must be sold no later than three (3) months after termination of Participant's relationship as a Service Provider, or within any other such time frame as permitted by the Company or required for legal or administrative reasons. Participant understands that any Shares acquired under the Plan that have not been sold within three (3) months of termination of Participant's relationship as a Service Provider will be automatically sold by a designated broker at the Company's discretion, pursuant to this authorization by Participant.

Participant agrees that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares (on Participant's behalf, pursuant to this authorization) and Participant expressly authorizes the Company's designated broker to complete the sale of such Shares. Participant also agrees to sign any agreements, forms, and/or consents that may be reasonably requested by the Company (or the designated broker) to effectuate the sale of the Shares (including, without limitation, as to the transfers of the proceeds and other exchange control matters noted below) and shall otherwise cooperate with the Company with respect to such matters, provided that Participant shall not be permitted to exercise any influence over how, when or whether the sales occur. Participant

acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Due to fluctuations in the Share price and/or applicable exchange rates between vesting and (if later) the date on which the Shares are sold, the amount of proceeds ultimately distributed to Participant may be more or less than the market value of the Shares upon vesting (which is the amount relevant to determining Participant's liability for Tax-Related Items). Participant understands and agrees that the Company is not responsible for the amount of any loss Participant may incur and the Company assumes no liability for any fluctuations in the Share price and/or any applicable exchange rate.

Upon the sale of the Shares, the Company agrees to pay the cash proceeds from the sale (less any Tax-Related Items, brokerage fees and commissions) to Participant in accordance with the applicable exchange control laws and regulations including but not limited to the restrictions set forth in this Appendix for China below under "Exchange Control Restrictions."

Exchange Control Restrictions. Participant understands and agrees that, pursuant to local exchange control requirements, Participant will be required to immediately repatriate any cash payments or proceeds obtained with respect to participation in the Plan to the PRC. Participant further understands that such repatriation of any cash payments or proceeds may need to be effectuated through a special exchange control account established by the Company or any Affiliate, and Participant hereby consents and agrees that any payment or proceeds may be transferred to such special account prior to being delivered to Participant. Any payment or proceeds may be paid to Participant in U.S. dollars or local currency at the Company's discretion. If the payments or proceeds are paid to Participant in U.S. dollars, Participant will be required to set up a U.S. dollar bank account in the PRC (if Participant does not already have one) so that the payments or proceeds may be deposited into this account. If the payments or proceeds are paid to Participant in local currency, the Company is under no obligation to secure any particular currency exchange rate and the Company may face delays in converting the payments or proceeds to local currency due to exchange control restrictions. Participant agrees to bear any currency exchange rate fluctuation risk between the time the cash proceeds are received and the time the cash proceeds are distributed to Participant through the special account described above. Participant further agrees to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in the PRC

Notifications

Exchange Control Information. PRC residents may be required to report to SAFE all details of their foreign financial assets and liabilities, as well as details of any economic transactions conducted with non-PRC residents.

COSTA RICA

There are no country-specific provisions.

CROATIA

Notifications

Foreign Asset/Account Reporting Information. Croatian residents may need to report foreign investments (including Shares acquired under the Plan) to the Croatian National Bank for statistical purposes. Prior approval from the Croatian National Bank for bank accounts opened abroad no longer is required. However, because exchange control regulations may change without notice, Participant should consult with his or her legal advisor to ensure compliance with current regulations. It is Participant's responsibility to comply with Croatian exchange control laws.

CZECH REPUBLIC

Notifications

Exchange Control Information. The Czech National Bank ("CNB") may require Participant to fulfill certain notification duties in relation to the acquisition of Shares and the opening and maintenance of a foreign account. In addition, Participant may need to report the following in the absence of a request from the CNB: foreign direct investments (*i.e.*, participation of 10% or more on the capital of a foreign entity) with a value of CZK 2,500,000 or more in the aggregate or other foreign financial assets with a value of CZK 200,000,000 or more. Because exchange control regulations change frequently and without notice, Participant should consult with his or her personal legal advisor prior to the vesting of the Restricted Stock Units and the sale of Shares to ensure compliance with current regulations. It is Participant's responsibility to comply with any applicable Czech exchange control laws.

FRANCE

Terms and Conditions

Consent to Receive Information in English. By accepting the grant of the Restricted Stock Units, Participant confirms having read and understood the Plan and the Agreement, which were provided in English language. Participant accepts the terms of those documents accordingly.

En acceptant cette attribution gratuite d'actions, Participant confirme avoir lu et compris le Plan et ce Contrat, incluant tous leurs termes et conditions, qui ont été transmis en langue anglaise. Participant accepte les dispositions de ces documents en connaissance de cause.

Notifications

Tax Information. The Restricted Stock Units are not intended to be French tax-qualified Awards.

Foreign Asset/Account Reporting Information. If Participant retains Shares acquired under the Plan outside of France or maintains a foreign bank account (whether open, current or closed), Participant is required to report such to the French tax authorities when filing his or her annual tax return. Failure to comply could trigger significant penalties.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of EUR 12,500 must be reported monthly to the German Federal Bank. In case of payments in connection with securities (including proceeds realized upon the sale of Shares or the receipt of any dividends), the report must be made by the 5th day of the month following the month in which the payment was received. The report must be filed electronically. The form of report ("*Allgemeine Meldeportal Statistik*") can be accessed via the *Bundesbank's* website (www.bundesbank.de) and is available in both German and English. Participant is responsible for satisfying the reporting obligation.

Foreign Asset/Account Reporting Information. German residents holding Shares exceeding 1% of the Company's total Shares, may be required to notify their local tax office of the acquisition of Shares if the acquisition costs for all Shares held exceeds €150,000 or if the resident holds 10% or more in the Company's total Shares.

HONG KONG

Terms and Conditions

Restricted Stock Units Payable Only in Shares. Notwithstanding any discretion in the Plan or anything to the contrary in the Agreement, the grant of Restricted Stock Units does not provide any right for Participant to receive a cash payment, and the Restricted Stock Units are payable in Shares only.

Sale of Shares. By accepting the Restricted Stock Units, Participant agrees that in the event that the Restricted Stock Units vest and Shares are issued to Participant within six months of the date of grant, Participant agrees that Participant will not dispose of any Shares acquired prior to the six-month anniversary of the date of grant.

Notifications

Securities Law Information. *Warning: The grant of Restricted Stock Units under the terms of the Agreement and the Plan have not been reviewed by any regulatory authority in Hong Kong. Participant is advised to exercise caution in relation to the right to acquire Shares at vesting of the Restricted Stock Units, or otherwise, under the Plan. The Restricted Stock Units and any Shares issued upon vesting do not constitute a public offering of securities under Hong Kong law and are available only to selected Employees, Directors and Consultants of the Company or its Affiliates. The Agreement, including this Appendix, the Plan and other grant documents have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, nor have the documents been reviewed by any regulatory authority in Hong Kong. If Participant is in any doubt about any of the contents of the Agreement, including this Appendix, or the Plan, Participant should obtain independent professional advice.*

INDIA

Notifications

Exchange Control Information. Indian residents are required to repatriate to India all proceeds received from the sale of Shares within 90 days of receipt and any dividends or dividend equivalent payments within 180 days of receipt, or within such other period of time as may be required under applicable regulations, as may be amended from time to time. Participant must maintain the foreign inward remittance certificate received from the bank where the foreign currency is deposited in the event that the Reserve Bank of India or the Company requests proof of repatriation. It is Participant's responsibility to comply with applicable exchange control laws in India.

Foreign Asset/Account Reporting Information. Participant is required to declare any foreign bank accounts and any foreign financial assets (including Shares held outside India) in Participant's annual tax return. Participant is responsible for complying with this reporting obligation and should confer with his or her personal tax advisor in this regard.

ISRAEL

Terms and Conditions

Trust Arrangement. Participant understands and agrees that the Restricted Stock Units awarded under the Agreement are awarded subject to and in accordance with the terms and conditions of the Plan, the Sub-Plan for Israeli Taxpayers - Align Technology, Inc. 2005 Stock Incentive Plan, as amended in May 2013 (the "Sub-Plan"), the Trust Agreement (the "Trust Agreement"), between the Company and the Company's trustee appointed by the Company or its Affiliate (as such term is defined in the Israeli Sub-Plan) in Israel, ESOP Management & Trust Services. Ltd. (the "Trustee") and the Agreement, or any successor trustee. In the event of any inconsistencies between the Sub-Plan, the Agreement and/or the Plan, the Sub-Plan will govern.

Nature of Grant. The following provisions supplement Section 10 of the Agreement:

The Restricted Stock Units are intended to qualify for favorable tax treatment in Israel as a "102 Capital Gains Track Grant" (as defined in the Sub-Plan) subject to the terms and conditions of Section 102(b)(2) of the Income Tax Ordinance (New Version) – 1961 ("Section 102") and the rules promulgated thereunder. Notwithstanding the foregoing, by accepting the Restricted Stock Units, Participant acknowledges that the Company cannot guarantee or represent that the favorable tax treatment under the 102 Capital Gains Track will apply to the Restricted Stock Units.

By accepting the Restricted Stock Units, Participant: (a) acknowledges receipt of and represents that Participant has read and is familiar with the terms and provisions of Section 102, the Plan, the Sub-Plan, and the Agreement; (b) accepts the Restricted Stock Units subject to all of the terms and conditions of the Agreement, the Plan, the Sub-Plan and Section 102 and the rules promulgated thereunder; and (c) agrees that the Restricted Stock Units and/or any Shares issued in connection therewith, will be registered for the benefit of Participant in the name of the Trustee as required to qualify under Section 102.

Participant hereby undertakes to release the Trustee from any liability in respect of any action or decision duly taken and *bona fide* executed in relation to the Plan, or any Restricted Stock Unit or Share granted thereunder. Participant agrees to execute any and all documents which the Company or the Trustee may reasonably determine to be necessary in order to comply with Section 102 and the Income Tax Ordinance (New Version) – 1961 ("ITO").

Payment after Vesting.

Notwithstanding Section 5 of the Agreement, if the vesting of the Restricted Stock Units occurs during the "Required Holding Period" (as defined in the Sub-Plan), the Shares issued upon the vesting of the Restricted Stock Unit shall be issued to and deposited with the Trustee for the benefit of Participant and shall be held in trust for the Required Holding Period. After termination of the Required Holding Period, the Trustee may release the Restricted Stock Units and any Shares issued with respect thereto under the terms set forth in the Sub-Plan, and in accordance with the terms and conditions of the 102 Capital Gains Track, the ITO and any approval by the Israeli Tax Authority ("ITA").

In the event that such vesting occurs after the end of the Required Holding Period, the Shares issued upon the vesting of the Restricted Stock Units shall either (i) be issued to and deposited with the Trustee, or (ii) be transferred to Participant directly, provided that Participant first complies with his or her obligations for Tax-Related Items.

In the event that Participant elects to have the Shares transferred to Participant without selling such Shares, Participant shall become liable to pay Tax-Related Items immediately in accordance with the provisions of the ITO.

Responsibility for Taxes. Section 6 of the Sub-Plan supplements Section 7 of the Agreement.

Data Privacy. The following provision supplements Section 12 of the Agreement:

Without derogating from the scope of Section 12 of the Agreement, Participant hereby explicitly consents to the transfer of Data between the Company, the Trustee, and/or a designated Plan broker, including any requisite transfer of such Data outside of Participant's country and further transfers thereafter as may be required to a broker or other third party.

Electronic Delivery and Acceptance. The following provision supplements Section 19 of the Agreement.

To the extent required pursuant to Israeli tax law and/or by the Trustee, Participant consents and agrees to deliver hard-copy written notices and/or actual copies of any notices or confirmations provided by Participant related to his or her participation in the Plan.

Written Acceptance. If Participant resides in Israel and has not already executed a Confirmation Letter – Trustee 102 Awards in connection with grants made under the Plan, Participant must print, sign & deliver the signed copy of the Confirmation Letter – Trustee 102 Awards within 60 days to: Marta Woods, Align Technology, Inc. 2820 Orchard Parkway, San Jose, CA. 95134 If the Company does not receive the signed Confirmation Letter – Trustee 102 Awards within 60 days, the Restricted Stock Units may not qualify for preferential tax treatment.

Notifications

Securities Law Information. The Restricted Stock Units are offered in accordance with an exemption from the requirement to publish a prospectus which the Company received from the Israel Securities Authority on June 30, 2011, under Section 15D of the Israeli Securities Law, 1968.

The Shares available under the Plan are registered in the U.S. pursuant to the Form S-8 registration statements which were filed with the U.S. Securities and Exchange Commission on June 7, 2005, May 25, 2006, May 29, 2007, August 5, 2009, August 5, 2010, August 8, 2011, July 24, 2012, August 2, 2013 and November 8, 2016.

Participant may obtain a copy of the Plan and the Form S-8s, including the documents referenced therein, from the Company's intranet site located at:
http://aligncentral/Departments/Legal/Lists/Equity%20Plan%20Information/AllItems.aspx.

These documents are also available at Participant's local office.

ITALY

Terms and Conditions

Plan Document Acknowledgment. In accepting the Restricted Stock Units, Participant acknowledges that Participant has received a copy of the Plan and the Agreement and has reviewed the Plan and the Agreement, including this Appendix, in their entirety and fully understands and accepts all provisions of the Plan and the Agreement, including this Appendix. Participant further acknowledges that Participant has read and specifically and expressly approves the following sections of the Agreement: Section 3: Vesting Schedule, Section 4: Forfeiture upon Termination of Status as a Service Provider, Section 5: Payment after Vesting, Section 6: Payments after Death, Section 7: Responsibility for Taxes, Section 10: Nature of Grant, Section 11: No Advice regarding Grant; Section 16: Additional Conditions to Issuance of Shares; Compliance with Law and the Authorization to Release and Transfer Necessary Personal Information above.

Notifications

Foreign Asset/Account Reporting Information. Italian residents who, at any time during the fiscal year, hold foreign financial assets (including cash and Shares) which may generate income taxable in Italy are required to report these assets on their annual tax returns (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations will also apply to Italian residents who are the beneficial owners of foreign financial assets under Italian money laundering provisions.

JAPAN

Notifications

Foreign Asset/Account Reporting Information. Participant will be required to report details of any assets held outside of Japan as of December 31 (including any Shares acquired under the Plan) to the extent such assets have a total net fair market value exceeding JPY

50,000,000. Such report will be due by March 15th each year. Participant should consult with his or her personal tax advisor as to whether the reporting obligation applies to Participant and whether Participant will be required to report details of any outstanding Restricted Stock Units or Shares held by Participant in the report.

LATVIA

There are no country-specific provisions.

LITHUANIA

There are no country-specific provisions.

MEXICO

Terms and Conditions

Labor Law Policy and Acknowledgment. By accepting the Restricted Stock Units, Participant expressly recognizes that Align Technology, Inc., with registered offices at 2560 Orchard Parkway, San Jose, CA 95131, U.S.A., is solely responsible for the administration of the Plan and that Participant's participation in the Plan and acquisition of Shares do not constitute an employment relationship between Participant and the Company since Participant is participating in the Plan on a wholly commercial basis and Participant's sole Employer is Aligntech de Mexico ("Align-Mexico"). Based on the foregoing, Participant expressly recognizes that the Plan and the benefits that Participant may derive from his or her participation in the Plan do not establish any rights between Participant and Align-Mexico, and do not form part of the employment conditions and/or benefits provided by Align-Mexico and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Participant's employment.

Participant further understands that his or her participation in the Plan is a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue Participant's participation at any time without any liability to Participant.

Finally, Participant hereby declares that he or she does not reserve any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and Participant therefore grants a full and broad release to the Company, its Affiliates, branches, representation offices, its shareholders, officers, agents or legal representatives with respect to any claim that may arise.

Plan Document Acknowledgment. By accepting the Restricted Stock Units, Participant acknowledges that he or she has received a copy of the Plan, has reviewed the Plan and the Agreement in their entirety and fully understands and accepts all provisions of the Plan and the Agreement. In addition, by accepting the Restricted Stock Units, Participant acknowledges that he or she has read and specifically and expressly approves the terms and conditions in Section 10 of the Agreement ("Nature of the Grant."), in which the following is clearly described and established: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Company on a wholly discretionary basis; (iii) participation in the Plan is voluntary; and (iv) neither the Company, the Employer nor any Affiliate is responsible for any decrease in the value of the Shares underlying the Restricted Stock Units.

Política de la Ley Laboral y Reconocimiento. Al aceptar las Unidades de Acciones Restringidas, Participante reconoce expresamente que Align Technology, Inc., with registered offices at 2560 Orchard Parkway, San Jose, CA 95131, U.S.A., es el único responsable de la administración del Plan y que participación de Participante en el mismo y la adquisición de Acciones no constituye de ninguna manera una relación laboral entre Participante y la Compañía, debido a que la participación de esa persona en el Plan deriva únicamente de una relación comercial y el único Patrón de participante es Aligntech de Mexico ("Align-México"). Derivado de lo anterior, Participante reconoce expresamente que el Plan y los beneficios que pudieran derivar para Participante por su participación en el mismo, no establecen ningún derecho entre Participante e Align-México, y no forman parte de las condiciones laborales y/o prestaciones otorgadas por Align-México, y cualquier modificación al Plan o la terminación del mismo de ninguna manera podrá ser interpretada como una modificación o desmejora de los términos y condiciones de trabajo de Participante.

Asimismo, Participante reconoce que su participación en el Plan es resultado de la decisión unilateral y discrecional de la Compañía, por lo tanto, la Compañía se reserva el derecho absoluto para modificar y/o discontinuar la participación de Participante en cualquier momento, sin ninguna responsabilidad hacia Participante.

Finalmente Participante manifiesta que no se reserva ninguna acción o derecho que ejercitar en contra dela Compañía, por

cualquier compensación o daños o perjuicios en relación con cualquier disposición del Plan o de los beneficios derivados del mismo, y en consecuencia exime amplia y completamente a la Compañía, sus Afiliadas, sucursales, oficinas de representación, sus accionistas, administradores, agentes y representantes legales con respecto a cualquier reclamo que pudiera surgir.

Reconocimiento de Documentos del Plan. Al aceptar las Unidades de Acciones Restringidas, Participante reconoce que ha recibido una copia del Plan, que ha revisado el Plan y el Acuerdo en su totalidad y entiende y acepta los términos del Plan y del Acuerdo. Adicionalmente, al aceptar las Unidades de Acciones Restringidas, Participante reconoce que ha leído y específica y expresamente aprueba los términos y condiciones del Sección 9 del Acuerdo (denominado "Naturaleza de la Concesión"), donde claramente se establece que (i) la participación en el Plan no constituye un derecho adquirido, (ii) el Plan y la participación en el Plan es ofrecido por la Compañía en forma totalmente discresional; (iii) la participación en el Plan es voluntaria; y (iv) ni la Compañía ni el Patrón ni su Afiliada es responsable por el decremento en el valor de las acciones de las Unidades de Acciones Restringidas.

NETHERLANDS

There are no country-specific provisions.

NEW ZEALAND

Notifications

Securities Law Notification. *Warning: This is an offer of rights to receive Shares underlying the Restricted Stock Units. Restricted Stock Units give Participant a potential stake in the ownership of the Company. Participant may receive a return if dividends are paid on the Shares issued pursuant to the vesting of the Restricted Stock Units.*

If the Company runs into financial difficulties and is wound up, Participant will be paid only after all creditors and holders of preferred shares have been paid. Participant may lose some or all of his or her investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is made under an employee share scheme. As a result, Participant may not be given all the information usually required. Participant will also have fewer legal protections for this investment.

Participant should ask questions, read all documents carefully, and seek independent financial advice before committing himself or herself.

In addition, Participant is hereby notified that the documents listed below are available for review on the Company's "Investors" website at http://investor.aligntech.com/:

(i) a copy of the Company's most recent annual report (i.e., Form 10-K);

(ii) a copy of the Company's most recent quarterly report (i.e., Form 10-Q); and

(iii) a copy of the Company's most recent published financial statements.

A copy of the above documents will be sent to Participant free of charge on written request to Stock Administration, Align Technology, Inc. 2820 Orchard Parkway, San Jose, CA. 95134

As noted above, Participant is advised to carefully read the materials provided before making a decision whether to participate in the Plan. Participant is also encouraged to contact his or her tax advisor for specific information concerning Participant's personal tax situation with regard to Plan participation.

POLAND

Notifications

Foreign Asset/Account Reporting Information. Polish residents holding foreign securities (including Shares) and maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such transactions or balances exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland.

Exchange Control Information. If Participant transfers funds in excess of EUR 15,000 into Poland, the funds must be transferred via a Polish bank account or financial institution. Participant is required to retain the documents connected with a foreign exchange transaction for a period of five (5) years, as measured from the end of the year in which such transaction occurred.

PORTUGAL

Terms and Conditions

Consent to Receive Information in English. Participant hereby declares that Participant has full knowledge of the English language and has read, understood and fully accepted and agreed with the terms and conditions established in the Plan and the Agreement.

Conhecimento da Lingua. Por meio do presente, eu declaro expressamente que tem pleno
conhecimento da língua inglesa e que li, compreendi e livremente aceitei e concordei com os termos e condições estabelecidas no Plano e no Acordo.

Notifications

Exchange Control Information. If Participant receives Shares, the acquisition of Shares should be reported to the Banco de Portugal for statistical purposes. If the Shares are deposited with a commercial bank or financial intermediary in Poland, such bank or financial intermediary will submit the report on Participant's behalf. If the Shares are not deposited with a commercial bank or financial intermediary in Portugal, Participant is responsible for submitting the report to the Banco de Portugal.

RUSSIA

Terms and Conditions

U.S. Transaction. Acceptance of the grant of the Restricted Stock Units results in a contract between Participant and the Company completed in the United States and the Agreement is governed by the laws of the State of California, without giving effect to the conflict of law principles thereof. Upon vesting of the Restricted Stock Units, any Shares to be issued to Participant shall be delivered to Participant through a brokerage account in the United States and in no event will such Shares be delivered to Participant in Russia. Participant acknowledges that he or she is not permitted to sell or otherwise transfer Shares directly to other individuals in Russia, nor is Participant permitted to bring any certificates representing the Shares into Russia (if such certificates are issued). Participant is permitted to sell Shares only on the Nasdaq stock exchange, on which the Shares are listed, and only through a U.S. broker.

Settlement of Restricted Stock Units and Sale of Shares. Depending on the development of local regulatory requirements, the Company reserves the right to force the immediate sale of any Shares to be issued upon vesting and settlement of the Restricted Stock Units. If applicable, Participant agrees that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares (on Participant's behalf pursuant to this authorization) and Participant expressly authorizes the Company's designated broker to complete the sale of such Shares. Participant acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon any such sale of the Shares, the proceeds, less any Tax-Related Items and broker's fees or commissions, will be remitted to Participant in accordance with any applicable exchange control laws and regulations.

Data Privacy

The following provision supplements Section 12 of the Agreement:

Participant understands and agrees that he or she must complete and return a Consent to Processing of Personal Data (the "Consent") form to the Company. Further, Participant understands and agrees that if Participant does not complete and return a Consent form to the Company, the Company will not be able to grant Restricted Stock Units to Participant or other awards or administer or maintain such awards. Therefore, Participant understands that refusing to complete a Consent form or withdrawing his or her consent may affect Participant's ability to participate in the Plan.

Notifications

Exchange Control Information. Participant is responsible for complying with any and all Russian foreign exchange requirements in connection with the Restricted Stock Units, any Shares acquired and funds remitted into Russia in connection with the Plan. This may include, in certain circumstances, reporting and repatriation requirements. Participant should contact his or her personal advisor regarding any such requirements resulting from participation in the Plan.

Securities Law Information. The grant of the Restricted Stock Units and the distribution of the Plan and all other materials Participant may receive regarding participation in the Plan do not constitute an offering or the advertising of securities in Russia. The issuance of Shares pursuant to the Plan has not and will not be registered in Russia and, therefore, the Shares may not be used for an offering or public circulation in Russia. In no event will Shares be delivered to Participant in Russia; all Shares acquired under the Plan will be maintained on Participant's behalf in the United States.

Foreign Asset/Account Reporting Notification. Russian residents are also required to file reports of transactions in their foreign bank accounts on an annual basis with the Russian tax authorities. The tax authorities can require any supporting documents related to the transaction in a Russian resident's foreign bank account. Participant should consult with his or her personal tax advisor for additional information about these reporting obligations.

Labor Law Information. If Participant continues to hold Shares acquired at vesting of Restricted Stock Units after an involuntary termination of employment, Participant will not be eligible to receive unemployment benefits in Russia.

Anti-Corruption Legislation Information. Individuals holding public office in Russia, as well as their spouses and dependent children, may be prohibited from opening or maintaining a foreign brokerage or bank account and holding any securities, whether acquired directly or indirectly, in a foreign company (including Shares acquired under the Plan). Participant is strongly advised to consult with his or her personal legal advisor to determine whether the restriction applies to Participant.

SINGAPORE

Notifications

Securities Law Information. The grant of the Restricted Stock Units under the Plan is being made pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Restricted Stock Units are subject to section 257 of the SFA and individuals should not sell, or offer for sale, Shares acquired at vesting, unless such sale or offer is made (a) after 6 months of the grant of the Restricted Stock Units; or (b) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than Section 280) of the SFA, or pursuant to, and in accordance with the conditions of any other applicable provision(s) of the SFA.

Chief Executive Officer and Director Notification Obligation. The Chief Executive Officer and any director, associate director and shadow director of a Singaporean Affiliate are subject to certain notification requirements under the Singapore Companies Act. These individuals must notify the Singaporean Affiliate in writing of an interest (*e.g.*, the Restricted Stock Units, Shares, etc.) in the Company or any Affiliate within two (2) business days of (i) its acquisition or disposal, (ii) any change in previously disclosed interest (*e.g.*, when Shares acquired at vesting are sold), or (iii) becoming the Chief Executive Officer or a director, associate director or shadow director.

SLOVAKIA

There are no country-specific provisions.

SOUTH KOREA

Foreign Asset/Account Reporting Information. South Korean residents must declare all foreign accounts (*i.e.*, non-South Korean bank accounts, brokerage accounts, etc.) to the South Korean tax authorities and file a report if the aggregate balance of such accounts exceeds a certain limit (currently KRW 1 billion or an equivalent amount in foreign currency) on any month-end date during the year. Participant should consult with his or her personal tax advisor to determine how to value Participant's foreign accounts for purposes of this reporting requirement and whether Participant is required to file a report with respect to such accounts.

SPAIN

Terms and Conditions

No Entitlement for Claims or Compensation. The following provision supplements Section 10 of the Agreement:

By accepting the Restricted Stock Units, Participant consents to participation in the Plan and acknowledges that the he or she has received a copy of the Plan document.

Participant understands that the Company has unilaterally, gratuitously and in its sole discretion decided to grant Restricted Stock Units under the Plan to individuals who may be Service Providers throughout the world. The decision is limited and entered into based upon the express assumption and condition that any Restricted Stock Units will not economically or otherwise bind the Company or any Parent or Affiliate, including the Employer, on an ongoing basis, other than as expressly set forth in the Agreement. Consequently, Participant understands that the Restricted Stock Units are granted on the assumption and condition that the Restricted Stock Units shall not become part of any employment or service contract (whether with the Company or any Parent or Affiliate, including the Employer) and shall not be considered a mandatory benefit, salary for any purpose (including severance compensation) or any other right whatsoever. Furthermore, Participant understands and freely accepts that there is no guarantee that any benefit whatsoever shall arise from the grant of Restricted Stock Units, which are gratuitous and discretionary, since the future value of the Restricted Stock Units and the underlying Shares is unknown and unpredictable.

In addition, Participant understands that this grant of Restricted Stock Units would not be made but for the assumptions and conditions set forth hereinabove; thus, Participant understands, acknowledges and freely accepts that, should any or all of the assumptions be mistaken or any of the conditions not be met for any reason, the Restricted Stock Units and any right to the underlying Shares shall be null and void.

Further, the vesting of the Restricted Stock Units is expressly conditioned on Participant’s continued and active rendering of service, such that if Participant’s status as a Service Provider is terminated for any reason whatsoever, the Restricted Stock Units may cease vesting immediately, in whole or in part, effective on the date of Participant’s termination as a Service Provider. This will be the case, for example, even if (1) Participant is considered to be unfairly dismissed without good cause; (2) Participant is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) Participant terminates his or her relationship as a Service Provider due to a change of work location, duties or any other employment or contractual condition; (4) Participant terminates his or her relationship as a Service Provider due to a unilateral breach of contract by the Company or an Affiliate; or (5) Participant’s status as a Service Provider is terminated for any other reason whatsoever. Consequently, upon termination of Participant’s status as a Service Provider for any of the above reasons, Participant may automatically lose any rights to Restricted Stock Units that were not vested on the date of Participant’s termination as a Service Provider, as described in the Plan and the Agreement.

Notifications

Securities Law Information. No “offer of securities to the public,” as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the grant of the Restricted Stock Units. The Agreement (including this Appendix) has not been, nor will it be, registered with the *Comisión Nacional del Mercado de Valores*, and does not constitute a public offering prospectus.

Exchange Control Information. The acquisition, ownership and sale of Shares under the Plan must be declared for statistical purposes to the Spanish Dirección General de Comercio e Inversiones (the “DGCI”), the Bureau for Commerce and Investments, which is a department of the Ministry of Economy and Competitiveness. Generally, the declaration must be made in January for Shares owned as of December 31 of the prior year and/or Shares acquired or disposed of during the prior year. However, if the value of Shares acquired or disposed of or the amount of the sale proceeds exceeds EUR 1,502,530 (or if Participant holds 10% or more of the share capital of the Company), the declaration must be filed within one month of the acquisition or disposition, as applicable.

In addition, Participant will be required to declare to the Bank of Spain any securities accounts (including brokerage accounts held abroad), any foreign instruments (including any Shares acquired under the Plan) and any transactions with non-Spanish residents (including any payments of Shares made to Participant by the Company) depending on the amount of the transactions during the relevant year or the balances in such accounts as of December 31 of the relevant year.

Foreign Asset/Account Reporting Information. If Participant holds rights or assets (*e.g.*, Shares or cash held in a bank or brokerage account) outside of Spain with a value in excess of EUR 50,000 per type of right or asset (*e.g.*, Shares, cash, etc.) as of December 31 each year, Participant is required to report certain information regarding such rights and assets on tax form 720. After such rights and/or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than EUR 20,000. The reporting must be completed by the following March 31.

SWITZERLAND

Notifications

Securities Law Information. The grant of the Restricted Stock Units under the Plan is considered a private offering in Switzerland and is, therefore, not subject to registration in Switzerland. Neither this document nor any other material related to the Restricted Stock Units constitutes a prospectus as such term is understood pursuant to Article 652a of the Swiss Code of Obligations, and neither this document nor any other materials related to the Restricted Stock Units may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing materials relating to the Restricted Stock Units have been or will be filed with, approved or supervised by any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

TAIWAN

Notifications

Securities Law Information. The offer of participation in the Plan is available only for employees of the Company and its Affiliates and/or Subsidiaries. The offer of participation in the Plan is not a public offer of securities by a Taiwanese company.

Exchange Control Information. Participant may acquire and remit foreign currency (including proceeds from the sale of Shares or the receipt of dividends) into and out of Taiwan up to USD 5,000,000 per year. If the transaction amount is TWD 500,000 or more in a single transaction, Participant must submit a foreign exchange transaction form and also provide supporting documentation to the satisfaction of the remitting bank.

If the transaction amount is USD 500,000 or more in a single transaction, Participant may be required to provide additional supporting documentation to the satisfaction of the remitting bank. Participant should consult his or her personal advisor to ensure compliance with applicable exchange control laws in Taiwan.

THAILAND

Notifications

Exchange Control Information. If the proceeds from the sale of Shares or the receipt of dividends paid on such Shares are equal to or greater than USD 50,000 in a single transaction, Thai residents must repatriate all cash proceeds to Thailand immediately following the receipt of the cash proceeds and then either convert such proceeds to Thai Baht or deposit the proceeds into a foreign currency account opened with a commercial bank in Thailand within 360 days of repatriation. In addition, Thai residents must specifically report the inward remittance to the Bank of Thailand on a foreign exchange transaction form. If Participant fails to comply with these obligations, Participant may be subject to penalties assessed by the Bank of Thailand. Participant should consult his or her personal advisor prior to taking any action with respect to remittance of cash proceeds into Thailand. Participant is responsible for ensuring compliance with all exchange control laws in Thailand.

TURKEY

Notifications

Securities Law Information. The sale of Shares acquired under the Plan is not permitted within Turkey. The sale of Shares acquired under the Plan must take place outside of Turkey.

UNITED ARAB EMIRATES

Notifications

Securities Law Information. The Plan is only being offered to qualified employees and is in the nature of providing equity incentives to employees of the Company's Affiliate in the United Arab Emirates. The Plan and the Agreement are intended for distribution only to such employees and must not be delivered to, or relied on by, any other person. Participant should conduct his or her own due diligence on the Restricted Stock Units offered pursuant to the Agreement. If Participant does not understand the contents of the Plan or the Agreement, he or she should consult an authorized financial adviser. The Emirates Securities and Commodities Authority and the Dubai Financial Services Authority have no responsibility for reviewing or verifying any documents in connection with the Plan. Further, the Ministry of the Economy and the Dubai Department of Economic Development have not approved the Plan or the Agreement nor taken steps to verify the information set out therein, and have no responsibility for such documents.

UNITED KINGDOM

For Service Providers who are Employees, the following additional terms and conditions apply to the Agreement. These terms and conditions do not apply if Participant is a Consultant who is self-employed.

Terms & Conditions

Tax Acknowledgment. The following provisions supplement Section 7 in the Agreement:

Without limitation to the information regarding Tax-Related Items in the Agreement, Participant agrees that he or she is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company, or if different, the Employer or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). Participant also agrees to indemnify and keep indemnified the Company and/or the Employer for all Tax-Related Items that they are required to pay, or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Participant's behalf and authorizes the Company and/or the Employer to recover such amounts by any means referred to in the Agreement.

Notwithstanding the foregoing, if Participant is a director or executive officer (as within the meaning of Section 13(k) of the Exchange Act), Participant understands that he or she may not be able to indemnify the Company for the amount of Tax-Related Items not collected from or paid by Participant, if the indemnification could be considered to be a loan. In this case, Tax-Related Items not collected or paid may constitute a benefit to Participant on which additional income tax and National Insurance Contributions ("NICs") may be payable. Participant acknowledges that he or she ultimately will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company or the Employer (as appropriate) the amount of any NICs due on this additional benefit which the Company and/or the Employer may also recover from Participant at anytime thereafter by any of the means referred to in this Agreement.

Exhibit 21.1

Subsidiaries of Align Technology, Inc.

The registrant's principal subsidiaries as of December 31, 2018, are as follows:

Entity
Align Tech De Costa Rica, Costa Rica
Align Technology, B.V., Netherlands
Aligntech de Mexico, S. de, Mexico
Align Technology, Inc., Delaware
Align Tech (Shanghai), China

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-214493, No. 333-190351, No. 333-143319, No. 333-134477, No. 333-125586, No. 333-161054, No. 333-176134, No. 333-168548, No. 333-116912, No. 333-82874) of Align Technology, Inc. of our report dated February 28, 2019 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 28, 2019

Exhibit 31.1

CERTIFICATIONS

I, Joseph M. Hogan, certify that:

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

Date: February 28, 2019

/S/ JOSEPH M. HOGAN

Joseph M. Hogan
President and Chief Executive Officer

Exhibit 31.2

I, John F. Morici, certify that:

1. I have reviewed this annual report on Form 10-K of Align Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: February 28, 2019

/S/ JOHN F. MORICI

John F. Morici

Chief Financial Officer and Senior Vice President, Global Finance

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Align Technology, Inc. (the "Company") on Form 10-K for the period ending December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

	By:	/S/ JOSEPH M. HOGAN
Date: February 28, 2019	**Name:**	**Joseph M. Hogan**
	Title:	***President and Chief Executive Officer***

In connection with the Annual Report of Align Technology, Inc. (the "Company") on Form 10-K for the period ending December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

	By:	/S/ JOHN F. MORICI
Date: February 28, 2019	**Name:**	**John F. Morici**
	Title:	***Chief Financial Officer and Senior Vice President, Global Finance***